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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

December 21, 1982

ADMINISTRATIVE
LETTER 1982-16

TO: ALL PROPERTY AND CASUALTY COMPANIES LICENSED TO WRITE
LIABILITY OTHER THAN AUTOMOBILE INSURANCE IN VIRGINIA

RE: Vehicle Service Contract Reimbursement Policies -
Contractual Liability Insurance

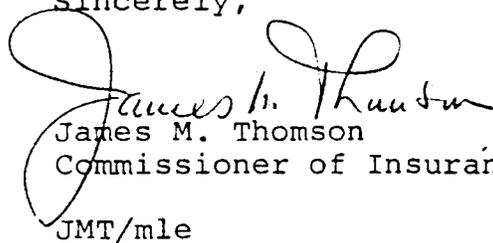
Administrative Letter 1982-10 dated May 20, 1982 outlined the Bureau's position with regard to "Motor Vehicle Service Contracts". A number of insurance companies have filed and received approval for the use of contractual liability policies, which cover losses sustained by dealers who issue motor vehicle service contracts. In view of the Bureau's opinion that the contract offered by the manufacturer or seller is more in the nature of a warranty than insurance, these motor vehicle service contracts are not subject to our review or approval. Therefore, the warranty itself should not be attached as a part of the contractual liability policy. If it is to be attached, it should be as a reference item only.

When the warranty attaches to and forms a part of the contractual liability policy, it becomes insurance and, as such, would be subject to the Bureau's regulation. Additionally, manufacturers and sellers who issue these warranties would be subject to the Bureau's regulation and licensing requirements since they would then be selling policies of insurance.

Any insurance company who has made or who intends to make a contractual liability filing should be sure that when the policy specifies attachment of the warranty to the policy, it must specify that the warranty is not a part of the policy and that such is attached for reference purposes only. Otherwise, the warranty becomes a part of the policy and is subject to our regulation and so is the method of selling this product. Although Administrative Letter 1982-10 dealt with motor vehicles, the same position would apply to contractual liability policies covering other warranties such as manufacturer or dealer warranties on motorcycles, watercraft, or any other item.

Those companies who have already received approval of a contractual liability policy should forthwith file any amendments necessary to correct their intent as respects the warranty.

Sincerely,


James M. Thomson
Commissioner of Insurance

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