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HB 120 SPONSOR STATEMENT

Service Contract Sales Are Not Insurance

The last administration and its director of the Division of Insurance concluded that service contracts are considered insurance.

Service contracts have not been an area of consumer complaint in Alaska. Leaving the interpretation of service contracts to the will of an administration could eliminate the willingness of manufacturers to offer such contracts in Alaska.

In a 1980, Attorney General's Opinion, Avrum Gross set out guidelines for determining whether a prepaid legal services plan was insurance. He determined it was not. One determinate was that the "plan was principally engaged in offering service, not in indemnifying against risks."

Twenty states have adopted statutes or regulations treating service contracts as separate and distinct from insurance, but have done so by adopting provisions that require more government and more regulation overview. These states include Washington, Illinois, Texas, South Carolina, New York, Nevada, Wyoming and others.

[HB 120](#) exempts service contracts from [Title 21](#), regarding insurance. Six other states, Idaho, Montana, Nebraska, North Dakota, South Dakota and West Virginia, have taken the same approach as HB 120 and exempted service contracts from insurance statutes rather than creating more bureaucracy.