

**516E.5 Disclosure to service contract holders — contract provisions.**

1. *a.* A service contract insured by a reimbursement insurance policy shall not be issued, sold, or offered for sale in this state unless the contract conspicuously states that the obligations of the service company to the service contract holder are guaranteed under a reimbursement insurance policy, including a statement in substantially the following form:

Obligations of the service company under this service contract are guaranteed under a reimbursement insurance policy. If the service company fails to pay or provide service on a claim within sixty days after proof of loss has been filed with the service company, the service contract holder is entitled to make a claim directly against the reimbursement insurance policy.

*b.* A claim against a reimbursement insurance policy shall also include a claim for return of the unearned service company fee paid for the service contract. A service contract shall conspicuously state the name and address of the issuer of the reimbursement insurance policy for that service contract.

*c.* A service contract issued, sold, or offered for sale in this state that is not insured under a reimbursement insurance policy shall contain a statement in substantially the following form:

Obligations of the service company under this service contract are backed by the full faith and credit of the service company.

2. A service contract shall be written in clear, understandable language and the entire contract shall be printed or typed in easy-to-read type, size, and style, and shall not be issued, sold, or offered for sale in this state unless the contract does all of the following:

*a.* Clearly and conspicuously states the name and address of the service company and describes the service company's obligations to perform services or to arrange for the performance of services under the service contract.

*b.* Clearly and conspicuously states the name and address of the issuer of the reimbursement insurance policy, if applicable.

*c.* Identifies the service company obligated to perform the service under the service contract, any third-party administrator, and the service contract holder to the extent that the name and address of the service contract holder has been furnished by the service contract holder.

*d.* Sets forth the total purchase price of the service contract and the terms under which the purchase price of the service contract is to be paid.

*e.* Sets forth the procedure for making a claim, including a telephone number.

*f.* Clearly and conspicuously states the dates that coverage starts and ends and the existence, terms, and conditions of a deductible amount, if any.

*g.* Specifies the merchandise or services, or both, to be provided and clearly states any and all limitations, exceptions, or exclusions.

*h.* Sets forth the conditions on which substitution of services will be allowed.

*i.* Sets forth all of the obligations and duties of the service contract holder, including but not limited to the duty to protect against any further damage to the motor vehicle, and the obligation to notify the service company in advance of any repair, if any.

*j.* Sets forth any and all terms, restrictions, or conditions governing transferability of the service contract, if any.

*k.* Describes or references any and all applicable provisions of the Iowa consumer credit code, [chapter 537](#).

*l.* States the name and address of the commissioner.

*m.* Sets forth any and all conditions on which the service contract may be canceled, the terms and conditions for the refund of any portion of the purchase price, the identity of the person primarily liable to provide any refund, and the identity of any other person liable to provide any portion of the refund. If the service contract holder cancels the service contract, the service company shall mail a written notice of termination to the service contract holder within fifteen days of the date of the termination.

*n.* Permits the service contract holder to cancel and return the service contract within at

least twenty days of the date of mailing the service contract to the service contract holder or within at least ten days after delivery of the service contract if the service contract is delivered at the time of sale of the service contract, or within a longer period of time as permitted under the service contract. If no claim has been made under the service contract prior to its return, the service contract is void and the full purchase price of the service contract shall be refunded to the service contract holder. A ten percent penalty shall be added each month to a refund that is not paid to a service contract holder within thirty days of the return of the service contract to the service company. The applicable time period for cancellation of a service contract shall apply only to the original service contract holder that purchased the service contract.

3. A complete copy of the terms of the service contract shall be delivered to the prospective service contract holder at or before the time that the prospective service contract holder makes application for the service contract. If there is no separate application procedure, then a complete copy of the service contract shall be delivered to the service contract holder at or before the time the service contract holder becomes bound under the contract.

[85 Acts, ch 45, §5](#)

[CS85, §321I.5](#)

[90 Acts, ch 1145, §4; 94 Acts, ch 1031, §1; 98 Acts, ch 1189, §2, 3; 2000 Acts, ch 1147, §15](#)

[C2001, §516E.5](#)

[2005 Acts, ch 70, §29; 2006 Acts, ch 1117, §85, 86](#)

Referred to in [§714H.3](#)