



General Assembly

January Session, 2003

Raised Bill No. 922

LCO No. 3139

Referred to Committee on Transportation

Introduced by:
(TRA)

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 Section 42-260 of the general statutes is repealed and the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; (B) sells or offers an extended warranty for a
16 product obligating the manufacturer, distributor or importer to
17 provide the service of the extended warranty; or (C) performs at least
18 ninety per cent of the repair service provided to buyers pursuant to
19 extended warranties purchased from such seller.

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

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

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

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

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

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

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

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

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

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

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

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

75 (d) (1) An extended warranty shall not be issued, sold or offered for

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

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

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

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

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

108 such nonrenewal.

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

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

This act shall take effect as follows:	
Section 1	<i>July 1, 2003</i>

TRA

Joint Favorable C/R

INS