

1 HOUSE BILL NO. 668
2 INTRODUCED BY R. FITZGERALD
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO SERVICE CONTRACTS TO
5 INCLUDE VEHICLE THEFT PROTECTION PRODUCTS; PROVIDING DEFINITIONS; PROVIDING
6 REQUIREMENTS FOR CONDUCTING BUSINESS; PROVIDING FOR DISCLOSURES; PROVIDING THAT
7 CERTAIN VEHICLE THEFT PROTECTION PRODUCTS AND SERVICE CONTRACTS ARE NOT SUBJECT
8 TO THE INSURANCE CODE; PROVIDING DISCLOSURES FOR VEHICLE THEFT PROTECTION PRODUCT
9 WARRANTIES; AND AMENDING SECTIONS 30-14-1301, 30-14-1302, 30-14-1303, ~~30-14-1304~~, AND 33-1-
10 102, MCA."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
13

14 **Section 1.** Section 30-14-1301, MCA, is amended to read:

15 **"30-14-1301. Definitions.** As used in this part, the following definitions apply:

- 16 (1) "Administrator" means the person who is responsible for the administration of service contracts.
- 17 (2) "Department" means the department of justice provided for in 2-15-2001.
- 18 (3) "Incidental costs" means expenses specified in a vehicle theft protection product warranty that
19 are incurred by the vehicle theft protection product warranty holder due to the failure of a vehicle theft protection
20 product to perform as provided in the contract. Incidental costs may include but are not limited to insurance
21 policy deductibles, rental vehicle charges, the difference between the actual value of the stolen vehicle at the
22 time of theft and the cost of a replacement vehicle, sales taxes, registration fees, transaction fees, and
23 mechanical inspection fees. Incidental costs may be reimbursed in either a fixed amount specified in the vehicle
24 theft protection product warranty or by use of a formula itemizing specific incidental costs incurred by the
25 warranty holder.
- 26 ~~(3)~~(4) "Person" means an individual, partnership, corporation, incorporated or unincorporated
27 association, limited liability company, limited liability partnership, joint-stock company, reciprocal insurer,

1 **Section 3.** Section 30-14-1303, MCA, is amended to read:

2 **"30-14-1303. Required disclosures -- reimbursement insurance policy.** (1) Reimbursement
3 insurance policies insuring service contracts or vehicle theft protection product warranties issued, sold, or
4 offered for sale in this state must state that the insurer that issued the reimbursement insurance policy shall
5 either reimburse or pay on behalf of the provider any covered sums that the provider is legally obligated to pay
6 or, in the event of the provider's nonperformance, shall provide the service that the provider is legally obligated
7 to perform according to the provider's contractual obligations under the service contracts or vehicle theft
8 protection product warranties issued or sold by the provider.

9 (2) If covered service is not provided by the provider within 60 days of proof of loss by the service
10 contract holder or vehicle protection product warranty holder, the contract holder or warranty holder is entitled
11 to apply directly to the reimbursement insurance company."

12

13 ~~**Section 4.** Section 30-14-1304, MCA, is amended to read:~~

14 ~~**"30-14-1304. Required disclosure -- service contracts.** (1) Service contracts or vehicle theft
15 protection products marketed, sold, offered for sale, issued, made, proposed to be made, or administered in
16 this state must be written, printed, or typed in clear understandable language that is easy to read and must
17 disclose the requirements set forth in this section, as applicable.~~

18 ~~(2) — Service contracts or vehicle theft protection products insured under a reimbursement insurance
19 policy pursuant to 30-14-1302(2)(a) must contain the following items:~~

20 ~~(a) — a statement that is in a form identical or similar to the following: "Obligations of the provider
21 under this service contract are insured under a service contract reimbursement insurance policy."; and~~

22 ~~(b) — the name and address of the insurer.~~

23 ~~(3) — Service contracts or vehicle theft protection products not insured under a reimbursement
24 insurance policy pursuant to 30-14-1302(2)(a) must contain a statement that is in a form identical or similar to
25 the following: "Obligations of the provider under this service contract are backed by the full faith and credit of
26 the provider."~~

27 ~~(4) — Service contracts or vehicle theft protection products must state the name and address of the~~

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1 ~~provider and must identify any administrator if different from the provider, the service contract seller, and the~~
2 ~~service contract holder or vehicle theft protection product warranty holder if provided by the holder. The~~
3 ~~identities of all parties referred to in this subsection are not required to be preprinted on the service contract and~~
4 ~~may be added to the service contract at the time of the sale.~~

5 (5) ~~— A service contract or vehicle theft protection product or the service contract or vehicle theft~~
6 ~~protection product warranty holder's receipt must state the total purchase price and the terms under which the~~
7 ~~contract is sold. The purchase price is not required to be preprinted on the service contract and may be~~
8 ~~negotiated at the time of the sale with the service contract holder or warranty holder.~~

9 (6) ~~— Service contracts or vehicle theft protection products must state the existence of any deductible~~
10 ~~amount, as applicable.~~

11 (7) ~~— Service contracts or vehicle theft protection products must specify the merchandise and~~
12 ~~services to be provided and any limitations, exceptions, or exclusions.~~

13 (8) ~~— Service contracts or vehicle theft protection products covering automobiles must state whether~~
14 ~~the use of nonoriginal manufacturer's parts are allowed.~~

15 (9) ~~— Service contracts or vehicle theft protection products must state any restrictions governing the~~
16 ~~transferability of the service contract, as applicable.~~

17 (10) ~~— Service contracts or vehicle theft protection products must state the terms, restrictions, or~~
18 ~~conditions governing cancellation of the service contract or vehicle theft protection product prior to the~~
19 ~~termination or expiration date of the service contract by either the provider or the service contract holder or~~
20 ~~vehicle theft protection product warranty holder.~~

21 (11) ~~— (a) Except as provided in subsection (11)(b), the provider shall mail a written notice to the~~
22 ~~service contract or vehicle theft protection product warranty holder at the last-known address of the contract~~
23 ~~holder or warranty holder contained in the records of the provider at least 5 days prior to the cancellation by the~~
24 ~~provider.~~

25 (b) ~~— Prior notice is not required if the reason for cancellation is:~~

26 (i) ~~— nonpayment of the provider fee;~~

27 (ii) ~~— a material misrepresentation by the service contract holder or vehicle theft protection product~~

1 ~~warranty holder to the provider; or~~

2 ~~(iii) — substantial breach of duties by the service contract holder or warranty holder relating to the~~
3 ~~covered product or its use.~~

4 ~~(c) — Any cancellation notice must state the effective date and reason for the cancellation.~~

5 ~~(12) — Service contracts and vehicle theft protection products must set forth all of the obligations and~~
6 ~~duties of the service contract or vehicle theft protection product warranty holder, including the duty to protect~~
7 ~~against any further damage and any requirement to follow the owner's manual."~~

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9 **NEW SECTION. Section 4. Required disclosure -- vehicle theft protection product warranties.**

10 (1) Vehicle theft protection product warranties offered, issued, made, proposed to be made, or administered in
11 this state must be written, printed, or typed in clear, understandable language that is easy to read and must
12 disclose the following, as applicable:

13 (a) the name and address of the warrantor, the seller of the vehicle theft protection product, and
14 the vehicle theft protection product warranty holder;

15 (b) the total purchase price of the vehicle theft protection product and the terms under which it is to
16 be paid, however, the purchase price is not required to be preprinted on the vehicle theft protection product
17 warranty and may be negotiated with the consumer at the time of sale;

18 (c) the procedure for making a claim, including a telephone number for the warrantor or
19 administrator responsible for processing the claim;

20 (d) the payments or performance to be provided under the warranty, including payments for
21 incidental costs, the manner of calculation or determination of payments or performance, and any limitations,
22 exceptions, or exclusions. Incidental costs may be reimbursed under the provisions of the warranty in either a
23 fixed amount specified in the warranty or sales agreement or by the use of a formula itemizing specific
24 incidental costs incurred by the vehicle theft protection product warranty holder.

25 (e) the obligations and duties of the vehicle theft protection product warranty holder, such as the
26 duty to protect against any further damage to the vehicle, the obligation to notify the warrantor in advance of
27 any repair, or other similar requirements, if any;

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- 1 (f) any terms, restrictions, or conditions governing transferability and cancellation of the warranty,
2 if any. A warrantor may only cancel a vehicle theft protection product warranty if the vehicle theft protection
3 product warranty holder does any of the following:
- 4 (i) fails to pay for the vehicle theft protection product;
 - 5 (ii) makes a material misrepresentation to the seller of the vehicle theft protection product or to the
6 warrantor;
 - 7 (iii) commits fraud related to the purchase of the vehicle theft protection product, registration of the
8 vehicle theft protection product warranty, or a claim made under the vehicle theft protection product warranty;
 - 9 (iv) substantially breaches the vehicle theft protection product warranty holder's duties under the
10 warranty;
 - 11 (v) fails to make required payments on the vehicle so that the vehicle is repossessed; and
 - 12 (vi) damages the vehicle in such a way so that the vehicle is considered a total loss.
- 13 (2) A vehicle theft protection product warranty that is insured by a reimbursement insurance policy
14 pursuant to 30-14-1302(2)(a) must contain the following items:
- 15 (a) a statement that is in a form identical or similar to the following: "This contract is not insurance
16 and is not subject to the insurance laws of this state";
 - 17 (b) that the obligations of the warrantor are insured under a reimbursement insurance policy;
 - 18 (c) that if a warrantor fails to perform or make a payment due under the terms of the warranty
19 within 60 days after the vehicle theft protection product warranty holder requests performance or payment
20 pursuant to the terms of the warranty, the vehicle theft protection product warranty holder may request
21 performance or payment directly from the warrantor's reimbursement insurance policy insurer; and
 - 22 (d) the name, address, and telephone number of the warrantor's reimbursement insurance policy
23 insurer.
- 24 (3) Vehicle theft protection product warranties not insured under a reimbursement insurance policy
25 pursuant to 30-14-1302(2)(a) must contain a statement that is in a form identical or similar to the following: "The
26 obligations of the warrantor under this warranty are backed by the full faith and credit of the warrantor".
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1 chapter 14, part 22, or to vehicle theft protection products or vehicle theft protection product warranties that are
2 governed by Title 30, chapter 14, part 13.

3 (15) This code does not apply to direct patient care agreements established pursuant to 50-4-107.

4 (16) This code does not apply to a health care sharing ministry that meets the requirements of 50-4-
5 111."

6
7 **NEW SECTION. Section 6. Codification instruction.** [Section 4] is intended to be codified as an
8 integral part of Title 30, chapter 14, part 13, and the provisions of Title 30, chapter 14, part 13, apply to [section
9 4].

10 - END -