

VEHICLE PROTECTION PRODUCT ACT (EXCERPT)
Act 263 of 2005

257.1249 Warranty reimbursement insurance policy; other financial security requirements or financial standards not required; additional requirements.

Sec. 9.

(1) Every warranted product sold or offered for sale in this state shall have a warranty reimbursement insurance policy guaranteeing the warrantor's obligations under the warranty to the warranty holder. The department shall not require any other financial security requirements or financial standards from a warrantor.

(2) In addition to the requirements described in section 11, a warranty reimbursement insurance policy provided by a vehicle protection product warrantor for purposes of subsection (1) must meet all of the following:

(a) Be filed with the department.

(b) Provide that the insurer will reimburse or pay on behalf of the warrantor all covered sums that the warrantor is legally obligated to pay or will provide all services the warrantor is legally obligated to perform according to the warrantor's contractual obligations under the warrantor's vehicle protection product warranty.

(c) Provide that if payment due under the warranty is not provided by the warrantor within 60 days after the warranty holder files proof of loss according to the terms of the warranty, the warranty holder may file proof of loss directly with the warranty reimbursement insurance company for reimbursement.

(d) Provide that the premium for the policy is considered paid if the warranty holder paid for the warranted product and the insurer's liability under the policy is not reduced or relieved by a failure of the warrantor, for any reason, to report the issuance of a warranty to the insurer.

(e) Contain all of the following provisions regarding cancellation of the policy:

(i) That the issuer of the reimbursement insurance policy shall not cancel that policy until a notice of cancellation in writing has been mailed or delivered to the department and each insured warrantor.

(ii) That the cancellation of the reimbursement insurance policy shall not reduce the issuer's responsibility for warranted products sold before the date of cancellation.

(iii) That if an insurer cancels a policy that a warrantor has filed with the department, the warrantor shall do 1 of the following:

(A) File a copy of a new policy with the department before the termination of the prior policy so there is no lapse in the warranty holder's coverage after the termination of the prior policy.

(B) Discontinue acting as a warrantor as of the termination date of the policy until a new policy becomes effective and is accepted by the department.

History: 2005, Act 263, Eff. June 14, 2006