

Summary of Amended Vehicle Service Contract Laws (since 2019)

Please note that this summary is for educational purposes only and not intended as legal advice. The below information may change over time, and some or all may not be applicable to your specific business model.

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Below is a brief summary of major changes made in each state. These summaries reflect only those laws that made substantive changes and does not include legislation that merely made administrative or technical changes. This is a summary only of selected states and does not include all states.

1. **Delaware:** The new change to Delaware's service contract law maintains the state's treatment of these products, expressly exempting all of these products from regulation as insurance or otherwise. The change also requires licensure of and financial responsibility for service contract providers, mandates certain consumer focused disclosures that must be made in the contract and establishes penalty and enforcement provisions. The change also clarifies various aspects of services that may be included in the service contract.
2. **District of Columbia:** The changes to DC's vehicle service contract law was amended to require licensure of and financial responsibility for service contract providers. The law mandates certain consumer focused disclosures that must be made in the contract. The bill also clarified the scope of what may be included in a service contract related to services.
3. **Hawaii:** Hawaii amended its service contract framework in two key ways. First, it removed the requirement to file service contract and vehicle protection product warranty forms with the regulator for approval prior to use. Second, Hawaii amended the treatment of various services such as dent repair, replacement of lost or stolen key fobs, etc.
4. **Iowa:** Iowa's regulations amended the treatment of various services to fall under service contracts such as windshield repair or replacement and tire/wheel repair or replacement. The change also impacts the sales tax imposed upon these sales contracts.
5. **Mississippi:** In a similar manner as Iowa, Mississippi amended its framework to classify various services under service contracts such as windshield repair and replacement and tire/wheel repair or replacement. The change also expressly permits vehicle service contracts to provide "incidental payment or indemnity under limited circumstances, including, but not limited to, towing, rental and emergency road service".
6. **New Mexico:** New Mexico amended its law to create a new section in the service contract act governing automatic renewal provisions. This new provision applies to a provision of a service contract that causes the contract to automatically renew after the end of the original term for a

renewal term greater than two months. The bill establishes certain disclosures that must be made clearly and conspicuously in the contract and sets standards for renewal notices to be provided to consumers. Lastly, the bill also added a right for consumers to cancel a service contract at any time and receive a prorated refund.

7. **New York:** New York amended its service contract law to expressly permit contracts providing for the replacement of a vehicle key fob that was lost, stolen or became inoperable to be offered in service contracts.
8. **Ohio:** Ohio amended its law to clarify that vehicle service contracts are exempt from regulation and that certain vehicle sales contract services such as the replacement of lost, stolen or inoperable vehicle key-fobs may be offered under the existing ancillary protection product framework. Continuing pressure from AG's office relating to lead providers and advertising issues.
9. **Rhode Island:** Similar to Delaware, Rhode Island's amended legislation defines the coverage a service contract may provide. It also defines the scope of vehicle theft protection products and clarifies that all products of this nature are expressly exempt from regulation as insurance or otherwise.
10. **Texas:** As one of the first pieces of legislation of its kind in the country, Texas authorized lease-end excess wear and use waivers as non-insurance contracts. The legislation requires consumer-focused notices that the waiver is optional and not required as a condition of lease and disclosure of pricing. Additionally, Texas also amended the minimum security requirements for dealer-obligated service contract programs utilizing a funded reserve, reducing the minimum amount to \$25,000.00.
11. **Virginia:** Virginia recently removed its requirement that all service contract providers maintain a bond regardless of any other financial security in place. Virginia also requires new disclosures that must be added to all service contracts offered for sale in the Commonwealth.
12. **Washington:** Washington made a number of key changes to the financial regulation of its service contract providers, such as allowing the Commissioner to immediately suspend the registration of a licensee that does not maintain the required minimum net worth (\$200,000.00). The amendment also permits service contract programs flexibility in the accounting method the elect to use (GAAP or statutory). Lastly, it amended various exemptions available in the statute, such as those for motor vehicle manufacturers and their wholly owned subsidiaries.
13. **Florida:** Significant regulator concerns relating to VSC mailpiece and telemarketing in state. Expecting to see legislative proposals reclassifying industry under insurance code.

For more information on these states and the VSC industry, please contact Robby Birnbaum at Robby.Birnbaum@gmlaw.com or (954) 343.6959.