

**Testimony on House Bill 351, Printer's #401
From the Pennsylvania Retailers' Association
By Brian A. Rider, President & CEO**

**House Insurance Committee
Public Hearing on House Bill 351**

**Thursday, June 5, 2008
Harrisburg, PA**

Chairman DeLuca and Chairman Micozzie,

On behalf the Pennsylvania Retailers Association (PRA), I would like to thank you for the opportunity to offer these comments regarding H.B. 351 to the House Insurance Committee. The PRA is comprised of retail merchants across Pennsylvania, who engage in the retail sale of all types of merchandise to consumers throughout the Commonwealth. As such, a portion of the PRA's membership is concerned over H.B. 351's proposed impact on their operations. Under H.B. 351, the type of activity which would be regulated is a small portion of the PRA member's regular activity. Accordingly, the activity does not warrant an extra layer of review where there have been few consumer problems reported regarding payment on claims made under service contracts purchased from larger retailers. It should be noted that the PRA supports S.B. 1254, P.N. 1841 in its current form, which addresses service contracts as not being regulated as an insurance product.

Unlike some of the proposed entities to be regulated by H.B. 351, the sale of service contracts is not the core function or basis of the large retailers' operations. A small portion of total sales come from the sale of service contracts verses other retail goods or products sold. Because the sale of service contracts is not the core business, the potential claims on the service contract portion of the retailers' business are small enough verses total assets available that these retailers would have sufficient capital available to make payment on the claims owed. Numerous, larger, non-automotive retailers have sufficient capital to pay claims for service contracts offered on goods sold by such larger retailers.

Therefore, the PRA would respectfully suggest an amendment to H.B. 351 for review and consideration (attached). The PRA recommends that larger retailers be exempt from the requirements of H.B. 351, as provided in the attached amendment. These larger retailers have sufficient total assets to allow for payments of service contract claims made on items sold. As such, regulation of their activity to ensure payment of claims could be better spent in those consumer areas where service contract claims payment has been much more problematic.

We appreciate this opportunity to present the view of the PRA to the House Insurance Committee on H.B. 351. Please do not hesitate to contact us if you have any questions regarding this proposed amendment. Thank you for your continued support of the retail industry in Pennsylvania.

Pennsylvania Retailers Association
Proposed Amendment to
H.B. 351, Printer's No. 401

Amend Section 4 at page 5, between lines 26 and 27 by adding the following subsection:

(7) Service contracts sold or offered for sale by a corporation, partnership or other entity which is not a motor vehicle manufacturer and which, together with any parent entity owning directly or indirectly a controlling interest in the corporation, partnership or other entity:

- (a) has total assets in excess of \$100 million, or
- (b) has net sales in excess of \$1 billion;

and has sold service contracts for a period of at least five (5) years.