

367.702 Definitions for KRS 367.701 to 367.709. (Effective January 1, 2027)

As used in KRS 367.701 to 367.709:

- (1) "Borrower" means a debtor, or retail purchaser or lessee, under a finance agreement;
- (2) "Commercial" means a transaction under which a vehicle will be used primarily for business purposes;
- (3) "Consumer":
 - (a) Means:
 1. An individual purchaser or lessee of a vehicle; or
 2. A borrower; and
 - (b) Includes a contract holder;
- (4) "Contract holder" means a person who is the purchaser or holder of a vehicle value protection agreement;
- (5) "Creditor" means any of the following:
 - (a) The lender in a loan transaction;
 - (b) The lessor in a lease transaction;
 - (c) Any retail seller of vehicles; and
 - (d) The assignee of any person referenced in paragraph (a), (b), or (c) of this subsection to whom a credit obligation is payable;
- (6) "Debt waiver" means any:
 - (a) Guaranteed asset protection waiver; and
 - (b) Excess wear and use waiver;
- (7) "Excess wear and use waiver" means a contractual agreement, as part of or as a separate addendum to a lease agreement, in which a creditor agrees, with or without a separate charge, to cancel or waive all or parts of amounts that may become due under a borrower's lease agreement as a result of excessive wear and use of a vehicle, including an agreement to cancel or waive amounts due for excessive mileage;
- (8) "Finance agreement" means any of the following:
 - (a) A loan, retail installment sales contract, or lease for the purchase, refinancing, or lease of a vehicle; and
 - (b) A loan with a term of at least twelve (12) months that is secured by a vehicle;
- (9) "Free look period" means a period of time from the effective date of a vehicle financial protection product until the date the vehicle financial protection product may be canceled without penalty, fees, or costs;
- (10) "Guaranteed asset protection waiver":
 - (a) Means a contractual agreement wherein a creditor agrees, with or without a separate charge, to cancel or waive all or part of amounts due under a borrower's finance agreement in the event of a total physical damage loss or unrecovered theft of the vehicle; and
 - (b) May provide, with or without a separate charge, a benefit that waives an

amount, or provides a borrower with a credit, toward the purchase of a replacement vehicle;

- (11) "Insurer" means:
- (a) An insurance company licensed, registered, or otherwise authorized under the laws of this state to transact insurance business; or
 - (b) A nonadmitted insurer in accordance with the requirements of Subtitle 10 of KRS Chapter 304;
- (12) "Person" includes an individual, company, association, organization, partnership, business trust, corporation, and every form of legal entity;
- (13) "Vehicle":
- (a) Means a self-propelled or towed vehicle designed for personal or commercial use; and
 - (b) Includes automobiles, trucks, motorcycles, recreational vehicles, all-terrain vehicles, snowmobiles, campers, boats, personal watercraft, and related trailers;
- (14) "Vehicle financial protection product" means any:
- (a) Debt waiver; and
 - (b) Vehicle value protection agreement; and
- (15) "Vehicle value protection agreement":
- (a) Means a contractual agreement that, upon the occurrence of an adverse event to a contract holder's vehicle, including loss, theft, damage, obsolescence, diminished value, or depreciation, provides a benefit towards either:
 - 1. The reduction of some or all of the contract holder's current finance agreement deficiency balance; or
 - 2. The purchase or lease of a replacement vehicle or vehicle services;
 - (b) Includes trade-in credit agreements, diminished value agreements, depreciation benefit agreements, vehicle cash down payment agreements, and other similarly named agreements; and
 - (c) Does not include:
 - 1. A debt waiver;
 - 2. A service contract as defined in KRS 304.5-070; or
 - 3. Insurance or an insurance contract regulated under KRS Chapter 304.

Effective: January 1, 2027

History: Created 2026 Ky. Acts ch. 16, sec. 2, effective January 1, 2027.

Legislative Research Commission Note (1/1/2027). 2026 Ky. Acts ch. 16, sec. 24, provides that this statute shall apply to vehicle financial protection products that become effective on or after January 1, 2027.