

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
INSURANCE AND FINANCIAL
SERVICES BILL)

A BILL FOR

1 An Act relating to licensing of service companies, motor
2 vehicle service contracts, and residential service
3 contracts, and providing civil penalties.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 507B.4, subsection 3, Code 2026, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. *w. Service contracts.* Failure of a person
4 in the business of service contracts to comply with chapter
5 523C.

6 Sec. 2. Section 523C.1, Code 2026, is amended by adding the
7 following new subsections:

8 NEW SUBSECTION. 1A. "*Communicating in a verifiable manner*"
9 means communication by in-person delivery, email, or, if there
10 is an auditable record of the communication, by telephone.

11 NEW SUBSECTION. 1B. "*Gross consideration*" means the total
12 value of a service contract without deducting any expenses or
13 costs.

14 NEW SUBSECTION. 6A. "*Person*" means an individual or a
15 business entity.

16 NEW SUBSECTION. 12A. "*Service contract holder*" means the
17 original purchaser of a service contract or the successor in
18 interest or transferee entitled to services under the service
19 contract.

20 NEW SUBSECTION. 12B. "*Substitute part*" means a part that is
21 not issued by the original part manufacturer, including but not
22 limited to a remanufactured part, an aftermarket part, and a
23 part obtained from a salvage yard.

24 NEW SUBSECTION. 12C. "*Support services*" means a person that
25 provides services that support, or a person that works under
26 the direction of, a licensed service company in connection with
27 the issuance, offer for sale, sale, or administration of a
28 service contract in this state, including but not limited to a
29 person that provides marketing, administrative, or technical
30 support to a service company.

31 Sec. 3. Section 523C.1, subsection 4, Code 2026, is amended
32 to read as follows:

33 4. "*Motor vehicle*" means any vehicle that is self-propelled
34 ~~vehicle~~ and subject to registration under chapter 321.

35 Sec. 4. Section 523C.2, Code 2026, is amended by striking

1 the section and inserting in lieu thereof the following:

2 **523C.2 License required.**

3 1. A person that will be contractually obligated to the
4 service contract holder under the terms of the service contract
5 shall not directly or indirectly issue, offer for sale, or
6 sell a motor vehicle service contract or residential service
7 contract in this state unless the person is a licensed service
8 company.

9 2. This chapter shall not apply to any person that provides
10 support services. A service company that utilizes support
11 services shall ensure the support services' compliance with the
12 issuance, offer for sale, or sale of a service contract under
13 this chapter.

14 3. A service company shall maintain a license for the
15 duration of time that the service company is contractually
16 obligated to a service contract holder under the terms of a
17 service contract.

18 4. A service company shall report to the commissioner
19 within thirty calendar days any material change to the
20 information submitted by the service company in the service
21 company's initial license application, or license renewal
22 application, including a change in the service company's
23 contact information, ownership, officers or directors directly
24 responsible for the provider's service contract business,
25 or any other change that substantially affects the service
26 company's operations in the state.

27 5. A service company shall report to the commissioner
28 any administrative action taken against the service company
29 in another jurisdiction within thirty calendar days of final
30 disposition of the administrative action. The report must
31 include a copy of the order, consent to the order, and other
32 relevant legal documents.

33 6. Within thirty calendar days of the initial pretrial
34 hearing date, a service company shall report to the
35 commissioner a criminal prosecution in any jurisdiction of an

1 owner with more than a ten percent ownership stake, an officer,
2 or a director directly responsible for the service contract
3 business of the service company, for an offense involving
4 dishonesty or a false statement including but not limited
5 to fraud, theft, misappropriation of funds, falsification
6 of documents, deceptive acts or practices, or other related
7 offenses. The report must include a copy of the initial
8 complaint filed, the order resulting from the hearing, and any
9 other relevant legal documents.

10 Sec. 5. Section 523C.3, Code 2026, is amended by striking
11 the section and inserting in lieu thereof the following:

12 **523C.3 Application for license.**

13 1. Application for a license as a service company shall
14 be filed with the commissioner on a form approved by the
15 commissioner and must include all of the following information:

16 a. The name and principal address of the applicant.

17 b. The state of incorporation of the applicant.

18 c. The name and address of the applicant's registered agent
19 for service of process in Iowa.

20 d. The legal name of all of the following:

21 (1) Each owner of the service company that has a greater
22 than ten percent ownership stake in the service company.

23 (2) Each officer of the service company.

24 (3) Each director directly responsible for the business of
25 the service company.

26 e. A certificate of good standing for the applicant issued
27 by the secretary of state and dated not more than thirty
28 calendar days from the date of the application.

29 f. Evidence of compliance with section 523C.5.

30 g. A copy of each motor vehicle service contract form to be
31 used, issued, or offered for sale in this state by the service
32 company.

33 h. A copy of each residential service contract form to be
34 used, issued, or offered for sale in this state by the service
35 company.

1 *i.* A national association of insurance commissioners'
2 biographical affidavit and the verification of the biographical
3 affidavit for the chief executive officer and chief financial
4 officer of the service company, or for the individuals in
5 the equivalent positions. The service company shall use a
6 third-party vendor from a list of vendors approved by the
7 commissioner to verify the biographical affidavits. The
8 service company shall pay all costs associated with the
9 required verifications.

10 *j.* A list of any disciplinary actions taken against the
11 service company, or any of the service company's owners,
12 officers, or directors directly responsible for the provider's
13 service contract business, in the immediately preceding ten
14 consecutive years by a regulatory agency or state attorney
15 general in any jurisdiction.

16 2. The application must be accompanied by all of the
17 following:

18 *a.* A license fee in the amount of five hundred dollars.

19 *b.* A fee in the amount of thirty-five dollars for each motor
20 vehicle service contract form provided pursuant to subsection
21 1, paragraph "g".

22 3. If the application for a service company license contains
23 the information under subsection 1, is accompanied by the
24 fees under subsection 2, includes any additional information
25 requested by the commissioner to verify the information in
26 the application, and the commissioner has not denied the
27 application pursuant to section 523C.9, the commissioner shall
28 issue the license to the applicant.

29 4. Fees collected under this section shall be deposited
30 into the service company oversight fund as provided in section
31 523C.24.

32 Sec. 6. Section 523C.4, Code 2026, is amended by striking
33 the section and inserting in lieu thereof the following:

34 **523C.4 License expiration and renewal.**

35 1. A license issued under this chapter shall be valid

1 for a period of one year and shall be renewed annually on or
2 before August 31. A license that is not renewed prior to the
3 expiration date shall be deemed expired. Prior to a license
4 expiration date, and if a renewal application was submitted at
5 least fourteen calendar days prior to the license expiration
6 date, the commissioner may extend the renewal period for an
7 additional thirty calendar days.

8 2. An application for license renewal must include the
9 information required for an initial license as described in
10 section 523C.3, subsection 1, paragraphs "a" through "f",
11 and a list of each service contract form the service company
12 continues to use, offer for sale, or issue in the state,
13 including the service contract form name, number, and the date
14 the form was last revised.

15 3. The license renewal application must be accompanied by
16 all of the following:

17 a. A license renewal fee in the amount of two hundred
18 dollars.

19 b. A fee in the amount of three percent of the aggregate
20 amount of payments the service company received for the sale or
21 issuance of residential service contracts in this state during
22 the period beginning on the date the service company's license
23 was issued until the date of the service company's renewal
24 filing, provided that such fee must be no greater than fifty
25 thousand dollars.

26 c. A fee in the amount of thirty-five dollars for each motor
27 vehicle service contract form filed with the commissioner that
28 the service company continues to use, offer for sale, or issue
29 in the state.

30 d. Information regarding service contracts for the service
31 company in the immediately preceding calendar year itemized as
32 follows:

33 (1) The number of motor vehicle service contracts issued.

34 (2) The number of residential service contracts issued.

35 (3) The number of motor vehicle service contracts canceled.

- 1 (4) The number of residential service contracts canceled.
2 (5) The number of motor vehicle service contracts that
3 expired.
4 (6) The number of residential service contracts that
5 expired.
6 (7) The number of motor vehicle service contracts in effect
7 on December 31 of the immediately preceding calendar year.
8 (8) The number of residential service contracts in effect on
9 December 31 of the immediately preceding calendar year.
10 (9) The total dollar amount of refunds issued for all motor
11 vehicle service contracts that were canceled.
12 (10) The total dollar amount of refunds issued for all
13 residential service contracts that were canceled.
14 (11) The total dollar amount of motor vehicle service
15 contract fees received by the service company.
16 (12) The total dollar amount of residential service
17 contract fees received by the service company.
18 (13) The number of lawsuits filed by a third party or
19 a regulatory agency against the service company during the
20 immediately preceding calendar year regarding service contracts
21 issued, offered for sale, or sold by the service company.
22 4. If the license renewal application complies with this
23 section, includes any additional information requested by the
24 commissioner to verify the information in the application, and
25 the commissioner has not refused to renew the license pursuant
26 to section 523C.9, the commissioner shall renew the license.
27 If the commissioner refuses renewal of a license pursuant to
28 section 523C.9, the refusal shall be in writing setting forth
29 the grounds for the refusal.
30 5. If a service company submits a license renewal
31 application after the license has expired, the service company
32 shall pay a reinstatement fee of eight hundred dollars, and the
33 applicable fees pursuant to subsection 3.
34 6. a. A service company whose license has expired, and is
35 not within an additional thirty-day extension period granted

1 by the commissioner pursuant to section 523C.4, subsection 1,
2 shall not offer, extend, or renew a service contract until the
3 service company's license has been renewed, or the service
4 company has been issued a new license.

5 *b.* If, at the time a service contract is issued or sold in
6 this state, the service company has an expired license that is
7 not within an additional thirty-day extension period granted
8 by the commissioner pursuant to section 523C.4, subsection 1,
9 the service contract may be canceled at the discretion of the
10 service contract holder. If a service contract holder chooses
11 to cancel a service contract, the full purchase price of the
12 service contract, less any claims paid, shall be refunded to
13 the service contract holder within thirty calendar days. A ten
14 percent penalty shall be added to the refund each month if the
15 refund is not paid to the service contract holder within the
16 thirty calendar days.

17 **Sec. 7.** Section 523C.7, Code 2026, is amended by striking
18 the section and inserting in lieu thereof the following:

19 **523C.7 Disclosure to service contract holders — contract**
20 **form — required provisions.**

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

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

26 *b.* Provides a complete sample copy of the service contract
27 to the consumer prior to purchase. A service company may
28 comply with this paragraph by providing the consumer with a
29 complete electronic sample copy of the service contract, or
30 directing the consumer to a complete sample copy of the service
31 contract on an internet site. A paper copy of the sample
32 service contract shall be provided upon request of the consumer
33 at the expense of the service company.

34 *c.* Provides a fully executed paper or electronic copy of
35 the service contract to the service contract holder within ten

1 calendar days of the date the service contract holder purchased
2 the service contract. A paper copy of the executed service
3 contract shall be provided to the service contract holder upon
4 request of the service contract holder at the expense of the
5 service company.

6 2. A service contract issued, sold, or offered for sale in
7 the state must comply with all of the following, as applicable:

8 a. A service contract must be written in clear,
9 understandable language in at least ten point type.

10 b. (1) A service contract insured under a reimbursement
11 insurance policy as provided in section 523C.5, subsection 1,
12 must include a statement in substantially the following form:
13 Obligations of the service company under this service contract
14 are guaranteed under a reimbursement insurance policy. If the
15 service company fails to pay or provide service on a claim
16 within sixty days after proof of loss has been filed with
17 the service company, the service contract holder is entitled
18 to make a claim directly against the reimbursement insurance
19 policy.

20 (2) A service contract insured under a reimbursement
21 insurance policy must conspicuously state the name and address
22 of the issuer of the reimbursement insurance policy for that
23 service contract. A claim against a reimbursement insurance
24 policy must also include a claim for return of any refund due
25 in accordance with paragraphs "m" and "n".

26 c. A service contract not insured under a reimbursement
27 insurance policy must contain a statement in substantially the
28 following form:

29 Obligations of the service company under this service contract
30 are backed by the full faith and credit of the service company
31 and are not guaranteed under a reimbursement insurance policy.

32 d. A service contract must state the name and address of
33 the service company obligated to perform services under the
34 contract, and must conspicuously identify the service company,
35 any third-party administrator, and the service contract holder

1 to the extent that the name and address of the service contract
2 holder has been furnished. The identities of such parties
3 shall not be required to be printed on the contract in advance
4 and may be added to the contract at the time of sale.

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

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

16 *g.* A service contract must clearly state any waiting period
17 applicable to coverage under the service contract, and the date
18 on which coverage begins.

19 *h.* A service contract must clearly state the existence of
20 any deductible amount.

21 *i.* A service contract must specify the merchandise or
22 services, or both, to be provided and any limitations,
23 exceptions, or exclusions.

24 *j.* A service contract must clearly state the conditions on
25 which the use of substitute parts or services will be allowed.
26 Such conditions must comply with applicable state and federal
27 laws.

28 *k.* A service contract must clearly state any terms,
29 restrictions, or conditions governing the transferability of
30 the service contract.

31 *l.* A service contract must clearly state the instructions
32 for cancellation of the service contract by the service
33 contract holder. Cancellation instructions must include all
34 necessary information for a service contract holder to complete
35 a cancellation. Cancellation instructions must include the

1 phone number, email address, or mailing address necessary for
2 the cancellation of the service contract, as well as any other
3 information that the service contract holder must use to cancel
4 the contract. A service company shall accept cancellation of a
5 service contract from a service contract holder by telephone,
6 email, or mail, or any other cost-effective and accessible
7 method of communication. The method of cancellation utilized
8 by a service company for the cancellation of a service contract
9 shall be as accessible as the method utilized by the service
10 company for the service contract holder to enter into the
11 service contract.

12 *m.* A service contract must clearly state the terms and
13 conditions governing the cancellation of the contract prior
14 to the termination or expiration date of the contract by the
15 service company or the service contract holder. If the service
16 company cancels the contract, the service company shall mail a
17 written notice of termination to the service contract holder at
18 least fifteen calendar days before the date of the termination.
19 Prior notice of cancellation by the service company shall not
20 be required if the reason for cancellation is nonpayment of the
21 purchase price, a material misrepresentation by the service
22 contract holder to the service company or the support services
23 for the service company, or a substantial breach of duty by the
24 service contract holder relating to the covered product or use
25 of the covered product. The notice of cancellation must state
26 the effective date of the cancellation and the reason for the
27 cancellation. If a service contract is canceled by the service
28 company for any reason other than nonpayment of the purchase
29 price, the service company shall refund the service contract
30 holder in an amount equal to one hundred percent of the
31 unearned purchase price paid, calculated on a pro rata basis
32 based upon elapsed time or mileage, less any claims paid. The
33 service company may also charge a reasonable administrative fee
34 in an amount no greater than ten percent of the total purchase
35 price. A ten percent penalty shall be added to the refund each

1 month if the refund is not paid to the service contract holder
2 within thirty calendar days.

3 *n.* (1) A service contract must permit the original service
4 contract holder who purchased the contract to cancel the
5 service contract within at least thirty calendar days of the
6 effective date of the service contract, provided no claims
7 have been paid under the service contract, or within a longer
8 period of time as permitted under the service contract. If
9 a claim has not been paid under the service contract prior
10 to cancellation by the service contract holder, the service
11 contract is void and the full purchase price of the service
12 contract shall be refunded to the service contract holder. A
13 ten percent penalty shall be added to the refund each month if
14 the refund is not paid to the service contract holder within
15 thirty calendar days, unless the service contract holder fails
16 to provide the information required by the service contract to
17 complete the cancellation.

18 (2) If the service contract holder cancels the service
19 contract in violation of subparagraph (1), the service company
20 shall refund the service contract holder an amount equal to one
21 hundred percent of the unearned purchase price paid, calculated
22 on a pro rata basis based upon elapsed time or mileage,
23 less any claims paid. The service company may also charge a
24 reasonable administrative fee in an amount no greater than ten
25 percent of the total purchase price. A ten percent penalty
26 shall be added to a refund each month if the refund is not paid
27 to the service contract holder within thirty calendar days of
28 the service contract cancellation request, unless the service
29 contract holder fails to provide the information required in
30 the service contract to complete the cancellation.

31 *o.* A service contract must set forth all obligations and
32 duties of the service contract holder, including but not
33 limited to the duty to protect against any further damage, and
34 the obligation to follow an owner's manual and to perform, or
35 have performed, all required service or maintenance.

1 *p.* A service contract must clearly state if the contract
2 covers or excludes consequential damages and preexisting
3 conditions, if applicable. A service contract may, but is not
4 required to, cover damage resulting from rust, corrosion, or
5 damage caused by a part or system not covered under the service
6 contract.

7 *q.* A service contract must clearly state the service call
8 fee, if any, charged to the service contract holder.

9 *r.* A service contract must state the name and address of
10 the commissioner, the current toll-free telephone number of the
11 division, and a statement that a consumer may file a complaint
12 with the division, including by filing a complaint on the
13 division's internet site.

14 *s.* If a residential service contract relates to heating,
15 cooling, plumbing, refrigeration, or electrical service,
16 and the claim being made by the service contract holder is
17 essential to the health and safety of the service contract
18 holder or, if applicable, the service contract holder's family,
19 the service company shall ensure all of the following:

20 (1) Repair or replacement of the essential good commences
21 within forty-eight hours after the report of the claim, and is
22 completed as soon as reasonably practicable.

23 (2) If the service company determines that the service
24 company cannot complete a repair, replacement, or service
25 within three calendar days after the report of the claim,
26 the service contract holder may seek an outside provider to
27 complete the repair, replacement, or service. The service
28 company shall cover reasonable costs associated with a repair,
29 replacement, or service completed by an outside service
30 provider up to the maximum dollar amount covered by the service
31 contract.

32 (3) Notice is provided to the service contract holder if a
33 repair cannot practicably be completed within three calendar
34 days after the report of the claim. The service company shall
35 provide a status report to the service contract holder by

1 communicating in a verifiable manner as soon as practicable,
2 but no later than three calendar days after the date of the
3 report of the claim. The status report must include all of the
4 following:

5 (a) A list of all required repairs, replacements, or
6 services and the estimated cost to the service contract holder.

7 (b) The primary reason the required repair, replacement, or
8 service will take longer than three calendar days, including
9 the status of all parts required for the repair, replacement,
10 or service.

11 (c) The current estimated length of time to complete the
12 repair, replacement, or service.

13 (d) The telephone number of the service company in the
14 event the service contract holder or the commissioner wants
15 to make an inquiry concerning the claim, and a commitment by
16 the service company to respond to an inquiry no later than one
17 business day after the date the inquiry is received.

18 (e) A statement that if the service contract holder is not
19 satisfied with the manner in which the service company handles
20 the claim under the terms of a service contract, the service
21 contract holder may file a complaint with the division pursuant
22 to paragraph "r".

23 (f) A notice to the service contract holder that the
24 service contract holder may seek an outside service provider
25 to complete the repair, replacement, or service, and that the
26 service company will cover reasonable costs associated with a
27 repair, replacement, or service completed by an outside service
28 provider up to the maximum dollar amount covered by the service
29 contract.

30 **Sec. 8. NEW SECTION. 523C.8 Service contract forms — fees.**

31 1. A service company shall file with the division an
32 accurate copy of each service contract form prior to using the
33 service contract form for the sale of a service contract in
34 this state.

35 2. At the time of filing each motor vehicle service contract

1 form with the division a service company shall pay a fee in the
2 amount of thirty-five dollars for each motor vehicle service
3 contract form.

4 3. Notwithstanding section 523C.7, a service company may
5 continue to use a service contract form that is noncompliant
6 with this chapter until August 31, 2027, provided no changes
7 are made to the service contract form and the service contract
8 form was filed with the division in 2026.

9 Sec. 9. Section 523C.9, Code 2026, is amended by striking
10 the section and inserting in lieu thereof the following:

11 **523C.9 License denial, nonrenewal, suspension, or revocation.**

12 1. The commissioner may suspend or revoke the license of,
13 deny an application for a license from, or refuse to renew the
14 license of, a service company, or may levy a civil penalty as
15 provided in section 523C.13 against a service company, for any
16 of the following reasons:

17 a. The service company violated this chapter, a lawful
18 order, regulation, or subpoena.

19 b. The service company failed to pay a final judgment
20 rendered against the service company in this state within sixty
21 calendar days after the date the judgment became final.

22 c. The service company, without just cause, refused
23 to perform, or negligently or incompetently performed, a
24 service required to be performed under the service company's
25 service contracts and the refusal, or negligent or incompetent
26 performance, has occurred with such frequency as to indicate
27 the general business practices of the service company are
28 negligent or incompetent, as determined by the commissioner.

29 d. The service company violated section 523C.13.

30 e. The service company failed to demonstrate financial
31 responsibility pursuant to section 523C.5, if applicable.

32 f. The service company failed to maintain a corporate
33 certificate of good standing with the secretary of state.

34 g. The service company provided incorrect, misleading,
35 incomplete, or materially untrue information in the service

1 company's license application.

2 *h.* The service company obtained or attempted to obtain a
3 license through misrepresentation or fraud.

4 *i.* The service company improperly withheld, misappropriated,
5 or converted any money or property received in the course of
6 business as a service company.

7 *j.* The service company intentionally misrepresented the
8 terms of an actual or proposed service contract.

9 *k.* Within the immediately preceding ten consecutive years,
10 an owner, officer, or director of the service company has
11 been convicted of a criminal offense involving any aspect of
12 a business involving securities, commodities, investments,
13 franchises, insurance, banking, or finance.

14 *l.* An owner, officer, or director of the service company
15 has been convicted of a criminal offense involving dishonesty
16 or a false statement, including but not limited to fraud,
17 theft, misappropriation of funds, falsification of documents,
18 deceptive acts or practices, or other related offenses.

19 *m.* The service company admitted to committing, or was found
20 to have committed, any unfair trade practice or fraud.

21 *n.* The service company used fraudulent, coercive,
22 or dishonest practices, or demonstrated incompetence,
23 untrustworthiness, or financial irresponsibility, in conducting
24 business in this state or any other state.

25 *o.* The service company had a service company license or its
26 equivalent, denied, suspended, or revoked in any other state,
27 province, district, or territory.

28 *p.* The service company failed, or refused, to cooperate in
29 an investigation conducted by the commissioner of insurance.

30 2. If the commissioner suspends or revokes the license of,
31 denies the application for licensure of, or refuses to renew
32 the license of, a service company pursuant to this section, the
33 commissioner shall notify the service company in writing and
34 provide the reason for the suspension, revocation, denial, or
35 nonrenewal. The licensee or applicant may request a hearing

1 on the suspension, revocation, nonrenewal, or denial, and a
2 hearing shall be conducted according to section 507B.6.

3 Sec. 10. Section 523C.13, Code 2026, is amended by striking
4 the section and inserting in lieu thereof the following:

5 **523C.13 Prohibited acts or practices — penalty — violations**
6 **— contracts voided.**

7 1. A service company, or the service company's support
8 services, that offers service contracts for sale in this state
9 shall not, directly or indirectly, represent in any manner,
10 whether by written solicitation or telemarketing, a false,
11 deceptive, or misleading statement with respect to any of the
12 following:

13 a. The service company's affiliation with a motor vehicle
14 manufacturer or importer.

15 b. The validity or expiration of a warranty.

16 c. A motor vehicle service contract holder's coverage
17 under a motor vehicle service contract, including statements
18 suggesting that the service contract holder must purchase a
19 new service contract in order to maintain coverage under the
20 existing service contract or warranty.

21 d. Descriptions of the service contract as a "policy".

22 2. A licensed service company which offers service
23 contracts for sale in this state shall not, directly or
24 indirectly, do any of the following:

25 a. Fail to complete, or fail to ensure the completion of, a
26 repair, maintenance, replacement, service, or indemnification
27 of expenses associated with a covered claim within a reasonable
28 period of time.

29 b. Create or use any advertising that does not include the
30 name of the licensed service company.

31 c. Use any method of marketing that may induce the purchase
32 of a service contract through force, fear, or threats, whether
33 explicit or implied.

34 d. Create or use any service contract marketing materials
35 that contain incorrect or misleading information.

1 e. Use, offer for sale, or issue in this state a service
2 contract form that has not been submitted as part of a license
3 application pursuant to section 523C.3, as part of a license
4 application renewal pursuant to section 523C.4, or submitted
5 to the division during the service company's current license
6 period.

7 3. The commissioner may adopt rules pursuant to
8 chapter 17A that regulate service contracts to prohibit
9 misrepresentation, false advertising, defamation, boycotts,
10 coercion, intimidation, false statements and entries, and
11 unfair discrimination or practices. If the commissioner finds
12 that a person has violated rules adopted under this section,
13 the commissioner may order any of the following:

14 a. Payment of a civil penalty of not more than one thousand
15 dollars for each act or violation, not to exceed an aggregate
16 of ten thousand dollars, unless the person knew or reasonably
17 should have known the person was in violation of this section,
18 in which case the civil penalty shall be no more than five
19 thousand dollars for each act or violation, not to exceed an
20 aggregate of fifty thousand dollars in any one consecutive
21 six-month period. If the commissioner finds a violation of
22 this section was directed, encouraged, condoned, ignored,
23 or ratified by the employer of the person the commissioner
24 may assess the penalty to the employer and not the person.
25 Any civil penalties collected under this subsection shall be
26 deposited as provided in section 505.7.

27 b. Suspension or revocation of the person's license, if the
28 person knew or reasonably should have known the person was in
29 violation of this section.

30 4. A violation of this chapter constitutes an unlawful
31 practice pursuant to section 714.16.

32 5. A person shall not engage, directly or indirectly, in any
33 unfair method of competition, or an unfair or deceptive act or
34 practice, in the business of service contracts. Any violation
35 of this chapter constitutes an unfair method of competition,

1 or an unfair or deceptive act or practice. If, after hearing,
2 the commissioner determines that a person has engaged in an
3 unfair method of competition or an unfair or deceptive act or
4 practice, sections 507B.6 through 507B.8 shall apply.

5 Sec. 11. Section 523C.22, Code 2026, is amended to read as
6 follows:

7 **523C.22 Claim procedures.**

8 A licensed service company shall promptly provide a
9 detailed written explanation to the service contract holder,
10 describing the reasons for denying a claim or for the offer
11 of a compromise settlement, based on all relevant facts or
12 legal requirements and referring to applicable provisions of
13 the service contract. The written explanation must provide
14 an itemized list of services covered by, and not covered
15 by, the service company under the service contract. The
16 written explanation must provide instructions to the service
17 contract holder on the process for an appeal, second review,
18 arbitration, or similar provisions included in the contract,
19 as well as information on how to file a complaint with the
20 division, including the internet site on which to locate the
21 division's complaint form.

22 Sec. 12. Section 523C.23, subsection 1, paragraph c, Code
23 2026, is amended by striking the paragraph.

24 Sec. 13. Section 523C.23, subsection 2, Code 2026, is
25 amended to read as follows:

26 ~~2. Except as provided in section 523C.19, a~~ A proceeding
27 instituted under this chapter shall be conducted pursuant to
28 chapter 17A and rules adopted by the commissioner pursuant to
29 chapter 17A.

30 Sec. 14. NEW SECTION. **523C.25 Confidentiality.**

31 1. Notwithstanding chapter 22, the commissioner shall
32 maintain the confidentiality of information submitted to the
33 division or obtained by the division in the course of an
34 investigation, examination, or inquiry pursuant to this chapter
35 or the commissioner's licensing authority, including all notes,

1 work papers, or other documents. Information obtained by
2 the commissioner in the course of investigating a complaint
3 or inquiry may, at the discretion of the commissioner, be
4 provided to the service company that is the subject of the
5 complaint or inquiry and the consumer who filed the complaint
6 or inquiry, without waiving the confidentiality afforded to
7 the commissioner or to any other person by this section. The
8 commissioner may disclose or release information that is
9 otherwise confidential under this subsection in the course of
10 an administrative or judicial proceeding.

11 2. Notwithstanding subsection 1, if the commissioner
12 determines that it is necessary in the public interest, the
13 commissioner may share information with other regulatory
14 authorities or government agencies, or may publish service
15 company-related data or information collected under this
16 chapter. Such information may be redacted so that neither
17 personally identifiable information nor service company
18 identifiable information is made available.

19 Sec. 15. Section 714.16, subsection 2, Code 2026, is amended
20 by adding the following new paragraph:

21 NEW PARAGRAPH. *t.* It is an unlawful practice for a person
22 to violate chapter 523C.

23 Sec. 16. REPEAL. Section 523C.19, Code 2025, is repealed.

24 EXPLANATION

25 The inclusion of this explanation does not constitute agreement with
26 the explanation's substance by the members of the general assembly.

27 This bill relates to the licensing of service companies,
28 motor vehicle service contracts, and residential service
29 contracts.

30 The bill prohibits a person that will be contractually
31 obligated to a service contract holder under the terms of a
32 service contract from issuing, offering for sale, or selling a
33 motor vehicle service contract or residential service contract
34 in the state unless the person is a licensed service company.
35 The requirements of the bill do not apply to any person who

1 provides support services. "Support services" is defined in
2 the bill.

3 A service company shall maintain a license for the entirety
4 of any service contract that the service company has entered.
5 A service company shall report to the commissioner of insurance
6 (commissioner) within 30 calendar days any material change
7 to the information submitted in the initial or renewal
8 application, within 30 days of any administrative action taken
9 against the service company, and within 30 days of the initial
10 pretrial hearing date in a criminal prosecution against the
11 service company as detailed in the bill.

12 An application for a license as a service company shall
13 be filed with the commissioner, include all information as
14 described in the bill, and be accompanied by a \$500 license
15 fee and a \$35 fee for each motor vehicle service contract form
16 provided by the service company in the application. A license
17 as a service company is valid for one year and must be renewed
18 annually on or before August 31 of each year following the date
19 of issuance.

20 An application for license renewal shall include the
21 information required for an initial license, a list of each
22 service contract form, any additional information requested
23 by the commissioner to verify the information in the renewal
24 application, and the information and fees as described in the
25 bill. If the renewal application meets the requirements, the
26 commissioner shall renew the license unless otherwise denied,
27 in which case the denial shall be in writing.

28 If a service company fails to renew their license on or
29 before the end of the license period, the company's license
30 shall be deemed expired, and the service company shall be
31 subject to restrictions detailed in the bill. Prior to a
32 license expiration date, and if a renewal application was
33 submitted at least 14 days prior to the license expiration
34 date, the commissioner may extend the renewal period an
35 additional 30 calendar days. If a service company submits

1 an application or renewal application after the license has
2 expired, the service company shall file a service company
3 license renewal application, including payment of applicable
4 fees.

5 A service contract shall not be issued, sold, or offered for
6 sale unless the service company complies with the requirements
7 of the bill. A paper copy of the sample copy or the service
8 contract shall be provided upon the consumer's request at the
9 expense of the service company.

10 A service contract issued, sold, or offered for sale in the
11 state shall comply with all of the requirements described in
12 the bill. The requirements for a residential service contract
13 that relates to goods that are essential to the health and
14 safety of the service contract holder are detailed in the bill.

15 A service company may continue to use a noncompliant service
16 contract form until August 31, 2027, provided no changes are
17 made to the form, and the service contract form was filed with
18 the division in 2026.

19 The commissioner may suspend or revoke the license of, deny
20 an application for license from, or refuse to renew the license
21 of a service company, or may levy a civil penalty against a
22 service company, as described in the bill, and shall notify the
23 service company in writing of the reason for the suspension,
24 revocation, nonrenewal, or denial. The licensee or applicant
25 may request a hearing.

26 A service company that offers service contracts for sale,
27 or the service company's support services, shall not represent
28 in any manner a false, deceptive, or misleading statement with
29 respect to the service company's affiliation with a motor
30 vehicle manufacturer or importer, the validity or expiration
31 of a warranty, or a motor vehicle service contract holder's
32 coverage under a motor vehicle service contract, and shall not
33 describe the service contract as a policy.

34 A service company shall not engage in a prohibited act
35 or practice as detailed in the bill. The commissioner

1 may adopt rules regulating service contracts to prohibit
2 misrepresentation, false advertising, defamation, boycotts,
3 coercion, intimidation, false statements and entries, and
4 unfair discrimination or practices. If the commissioner finds
5 that a person has violated rules adopted under the bill, the
6 commissioner may order payment of a civil penalty as described
7 in the bill, or suspend or revoke a service company's license.
8 Under the bill, a person shall not engage in any unfair method
9 of competition, or an unfair or deceptive act or practice, in
10 the service contract business.

11 A written explanation to a service contract holder for a
12 denial of a claim or offer of a settlement shall include the
13 information detailed in the bill.

14 The commissioner shall maintain the confidentiality of
15 information submitted to the division or obtained by the
16 division in the course of an investigation, examination, or
17 inquiry, including all notes, work papers, or other documents
18 and the information as described in the bill. The commissioner
19 may disclose or release information that is otherwise
20 confidential in the circumstances detailed in the bill.

21 The bill repeals Code section 523C.19 (cease and desist
22 orders).