



Senate

General Assembly

File No. 186

January Session, 2003

Substitute Senate Bill No. 922

Senate, April 7, 2003

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE PURCHASE OF EXTENDED WARRANTY CONTRACTS ON MOTOR VEHICLES.

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

1 Section 1. Section 42-260 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2003*):

3 (a) As used in this section:

4 (1) "Extended warranty" means a contract or agreement [for repair
5 service] to either perform or provide indemnification for the repair,
6 replacement or maintenance of a product because of operational or
7 structural failure of [a] such product due to a defect in materials, skill
8 or workmanship or normal wear and tear given for consideration over
9 and above the lease or purchase price of a product.

10 (2) "Extended warranty provider" means a person who issues,
11 makes, provides or offers to provide an extended warranty to a buyer
12 and who is contractually obligated to provide service under such

13 extended warranty, excluding a retail seller of an extended warranty if
14 such seller: (A) Is the manufacturer of the product covered under the
15 extended warranty, or a subsidiary of the manufacturer; (B) sells or
16 offers an extended warranty for a product obligating the manufacturer,
17 a subsidiary of the manufacturer, a distributor or an importer to
18 provide the service [of] or indemnification arising under the extended
19 warranty; or (C) performs at least ninety per cent of the repair service
20 provided to buyers pursuant to extended warranties purchased from
21 such seller.

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

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

28 (b) An extended warranty shall obligate the extended warranty
29 provider to supply to the buyer all services and functional parts that
30 may be necessary to repair the product for the duration of the
31 extended warranty without additional charge, except as otherwise
32 expressly provided.

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

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

35 (2) The date when the extended warranty commences and its
36 duration, and, if the extended warranty is for less than one year, the
37 extended warranty shall include a provision for the automatic
38 extension of the extended warranty while the product is in the custody
39 of the extended warranty provider for repair under such warranty;

40 (3) A description of the limits on transfer or assignment of the
41 extended warranty if the enforceability of an extended warranty is
42 limited to the original buyer or is limited to persons other than every
43 consumer owner of the covered product during the term of the

44 extended warranty;

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

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

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

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

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

86 (2) The extended warranty reimbursement insurance policy shall
87 cover the obligations under the extended warranty sold by the
88 extended warranty provider during the period of time that such
89 provider's insurance policy is in force.

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

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

104 (2) An insurer of an extended warranty shall not refuse to renew
105 any policy unless such insurer or its agent shall send, by registered or
106 certified mail or by mail evidenced by a certificate of mailing or
107 delivery to the Insurance Commissioner, at least sixty days' advance
108 notice of its intention not to renew. The notice of intent not to renew
109 shall state or be accompanied by a statement specifying the reason for

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:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Insurance Dept.	GF - Revenue Gain	Minimal	Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill would result in a minimal revenue gain by increasing the number of filings of extended warranties with the Department of Insurance. Currently, the department reviews 40-50 extended warranty filings per year. A \$15 fee accompanies each filing.¹ The bill would increase the number of extended warranty fillings to an indeterminate extent. The revenue increase is anticipated to be minimal.

¹ Under CGS 38a-11(a)(4)

OLR Bill Analysis

sSB 922

AN ACT CONCERNING THE PURCHASE OF EXTENDED WARRANTY CONTRACTS ON MOTOR VEHICLES**SUMMARY:**

The bill subjects motor vehicle extended warranty contracts to the statutory requirements for other types of extended warranties. It expands the definition of an extended warranty to contracts or agreements to (1) perform or provide indemnification for repair, replacement, or maintenance of a product instead of just for repair service and (2) cover operational or structural failure due to normal wear and tear in addition to defects in material, skill, or workmanship.

Currently, an extended warranty provider is someone who issues, makes, provides, or offers to provide an extended warranty to a buyer. The bill requires that a provider also be contractually obligated to provide service under the extended warranty. Currently, a retail seller of an extended warranty is excluded from the provider definition if it is a manufacturer of the covered product. The bill expands this exclusion to include a subsidiary of the manufacturer.

EFFECTIVE DATE: July 1, 2003

BACKGROUND***Requirements for Extended Warranty Contracts***

By law, among other things, an extended warranty contract must have (1) a clear description of the product; (2) a clear statement of when the contract begins and how long it lasts, covered and excluded parts and services, and any coverage limitations; (3) an explanation of the procedures the buyer must follow to obtain performance under the contract; and (4) a statement of the buyer's right to cancel the agreement. The extended warranty provider must also be insured under a reimbursement policy issued by an insurer authorized to do business in Connecticut and file a copy of its extended warranty form and reimbursement policy with the insurance commissioner.

COMMITTEE ACTION

Transportation Committee

Joint Favorable Change of Reference

Yea 27 Nay 0

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 17 Nay 0