
SUBSTITUTE HOUSE BILL 1928

State of Washington

68th Legislature

2024 Regular Session

By House Consumer Protection & Business (originally sponsored by Representatives Ryu, Robertson, and Reed)

1 AN ACT Relating to regulating service contracts and protection
2 product guarantees; and amending RCW 48.110.020, 48.110.050,
3 48.110.055, 48.110.060, 48.110.073, 48.110.075, 48.110.110, and
4 48.110.140.

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

6 **Sec. 1.** RCW 48.110.020 and 2014 c 82 s 1 are each amended to
7 read as follows:

8 The definitions in this section apply throughout this chapter.

9 (1) "Administrator" means the person who is responsible for the
10 administration of the service contracts, the service contracts plan,
11 or the protection product guarantees.

12 (2) "Commissioner" means the insurance commissioner of this
13 state.

14 (3) "Consumer" means an individual who buys any tangible personal
15 property that is primarily for personal, family, or household use.

16 (4) "Home heating fuel service contract" means a contract or
17 agreement for a separately stated consideration for a specific
18 duration to perform the repair, replacement, or maintenance of a home
19 heating fuel supply system including the fuel tank and all visible
20 pipes, caps, lines, and associated parts or the indemnification for
21 repair, replacement, or maintenance for operational or structural

1 failure due to a defect in materials or workmanship, or normal wear
2 and tear.

3 (5) "Incidental costs" means expenses specified in the guarantee
4 incurred by the protection product guarantee holder related to
5 damages to other property caused by the failure of the protection
6 product to perform as provided in the guarantee. "Incidental costs"
7 may include, without limitation, insurance policy deductibles, rental
8 vehicle charges, the difference between the actual value of the
9 stolen vehicle at the time of theft and the cost of a replacement
10 vehicle, sales taxes, registration fees, transaction fees, and
11 mechanical inspection fees. Incidental costs may be paid under the
12 provisions of the protection product guarantee in either a fixed
13 amount specified in the protection product guarantee or sales
14 agreement, or by the use of a formula itemizing specific incidental
15 costs incurred by the protection product guarantee holder to be paid.

16 (6) "Maintenance agreement" means a contract of limited duration
17 that provides for scheduled maintenance only.

18 (7) "Motor vehicle" means any vehicle subject to registration
19 under chapter 46.16A RCW.

20 (8) "Person" means an individual, partnership, corporation,
21 incorporated or unincorporated association, joint stock company,
22 reciprocal insurer, syndicate, or any similar entity or combination
23 of entities acting in concert.

24 (9) "Premium" means the consideration paid to an insurer for a
25 reimbursement insurance policy.

26 (10) "Protection product" means any protective chemical,
27 substance, device, or system offered or sold with a guarantee to
28 repair or replace another product or pay incidental costs upon the
29 failure of the product to perform pursuant to the terms of the
30 protection product guarantee. Protection product does not include
31 fuel additives, oil additives, or other chemical products applied to
32 the engine, transmission, or fuel system of a motor vehicle.

33 (11) "Protection product guarantee" means a written agreement by
34 a protection product guarantee provider to repair or replace another
35 product or pay incidental costs upon the failure of the protection
36 product to perform pursuant to the terms of the protection product
37 guarantee. The reimbursement of incidental costs promised under a
38 protection product guarantee must be tied to the purchase of a
39 physical product that is formulated or designed to make the specified
40 loss or damage from a specific cause less likely to occur.

1 (12) "Protection product guarantee holder" means a person who is
2 the purchaser or permitted transferee of a protection product
3 guarantee.

4 (13) "Protection product guarantee provider" means a person who
5 is contractually obligated to the protection product guarantee holder
6 under the terms of the protection product guarantee. Protection
7 product guarantee provider does not include an authorized insurer
8 providing a reimbursement insurance policy.

9 (14) "Protection product seller" means the person who sells the
10 protection product to the consumer.

11 (15) "Provider fee" means the consideration paid by a consumer
12 for a service contract.

13 (16) "Reimbursement insurance policy" means a policy of insurance
14 that is issued to a service contract provider or a protection product
15 guarantee provider to provide reimbursement to the service contract
16 provider or the protection product guarantee provider or to pay on
17 behalf of the service contract provider or the protection product
18 guarantee provider all contractual obligations incurred by the
19 service contract provider or the protection product guarantee
20 provider under the terms of the insured service contracts or
21 protection product guarantees issued or sold by the service contract
22 provider or the protection product guarantee provider, or to pay on
23 behalf of the service contract provider or the protection product
24 guarantee provider each contractual obligation incurred by the
25 service contract provider or the protection product guarantee
26 provider in the event of nonperformance by the provider or the
27 provider is unable to fulfill its contractual obligations to the
28 consumer. A service contract provider or protection product guarantee
29 provider may have more than one reimbursement insurance policy
30 concurrently in force.

31 (17) "Road hazard" means a hazard that is encountered while
32 driving a motor vehicle. Road hazards may include but are not limited
33 to potholes, rocks, wood debris, metal parts, glass, plastic, curbs,
34 or composite scraps.

35 (18)(a) "Service contract" means a contract or agreement entered
36 into at any time for consideration over and above the lease or
37 purchase price of the property for any specific duration to perform
38 the repair, replacement, or maintenance of property or the
39 indemnification for repair, replacement, or maintenance for
40 operational or structural failure due to a defect in materials or

1 workmanship or normal wear and tear. Service contracts may provide
2 for the repair, replacement, or maintenance of property for damage
3 resulting from power surges and accidental damage from handling, with
4 or without additional provision for incidental payment of indemnity
5 under limited circumstances, including towing, rental, emergency road
6 services, or other expenses relating to the failure of the product or
7 of a component part thereof.

8 (b) "Service contract" also includes a contract or agreement sold
9 for separately stated consideration for a specific duration to
10 perform any one or more of the following services:

11 (i) The repair or replacement of tires and/or wheels damaged as a
12 result of coming into contact with road hazards. However, a contract
13 or agreement meeting the definition under this subsection (18)(b) in
14 which the party obligated to perform is either a tire or wheel
15 manufacturer or a motor vehicle manufacturer is exempt from the
16 requirements of this chapter;

17 (ii) The removal of dents, dings, or creases on a motor vehicle
18 that can be repaired using the process of paintless dent removal
19 without affecting the existing paint finish and without replacing
20 vehicle body panels, sanding, bonding, or painting;

21 (iii) The repair of chips or cracks in, or the replacement of,
22 motor vehicle windshields as a result of damage caused by road
23 hazards;

24 (iv) The replacement of a motor vehicle key or key fob in the
25 event that the key or key fob becomes inoperable or is lost or
26 stolen;

27 (v) Services provided pursuant to a protection product guarantee;
28 and

29 (vi) Other services approved by rule of the commissioner that are
30 not inconsistent with the provisions of this chapter.

31 (c) "Service contract" does not include coverage for:

32 (i) Repair or replacement due to damage to the interior surfaces
33 or to the exterior paint or finish of a vehicle. However, coverage
34 for these types of damage may be offered in connection with the sale
35 of a protection product as defined in this section; or

36 (ii) Fuel additives, oil additives, or other chemical products
37 applied to the engine, transmission, or fuel system of a motor
38 vehicle.

39 (19) "Service contract holder" or "contract holder" means a
40 person who is the purchaser or holder of a service contract.

1 (20) "Service contract provider" means a person who is
2 contractually obligated to the service contract holder under the
3 terms of the service contract.

4 (21) "Service contract seller" means the person who sells the
5 service contract to the consumer.

6 (22) "Warranty" means a warranty made solely by the manufacturer,
7 importer, or seller of property or services without consideration;
8 that is not negotiated or separated from the sale of the product and
9 is incidental to the sale of the product; and that guarantees
10 indemnity for defective parts, mechanical or electrical breakdown,
11 labor, or other remedial measures, such as repair or replacement of
12 the property or repetition of services.

13 **Sec. 2.** RCW 48.110.050 and 2016 c 224 s 3 are each amended to
14 read as follows:

15 (1) Service contracts shall not be issued, sold, or offered for
16 sale in this state or sold to consumers in this state unless the
17 service contract provider has:

18 (a) Provided a receipt for, or other written evidence of, the
19 purchase of the service contract to the contract holder; and

20 (b) Provided a copy of the service contract to the service
21 contract holder within a reasonable period of time from the date of
22 purchase.

23 (2) In order to either demonstrate its financial responsibility
24 or assure the faithful performance of the service contract provider's
25 or protection product guarantee provider's obligations to its service
26 contract holders or protection product guarantee holders, every
27 service contract provider or protection product guarantee provider
28 shall comply with the requirements of one of the following:

29 (a) Insure ~~((all))~~ each service ~~((contracts))~~ contract or
30 protection product guarantee under a reimbursement insurance policy
31 issued by an insurer holding a certificate of authority from the
32 commissioner or a risk retention group, as defined in 15 U.S.C. Sec.
33 3901(a)(4), as long as that risk retention group is in full
34 compliance with the federal liability risk retention act of 1986 (15
35 U.S.C. Sec. 3901 et seq.), is in good standing in its domiciliary
36 jurisdiction, and is properly registered with the commissioner under
37 chapter 48.92 RCW. The insurance required by this subsection must
38 meet the following requirements:

1 (i) The insurer or risk retention group must, at the time the
2 policy is filed with the commissioner, and continuously thereafter,
3 maintain surplus as to policyholders and paid-in capital of at least
4 (~~fifteen million dollars~~) \$15,000,000 and annually file audited
5 financial statements with the commissioner; and

6 (ii) The commissioner may authorize an insurer or risk retention
7 group that has surplus as to policyholders and paid-in capital of
8 less than (~~fifteen million dollars~~) \$15,000,000, but at least equal
9 to (~~ten million dollars~~) \$10,000,000, to issue the insurance
10 required by this subsection if the insurer or risk retention group
11 demonstrates to the satisfaction of the commissioner that the company
12 maintains a ratio of direct written premiums, wherever written, to
13 surplus as to policyholders and paid-in capital of not more than
14 three to one;

15 (b) (i) Maintain a funded reserve account for its obligations
16 under its service contracts or protection product guarantees issued
17 and outstanding in this state. The reserves shall not be less than
18 (~~forty~~) 40 percent of the gross consideration received, less claims
19 paid, on the sale of the service contract or protection product for
20 all in-force contracts or protection product guarantees. The reserve
21 account shall be subject to examination and review by the
22 commissioner; and

23 (ii) Place in trust with the commissioner a financial security
24 deposit, having a value of not less than five percent of the gross
25 consideration received, less claims paid, on the sale of the service
26 contract or protection product for all service contracts or
27 protection product guarantees issued and in force, but not less than
28 (~~twenty-five thousand dollars~~) \$25,000, consisting of one of the
29 following:

30 (A) A surety bond issued by an insurer holding a certificate of
31 authority from the commissioner;

32 (B) Securities of the type eligible for deposit by authorized
33 insurers in this state;

34 (C) Cash;

35 (D) An irrevocable evergreen letter of credit issued by a
36 qualified financial institution; or

37 (E) Another form of security prescribed by rule by the
38 commissioner; or

1 (c) (i) Maintain, or its parent company maintain, a net worth or
2 stockholder's equity of at least (~~one hundred million dollars~~)
3 \$100,000,000; and

4 (ii) Upon request, provide the commissioner with a copy of the
5 service contract provider's or protection product guarantee
6 provider's or, if using the net worth or stockholder's equity of its
7 parent company to satisfy the (~~one hundred million dollar~~)
8 \$100,000,000 requirement, the service contract provider's or
9 protection product guarantee provider's parent company's most recent
10 form 10-K or form 20-F filed with the securities and exchange
11 commission within the last calendar year, or if the company does not
12 file with the securities and exchange commission, a copy of the
13 service contract provider's or protection product guarantee
14 provider's or, if using the net worth or stockholder's equity of its
15 parent company to satisfy the (~~one hundred million dollar~~)
16 \$100,000,000 requirement, the service contract provider's or
17 protection product guarantee provider's parent company's most recent
18 audited financial statements, which shows a net worth of the service
19 contract provider or protection product guarantee provider or its
20 parent company of at least (~~one hundred million dollars~~)
21 \$100,000,000. If the service contract provider's parent company's
22 form 10-K, form 20-F, or audited financial statements are filed with
23 the commissioner to meet the service contract provider's or
24 protection product guarantee provider's financial stability
25 requirement, then the parent company shall agree to guarantee the
26 obligations of the service contract provider or protection product
27 guarantee provider relating to service contracts or protection
28 products sold by the service contract provider or protection product
29 guarantee provider in this state. A copy of the guarantee shall be
30 filed with the commissioner. The guarantee shall be irrevocable as
31 long as there is in force in this state any contract or any
32 obligation arising from service contracts or protection product
33 guarantees guaranteed, unless the parent company has made
34 arrangements approved by the commissioner to satisfy its obligations
35 under the guarantee.

36 (3) Service contracts shall require the service contract provider
37 to permit the service contract holder to return the service contract
38 within (~~twenty~~) 20 days of the date the service contract was mailed
39 to the service contract holder or within (~~ten~~) 10 days of delivery
40 if the service contract is delivered to the service contract holder

1 at the time of sale, or within a longer time period permitted under
2 the service contract. Upon return of the service contract to the
3 service contract provider within the applicable period, if no claim
4 has been made under the service contract prior to the return to the
5 service contract provider, the service contract is void and the
6 service contract provider shall refund to the service contract
7 holder, or credit the account of the service contract holder with the
8 full purchase price of the service contract. The right to void the
9 service contract provided in this subsection is not transferable and
10 shall apply only to the original service contract purchaser. A
11 ~~((ten))~~ 10 percent penalty per month shall be added to a refund of
12 the purchase price that is not paid or credited within ~~((thirty))~~ 30
13 days after return of the service contract to the service contract
14 provider.

15 ~~((4) This section does not apply to service contracts on motor
16 vehicles or to protection product guarantees.))~~ This subsection (3)
17 does not apply to service contracts on motor vehicles.

18 **Sec. 3.** RCW 48.110.055 and 2019 c 16 s 3 are each amended to
19 read as follows:

20 (1) This section applies to protection product guarantee
21 providers.

22 (2) A person must not act as, or offer to act as, or hold himself
23 or herself out to be a protection product guarantee provider in this
24 state, nor may a protection product be sold to a consumer in this
25 state, unless the protection product guarantee provider has:

26 (a) A valid registration as a protection product guarantee
27 provider issued by the commissioner; and

28 (b) Either demonstrated its financial responsibility or assured
29 the faithful performance of the protection product guarantee
30 provider's obligations to its protection product guarantee holders by
31 ~~((insuring all protection product guarantees under a reimbursement
32 insurance policy issued by an insurer holding a certificate of
33 authority from the commissioner or a risk retention group, as defined
34 in 15 U.S.C. Sec. 3901(a)(4), as long as that risk retention group is
35 in full compliance with the federal liability risk retention act of
36 1986 (15 U.S.C. Sec. 3901 et seq.), is in good standing in its
37 domiciliary jurisdiction, and properly registered with the
38 commissioner under chapter 48.92 RCW. The insurance required by this
39 subsection must meet the following requirements:~~

1 ~~(i) The insurer or risk retention group must, at the time the~~
2 ~~policy is filed with the commissioner, and continuously thereafter,~~
3 ~~maintain surplus as to policyholders and paid-in capital of at least~~
4 ~~fifteen million dollars and annually file audited financial~~
5 ~~statements with the commissioner; and~~

6 ~~(ii) The commissioner may authorize an insurer or risk retention~~
7 ~~group that has surplus as to policyholders and paid-in capital of~~
8 ~~less than fifteen million dollars, but at least equal to ten million~~
9 ~~dollars, to issue the insurance required by this subsection if the~~
10 ~~insurer or risk retention group demonstrates to the satisfaction of~~
11 ~~the commissioner that the company maintains a ratio of direct written~~
12 ~~premiums, wherever written, to surplus as to policyholders and paid-~~
13 ~~in capital of not more than three to one)) satisfying one of the~~
14 ~~requirements of demonstrating financial responsibility or assuring~~
15 ~~faithful performance in accordance with RCW 48.110.050.~~

16 (3) Applicants to be a protection product guarantee provider must
17 make an application to the commissioner upon a form to be furnished
18 by the commissioner. The application must include or be accompanied
19 by the following information and documents:

20 (a) The names of the protection product guarantee provider's
21 executive officer or officers directly responsible for the protection
22 product guarantee provider's protection product guarantee business
23 and their biographical affidavits on a form prescribed by the
24 commissioner;

25 (b) The name, address, and telephone number of any administrators
26 designated by the protection product guarantee provider to be
27 responsible for the administration of protection product guarantees
28 in this state;

29 (c) ((A)) If a protection product guarantee provider is using a
30 reimbursement insurance policy in accordance with RCW
31 48.110.050(2)(a) to demonstrate financial responsibility or assure
32 faithful performance of its obligations to protection product
33 guarantee holders, a copy of the protection product guarantee
34 reimbursement insurance policy or policies;

35 (d) A copy of each protection product guarantee the protection
36 product guarantee provider proposes to use in this state;

37 (e) The most recent annual financial statements, if available, or
38 the most recent financial statements certified as accurate by two or
39 more officers of the applicant which prove that the applicant has and
40 maintains a minimum net worth or stockholder's equity of ((two

1 ~~hundred thousand dollars~~)) \$200,000 or more calculated in accordance
2 with RCW 48.110.078 and the ability to pay its debts when debts
3 become due; and

4 (f) A nonrefundable application fee of (~~two hundred fifty~~
5 ~~dollars~~)) \$250.

6 (4) Each registered protection product guarantee provider must
7 appoint the commissioner as the protection product guarantee
8 provider's attorney to receive service of legal process issued
9 against the protection product guarantee provider in this state upon
10 causes of action arising within this state. Service upon the
11 commissioner as attorney constitutes effective legal service upon the
12 protection product guarantee provider.

13 (a) With the appointment the protection product guarantee
14 provider must designate the person to whom the commissioner must
15 forward legal process so served upon him or her.

16 (b) The appointment is irrevocable, binds any successor in
17 interest or to the assets or liabilities of the protection product
18 guarantee provider, and remains in effect for as long as there could
19 be any cause of action against the protection product guarantee
20 provider arising out of any of the protection product guarantee
21 provider's contracts or obligations in this state.

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

24 (5) The commissioner may refuse to issue a registration if the
25 commissioner determines that the protection product guarantee
26 provider, or any individual responsible for the conduct of the
27 affairs of the protection product guarantee provider under subsection
28 (3)(a) of this section, is not competent, trustworthy, cannot
29 demonstrate a minimum net worth or stockholder's equity in accordance
30 with the applicable requirements of subsection (3)(e) of this section
31 and the ability to pay its debts when debts become due, or has had a
32 license as a protection product guarantee provider or similar license
33 denied or revoked for cause by any state.

34 (6) A registration issued under this section is valid, unless
35 surrendered, suspended, or revoked by the commissioner, or not
36 renewed for so long as the protection product guarantee provider
37 continues in business in this state and remains in compliance with
38 this chapter. A registration is subject to renewal annually on the
39 first day of July upon application of the protection product
40 guarantee provider and payment of a fee of (~~two hundred fifty~~

1 dollars)) \$250. If not so renewed, the registration expires on the
2 June 30th next preceding.

3 (7) A protection product guarantee provider must keep current the
4 information required to be disclosed in its registration under this
5 section by reporting all material changes or additions within thirty
6 days after the end of the month in which the change or addition
7 occurs.

8 **Sec. 4.** RCW 48.110.060 and 2006 c 274 s 7 are each amended to
9 read as follows:

10 (1) Reimbursement insurance policies insuring service contracts
11 or protection product guarantees issued, sold, or offered for sale in
12 this state or issued or sold to consumers in this state shall state
13 that the insurer that issued the reimbursement insurance policy shall
14 either reimburse ((or)) the provider, or in the event of
15 nonperformance by the provider or the provider is unable to fulfill
16 its contractual obligations to the consumer, shall pay on behalf of
17 the service contract provider or the protection product guarantee
18 provider all sums the service contract provider or the protection
19 product guarantee provider is legally obligated to pay, including but
20 not limited to the refund of the full purchase price of the service
21 contract to the service contract holder or shall provide the service
22 which the service contract provider or the protection product
23 guarantee provider is legally obligated to perform according to the
24 service contract provider's or protection product guarantee
25 provider's contractual obligations under the service contracts or
26 protection product guarantees issued or sold by the service contract
27 provider or the protection product guarantee provider.

28 (2) The reimbursement insurance policy or policies shall either
29 fully insure the obligations of the service contract provider or
30 protection product guarantee provider (~~(, rather than partially~~
31 ~~insure,)~~) or insure only in the event of service contract provider or
32 protection product guarantee provider default or failure to perform.

33 (3) The reimbursement insurance policy or policies shall state
34 that the service contract holder or protection product guarantee
35 holder is entitled to apply directly to the reimbursement insurance
36 company for payment or performance due.

37 (4) If a reimbursement insurance policy only pays or provides
38 benefits in the event of nonperformance by the provider or when the
39 provider is unable to fulfill its contractual obligations, then the

1 policy must also state that in the event a covered service or product
2 is not provided by the service contract provider or protection
3 product guarantee provider within 30 days of proof of loss by the
4 service contract holder or protection product guarantee holder the
5 service contract holder or protection product guarantee holder is
6 entitled to apply directly to the reimbursement insurance company for
7 payment or performance due. If the service contract provider or
8 protection product guarantee provider has ceased operation, the
9 service contract holder or protection product guarantee holder may
10 apply directly to the reimbursement insurance company for payment or
11 performance due without waiting 30 days.

12 **Sec. 5.** RCW 48.110.073 and 2006 c 274 s 20 are each amended to
13 read as follows:

14 (1) If the service contract provider or protection product
15 guarantee provider is using (~~{the}~~) one or more reimbursement
16 insurance policy or policies to satisfy the requirements of RCW
17 48.110.050(2)(a), (~~(48.110.055(2)(b), or 48.110.075(2)(a),)~~) then
18 (~~the~~) each reimbursement insurance policy shall be filed with and
19 approved by the commissioner in accordance with and pursuant to the
20 requirements of chapter 48.18 RCW.

21 (2) All service contracts forms covering motor vehicles must be
22 filed with and approved by the commissioner prior to the service
23 contract forms being used, issued, delivered, sold, or marketed in
24 this state or to residents of this state.

25 (3) All service contracts forms covering motor vehicles being
26 used, issued, delivered, sold, or marketed in this state or to
27 residents of this state by motor vehicle manufacturers or import
28 distributors or wholly owned subsidiaries thereof must be filed with
29 the commissioner for approval within sixty days after the motor
30 vehicle manufacturer or import distributor or wholly owned subsidiary
31 thereof begins using the service contracts forms.

32 (4) The commissioner shall disapprove any motor vehicle service
33 contract form if:

34 (a) The form is in any respect in violation of, or does not
35 comply with, this chapter or any applicable order or regulation of
36 the commissioner issued under this chapter;

37 (b) The form contains or incorporates by reference any
38 inconsistent, ambiguous, or misleading clauses, or exceptions and
39 conditions;

1 (c) The form has any title, heading, or other indication of its
2 provisions that is misleading; or

3 (d) The purchase of the contract is being solicited by deceptive
4 advertising.

5 **Sec. 6.** RCW 48.110.075 and 2006 c 274 s 18 are each amended to
6 read as follows:

7 (1) This section applies to service contracts on motor vehicles.

8 (2) Service contracts shall not be issued, sold, or offered for
9 sale in this state or sold to consumers in this state unless:

10 (a) The service contract provider has either demonstrated its
11 financial responsibility or assured the faithful performance of the
12 service contract provider's obligations to its service contract
13 holders by ~~((insuring all service contracts under a reimbursement
14 insurance policy issued by an insurer holding a certificate of
15 authority from the commissioner or a risk retention group, as defined
16 in 15 U.S.C. Sec. 3901(a)(4), as long as that risk retention group is
17 in full compliance with the federal liability risk retention act of
18 1986 (15 U.S.C. Sec. 3901 et seq.), is in good standing in its
19 domiciliary jurisdiction, and properly registered with the
20 commissioner under chapter 48.92 RCW. The insurance required by this
21 subsection must meet the following requirements:~~

22 ~~(i) The insurer or risk retention group must, at the time the
23 policy is filed with the commissioner, and continuously thereafter,
24 maintain surplus as to policyholders and paid-in capital of at least
25 fifteen million dollars and annually file audited financial
26 statements with the commissioner; and~~

27 ~~(ii) The commissioner may authorize an insurer or risk retention
28 group that has surplus as to policyholders and paid-in capital of
29 less than fifteen million dollars, but at least equal to ten million
30 dollars, to issue the insurance required by this subsection if the
31 insurer or risk retention group demonstrates to the satisfaction of
32 the commissioner that the company maintains a ratio of direct written
33 premiums, wherever written, to surplus as to policyholders and paid-
34 in capital of not more than three to one)) satisfying one of the
35 requirements of demonstrating financial responsibility or assuring
36 faithful performance in accordance with RCW 48.110.050;~~

37 (b) (i) The service contract conspicuously states that the
38 obligations of the provider to the service contract holder are
39 guaranteed under the reimbursement insurance policy, the name and

1 address of the issuer of the reimbursement insurance policy, the
2 applicable policy number, and the means by which a service contract
3 holder may file a claim under the policy;

4 (ii) A service contract not insured under a reimbursement
5 insurance policy under RCW 48.110.050(2)(a) and 48.110.060 shall
6 contain a statement in substantially the following form: "Obligations
7 of the service contract provider under this contract are backed by
8 the full faith and credit of the service contract provider";

9 (c) The service contract conspicuously and unambiguously states
10 the name and address of the service contract provider and identifies
11 any administrator if different from the service contract provider,
12 the service contract seller, and the service contract holder. The
13 identity of the service contract seller and the service contract
14 holder are not required to be preprinted on the service contract and
15 may be added to the service contract at the time of sale;

16 (d) The service contract states the purchase price of the service
17 contract and the terms under which the service contract is sold. The
18 purchase price is not required to be preprinted on the service
19 contract and may be negotiated at the time of sale;

20 (e) The contract contains a conspicuous statement that has been
21 initialed by the service contract holder and discloses:

22 (i) Any material conditions that the service contract holder must
23 meet to maintain coverage under the contract including, but not
24 limited to, any maintenance schedule to which the service contract
25 holder must adhere, any requirement placed on the service contract
26 holder for documenting repair or maintenance work, any duty to
27 protect against any further damage, and any procedure to which the
28 service contract holder must adhere for filing claims;

29 (ii) The work and parts covered by the contract;

30 (iii) Any time or mileage limitations;

31 (iv) That the implied warranty of merchantability on the motor
32 vehicle is not waived if the contract has been purchased within
33 (~~ninety~~) 90 days of the purchase date of the motor vehicle from a
34 provider or service contract seller who also sold the motor vehicle
35 covered by the contract;

36 (v) Any exclusions of coverage; and

37 (vi) The contract holder's right to return the contract for a
38 refund, which right can be no more restrictive than provided for in
39 subsection (4) of this section;

1 (f) The service contract states the procedure to obtain service
2 or to file a claim, including but not limited to the procedures for
3 obtaining prior approval for repair work, the toll-free telephone
4 number if prior approval is necessary for service, and the procedure
5 for obtaining emergency repairs performed outside of normal business
6 hours or for obtaining (~~twenty-four-hour~~) 24-hour telephone
7 assistance;

8 (g) The service contract states the existence of any deductible
9 amount, if applicable;

10 (h) The service contract states any restrictions governing the
11 transferability of the service contract, if applicable; and

12 (i) The service contract states whether or not the service
13 contract provides for or excludes consequential damages or
14 preexisting conditions.

15 (3) Service contracts shall not contain a provision which
16 requires that any civil action brought in connection with the service
17 contract must be brought in the courts of a jurisdiction other than
18 this state. Service contracts that authorize binding arbitration to
19 resolve claims or disputes must allow for arbitration proceedings to
20 be held at a location in closest proximity to the service contract
21 holder's permanent residence.

22 (4)(a) At a minimum, every provider shall permit the service
23 contract holder to return the contract within (~~thirty~~) 30 days of
24 its purchase if no claim has been made under the contract, and shall
25 refund to the holder the full purchase price of the contract unless
26 the service contract holder returns the contract (~~ten~~) 10 or more
27 days after its purchase, in which case the provider may charge a
28 cancellation fee not exceeding (~~twenty-five dollars~~) \$25.

29 (b) If no claim has been made and a contract holder returns the
30 contract after (~~thirty~~) 30 days, the provider shall refund the
31 purchase price pro rata based upon either elapsed time or mileage
32 computed from the date the contract was purchased and the mileage on
33 that date, less a cancellation fee not exceeding (~~twenty-five~~
34 ~~dollars~~) \$25.

35 (c) A (~~ten~~) 10 percent penalty shall be added to any refund
36 that is not paid within (~~thirty~~) 30 days of return of the contract
37 to the provider.

38 (d) If a contract holder returns the contract under this
39 subsection, the contract is void from the beginning and the parties
40 are in the same position as if no contract had been issued.

1 (e) If a service contract holder returns the contract in
2 accordance with this section, the insurer issuing the reimbursement
3 insurance policy covering the contract shall refund to the provider
4 the full premium by the provider for the contract if canceled within
5 ((~~thirty~~)) 30 days or a pro rata refund if canceled after ((~~thirty~~))
6 30 days.

7 (5) A service contract provider shall not deny a claim for
8 coverage based upon the service contract holder's failure to properly
9 maintain the vehicle, unless the failure to maintain the vehicle
10 involved the failed part or parts.

11 (6) A contract provider has only ((~~sixty~~)) 60 days from the date
12 of the sale of the service contract to the holder to determine
13 whether or not the vehicle qualifies under the provider's program for
14 that vehicle. After ((~~sixty~~)) 60 days the vehicle qualifies for the
15 service contract that was issued and the service contract provider
16 may not cancel the contract and is fully obligated under the terms of
17 the contract sold to the service contract holder.

18 **Sec. 7.** RCW 48.110.110 and 2006 c 274 s 12 are each amended to
19 read as follows:

20 (1) Service contract providers or protection product guarantee
21 providers are considered to be the agent of ((~~the~~)) each insurer
22 which issued the reimbursement insurance policy or policies for
23 purposes of obligating the insurer to service contract holders or
24 protection product guarantee holders in accordance with the service
25 contract holders or protection product guarantee holders and this
26 chapter. Payment of the provider fee by the consumer to the service
27 contract seller, service contract provider, or administrator or
28 payment of consideration for the protection product to the protection
29 product seller constitutes payment by the consumer to the service
30 contract provider or protection product guarantee provider and to
31 ((~~the~~)) each insurer which issued the reimbursement insurance policy
32 or policies. In cases where a service contract provider or protection
33 product guarantee provider is acting as an administrator and enlists
34 other service contract providers or protection product guarantee
35 providers, the service contract provider or protection product
36 guarantee provider acting as the administrator shall notify ((~~the~~))
37 each insurer of the existence and identities of the other service
38 contract providers or protection product guarantee providers.

1 (2) This chapter does not prevent or limit the right of an
2 insurer which issued a reimbursement insurance policy to seek
3 indemnification or subrogation against a service contract provider or
4 protection product guarantee provider if the issuer pays or is
5 obligated to pay the service contract holder or protection product
6 guarantee holder sums that the service contract provider or
7 protection product guarantee provider was obligated to pay under the
8 provisions of the service contract or protection product guarantee.

9 **Sec. 8.** RCW 48.110.140 and 2006 c 274 s 15 are each amended to
10 read as follows:

11 The legislature finds that the practices covered by this chapter
12 are matters vitally affecting the public interest for the purpose of
13 applying the consumer protection act, chapter 19.86 RCW. Violations
14 of this chapter are not reasonable in relation to the development and
15 preservation of business. A violation of this chapter is an unfair or
16 deceptive act or practice in the conduct of trade or commerce and an
17 unfair method of competition, as specifically contemplated by RCW
18 19.86.020, and is a violation of the consumer protection act, chapter
19 19.86 RCW. Any service contract holder or protection product
20 guarantee holder injured as a result of a violation of a provision of
21 this chapter shall be entitled to maintain an action pursuant to
22 chapter 19.86 RCW against the service contract provider or protection
23 product guarantee provider and ~~((the))~~ each insurer issuing the
24 applicable service contract or protection product guarantee
25 reimbursement insurance policy or policies and shall be entitled to
26 all of the rights and remedies afforded by that chapter.

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