

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6742

BILL NUMBER: HB 1214

NOTE PREPARED: Jan 29, 2008

BILL AMENDED:

SUBJECT: Vehicle Protection Products.

FIRST AUTHOR: Rep. GiaQuinta

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a vehicle protection product warrantor must register with the Department of Insurance (DOI) before doing business. The bill provides for a fee for issuance of a registration.

It specifies conditions for sale of a vehicle protection product by a warrantor, including that a warrantor must be insured under a warranty reimbursement insurance policy before a sale may occur. The bill specifies (1) conditions for a warranty reimbursement insurance policy; and (2) terms of a vehicle protection product warranty.

The bill provides for sanctions and administrative penalties for failure to comply with these requirements, terms, and conditions.

Effective Date: July 1, 2008.

Explanation of State Expenditures: A person who operates as a warrantor must annually register with the DOI. The DOI Commissioner may conduct examinations of warrantors, administrators, or other persons to enforce registration and protect warranty holders. The DOI may also adopt rules. The impact that these provisions will have on the DOI will depend on the number of warrantors that register and enforcement actions needed. The DOI may need an additional staff person to implement the provisions of the bill. Personnel costs, including fringe benefits and indirect costs, are estimated at around \$44,000 per year.

In 2007, the DOI reverted \$25 in state General Fund revenue.

Explanation of State Revenues: *Fees.* DOI must establish a fee for the issuance or renewal of the annual registration. The fee may not exceed \$250 for either the initial registration or the annual renewal. Fees collected must be deposited in the DOI Insurance Fund. If 175 warrantors paid annual registration fees, the DOI would collect about \$44,000, which would cover the costs of one personnel.

Civil Penalties. The Commissioner may order the warrantor to pay the DOI a civil penalty in an amount determined by the commissioner of not more than \$500 per violation and not more than \$10,000 total. Civil penalties collected under this provision must be deposited in the DOI Insurance Fund.

Court Fee Revenue: The Commissioner may bring a civil action in the name of the state through the Attorney General (AG), in a circuit or superior court having jurisdiction in a county in which the warrantor does business or in which the property or business of a person may suffer loss or injury from the warrantor, to restrain the warrantor from commencing or continuing to violate provisions of the bill or rules adopted. If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$17), public defense administration fee (\$3), court administration fee (\$3), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: DOI; AG.

Local Agencies Affected: Trial courts, city and town courts.

Information Sources: DOI.

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