

### 322A.5 Warranties and recalls.

1. Every franchiser and franchisee shall fulfill the terms of any express or implied warranty concerning the sale of a motor vehicle to the public of the line-make which is the subject of a contract or franchise agreement between the parties. If it is determined by the district court that either the franchiser or franchisee, or both, have violated an express or implied warranty, the court shall add to any award or relief granted an additional award for reasonable attorney fees and other necessary expenses for maintaining the litigation.

2. a. A franchiser shall specify in writing to each of the franchiser's franchisees operating in this state the franchisee's obligations for preparation, delivery, and warranty services related to the franchiser's products. The franchiser shall compensate the franchisee for the warranty services the franchiser requires the franchisee to provide, including warranty and recall obligations related to repairing and servicing motor vehicles of the franchiser and all parts and components authorized by the manufacturer to be installed in or manufactured for installation in such motor vehicles.

b. The franchiser shall provide to the franchisee a schedule of compensation that specifies reasonable compensation the franchiser will pay to the franchisee for such warranty services, including for parts, labor, and diagnostics.

(1) In determining the schedule of compensation for parts, the franchiser may multiply the price paid by the franchisee for parts, including all shipping costs and other charges, by the sum of one and the franchisee's average percentage markup. The franchisee's average percentage markup is calculated by subtracting one from the result of dividing the total amounts charged by the franchisee for parts used in warranty-like repairs by the total cost to the franchisee for the parts in the retail service orders submitted pursuant to subparagraph (3).

(2) In determining the schedule of compensation for labor-related warranty services, the franchiser may calculate the franchisee's retail labor rate by dividing the total amount of retail sales attributable to labor for warranty-like services by the number of hours of labor spent to generate the retail sales in the retail service orders submitted pursuant to subparagraph (3).

(3) (a) The franchisee may establish its average percentage markup for parts or its labor rate by submitting to the franchiser copies of one hundred sequential retail service orders paid by the franchisee's customers, or all of the franchisee's retail service orders paid by the franchisee's customers in a ninety-day period, whichever is less, for services provided within the previous one-hundred-eighty-day period. The franchiser shall not consider retail service orders or portions of retail service orders attributable to routine maintenance such as tire service or oil service.

(b) Within thirty days of receiving the franchisee's submission, the franchiser may choose to audit the submitted orders. The franchiser shall then approve or deny the establishment of the franchisee's average percentage markup or labor rate. If the franchiser approves the establishment of the franchisee's average percentage markup or labor rate, the markup or rate calculated under this subparagraph shall go into effect forty-five days after the date of the franchiser's approval. If the franchiser denies the establishment of the franchisee's average percentage markup or labor rate, the franchisee may file a complaint with the department and a hearing shall be held before the department of inspections and appeals. The franchiser shall have the burden of proof to establish that the franchiser's denial was reasonable. If the department of inspections and appeals finds the denial was not reasonable, the denial shall be deemed a violation of [this chapter](#) and the department of inspections and appeals shall determine the franchisee's average percentage markup or labor rate for purposes of calculating a reasonable schedule of compensation. In making such a determination, the department of inspections and appeals shall not consider retail service orders or portions of retail service orders attributable to routine maintenance such as tire service or oil service.

(c) A franchiser shall not require a franchisee to establish an average percentage markup or labor rate by a methodology, or by requiring the submission of information, that is unduly burdensome or time-consuming to the franchisee, including but not limited to requiring part-by-part or transaction-by-transaction calculations.

(d) A franchisee shall not request a change in the franchisee's average percentage markup or labor rate more than once in any one-year period.

(4) The compensation to the franchisee for warranty parts and labor shall not be less than the rates charged by the franchisee for like parts and services to retail customers, provided the rates are reasonable.

3. A franchiser shall not do any of the following:

a. Fail to perform any warranty obligation.

b. Fail to compensate any of the franchiser's franchisees operating in this state for repairs relating to a recall.

4. a. A claim made by a franchisee for warranty services pursuant to [this section](#) shall be paid within thirty days after the claim's approval. A franchiser shall either approve or deny a claim within thirty days after the franchiser receives a claim if the claim is submitted on a proper form generally used by the franchiser and the claim contains the information required by the franchiser. If a franchiser does not deny a claim in writing within thirty days after the receipt of the claim, the claim shall be deemed to be approved by the franchiser and payment shall be made to the franchisee within thirty days.

b. A franchiser may deny a franchisee's claim for compensation for warranty or recall services if the franchisee's claim is based on a repair not related to warranty or recall services, the repair was not properly performed, the franchisee lacks the reasonably required documentation for the claim, the franchisee fails to comply with the terms and conditions of the franchiser's warranty or recall compensation program, or the franchiser has a bona fide belief based on factual evidence that the franchisee's claim was submitted containing an intentionally false or fraudulent statement or misrepresentation. A franchiser may reject, but shall not deny, a claim based solely on a franchisee's unintentional failure to comply with a specific claim processing requirement, such as a clerical error, that does not otherwise affect the legitimacy of the claim. If a claim is rejected for such a failure, the franchisee may resubmit a corrected claim in a timely manner to the franchiser.

c. The requirement to approve a claim within thirty days or to pay an approved claim within thirty days as provided in [this subsection](#) shall not be construed to preclude denials, reductions, or chargebacks not otherwise prohibited under [section 322.3, subsection 13](#).

5. The obligations set forth in [this section](#) shall apply to any franchiser as defined in [this chapter](#) and any franchiser of new motor vehicle transmissions, engines, or rear axles that separately warrants such components to customers.

[C71, 73, 75, 77, 79, 81, §322A.5]

[2018 Acts, ch 1095, §4](#)

Section amended