



# House of Representatives

General Assembly

**File No. 182**

*January Session, 2001*

House Bill No. 6620

*House of Representatives, April 10, 2001*

The Committee on General Law reported through REP. FOX of the 144th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT PROTECTING CONSUMERS AGAINST UNFAIR AND DECEPTIVE EXTENDED WARRANTY AGREEMENTS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 42-260 of the general statutes is repealed and the following  
2 is substituted in lieu thereof:

3 (a) As used in this section:

4 (1) "Extended warranty" means a contract or agreement for repair  
5 service of operational or structural failure of a product due to a defect  
6 in materials, skill or workmanship given for consideration over and  
7 above the lease or purchase price of a product.

8 (2) "Extended warranty provider" means a person who issues,  
9 makes, provides or offers to provide an extended warranty to a buyer,  
10 excluding a retail seller of an extended warranty if such seller: (A) Is  
11 the manufacturer of the product covered under the extended warranty;  
12 (B) sells or offers an extended warranty for a product obligating the

13 manufacturer, distributor or importer to provide the service of the  
14 extended warranty; or (C) performs at least ninety per cent of the  
15 repair service provided to buyers pursuant to extended warranties  
16 purchased from such seller.

17 (3) "Buyer" means a person who purchases an extended warranty  
18 from an extended warranty provider.

19 (4) "Extended warranty reimbursement insurance policy" means a  
20 policy of insurance providing coverage for all obligations and  
21 liabilities incurred by an extended warranty provider under the terms  
22 of the extended warranty sold to a buyer by such provider.

23 (b) An extended warranty shall obligate the extended warranty  
24 provider to supply to the buyer all services and functional parts that  
25 may be necessary to repair the product for the duration of the  
26 extended warranty without additional charge, except as otherwise  
27 expressly provided.

28 (c) An extended warranty shall contain all of the following:

29 (1) A clear description and identification of the product;

30 (2) The date when the extended warranty commences and its  
31 duration, and, if the extended warranty is for less than one year, the  
32 extended warranty shall include a provision for the automatic  
33 extension of the extended warranty while the product is in the custody  
34 of the extended warranty provider for repair under such warranty;

35 (3) A description of the limits on transfer or assignment of the  
36 extended warranty if the enforceability of an extended warranty is  
37 limited to the original buyer or is limited to persons other than every  
38 consumer owner of the covered product during the term of the  
39 extended warranty;

40 (4) A statement of the obligation of the extended warranty provider

41 including statements of: (A) Any services, parts, components, defects,  
42 malfunctions, conditions, repairs or remedies that are excluded from  
43 the scope of the extended warranty; (B) any limits on the obligations of  
44 the extended warranty provider; (C) any additional services which the  
45 extended warranty provider will supply; (D) whether the buyer has  
46 the responsibility of any other obligations and, if so, the nature and  
47 frequency of such obligations, and the consequences of any  
48 noncompliance;

49 (5) A step-by-step explanation of the procedure which the buyer  
50 shall follow in order to obtain performance of any obligation under the  
51 extended warranty including: (A) The full legal and business name of  
52 the extended warranty provider; (B) the mailing address of the  
53 extended warranty provider; (C) the persons or class of persons that  
54 are authorized to perform service; (D) the name or title and address of  
55 any agent, employee or department of the extended warranty provider  
56 that is responsible for the performance of any obligations; (E) the  
57 method of giving notice to the extended warranty provider of the need  
58 for service; (F) whether in-home service is provided or, if not, whether  
59 the costs of transporting the product for service or repairs will be paid  
60 by the extended warranty provider; (G) if the product must be  
61 transported to the extended warranty provider, either the place where  
62 the product may be delivered for service or repairs or a toll-free  
63 telephone number which the buyer may call to obtain that information;  
64 (H) all other steps which the buyer must take to obtain service; and (I)  
65 all fees, charges and other costs that the buyer must pay to obtain  
66 service;

67 (6) A description of the services the extended warranty provider  
68 will supply under the extended warranty; and

69 (7) A statement of a right to cancel the warranty if the buyer returns  
70 the product or the product is sold, lost, stolen or destroyed, or a  
71 statement that there is no right to cancel.

72 (d) (1) An extended warranty shall not be issued, sold or offered for  
73 sale unless the extended warranty provider is insured under an  
74 extended warranty reimbursement insurance policy issued by an  
75 insurer authorized to do business in this state or the extended  
76 warranty provider can demonstrate that reserves for claims contained  
77 in the provider's financial statements are not in excess of one-half of a  
78 provider's audited net worth. If such reserves are in excess of one-half  
79 of a provider's net worth, the reserves shall be held in trust by an  
80 independent trustee and certified annually as adequate by an actuary.

81 (2) The extended warranty reimbursement insurance policy shall  
82 cover the obligations under the extended warranty sold by the  
83 extended warranty provider during the period of time that such  
84 provider's insurance policy is in force.

85 (e) An extended warranty provider shall submit to the [Insurance]  
86 Commissioner of Consumer Protection: (1) A copy of the extended  
87 warranty form issued by said provider; and (2) a copy of said  
88 provider's extended warranty reimbursement insurance policy form  
89 issued by an insurer authorized to do business in this state or a  
90 certification by a certified public accountant attesting to the adequacy  
91 of the reserves for claims reported on said provider's financial  
92 statements or contained in said provider's trust account.

93 (f) (1) An extended warranty shall contain the name and address of  
94 the insurers insuring the obligations and liabilities of such warranty  
95 and instructions on how the buyer, or successor to the buyer's rights,  
96 of the product may file a claim with the insurer if the extended  
97 warranty provider fails to perform according to the terms of the  
98 extended warranty.

99 (2) An insurer of an extended warranty shall not refuse to renew  
100 any policy unless such insurer or its agent shall send, by registered or  
101 certified mail or by mail evidenced by a certificate of mailing or  
102 delivery to the [Insurance] Commissioner of Consumer Protection, at

103 least sixty days' advance notice of its intention not to renew. The notice  
104 of intent not to renew shall state or be accompanied by a statement  
105 specifying the reason for such nonrenewal.

106 [(g) The Insurance Commissioner shall develop regulations, in  
107 accordance with chapter 54, implementing an arbitration process to  
108 settle disputes arising from extended warranty contracts between  
109 extended warranty providers and buyers.]

110 (g) The extended warranty provider shall provide the buyer a copy  
111 of the extended warranty contract at the point of sale before signing  
112 such contract.

113 (h) The Department of Consumer Protection may adopt regulations,  
114 in accordance with chapter 54, to implement the provisions of this  
115 section.

116 [(h)] (i) Nothing in this section shall apply to a home warranty  
117 contract or home warranty service agreement, as defined in section  
118 38a-320, automobiles or regulated utilities.

119 (j) A violation of any provision of this section shall constitute an  
120 unfair or deceptive act or practice as defined by section 42-110b.

**GL**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Minimal Cost, Minimal Savings

**Affected Agencies:** Department of Consumer Protection,  
Department of Insurance

**Municipal Impact:** None

**Explanation**

**State Impact:**

The bill replaces the Department of Insurance with the Department of Consumer Protection (DCP) as the administrator of the extended warranty law, which results in a minimal cost savings to the Department of Insurance and a corresponding minimal cost to the Department of Consumer Protection. Last year the Department of Insurance received 65 extended warranty complaints. The bill requires DCP to adopt regulations, which has no fiscal impact on the agency.

Finally, a violation of provisions of this bill is deemed an unfair trade practice. Under the Unfair Trade Practices Act, the Department of Consumer Protection (DCP) has two methods for resolving complaints, 1) formal administrative hearings; or 2) forwarding the complaint to the Attorney General's office for litigation. If most of the cases are handled administratively by DCP, the workload increase to the Office of the Attorney General is expected to be minimal and can be handled within the agency's anticipated budgetary resources.

Under the Unfair Trade Practices Act, civil penalties can be imposed for violations, the extent of the additional revenue cannot be determined, as it would depend upon the number of violations which occurred and the amount of the penalties that are imposed. There would be a minimal workload increase for the DCP associated with increased consumer inquiries and complaints and the possible hearings as a result of this bill. This, along with other minimal cost bills, could cause the Department of Consumer Protection to go beyond the anticipated budgetary resources of the agency.

**OLR Bill Analysis**

HB 6620

***AN ACT PROTECTING CONSUMERS AGAINST UNFAIR AND DECEPTIVE EXTENDED WARRANTY AGREEMENTS.*****SUMMARY:**

This bill requires providers of extended warranty contracts to give purchasers a copy of the contract at the point of sale before it is signed. It replaces the Insurance Department with the Department of Consumer Protection (DCP) as the administrator of the extended warranty law, and authorizes DCP to adopt regulations to implement the bill's provisions. The bill eliminates the requirement that the Insurance Commissioner develop regulations to implement an arbitration process to settle disputes concerning extended warranties and makes a violation of the extended warranty law an unfair or deceptive practice under the Connecticut Unfair Trade Practices Act (CUTPA).

EFFECTIVE DATE: October 1, 2001

**BACKGROUND*****Extended Warranties***

An extended warranty is a contract to repair a product that suffers an operational or structural failure because of a defect in materials, skill, or workmanship, provided for a price separate from that charged to buy or lease the product. It obligates the provider to give all services and functional parts needed to repair the product for the duration of the contract without additional charge, unless otherwise expressly provided for.

An extended warranty provider is anyone who issues, makes, provides or offers to provide an extended warranty to a buyer, except for a retail seller who (1) is the product's manufacturer, (2) sells or offers an extended warranty that obligates the manufacturer, distributor or

importer to provide the warranty service, or (3) performs at least 90% of the repair service.

## **CUTPA**

The law prohibits businesses from engaging in unfair and deceptive acts or practices. CUTPA allows the DCP commissioner to issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$5,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. The act also allows individuals to bring suit. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorneys fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order.

## **COMMITTEE ACTION**

General Law Committee

Joint Favorable Report  
Yea 17 Nay 0