HB154

P2LKRGG-1

By Representative McCampbell

RFD: Judiciary

First Read: 08-Feb-24

SYNOPSIS:

Generally, a service contract is an agreement to perform the repair, replacement, or maintenance of property for the operational or structural failure due to defects or normal wear and tear.

This bill would require a service contract provider to define certain terms used in its contracts, to disclose in a specified manner certain limitations of its obligation to satisfy claims or resolve disputes under the contract, and to disclose these limitations in any marketing and advertising content presented to a prospective customer.

This bill would also specify the size and placement of certain disclosures in a service contract and related marketing and advertising content.

A BILL

TO BE ENTITLED

AN ACT

Relating to service contracts; to amend Section 8-32-5, Code of Alabama 1975, to require a service contract provider to define certain terms used in the contract, to clearly disclose certain limitations on a provider's obligation and

liability to the contract holder, and to require certain disclosures in related marketing and advertising content presented to a prospective customer.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 8-32-5, Code of Alabama 1975, is amended to read as follows:

"§8-32-5

(a) Service contracts sold or offered for sale in this state, in their entirety, shall satisfy all of the following requirements:

(1) Shall be written, printed, or typed in eight point type size, or larger, and shall comply with the requirements set forth in this section, as applicable.

(2) Shall define the terms "repair," "replace," and "cash value" or any term used to refer to a provider's right to satisfy a claim by paying a cash payment to the contract holder in lieu of repairing or replacing a covered property in an amount less than the provider's cost to repair or replace the property.

(3) Shall disclose on the first page of the service contract in boldface print no smaller than the largest type on the page except for headings, both of the following:

a. Any limit on the maximum amount that the provider may be liable to a contract holder's remedy in the event of a claim or dispute over coverage and an explanation of the circumstances to which the limits apply.

b. Any right of the provider to satisfy a claim or resolve a dispute with the contract holder by paying the cash

value of a covered property in an amount less than the provider's cost to repair or replace the property in lieu of repairing or replacing the property.

(4) Shall disclose in all marketing and advertising content and any overview of benefits under a contract to repair or a replacement contract, in the same type size or larger than all other type on the same page except headings, that the provider has the right to pay the policy holder the cash value of a covered property in an amount less than the provider's cost to repair or replace a covered property in lieu of repairing or replacing the property.

(b) Service contracts insured under a reimbursement insurance policy pursuant to ~~subdivision (1) of subsection (f) of~~ Section ~~8-32-3~~8-32-3(f)(1) shall contain a statement in substantially the following form:

"Obligations of the provider under this service contract are guaranteed under a service contract reimbursement insurance policy."

If the provider fails to pay or to provide service on a claim within 60 days after proof of loss has been filed, the service contract holder is entitled to make a claim directly against the reimbursement insurance company. The service contract shall state the name and address of the reimbursement insurance company.

(c) Service contracts not insured under a reimbursement insurance policy pursuant to subdivision (1) of subsection (f) of Section 8-32-3 shall contain a statement in substantially the following form:

"Obligations of the provider under this service contract are backed by the full faith and credit of the provider."

(d) Service contracts shall state the name and address of the provider, and shall identify any administrator, the service contract seller, and the service contract holder to the extent that the name and address of the service contract holder has been furnished by the service contract holder. ~~Neither the name of the service contract seller nor other provisions are~~The information described in this subsection is not required to be preprinted on the service contract and may be added to the service contract at the time of sale.

(e) Service contracts shall state the purchase price of the service contract, the term of the service contract, and any applicable renewal provisions. ~~Neither the purchase price nor any other provisions are~~The information described in this subsection is not required to be ~~pre-printed~~preprinted on the service contract and may be negotiated at the time of sale with the service contract holder.

(f) If the provider will reimburse the contract holder for repair work performed by third parties and if prior approval of repair work is required, (i) the service contract shall state the procedure for obtaining prior approval and for making a claim, including a toll-free telephone number for claim service, and (ii) if the service contract provides services essential to public health, safety, or welfare, the service contract shall either provide for 24-hour telephone assistance~~,~~ or state the procedure for obtaining emergency

repairs performed outside of normal business hours.

(g) Service contracts shall state the existence of any deductible amount.

(h) Service contracts shall describe the property upon which the services are to be provided, the services to be provided, and any limitations, exceptions, or exclusions to the services to be provided.

(i) Service contracts shall state whether the use of non-original manufacturer's parts is allowed.

(j) Service contracts shall state any restrictions governing the transferability of the service contract.

(k) Service contracts shall state the terms, restrictions, or conditions governing cancellation of the service contract prior to the termination or expiration date of the service contract by either the provider or by the service contract holder. The provider of the service contract shall mail a written notice to the service contract holder at the last known address of the service contract holder contained in the records of the provider at least five days prior to cancellation by the provider. Prior notice is not required if the reason for cancellation is nonpayment of the provider fee or a material misrepresentation by the service contract holder to the provider relating to the covered property or its use. The notice shall state the effective date of the cancellation and the reason for the cancellation.

(l) Service contracts shall set forth the obligations and duties of the service contract holder relating to the property covered by the service contract.

(m) Service contracts shall state whether or not the service contract provides for or excludes consequential damages or preexisting conditions, to the extent applicable.

(n) Service contracts may contain other provisions as determined by the provider."

Section 2. This act shall become effective on October 1, 2024.