

190.046 Compensation to dealer for work performed under warranty -- "Reasonable compensation" -- Submission, determination, and payment of dealer's claims -- Compensation to dealer for sponsored sales or service promotion events -- Audits -- Fraud.

- (1) Notwithstanding the terms of any franchise agreement, each motor vehicle manufacturer or distributor, doing business within this Commonwealth, shall assume all responsibility for and shall defend, indemnify, and hold harmless its motor vehicle dealers against any loss, damages, and expenses, including legal costs, arising out of complaints, claims, recall repairs or modifications or factory authorized or directed repairs, or lawsuits resulting from warranty defects, which shall include structural or production defects; defects in the assembly; or design of motor vehicles, parts, accessories; or other functions beyond the control of the dealer, including without limitation, the selection of parts or components for the vehicle. Each manufacturer or distributor shall pay reasonable compensation to any authorized dealer who performs work to repair defects, or to repair any damage to the manufacturer's or distributor's product sustained while the product is in transit to the dealer, when the carrier or the means of transportation is designated by the manufacturer or distributor. Each manufacturer or distributor shall provide to its dealers with each model year a schedule of time allowances for the performance of warranty repair work and services, which shall include time allowances for the diagnosis and performance of warranty work and service time, and shall be reasonable and adequate for the work to be performed.
- (2)
 - (a) In the determination of what constitutes "reasonable compensation" under this section, the principal factor to be considered shall be the amount of money that the dealer is charging its other customers for the same type service or repair work. Other factors may be considered, including:
 1. The compensation being paid by other manufacturers or distributors to their dealers for work; and
 2. The prevailing amount of money being paid or charged by the dealers in the city or community in which the authorized dealer is doing business.
 - (b) "Reasonable compensation" shall include:
 1. Diagnosing the defect as needed;
 2. Repair service;
 3. Labor;
 4. Parts; and
 5. Administrative and clerical costs.
 - (c) Except as provided in paragraph (d) of this subsection, the compensation of a dealer shall not be less than:
 1. The amount charged by the dealer for like services and parts, which minimum compensation for parts shall be dealer cost plus thirty percent (30%) gross profit, to retail customers for nonwarranty service and repairs; or
 2. The amounts indicated for work on the schedule of warranty

compensation required to be filed by the manufacturer with the commission as a part of the manufacturer's license application by KRS 190.030.

- (d) The compensation of a dealer for vehicles with a classification of seven (7) or higher as established in 49 C.F.R. sec. 565.15 by a manufacturer, component manufacturer, or distributor shall not be less than the greater of:
 - 1. The amount charged by the dealer to the retail customers of the dealer for nonwarranty work of like kind; or
 - 2. The dealer acquisition costs of parts or service.
 - (e) A manufacturer or distributor shall not require unreasonable proof to establish "reasonable compensation."
- (3)
- (a) A manufacturer or distributor shall not require a dealer to submit a claim authorized under this section sooner than thirty (30) days after the dealer completes the preparation, delivery, or warranty service authorizing the claim for preparation, delivery, or warranty service.
 - (b) All claims made by a dealer under this section shall be paid within thirty (30) days after their approval.
 - (c) All claims shall be either approved or disapproved by the manufacturer or distributor within thirty (30) days after their receipt on a completed form supplied or approved by the manufacturer or distributor.
 - (d) Any claims not specifically disapproved in writing within thirty (30) days after the receipt of the form shall be considered to be approved and payment shall be made within thirty (30) days thereafter.
 - (e) A dealer shall not be required to maintain defective parts for more than thirty (30) days after payment of a claim.
 - (f) Any dispute between the dealer and the manufacturer or distributor shall be subject to the provisions of KRS 190.057.
- (4)
- A manufacturer or distributor shall compensate the dealer for manufacturer-sponsored or distributor-sponsored sales or service promotion events, including but not limited to rebates, programs, or activities in accordance with established written guidelines for such events, programs, or activities, which the manufacturer or distributor shall provide to each dealer.
- (5)
- (a) A manufacturer or distributor shall not require a dealer to submit a claim authorized under subsection (4) of this section sooner than thirty (30) days after the dealer becomes eligible to submit the claim.
 - (b) All claims made by a dealer pursuant to subsection (4) of this section for promotion events, including but not limited to rebates, programs, or activities, shall be paid within thirty (30) days after their approval.
 - (c) All claims shall be either approved or disapproved by the manufacturer or distributor within thirty (30) days after their receipt on a completed form supplied or approved by the manufacturer or distributor.
 - (d) Any claim not specifically disapproved in writing within thirty (30) days after the receipt of this form shall be considered to be approved and payment shall

be made within thirty (30) days.

- (6) If a dealer submits any claim under this section to a manufacturer or distributor that is incomplete, inaccurate, or lacking any information usually required by the manufacturer or distributor, or if incomplete, inaccurate, or missing information is discovered during an audit, then the manufacturer or distributor shall promptly notify the dealer, and the time limit to submit the claim shall be extended for a reasonable length of time, not less than five (5) business days following notice by the manufacturer or distributor to the dealer, for the dealer to provide the complete, accurate, or lacking information to the manufacturer or distributor. A dealer's failure to comply with the specific requirements of the manufacturer or distributor for processing a claim may not constitute grounds for denial of the claim or reduction of the amount of compensation paid to the dealer if the dealer presents reasonable documentation or other evidence to substantiate the claim.
- (7) (a) A manufacturer or distributor may only audit warranty, recall, sales, or incentive claims for a period of twelve (12) months following payment, or the end of a program which does not exceed one (1) year in length, whichever is later, subject to all of the provisions of this section.
- (b) A manufacturer or distributor shall not require documentation for warranty, recall, sales, or incentive claims more than twelve (12) months after the claim was paid or the end of a program which does not exceed one (1) year in length, whichever is later.
- (c) Prior to requiring any charge-back, reimbursement, or credit against a future transaction arising out of an audit, the manufacturer or distributor shall submit written notice to the dealer along with a copy of its audit and the detailed reason for each intended charge-back, reimbursement, or credit.
- (d) Notwithstanding the limitations of this subsection, a manufacturer that possesses evidence which would cause a person of ordinary caution, prudence, and judgment to believe that a dealer submitted a claim that was fraudulent, false, or misleading may audit the dealer for the claims during any period in which an action for fraud or for the submission of false or misleading claims may be commenced under applicable state law.

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History: Amended 2024 Ky. Acts ch. 162, sec. 1, effective July 15, 2024. -- Amended 2023 Ky. Acts ch. 7, sec. 4, effective June 29, 2023. -- Amended 2011 Ky. Acts ch. 3, sec. 1, effective June 8, 2011. -- Amended 2000 Ky. Acts ch. 23, sec. 4, effective February 22, 2000. -- Amended 1992 Ky. Acts ch. 452, sec. 5, effective July 14, 1992. -- Amended 1982 Ky. Acts ch. 373, sec. 7, effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 182, sec. 2, effective June 17, 1978. -- Amended 1974 Ky. Acts ch. 107, sec. 1. -- Created 1972 Ky. Acts ch. 75, sec. 2.