

**AUTOMOBILE SERVICE CONTRACTS  
AND  
REIMBURSEMENT INSURANCE CONTRACTS**

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To eliminate uncertainty regarding whether an automobile service contract issued by an automobile dealer or third party administrator constitutes insurance under Indiana law, the Department of Insurance states its position regarding such contracts as follows:

When an automobile manufacturer issues a service contract regarding an automobile that it manufactured or a third party administrator provides services in connection with such a contract issued by an automobile manufacturer, neither such contract nor such services constitute insurance under Indiana law. Furthermore, when an entity other than an automobile manufacturer issues an automobile service contract, such a contract does not constitute insurance, provided that the contract includes the following provisions, or provisions substantially similar to the following provisions:

- (1) The obligation to pay for repair (including services and replacement parts) of the automobile specified in the contract must be insured by a reimbursement insurance policy, and the service contract must identify the name, address, and telephone number of the insurer issuing the reimbursement insurance policy.
- (2) If a party requesting automobile repair under such a contract does not receive authorization or denial of repair within sixty (60) days from the date of the request for repair, then the party requesting repair may claim for such repair directly against the insurer that issued the reimbursement insurance policy.
- (3) Regarding payment for a service contract, proof of payment to an automobile dealer or third party administrator that issued such a contract constitutes proof of payment to the insurer that issued the reimbursement insurance policy for such contract.

The reimbursement insurance policy for such an automobile service contract constitutes insurance under Indiana law, and any such policies issued, or delivered for issue, in Indiana, together with all related written contracts between the insurer issuing such a policy and an automobile dealer or third party administrator, must be submitted for review to the Department of Insurance. The Department will not stamp "filed" for use such an automobile service contract program unless the insurer will completely and fully reimburse the insured for all repair costs incurred under the automobile service contract. Such a reimbursement program may not require an automobile dealer or third party administrator to assume any portion of direct or first dollar liability for repairs under an automobile service contract before the insurer participates in claim payment. Similarly, such a reimbursement program may not impose on an automobile dealer or third party administrator a requirement that claims exceed reserves before the insurer participates in claim payment.

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Insurance Commissioner