
SUBSTITUTE SENATE BILL 5978

State of Washington

63rd Legislature

2014 Regular Session

By Senate Financial Institutions, Housing & Insurance (originally sponsored by Senators Hobbs and Fain)

READ FIRST TIME 01/30/14.

1 AN ACT Relating to the regulation of service contracts and
2 protection product guarantees; and amending RCW 48.110.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 48.110.030 and 2011 c 47 s 16 are each amended to read
5 as follows:

6 (1) A person may not act as, or offer to act as, or hold himself or
7 herself out to be a service contract provider in this state, nor may a
8 service contract be sold to a consumer in this state, unless the
9 service contract provider has a valid registration as a service
10 contract provider issued by the commissioner.

11 (2) Applicants to be a service contract provider must make an
12 application to the commissioner upon a form to be furnished by the
13 commissioner. The application must include or be accompanied by the
14 following information and documents:

15 (a) All basic organizational documents of the service contract
16 provider, including any articles of incorporation, articles of
17 association, partnership agreement, trade name certificate, trust
18 agreement, shareholder agreement, bylaws, and other applicable
19 documents, and all amendments to those documents;

1 (b) The identities of the service contract provider's executive
2 officer or officers directly responsible for the service contract
3 provider's service contract business, and, if more than fifty percent
4 of the service contract provider's gross revenue is derived from the
5 sale of service contracts, the identities of the service contract
6 provider's directors and stockholders having beneficial ownership of
7 ten percent or more of any class of securities;

8 (c) Audited annual financial statements or other financial reports
9 acceptable to the commissioner for the two most recent years which
10 prove that the applicant is solvent and any information the
11 commissioner may require in order to review the current financial
12 condition of the applicant. If the service contract provider is
13 relying on RCW 48.110.050(2)(c) to assure the faithful performance of
14 its obligations to service contract holders, then the audited financial
15 statements of the service contract provider's parent company must also
16 be filed. In lieu of submitting audited financial statements, a
17 service contract provider relying on RCW 48.110.050(2)(a) or
18 48.110.075(2)(a) to assure the faithful performance of its obligations
19 to service contract holders may comply with the requirements of this
20 subsection (2)(c) by submitting annual financial statements of the
21 applicant that are certified as accurate by two or more officers of the
22 applicant;

23 (d) An application fee of two hundred fifty dollars, which must be
24 deposited into the general fund; and

25 (e) Any other pertinent information required by the commissioner.

26 (3) Each registered service contract provider must appoint the
27 commissioner as the service contract provider's attorney to receive
28 service of legal process issued against the service contract provider
29 in this state upon causes of action arising within this state. Service
30 upon the commissioner as attorney constitutes effective legal service
31 upon the service contract provider.

32 (a) With the appointment the service contract provider must
33 designate the person to whom the commissioner must forward legal
34 process so served upon him or her.

35 (b) The appointment is irrevocable, binds any successor in interest
36 or to the assets or liabilities of the service contract provider, and
37 remains in effect for as long as there could be any cause of action

1 against the service contract provider arising out of any of the service
2 contract provider's contracts or obligations in this state.

3 (c) The service of process must be accomplished and processed in
4 the manner prescribed under RCW 48.02.200.

5 (4) The commissioner may refuse to issue a registration if the
6 commissioner determines that the service contract provider, or any
7 individual responsible for the conduct of the affairs of the service
8 contract provider under subsection (2)(b) of this section, is not
9 competent, trustworthy, financially responsible, or has had a license
10 as a service contract provider or similar license denied or revoked for
11 cause by any state.

12 (5) A registration issued under this section is valid, unless
13 surrendered, suspended, or revoked by the commissioner, or not renewed
14 for so long as the service contract provider continues in business in
15 this state and remains in compliance with this chapter. A registration
16 is subject to renewal annually on the first day of July upon
17 application of the service contract provider and payment of a fee of
18 two hundred dollars, which must be deposited into the general fund. If
19 not so renewed, the registration expires on the June 30th next
20 preceding.

21 (6) A service contract provider must keep current the information
22 required to be disclosed in its registration under this section by
23 reporting all material changes or additions within thirty days after
24 the end of the month in which the change or addition occurs.

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