

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 273 – SB 545

March 6, 2017

SUMMARY OF ORIGINAL BILL: Expands the types of service contracts not to be construed as business of insurance, as identified in Tenn. Code Ann. § 56-2-126, to include or provide the following services:

- The repair or replacement of tires or wheels on a motor vehicle damaged as a result of coming into contact with road hazards;
- The removal of dents, dings, or creases on a motor vehicle that can be repaired using the process of paintless dent removal without affecting the existing paint finish and without replacing vehicle body panels, sanding, bonding, or painting;
- The repair of chips or cracks in, or the replacement of, motor vehicle windshields as a result of damage caused by road hazards; or
- The replacement of a motor vehicle key or key-fob in the event that the key or key-fob becomes inoperable or is lost or stolen.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Commerce Impact – Businesses that elect to offer these types of contracts will generate an unknown amount of revenue and will incur an unknown amount of business expenditures; however, market participants are expected to earn a profit. Any impact to jobs in Tennessee is considered positive; however, the extent to which it may be positive is unknown.

SUMMARY OF AMENDMENT (004437): Deletes and replaces all language after the enacting clause without making any substantive changes to the legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

HB 273 – SB 545

Assumptions for the bill as amended:

- Based on information provided by the Department of Commerce and Insurance (TDCI), this legislation may result in companies offering services traditionally determined to be contracts for insurance as non-insurance service contracts.
- This legislation is not expected to result in any significant decrease in premiums collected by casualty insurance companies in this state which offer policies for motor vehicle coverage; therefore, no significant impact on premium tax revenue collections.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

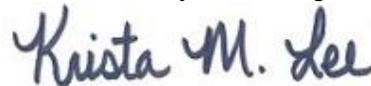
Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Companies which offer service contracts will experience an increase in revenue to the extent that customers are incentivized to purchase service contracts which offer the expanded services enumerated in this legislation, and will encounter expenses associated with the provision of services offered by such contracts. The extent of business revenue and business expenditures is unknown; however, such businesses are assumed to earn a profit for they would not enter the market if the presumption was otherwise.
- The overall impact on jobs in Tennessee is considered positive but unknown.
- This legislation will have no significant impact upon casualty insurance companies in this state which offer policies for motor vehicle coverage.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb