

# ***HOUSE BILL ANALYSIS***

## ***HB 2886***

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**Title:** An act relating to service contracts.

**Brief Description:** Exempting certain service contracts from regulation.

**Sponsors:** Representatives Barlean, Keiser, Benson and Hatfield.

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### **HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Meeting Date:** February 1, 2000.

**Bill Analysis Prepared by:** Charlie Gavigan (786-7340)

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**Background:** Many retailers sell service contracts to consumers. Service contracts are agreements to repair, replace, or maintain merchandise for a given period of time. Service contracts offer protections in addition to any guarantees that are offered under the warranties provided by the manufacturers, importers, or sellers of merchandise.

In 1999, the legislature passed a law regulating retail service contracts. Retailers selling service contracts in Washington are required to first register with the Insurance Commissioner. Service contract providers must give consumers a written receipt and a copy of the service contract. The service contract must be written in plain language, must contain certain disclosures, must describe the process for obtaining service and filing a claim, and must state the consumer's duties under the contract. The contract may not require out-of-state adjudication. Consumers are allowed to return service contracts for a full refund within 20 days of the date the service contract was mailed to them, within 10 days of delivery, or within a longer period of time as specified in the service contract. If a claim has been made on the service contract within that period, the contract may not be returned. If the purchase price is not remitted to the consumer within 30 days of the return of the service contract, the service contract provider must pay the consumer a 10 percent penalty per month until the money is refunded.

In addition, service contract providers must ensure the reliability of the contracts they sell by doing one of the following: (1) insuring the contracts under reimbursement insurance policies; (2) maintaining a reserve account of at least 40 percent of the gross receipts of service contract sales and depositing financial security with the Insurance Commissioner; or (3) maintaining a net worth or stockholders' equity of \$1,000,000, and upon request, providing the Insurance Commissioner with a copy of its most recent Securities and Exchange Commission filings.

***Summary of Bill:*** The laws regulating retail service contracts do not apply to service contracts on items whose manufacturer's suggested retail price or actual sales price is at least fifteen thousand dollars excluding sales tax.

***Appropriation:*** None.

***Fiscal Note:*** Not requested.

***Effective Date:*** Ninety days after adjournment of session in which bill is passed.