

AMENDED IN SENATE JULY 8, 1999
AMENDED IN SENATE JUNE 28, 1999
AMENDED IN SENATE JUNE 7, 1999
AMENDED IN ASSEMBLY APRIL 29, 1999
AMENDED IN ASSEMBLY MARCH 22, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 509

Introduced by Assembly Member Calderon

February 18, 1999

An act to add Section 116.5 to the Insurance Code, relating to automotive lubricant product warranties.

LEGISLATIVE COUNSEL'S DIGEST

AB 509, as amended, Calderon. Insurance: automotive lubricant product warranties.

Existing law defines automobile insurance to include any warranty or guaranty that promises service, maintenance, parts replacement, repair, money, or any other indemnity in the event of loss or damage to a motor vehicle or any part thereof from any cause.

This bill would exclude from that definition an agreement promising repair or replacement of a motor vehicle or part thereof subsequent to a mechanical or electrical breakdown, where the repair or replacement is at either no cost or a reduced cost for the agreement holder, if the obligor is a

manufacturer of motor vehicle lubricants, treatments, fluids, or additives, subject to certain specified conditions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 116.5 is added to the Insurance
2 Code, to read:

3 116.5. Notwithstanding Section 116, an agreement
4 promising repair or replacement of a motor vehicle or
5 part thereof subsequent to a mechanical or electrical
6 breakdown, where the repair or replacement is at either
7 no cost or a reduced cost for the agreement holder, shall
8 not constitute automobile insurance if the obligor is a
9 manufacturer of motor vehicle lubricants, treatments,
10 fluids, or additives, provided that all of the following
11 apply:

12 (a) The agreement covers only parts directly in
13 contact with the lubricant, treatment, fluid, or additive
14 that is manufactured by the obligor, or parts mechanically
15 connected to those parts.

16 ~~(b) The obligor, either alone or with its parent~~
17 ~~company, maintains a tangible net worth of fifty million~~
18 ~~dollars (\$50,000,000) and has filed with the commissioner~~
19 ~~a copy of the obligor's financial statement or the obligor's~~
20 ~~parent company's financial statement. The financial~~
21 ~~statement shall be the most recent Form 10-K filed with~~
22 ~~the Securities and Exchange Commission within the last~~
23 ~~calendar year, or if the obligor is not required to file its~~
24 ~~financial statements with the Securities and Exchange~~
25 ~~Commission, a copy of the obligor's audited financial~~
26 ~~statement, prepared by a certified public accountant~~
27 ~~licensed in a state of the United States, that shows a~~
28 ~~tangible net worth of the obligor or its parent company~~
29 ~~of at least fifty million dollars (\$50,000,000). If the~~
30 ~~obligor's parent company's Form 10-K or audited~~
31 ~~financial statements are filed to meet the obligor's~~
32 ~~financial stability requirement, then the parent company~~



1 ~~shall agree to guarantee the obligations of the obligor~~
2 ~~relating to agreements of the obligor in this state.~~

3 ~~(e)~~

4 (b) No separately stated consideration is paid for the
5 agreement by the agreement holder.

6 ~~(d)~~

7 (c) The agreement is in writing and includes all of the
8 following:

9 (1) A disclosure in 10-point type or larger that reads as
10 follows: "This agreement is a product warranty and is not
11 insurance. It is not subject to state insurance laws but is
12 subject to state laws concerning warranties. You must use
13 the product as instructed in order to receive the benefit
14 of the warranty."

15 (2) A disclosure of the year in which the obligor began
16 doing business in this state.

17 (3) A toll-free telephone number for the
18 agreementholder to call should there be a question or
19 problem about the lubricant, treatment, fluids, or
20 additives or the warranty.

