

FW: CA AB 2912

Les Swizer <lswizer@cncda.org>

Thu 10/6/2022 4:39 PM

To: Travis Moore <travis@ppami.com>

Cc: Anthony Bento <abento@cncda.org>

Travis,

Anthony asked me to follow up with you on the inquiry below regarding AB 2912.

Generally, a factory or manufacturer warranty on a new vehicle begins when the vehicle is put into service. Most manufacturers consider the car put into service either when the vehicle is reported to the manufacturer as sold, or when the vehicle is put into service as a demonstrator, executive vehicle, loaner, etc.

If a new vehicle is being reported to the manufacturer as sold when the vehicle is delivered to the customer, dealers should not have any issues, as the process is already organically compliant with the new law. Further, any demonstrator or executive vehicle would not be able to be sold as a new vehicle, and thus any express warranty given upon a sale would likely be the remaining factory warranty, the terms of which would be expressed upon sale when the vehicle is delivered, thus keeping the dealer compliant with the new law.

Based on this information, the way dealers will get themselves into trouble will be if they punch through (report as sold) vehicles prior to actual delivery to the ultimate customer, thus triggering the warranty in the manufacturers eyes. In normal times, delivery would not traditionally occur more than a day or two after reporting the sale to the manufacturer and most manufacturers have a little bit of flexibility at the end of factory warranties. But, given the supply chain issues, if delivery a vehicle takes a significant time after the dealer reports to the manufacturer that the vehicle is sold, the dealer could run into issues.

While this bill really addresses a manufacturer's warranty in the case of a new vehicle because the dealer is not the one making the express warranty, if the dealer is not following proper procedure, the manufacturer could quickly turn the blame on the dealer and potentially attempt to recoup any costs for dealing with a claim under this statute.

Bottom line, if the dealer is not violating the proper process, there should be no issues with this statute as that process already complies with the new law. If the dealer is reporting to the manufacturer that a vehicle is sold before it is delivered to the customer (likely to meet incentive requirements by a certain deadline), there could ramifications under this statute.

Dealers offering dealer warranties on used vehicles should ensure their warranties commence upon delivery of the vehicle to the customer. Dealers offering service contracts commencing according to the date of expiration of the factory warranty would be best served by referencing the date of delivery of the vehicle to the customer as the start date of the factory warranty for purposes of calculating the commencement date of the service contract.

Please feel free to reach out if you have any questions or wish to discuss the issue further.

Thank you,

Les Swizer

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From: Travis Moore <travis@ppami.com>
Date: Monday, September 26, 2022 at 9:42 AM
To: Anthony Bento <abento@cncda.org>
Subject: CA AB 2912

Hi Anthony,

I just wanted to reach out to see if CNCDA has looked at the potential impact of AB 2912 on auto dealers. As you probably know, this bill restricts the start date of an express warranty to the date of delivery. Many of our members sell service contracts that start either concurrent with or at the expiration of an express warranty. We're trying to understand how this bill may change things for our members.

My very basic understanding of a car warranty is that it starts when put into service. That may be when delivered to the consumer, but it could also be by the dealer for testing or demonstration purposes. Is their concern that AB 2912 would change the current industry practice?

I appreciate any thoughts you have on this. I hope your week is off to a great start!

Travis Moore

m: 913-634-8001

General Counsel

Guaranteed Asset Protection Alliance

Motor Vehicle Protection Product Association

Service Contract Industry Council

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