



STATE OF NEW YORK
INSURANCE DEPARTMENT
ONE COMMERCE PLAZA
ALBANY, NY 12257

George E. Pataki
Governor

Howard Mills
Superintendent

Circular Letter No. 19 (2006)
September 27, 2006

TO: Tire manufacturers, automobile manufacturers and existing service contract providers currently offering coverage in New York State for the repair or replacement of a motor vehicle tire or wheel due to a road hazard.

RE: Amendment to Article 79 of the New York State Insurance Law.

STATUTORY REFERENCE: New York State Insurance Law Section 7902(k)

Effective July 26, 2006, New York State Insurance Law Section 7902(k) was amended to expand the definition of "service contract" to provide that "[s]uch term shall also mean a contract or agreement made by or for the manufacturer or seller of a motor vehicle tire for repair or replacement of the tire or wheel as the result of damage arising from a road hazard."

Prior to this amendment, the assumption of an obligation to cover damages caused by road hazard constituted the doing of an insurance business and no person could offer such coverage for damages due to road hazard unless it was licensed as an insurer. The effect of the inclusion of road hazard coverage as a permitted coverage under a service contract exempts from the requirement of being authorized as an insurer certain persons offering road hazard coverage provided that they are registered as service contract providers.

However, the law permits only the manufacturer or seller of a motor vehicle tire, or a third party acting for the manufacturer or seller, to offer as a registered service contract provider road hazard coverage under a service contract. Any other person offering such coverage must become licensed as an insurer.

Every manufacturer or seller of a motor vehicle tire, or other person acting for the manufacturer or seller, who provides coverage in New York State for the repair or replacement of a motor vehicle tire or wheel due to damage from a road hazard must be registered with the Superintendent as a service contract provider under Section 7907 of the New York State Insurance Law, unless appropriately licensed as an insurer.

Any person who currently provides such tire and wheel coverage in New York State but who is not either licensed as an insurer or registered as a service contract provider must submit an application to the Department either to become licensed as an insurer or to register as a service contract provider under Section 7907 of the New York State Insurance Law, as appropriate, no later than December 1, 2006.

If you have any questions about the statutory requirements for registration as a service contract provider, such as for the demonstration of financial responsibility, you may contact Tim Verhaegen at tverhaeg@ins.state.ny.us.

The application for registration as a service contract provider can be found at <http://www.ins.state.ny.us/servcntr.htm> or you may call (518) 474-6630 if you wish to receive a hard copy of the application.

Very Truly Yours,

Salvatore Castiglione
Assistant Deputy Superintendent and Chief Examiner
Consumer Services Bureau/Licensing Services Bureau