



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

One South Station • Boston, MA 02110-2208  
(617) 521-7794 • FAX (617) 521-7475  
TTY/TDD (617) 521-7490  
<http://www.mass.gov/doi>

DEVAL L. PATRICK  
GOVERNOR

TIMOTHY P. MURRAY  
LIEUTENANT GOVERNOR

DANIEL O'CONNELL  
SECRETARY OF HOUSING AND  
ECONOMIC DEVELOPMENT

DANIEL C. CRANE  
DIRECTOR

NONNIE S. BURNES  
COMMISSIONER OF INSURANCE

**Property & Casualty Insurance**  
**Filing Guidance Notice 2008-I**

TO: Insurers Offering Property and Casualty Insurance in Massachusetts

FROM: Edward Charbonnier, Director, Policy Form Review

DATE: December 4, 2008

RE: Warranty Reimbursement Insurance Policies to be issued with Vehicle Protection Product Warranties

---

The purpose of this notice is to remind property and casualty insurers of statutory requirements for vehicle protection product warranties pursuant to Chapter 438 of the Acts of 2006 (Chapter 438) and M.G.L. Chapter 174C, effective June 1, 2007. Chapter 174C provides that every vehicle protection product warranty must be backed by a warranty reimbursement insurance policy unless the company offering the warranty meets rigid financial conditions that may permit the company to self-insure the risk of paying warranty claims.

A vehicle protection product is a device, system or service installed on or applied to a vehicle that is designed to prevent loss or damage to the vehicle from a specific cause, and sold with a vehicle protection product warranty. Such products include, but are not limited to, alarm systems, body part marking products, steering locks, window etch products, pedal and ignition locks, fuel and ignition kill switches and electronic, radio, and satellite tracking devices. It also provides that the warranties offered with these protection products be subject to oversight by the Secretary of the Commonwealth. Chapter 438 requires that such products be backed by warranty reimbursement insurance policies filed with the Division of Insurance and issued by insurers licensed in the Commonwealth. Chapter 438 also requires that the vehicle protection product warranties have associated warranty reimbursement insurance policies in the event that the company making the warranty cannot meet the minimum financial conditions required by the law to self-insure potential losses and provide consumers of these products relief in the event the sellers/warrantors are unwilling or unable to pay the requisite claims. The holder of a warranty backed by a warranty reimbursement insurance policy must be able to receive benefits directly from the insurer issuing the policy should the seller/warrantor default on its underlying

obligation. As such, the law requires that all warranty reimbursement insurance policies backing vehicle protection products state the following:

- (1) the insurer issuing the warranty reimbursement insurance policy shall, in the event of a warrantor's failure to do so, reimburse or pay on behalf of the warrantor all incidental costs that the warrantor is legally obligated to pay or shall provide the service that the warrantor is legally obligated to perform under the vehicle protection product warranty; and
- (2) if the warrantor fails to perform under the terms of the warranty within 60 days of a request for payment or services, the warranty holder may seek payment or services directly from the insurer through the warrantor's warranty reimbursement insurance policy and the insurer shall make payment or provide services directly to the warranty holder on behalf of the warrantor.

The full text of the law can be found at: <http://www.mass.gov/legis/laws/mgl/174c-1.htm>

Please note that the Division's instructions for filing property and casualty forms, rules and rates can be accessed at the Policy Form and Rate Filings section of the Division's website<sup>1</sup>. If you have any questions regarding the application of this law, or submitting filings to respond to it, please contact Edward Charbonnier, Director of the Policy Form Review Unit at (617) 521-7481 or via e-mail at [edward.charbonnier@state.ma.us](mailto:edward.charbonnier@state.ma.us)

---

1

<http://www.mass.gov/?pageID=ocasubtopic&L=7&L0=Home&L1=Licensee&L2=License+Types%2c+Forms+%26+Requirements&L3=Insurance&L4=Insurance+Companies&L5=Policy+Form+and+Rate+Filing&L6=Property+%26+Casualty+Insurance+Forms+and+Rates&sid=EocaDir>