

WEST VIRGINIA LEGISLATURE

2018 REGULAR SESSION

Committee Substitute

for

House Bill 4186

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[Introduced January 18, 2018; Referred to the
Committee on Banking and Insurance then the
Judiciary. Reported on February 6, 2018.]

1 A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new section,
2 designated §33-4-22, relating generally to guaranteed asset protection waivers; providing
3 short title, purpose, legislative intent, and applicability of section; defining certain terms;
4 specifying requirements for offering guaranteed asset protection waivers; requiring
5 contractual liability or other insurance policies on guaranteed asset protection waivers in
6 certain circumstances; requiring certain disclosures; providing for cancellation or non-
7 cancellation; specifying requirements upon cancellation in certain circumstances;
8 exempting certain requirements in commercial transactions; excluding waivers from
9 consumer sales and service tax; and, providing an effective date.

Be it enacted by the Legislature of West Virginia:

ARTICLE 4. GENERAL PROVISIONS.

§33-4-22. Guaranteed Asset Protection Waivers.

1 (a) Short title. – This section may be cited as the “Guaranteed Asset Protection Waiver
2 Act.”

3 (b) Purpose. – The purpose of this section is to provide a framework within which
4 guaranteed asset protection waivers are defined and may be offered within this state.

5 (c) Legislative intent. – The Legislature finds that guaranteed asset protection waivers are
6 not insurance and are not subject to the provisions of this chapter, except as provided in this
7 section. It is further the intent of the Legislature that all guaranteed asset protection waivers issued
8 after the effective date of this section may not be construed as insurance and that persons
9 marketing, administering, selling, or offering to sell guaranteed asset protection waivers are not
10 required to comply with insurance licensing requirements.

11 (d) Applicability. – This section does not apply to:

12 (1) An insurance policy offered by an insurer under the insurance laws of this state; or

13 (2) A debt cancellation or debt suspension contract being offered in compliance with 12

14 C.F.R. §37.1, et seq., 12 C.F.R. §721.1, et seq., or other federal law.

15 (e) Waivers not insurance; exemption from licensing requirement. – Guaranteed asset
16 protection waivers governed by, and issued after the effective date of this section, are not
17 insurance and are exempt from the insurance laws of this state. Persons marketing,
18 administering, selling, or offering to sell guaranteed asset protection waivers to borrowers that
19 comply with this section are exempt from this state’s insurance licensing requirement with regard
20 to the marketing, selling or offering to sell guaranteed asset protection waivers.

21 (f) Definitions. – The following terms are defined for purposes of this section. These terms
22 are not intended to be used or required in guaranteed asset protection waivers.

23 (1) “Administrator” means a person, other than an insurer or creditor, who performs
24 administrative or operational functions pursuant to guaranteed asset protection waiver programs.
25 Administrative or operational functions may include, but are not limited to:

26 (A) Document development, processing, and support;

27 (B) Compliance Services;

28 (C) Waiver fee processing;

29 (D) Benefit determination and processing;

30 (E) Procurement and administration of the contractual liability or other insurance policy;

31 (F) Technology support; or

32 (G) Personnel support.

33 (2) “Borrower” means a debtor, retail buyer, or lessee under a finance agreement.

34 (3) “Contractual liability” means a contract or other agreement that obligates a third party
35 to indemnify a creditor under (g)(4) of this section and is insurance under the insurance laws of
36 this state.

37 (4) “Creditor” means:

38 (A) The lender in a loan or credit transaction;

39 (B) The lessor in a lease transaction;

40 (C) A retail dealer of motor vehicles licensed under §17A-6-1 et seq. of this code, that
41 provides credit to buyers as part of a retail sale, provided the dealer complies with the
42 requirements of this section;

43 (D) The seller in a commercial retail installment transaction; or

44 (E) The assignees of any of the foregoing persons to whom the credit obligation is payable.

45 (5) "Finance agreement" means a loan, lease, or retail installment sales contract for the
46 purchase or lease of a motor vehicle.

47 (6) "Free look period" means the period of time from the effective date of the guaranteed
48 asset protection waiver until the date the borrower may cancel the contract without penalty, fees,
49 or costs to the borrower. This period of time may not be less than thirty days.

50 (7) "Guaranteed asset protection waiver" means a contractual agreement that is part of or
51 a separate addendum to the finance agreement in which a creditor agrees, upon payment of a
52 separate charge, to cancel or waive all or part of amounts due to it on a borrower's finance
53 agreement if there is a total physical damage loss or unrecovered theft of a motor vehicle. A
54 guaranteed asset protection waiver is not insurance due to the purchase, administration, or
55 operation of the contractual liability or other insurance policy authorized under subdivision (g)(4)
56 of this section.

57 (8) "Insurer" means an insurance company required to be licensed, registered, or
58 otherwise authorized to do business under the insurance laws of this state.

59 (9) "Motor vehicle" means a self-propelled or towed vehicle designed for personal or
60 commercial use, including, but not limited to, an automobile, truck, motorcycle, recreational
61 vehicle, all-terrain vehicle, snowmobile, camper, boat, or personal watercraft, and the trailer used
62 to transport a motorcycle, boat, camper, or personal watercraft.

63 (10) "Person" includes an individual, company, association, organization, partnership,
64 limited liability company, business trust, corporation, and every form of legal entity.

65 (g) Requirements for offering guaranteed asset protection waivers. –

66 (1) Guaranteed asset protection waivers may be offered, sold, or provided to borrowers in
67 this state in compliance with this section.

68 (2) Guaranteed asset protection waivers may, at the option of the creditor, be sold for a
69 single payment or may be offered with a monthly or periodic payment option.

70 (3) Notwithstanding any other provision of law, any cost to the borrower for a guaranteed
71 asset protection waiver entered into in compliance with the Truth in Lending Act, 15 U.S.C. §1601,
72 et. seq., must be separately stated and may not be considered a finance charge or interest.

73 (4) A retail dealer of motor vehicles shall insure its guaranteed asset protection waiver
74 obligations under a contractual liability or other insurance policy issued by an insurer. A creditor,
75 other than a retail dealer of motor vehicles, may insure its guaranteed asset protection waiver
76 obligations under a contractual liability policy or similar policy issued by an insurer. The insurance
77 policy may be directly obtained by a creditor, a retail dealer of motor vehicles or may be procured
78 by an administrator to cover a creditor's or retail dealer's obligations: *Provided*, That retail dealers
79 of motor vehicles that are lessors of motor vehicles are not required to insure obligations related
80 to guaranteed asset protection waivers on leased vehicles.

81 (5) The guaranteed asset protection waiver remains a part of the finance agreement upon
82 the assignment, sale, or transfer of the finance agreement by the creditor.

83 (6) The extension of credit, the terms of credit or the terms of the related motor vehicle
84 sale or lease may not be conditioned upon the purchase of a guaranteed asset protection waiver.

85 (7) A creditor that offers a guaranteed asset protection waiver shall report the sale of and
86 forward funds received on all guaranteed asset protection waivers to the designated party, if any,
87 as prescribed in any applicable administrative services agreement, contractual liability policy,
88 other insurance policy, or other specified program document.

89 (8) Funds received or held by a creditor or administrator and belonging to an insurer,
90 creditor, or administrator, pursuant to the terms of a written agreement must be held by the
91 creditor or administrator in a fiduciary capacity.

92 (h) Contractual liability or other insurance policies. –

93 (1) Contractual liability or other insurance policies insuring guaranteed asset protection
94 waivers must state the obligation of the insurer to reimburse or pay to the creditor any sums the
95 creditor is legally obligated to waive under the guaranteed asset protection waivers issued by the
96 creditor and purchased or held by the borrower.

97 (2) Coverage under a contractual liability or other insurance policy insuring a guaranteed
98 asset protection waiver must also cover any subsequent assignee upon the assignment, sale, or
99 transfer of the finance agreement.

100 (3) Coverage under a contractual liability or other insurance policy insuring a guaranteed
101 asset protection waiver must remain in effect unless canceled or terminated in compliance with
102 applicable insurance laws of this state.

103 (4) The cancellation or termination of a contractual liability or other insurance policy may
104 not reduce the insurer's responsibility for guaranteed asset protection waivers issued by the
105 creditor prior to the date of cancellation or termination and for which premiums have been received
106 by the insurer.

107 (i) Disclosures. –

108 Guaranteed asset protection waivers must disclose, as applicable, in writing and in clear,
109 understandable language, the following:

110 (A) The name and address of the initial creditor and the borrower at the time of sale and
111 the identity of any administrator if different from the creditor;

112 (B) The purchase price and the terms of the guaranteed asset protection waiver, including
113 without limitation the requirements for protection, conditions, or exclusions associated with the
114 guaranteed asset protection waiver;

115 (C) That the borrower may cancel the guaranteed asset protection waiver within a free
116 look period as specified in the waiver, and may receive a full refund of the purchase price, so long
117 as no benefits have been provided under the waiver; or if benefits have been provided, the

118 borrower may receive a full or partial refund pursuant to the terms of the guaranteed asset
119 protection waiver;

120 (D) The procedure a borrower must follow, to obtain guaranteed asset protection waiver
121 benefits under the terms and conditions of the waiver, including a telephone number and address
122 where the borrower may initiate activation of waiver benefits. During the period of time from
123 borrower's notice of total physical loss or unrecovered theft of the motor vehicle, pending final
124 resolution of the initiation to activate guaranteed asset waiver protection benefits, all monthly
125 payments due for guaranteed asset protection waiver benefits, if any, are suspended, but not
126 waived.

127 (E) Whether the guaranteed asset protection waiver may be canceled after the free look
128 period and the conditions under which it may be canceled or terminated, including the procedures
129 for requesting any refund due;

130 (F) That in order to receive any refund due if a borrower cancels the guaranteed asset
131 protection waiver agreement or early termination of the finance agreement after the free look
132 period of the guaranteed asset protection waiver, the borrower, in accordance with terms of the
133 waiver, shall provide a written request to cancel to the creditor, administrator, or other party as
134 specified in the guaranteed asset protection waiver. If a borrower is canceling the guaranteed
135 asset protection waiver due to early termination of the finance agreement, the borrower shall
136 provide a written request to the creditor, administrator, or other party within ninety days of the
137 occurrence of the event terminating the finance agreement;

138 (G) The methodology for calculating any refund of the unearned purchase price of the
139 guaranteed asset protection waiver due if there is cancellation of the guaranteed asset protection
140 waiver or early termination of the finance agreement; and

141 (H) That neither the extension of credit, the terms of the credit, nor the terms of the related
142 motor vehicle sale or lease, may be conditioned upon the purchase of the guaranteed asset
143 protection waiver.

144 (i) Cancellation. –

145 (1) Guaranteed asset protection waiver agreements may be cancellable or non-
146 cancellable after the free look period. Guaranteed asset protection waivers must provide that if a
147 borrower cancels a guaranteed asset protection waiver within the free look period, so long as no
148 benefits have been provided, the borrower is entitled to a full refund of the purchase price. If
149 benefits have been provided, the borrower may receive a full or partial refund pursuant to the
150 terms of the guaranteed asset protection waiver;

151 (2) If the borrower cancels the guaranteed asset protection waiver or terminates the
152 finance agreement early but after the agreement has been in effect beyond the free look period,
153 the borrower may receive a refund of any unearned portion of the purchase price of the
154 guaranteed asset protection waiver unless the guaranteed asset protection waiver provides
155 otherwise. In order to receive a refund, the borrower, in accordance with any applicable terms of
156 the waiver, shall provide a written request to the creditor, administrator, or other party. If the
157 borrower is canceling the guaranteed asset protection waiver due to the early termination of the
158 finance agreement, the borrower shall provide a written request within ninety days of the event
159 terminating the finance agreement;

160 (3) If the cancellation of a guaranteed asset protection waiver occurs as a result of a
161 default under the finance agreement, or the repossession of the motor vehicle associated with
162 the finance agreement, or any other termination of the finance agreement, any refund due may
163 be paid directly to the creditor or administrator and applied as set forth in subdivision (4) of this
164 subsection (i), below;

165 (4) A cancellation or termination refund under subdivision (1), (2), or (3) of this subsection
166 (i) may be applied by the creditor as a reduction of the amount owed under the finance agreement,
167 unless the borrower can show that the finance agreement has been paid in full.

168 (k) Commercial transaction exempted. – Subsections (g), (h), and (i) of this section do not
169 apply to a guaranteed asset protection waiver offered in connection with a lease or retail
170 installment sale associated with a “commercial transaction.”

171 (l) Effective date. — This section shall apply to all guaranteed asset protection waivers
172 which become effective on or after July 1, 2018.