

## Assembly Bill No. 509

### CHAPTER 238

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

[Approved by Governor August 26, 1999. Filed with Secretary of State August 27, 1999.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 509, 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.

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

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

116.5. Notwithstanding Section 116, 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, shall not constitute automobile insurance if the obligor is a manufacturer of motor vehicle lubricants, treatments, fluids, or additives, provided that all of the following apply:

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

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

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

(1) A disclosure in 10-point type or larger that reads as follows: "This agreement is a product warranty and is not insurance. It is not subject to state insurance laws but is subject to state laws concerning



warranties. You must use the product as instructed in order to receive the benefit of the warranty.”

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

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

