

## HB 811 -- Motor Vehicle Extended Service Contracts

Sponsor: Talboy

This bill changes the laws regarding motor vehicle extended service contracts. In its main provisions, the bill:

(1) Specifies that it is unlawful for a motor vehicle extended service contract provider to fail to deliver a fully executed contract to the consumer within a commercially feasible time period, but no more than 30 days, from the purchase date. It will be unlawful for any provider, administrator, or contract producer selling these contracts to fail to deliver an unsigned copy of the contract to the consumer, if requested, prior to the sale. A seller may comply with this provision by directing the consumer to a web site containing an unsigned copy of the service contract. Anyone who violates one of these provisions will be guilty of a level two violation under the provisions regarding insurance regulation;

(2) Revises the provisions regarding who can sell these contracts by specifying that any licensed motor vehicle dealer holding an organizational credit entity license or his or her employee who is properly licensed as an individual credit insurance producer offering or selling the service contract in connection with the sale of a motor vehicle or vehicle services and a business entity producer or individual producer licensed as an insurance producer for the limited line of motor vehicle extended service contracts is authorized to sell these contracts. The bill specifies the application and testing requirements for obtaining a limited line of motor vehicle extended service contract license;

(3) Allows a purchaser to return a contract for cancellation to the provider within at least 20 business days of the mailing date of the contract or the purchase date if the contract is executed and delivered at the time of sale. Currently, a contract must be returned within at least 20 days of the mailing or within 10 days of the date the contract is delivered. If a contract is returned within this free-look period, the provider must refund to the contract holder the full purchase price less any claims that have been paid. A contract must contain a statement which specifies that a contract holder may cancel a contract after the free-look period at any time, and the provider must refund 100% of the unearned pro rata provider fee, less any claims paid. A reasonable administrative fee can be charged in an amount of up to \$50. Anyone violating one of these provisions will be guilty of a level three violation;

(4) Specifies that it is unlawful for a provider, administrator,

motor vehicle extended service contract producer, or any other motor vehicle extended service contract seller to use "warranty" in its materials and to represent in any manner a false, deceptive, or misleading statement with respect to:

- (a) An affiliation with a motor vehicle manufacturer or dealer;
  - (b) Possession of information regarding a motor vehicle owner's current motor vehicle manufacturer's original equipment warranty;
  - (c) The expiration date of a motor vehicle owner's current motor vehicle manufacturer's original equipment warranty;
  - (d) A requirement that a motor vehicle owner register for a new service contract with the provider in order to maintain coverage under the current extended service contract or the manufacturer's original equipment warranty; or
  - (e) Any term or provision of an extended service contract, including requesting or processing a consumer's payment information before the material contract terms are adequately explained to the consumer and the consumer confirms understanding of those terms;
- (5) Allows the Director of the Department of Insurance, Financial Institutions and Professional Registration to suspend, revoke, or refuse to issue or renew a registration or license to sell service contracts for specified causes. An appeals process to the Administrative Hearing Commission is specified if a license is not renewed or is denied. The license of an extended service contract producer may be suspended, revoked, refused, or not renewed if the department director finds a specified violation;
- (6) Requires a licensed contract producer to notify the department director of any address change or of any administrative or civil action taken against the producer within 30 days. A producer must report to the department any direct criminal proceeding initiated by any state or the federal government for any law violation within 30 days of the initial pretrial hearing date; and
- (7) Requires a provider to maintain a register of appointed motor vehicle extended service contract producers who are authorized to sell, offer for sale, or solicit the sale of these contracts in this state and within 30 days of a provider authorizing a producer to sell, offer for sale, or solicit the sale of service contracts to enter the name and license number of the producer in the company registry of appointed producers. If a producer's appointment is terminated, the provider must update

the registry with the effective termination date within 30 days. No fee can be charged for adding a producer to or removing a producer from the registry. A provider must notify the department director in writing if he or she has any information relating to any cause for discipline.