

HOUSE BILL 1046

I3, R4

5lr3167

By: **Delegate Bagnall**

Introduced and read first time: February 5, 2025

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Protections for Vehicle Service Contracts**

3 FOR the purpose of establishing that a licensed vehicle dealer, an obligor, or an agent that
4 sells mechanical repair contracts for motor vehicles may not make deceptive or
5 misleading statements regarding the mechanical repair contract and shall ensure
6 that testimonials of any of their endorsers are truthful, accurate, and not deceptive;
7 and generally relating to mechanical repair contracts for motor vehicles.

8 BY repealing and reenacting, without amendments,
9 Article – Commercial Law
10 Section 14–404
11 Annotated Code of Maryland
12 (2013 Replacement Volume and 2024 Supplement)

13 BY repealing and reenacting, without amendments,
14 Article – Transportation
15 Section 15–311.2(a) and (e) through (h)
16 Annotated Code of Maryland
17 (2020 Replacement Volume and 2024 Supplement)

18 BY repealing and reenacting, with amendments,
19 Article – Transportation
20 Section 15–311.2(i)
21 Annotated Code of Maryland
22 (2020 Replacement Volume and 2024 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
24 That the Laws of Maryland read as follows:

25 **Article – Commercial Law**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 14–404.

2 (a) (1) A guarantor shall fulfill the guarantor's guaranty according to its
3 terms:

4 (i) Within a reasonable time; and

5 (ii) For the stated period of the guaranty or, if no period is stated, for
6 a reasonable period of time.

7 (2) A provider shall fulfill the obligations under the service contract
8 according to its terms:

9 (i) At or within the period stated in the service contract, or if no
10 period is stated, within a reasonable time; and

11 (ii) For the stated duration of the service contract.

12 (b) (1) (i) A guaranty is extended automatically when a guarantor fails to
13 repair successfully a malfunctioning or defective product within the guaranty period.

14 (ii) The guaranty does not terminate until the consumer product
15 successfully performs its intended function for the remaining period of the guaranty plus a
16 period equal to the time of repair.

17 (2) (i) A service contract is extended automatically when the provider
18 fails to perform the services under the service contract.

19 (ii) The service contract does not terminate until the services are
20 provided in accordance with the terms of the service contract.

21 (c) If a guaranty fails to disclose the information required by § 14–403 of this
22 subtitle, the guarantor shall, without charge and within a reasonable period of time:

23 (1) Repair a malfunctioning or defective consumer product; or

24 (2) If repair is not commercially practicable or cannot be timely made,
25 replace the malfunctioning or defective consumer product.

26 (d) (1) If a guarantor is unable to fulfill the terms of the guaranty within 10
27 days of the tender or delivery of a consumer product to the guarantor, the guarantor shall
28 provide on request of the person guaranteed a brief written explanation of the reasons for
29 the delay.

30 (2) If a provider is unable to fulfill the terms of the service contract within
31 10 days after the date on which the provider is required to perform obligations under the

service contract, the provider shall provide on request of the person guaranteed a brief written explanation of the reasons for the delay.

Article – Transportation

15–311.2.

(a) (1) In this section the following words have the meanings indicated.

(2) “Agent” means a business entity that is authorized by an obligor or a licensed vehicle dealer to sell a mechanical repair contract.

(3) (i) “Mechanical repair contract” means any agreement or contract sold by a licensed vehicle dealer, an obligor, or an agent under which the obligor agrees to perform over a fixed period of time, for a specific duration, and for a specific identifiable price, provided that the purchase of the contract is optional to the purchaser, any of the following services:

1. The repair, replacement, or maintenance of a motor vehicle, or the indemnification for the repair, replacement, or maintenance of a motor vehicle, for the operational or structural failure of the motor vehicle due to a defect in materials, workmanship, or normal wear and tear, with or without additional provisions for incidental payment of indemnity for services including towing, rental and emergency road service, and road hazard protection;

2. The repair, replacement, or maintenance of a motor vehicle for the operational or structural failure of one or more parts or systems of the motor vehicle brought about by the failure of an additive product to perform as represented;

3. The repair or replacement of tires or wheels on a motor vehicle damaged as a result of coming into contact with road hazards, including potholes, rocks, wood debris, metal parts, glass, plastic, curbs, or composite scraps;

4. The removal and repair of dents, dings, or creases on a motor vehicle using the process of paintless dent removal;

5. The repair of chips or cracks in, or the replacement of, motor vehicle windshields as a result of damage caused by road hazards;

6. The replacement of a motor vehicle key or key fob if the key or key fob becomes inoperable or is lost or stolen; or

7. Other services or products that may be approved by the Insurance Commissioner if consistent with the provisions of this section.

(ii) “Mechanical repair contract” includes extended warranties and extended service contracts.

(iii) “Mechanical repair contract” does not include:

1. Warranties under the Magnuson–Moss Warranty Act, 15 U.S.C. § 2301, et seq.;

2. Contracts or agreements for regular maintenance only; or

3. An agreement between a motor club, as defined in § 26–101 of the Insurance Article, and a member or subscriber of the motor club.

(4) (i) “Obligor” means the person specified in a mechanical repair contract that is contractually obligated to perform the services set forth in the mechanical repair contract.

(ii) “Obligor” does not include an insurer that provides insurance coverage in accordance with subsection (b) of this section.

(e) A mechanical repair contract shall be offered in addition to any express warranty originally included as part of the contract for sale of a new motor vehicle.

(f) A mechanical repair contract shall clearly and conspicuously set forth the date when the warranty begins.

(g) A mechanical repair contract shall clearly and conspicuously set forth the date or the odometer reading at which the warranty expires and the name and address of the insurer issuing the policy of insurance as described in subsection (b) of this section.

(h) The repair of a malfunction or defect covered under a mechanical repair contract shall include the cost of the teardown and diagnosing the malfunction or defect.

(i) **(1)** The provisions of the Maryland Consumer Products Guaranty Act, Title 14, Subtitle 4 of the Commercial Law Article, apply to a mechanical repair contract sold in the State.

(2) IN ADDITION TO THE REQUIREMENTS FOR LICENSED VEHICLE DEALERS, OBLIGORS, AND AGENTS ESTABLISHED UNDER § 14–404 OF THE COMMERCIAL LAW ARTICLE, A LICENSED VEHICLE DEALER, AN OBLIGOR, OR AN AGENT:

(I) MAY NOT MAKE DECEPTIVE OR MISLEADING STATEMENTS REGARDING A MECHANICAL REPAIR CONTRACT; AND

(II) SHALL ENSURE THAT TESTIMONIALS OF ANY OF THEIR ENDORSERS ARE TRUTHFUL, ACCURATE, AND NOT DECEPTIVE.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 2025.