

523C.7 Disclosure to service contract holders — contract form — required provisions.

1. A motor vehicle service contract or residential service contract shall not be issued, sold, or offered for sale in this state unless the service company does all of the following:

a. Provides a receipt for the purchase of the service contract to the service contract holder.

b. Provides a copy of the service contract to the service contract holder within a reasonable period of time after the date of purchase of the service contract.

c. Provides a complete sample copy of the terms and conditions of the service contract to the service contract holder prior to the date of purchase. A service company may comply with this paragraph by providing the service contract holder with a complete sample copy of the terms or conditions of the service contract, or directing the service contract holder to an internet site containing a complete sample copy of the terms and conditions of the service contract.

2. A motor vehicle service contract or residential service contract issued, sold, or offered for sale in this state shall comply with all of the following, as applicable:

a. A service contract shall be written in clear, understandable language in at least eight point type.

b. (1) A service contract insured by a reimbursement insurance policy as provided in [section 523C.5, subsection 1](#), shall include 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.

(2) A service contract insured by a reimbursement insurance policy shall conspicuously state the name and address of the issuer of the reimbursement insurance policy for that service contract. A claim against a reimbursement insurance policy shall also include a claim for return of any refund due in accordance with paragraphs “k” and “l”.

c. A service contract 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 and are not guaranteed under a reimbursement insurance policy.

d. A service contract shall state the name and address of the service company obligated to perform services under the contract, and shall conspicuously identify the service company, 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. The identities of such parties are not required to be printed on the contract in advance and may be added to the contract at the time of sale.

e. A service contract shall clearly state the total purchase price of the service contract and the terms under which the service contract is sold. The total purchase price is not required to be printed on the contract in advance and may be added to the contract at the time of sale.

f. If prior approval of repair work is required, a service contract shall conspicuously describe the procedure for obtaining prior approval and for making a claim, including a toll-free telephone number for claim service, and the procedure for obtaining emergency repairs performed outside of normal business hours.

g. A service contract shall clearly state the existence of any deductible amount.

h. A service contract shall specify the merchandise or services, or both, to be provided and any limitations, exceptions, or exclusions.

i. A service contract shall clearly state the conditions on which the use of substitute parts or services will be allowed. Such conditions shall comply with applicable state and federal laws.

j. A service contract shall clearly state any terms, restrictions, or conditions governing the transferability of the service contract.

k. A service contract shall clearly state the terms and conditions governing the cancellation of the contract prior to the termination or expiration date of the contract by the service company or the service contract holder. If the service company cancels the contract, the service company shall mail a written notice of termination to the service contract holder at least fifteen days before the date of the termination. Prior notice of cancellation by the service company is not required if the reason for cancellation is nonpayment of the purchase price, a material misrepresentation by the service contract holder to the service company or its administrator, or a substantial breach of duties by the service contract holder relating to the covered product or its use. The notice of cancellation shall state the effective date of the cancellation and the reason for the cancellation. If a service contract is canceled by the service company for any reason other than nonpayment of the purchase price, the service company shall refund the service contract holder in an amount equal to one hundred percent of the unearned purchase price paid, calculated on a pro rata basis based upon elapsed time or mileage, less any claims paid. The service company may also charge a reasonable administrative fee in an amount no greater than ten percent of the total purchase price.

l. (1) A service contract shall permit the original service contract holder that purchased the contract 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.

(2) If the service contract holder cancels the service contract outside of the applicable time as provided in subparagraph (1) or after a claim is made under the service contract, the service company shall refund the service contract holder in an amount equal to one hundred percent of the unearned purchase price paid, calculated on a pro rata basis based upon elapsed time or mileage, less any claims paid. The service company may also charge a reasonable administrative fee in an amount no greater than ten percent of the total purchase price.

m. A service contract shall set 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, and the obligation to follow an owner's manual or any other required service or maintenance.

n. A service contract shall clearly state whether or not the contract provides for or excludes consequential damages or preexisting conditions, if applicable. A service contract may, but is not required to, cover damage resulting from rust, corrosion, or damage caused by a part or system which is not covered under the service contract.

o. A service contract shall clearly state the fee, if any, charged on the service contract holder for making a service call.

p. A service contract shall state the name and address of the commissioner.

83 Acts, ch 87, §8; 87 Acts, ch 234, §434; 98 Acts, ch 1189, §21; 2000 Acts, ch 1147, §29; 2019 Acts, ch 142, §7, 19; 2020 Acts, ch 1063, §299

Referred to in §714H.3

Subsection 2, paragraph a amended