

House File 2714 - Introduced

HOUSE FILE 2714
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 517)

A BILL FOR

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

unofficial

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

3 NEW SUBSECTION. 1A. "*Communicating in a verifiable manner*"
4 means communication by in-person delivery, first class mail,
5 email, or, if there is an auditable record of the communication,
6 by telephone or software application on an electronic device.

7 NEW SUBSECTION. 1B. "*Gross consideration*" means the total
8 value of a service contract without deducting any expenses or
9 costs.

10 NEW SUBSECTION. 6A. "*Person*" means an individual or a
11 business entity.

12 NEW SUBSECTION. 12A. "*Service contract holder*" means the
13 original purchaser of a service contract or the successor in
14 interest or transferee entitled to services under the service
15 contract.

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

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

27 Sec. 2. Section 523C.1, subsection 4, Code 2026, is amended
28 to read as follows:

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

31 Sec. 3. Section 523C.1, subsection 10, Code 2026, is amended
32 to read as follows:

33 10. "*Residential service contract*" means a contract or
34 agreement between a residential customer and a service company
35 which undertakes, for a predetermined fee and for any period

1 of time, to service, maintain, repair, replace, or indemnify
2 expenses for all or any part of the operational or structural
3 components, appliances, or electrical, mechanical, plumbing,
4 heating, cooling, or air-conditioning systems of residential
5 property in the state which fails due to normal wear or tear or
6 inherent defect. ~~"Residential service contract" also includes~~
7 ~~a contract which provides for the service, repair, replacement,~~
8 ~~or maintenance of property for, or damage resulting from power~~
9 ~~surges, roof leakage, and or accidental damage.~~

10 Sec. 4. Section 523C.2, Code 2026, is amended by striking the
11 section and inserting in lieu thereof the following:

12 **523C.2 License required.**

13 1. A person shall not, directly or indirectly, issue,
14 offer for sale, or sell, a motor vehicle service contract or
15 residential service contract in this state unless the person is
16 licensed under this chapter.

17 2. This chapter shall not apply to any person that provides
18 support services. A service company that utilizes support
19 services shall ensure the support services' compliance with the
20 issuance, offer for sale, or sale of a service contract under
21 this chapter.

22 3. A service company shall maintain a license for the
23 duration of time that the service company is contractually
24 obligated to a service contract holder under the terms of a
25 service contract, unless otherwise ordered by the commissioner
26 after a hearing conducted pursuant to chapter 17A.

27 4. A service company shall report to the commissioner within
28 thirty calendar days any material change to the information
29 submitted by the service company in the service company's initial
30 license application, or license renewal application, including a
31 change in the service company's contact information, ownership,
32 officers or directors directly responsible for the provider's
33 service contract business, or any other change that substantially
34 affects the service company's operations in the state.

35 5. A service company shall report to the commissioner any

1 administrative action taken against the service company related
2 to the service company's service contract business in another
3 jurisdiction within thirty calendar days of final disposition of
4 the administrative action. The report must include a copy of the
5 order, consent to the order, and other relevant legal documents.

6 6. Within thirty calendar days of the initial pretrial
7 hearing date, a service company shall report to the commissioner
8 a criminal prosecution in any jurisdiction of an owner with
9 more than a ten percent ownership stake, an officer, or a
10 director directly responsible for the service contract business
11 of the service company, for an offense involving dishonesty
12 or a false statement including but not limited to fraud,
13 theft, misappropriation of funds, falsification of documents,
14 deceptive acts or practices, or other related offenses. The
15 report must include a copy of the initial complaint filed, the
16 order resulting from the hearing, and any other relevant legal
17 documents.

18 7. A residential service contract and a motor vehicle service
19 contract shall not be considered insurance.

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

22 **523C.3 Application for license.**

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

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

27 b. The state of incorporation of the applicant.

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

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

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

33 (2) Each officer of the service company.

34 (3) Each director directly responsible for the business of
35 the service company.

1 e. Evidence that the applicant has obtained any necessary
2 authority from the secretary of state to transact business
3 in this state. An applicant whose home state is not this
4 state shall provide a certification, dated not more than thirty
5 calendar days after the date of submission of an application,
6 from the applicant's home state that certifies the applicant is
7 in good standing in the applicant's home state.

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

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

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

15 i. A national association of insurance commissioners'
16 biographical affidavit and the verification of the biographical
17 affidavit for the chief executive officer and chief financial
18 officer of the service company, or for the individuals in
19 the equivalent positions. The service company shall use a
20 third-party vendor from a list of vendors approved by the
21 commissioner to verify the biographical affidavits. The service
22 company shall pay all costs associated with the required
23 verifications.

24 j. A list of any disciplinary actions taken against the
25 service company, or any of the service company's owners who
26 have an ownership stake in the service company of more than
27 ten percent, officers, or directors directly responsible for
28 the provider's service contract business, in the immediately
29 preceding five consecutive years by a regulatory agency or state
30 attorney general in any jurisdiction.

31 2. The application must be accompanied by a license fee in
32 the amount of five hundred dollars.

33 3. If the application for a service company license contains
34 the information under subsection 1, is accompanied by the fees
35 under subsection 2, includes any additional information requested

1 by the commissioner to verify the information in the application,
2 and the commissioner has not denied the application pursuant to
3 section 523C.9, the commissioner shall issue the license to the
4 applicant.

5 4. Fees collected under this section shall be deposited
6 into the service company oversight fund as provided in section
7 523C.24.

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

10 **523C.4 License expiration and renewal.**

11 1. A license issued under this chapter shall be valid for a
12 period of one year and shall be renewed annually on or before
13 August 31. A licensee must apply for renewal at least ninety
14 calendar days prior to the license expiration date. A license
15 that is not renewed prior to the expiration date shall be deemed
16 expired.

17 2. An application for license renewal must include the
18 information required for an initial license as described in
19 section 523C.3, subsection 1, paragraphs "a" through "f", and a
20 list of each service contract form the service company continues
21 to use, offer for sale, or issue in the state, including the
22 service contract form name, number, and the date the form was
23 last revised.

24 3. The license renewal application must be accompanied by all
25 of the following:

26 a. A license renewal fee in the amount of two hundred
27 dollars.

28 b. A fee in the amount of three percent of the aggregate
29 amount of payments the service company received for the sale or
30 issuance of residential service contracts in this state, less any
31 refunds issued, during the immediately preceding calendar year,
32 provided that such fee must be no greater than fifty thousand
33 dollars.

34 c. In a format prescribed by the commissioner, information
35 regarding service contracts in this state for the service company

1 in the immediately preceding calendar year itemized as follows:

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

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

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

5 (4) The number of residential service contracts canceled.

6 (5) The number of motor vehicle service contracts that
7 expired.

8 (6) The number of residential service contracts that expired.

9 (7) The number of motor vehicle service contracts in effect
10 on December 31 of the immediately preceding calendar year.

11 (8) The number of residential service contracts in effect on
12 December 31 of the immediately preceding calendar year.

13 (9) The total dollar amount of motor vehicle service contract
14 fees received by the service company.

15 (10) The total dollar amount of residential service contract
16 fees received by the service company.

17 4. If the license renewal application complies with this
18 section, includes any additional information requested by the
19 commissioner to verify the information in the application, and
20 the commissioner has not refused to renew the license pursuant
21 to section 523C.9, the commissioner shall renew the license. If
22 the commissioner refuses renewal of a license pursuant to section
23 523C.9, the refusal shall be in writing setting forth the grounds
24 for the refusal.

25 5. If a service company submits a license renewal application
26 after the license has expired, the service company shall pay a
27 reinstatement fee of eight hundred dollars, and the applicable
28 fees pursuant to subsection 3.

29 6. A service company whose license has expired shall not
30 offer, extend, or renew a service contract until the service
31 company's license has been renewed or the service company has
32 been issued a new license.

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

35 **523C.7 Disclosure to service contract holders — contract**

1 **form — required provisions.**

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

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

7 b. Provides a complete sample copy of the service contract
8 to the consumer prior to purchase. A service company may comply
9 with this paragraph by providing the consumer with a complete
10 electronic sample copy of the service contract, or directing the
11 consumer to a complete sample copy of the service contract on an
12 internet site.

13 c. Provides a fully executed paper or electronic copy of
14 the service contract to the service contract holder within ten
15 business days of the date the service contract holder purchased
16 the service contract. A paper copy of the executed service
17 contract shall be provided to the service contract holder upon
18 request of the service contract holder at the expense of the
19 service company.

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

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

24 b. (1) A service contract insured under a reimbursement
25 insurance policy as provided in section 523C.5, subsection 1,
26 must include a statement in substantially the following form:

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

33 (2) A service contract insured under a reimbursement
34 insurance policy must conspicuously state the name and address of
35 the issuer of the reimbursement insurance policy for that service

1 contract. A claim against a reimbursement insurance policy must
2 also include a claim for return of any refund due in accordance
3 with paragraphs "m" and "n".

4 c. A service contract not insured under a reimbursement
5 insurance policy must contain a statement in substantially the
6 following form:

7 Obligations of the service company under this service contract
8 are backed by the full faith and credit of the service company
9 and are not guaranteed under a reimbursement insurance policy.

10 d. A service contract must state the name and address of
11 the service company obligated to perform services under the
12 contract, and must conspicuously identify the service company,
13 any third-party administrator, and the service contract holder
14 to the extent that the name and address of the service contract
15 holder has been furnished. The identities of such parties shall
16 not be required to be printed on the contract in advance and may
17 be added to the contract at the time of sale.

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

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

29 g. A service contract must clearly state any waiting period
30 applicable to coverage under the service contract.

31 h. A service contract must clearly state the existence of any
32 deductible amount.

33 i. A service contract must specify the merchandise or
34 services, or both, to be provided and any limitations,
35 exceptions, or exclusions.

1 j. A service contract must clearly state the conditions on
2 which the use of substitute parts or services will be allowed.
3 Such conditions must comply with applicable state and federal
4 laws.

5 k. A service contract must clearly state any terms,
6 restrictions, or conditions governing the transferability of the
7 service contract.

8 l. A service contract must clearly state the instructions
9 for cancellation of the service contract by the service contract
10 holder. Cancellation instructions must include the phone number,
11 email address, or mailing address necessary for the cancellation
12 of the service contract. A service company shall accept
13 cancellation of a service contract from a service contract holder
14 by email or by the method utilized by the service company to
15 enter into the service contract with the service contract holder.

16 m. A service contract must clearly state the terms and
17 conditions governing the cancellation of the contract prior
18 to the termination or expiration date of the contract by the
19 service company or the service contract holder. If the service
20 company cancels the contract, the service company shall mail a
21 written notice of termination to the service contract holder at
22 least fifteen calendar days before the date of the termination.
23 Prior notice of cancellation by the service company shall not
24 be required if the reason for cancellation is nonpayment of
25 the purchase price, a material misrepresentation by the service
26 contract holder to the service company or the support services
27 for the service company, or a substantial breach of duty by the
28 service contract holder relating to the covered product or use
29 of the covered product. The notice of cancellation must state
30 the effective date of the cancellation and the reason for the
31 cancellation. If a service contract is canceled by the service
32 company for any reason other than nonpayment of the purchase
33 price, the service company shall refund the service contract
34 holder in an amount equal to one hundred percent of the unearned
35 purchase price paid, calculated on a pro rata basis based upon

1 elapsed time or mileage, less any claims paid. The service
2 company may also charge a reasonable administrative fee in an
3 amount no greater than ten percent of the total purchase price.
4 A ten percent penalty shall be added to the refund each month
5 if the refund is not paid to the service contract holder within
6 thirty calendar days.

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

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

34 o. A service contract must set forth all obligations and
35 duties of the service contract holder, including but not limited

1 to the duty to protect against any further damage, and the
2 obligation to follow an owner's manual and to perform, or have
3 performed, all required service or maintenance.

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

10 q. A service contract must clearly state the service call
11 fee, if any, charged to the service contract holder.

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

17 s. A service contract must state that if the claim covered
18 under a residential service contract relates to the total loss of
19 heating, cooling, plumbing, or refrigeration, or substantial loss
20 of electrical service, and the claim being made by the service
21 contract holder is essential to the health and safety of the
22 service contract holder or, if applicable, the service contract
23 holder's family, the service company shall ensure all of the
24 following:

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

28 (2) Notice is provided to the service contract holder if a
29 repair cannot practicably be completed within three calendar days
30 after the report of the claim. The service company shall provide
31 a status report to the service contract holder by communicating
32 in a verifiable manner as soon as practicable, but no later than
33 three calendar days after the date of the report of the claim.
34 The status report must include all of the following:

35 (a) A list of all required repairs, replacements, or services

1 and the estimated cost to the service contract holder.

2 (b) The primary reason the required repair, replacement, or
3 service will take longer than three calendar days, including the
4 status of all parts required for the repair, replacement, or
5 service.

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

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

13 (e) A statement that if the service contract holder is not
14 satisfied with the manner in which the service company handles
15 the claim under the terms of a service contract, the service
16 contract holder may file a complaint with the division on the
17 division's internet site.

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

20 1. A service company shall file with the division an accurate
21 copy of each service contract form prior to using the service
22 contract form for the sale of a service contract in this state.

23 2. At the time of filing a new or modified motor vehicle
24 service contract form with the division a service company shall
25 pay a fee in the amount of thirty-five dollars for a new or
26 modified motor vehicle service contract form filed with the
27 division.

28 3. Notwithstanding section 523C.7, a service company may
29 continue to use a service contract form that is noncompliant with
30 this chapter until January 1, 2028, provided no changes are made
31 to the service contract form and the service contract form was
32 filed with the division before July 1, 2026.

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

35 **523C.9 License denial, nonrenewal, suspension, or**

1 **revocation.**

2 1. The commissioner may, at the commissioner's discretion and
3 without advance notice or hearing, immediately suspend a service
4 company's license if the commissioner finds that any of the
5 following are true:

6 a. The service company is insolvent or impaired.

7 b. A proceeding for receivership, conservatorship,
8 rehabilitation, or other delinquency proceeding regarding the
9 service company has been commenced in any state.

10 c. The financial condition or business practices of the
11 service company otherwise pose an imminent threat to the public
12 health, safety, or welfare of the residents of this state.

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

18 a. The service company violated this chapter, a lawful
19 order, regulation, or subpoena issued by the commissioner or a
20 regulatory authority of another state.

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

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

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

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

34 f. The service company failed to maintain a corporate
35 certificate of good standing pursuant to section 523C.3,

1 subsection 1.

2 g. The service company provided incorrect, misleading,
3 incomplete, or materially untrue information in the service
4 company's license application.

5 h. The service company obtained or attempted to obtain a
6 license through misrepresentation or fraud.

7 i. The service company improperly withheld, misappropriated,
8 or converted any money or property received in the course of
9 business as a service company.

10 j. The service company intentionally misrepresented the terms
11 of an actual or proposed service contract.

12 k. Within the immediately preceding ten consecutive years, an
13 owner who has an ownership stake in the service company of more
14 than ten percent, an officer, or a director directly responsible
15 for the business of the service company has been convicted of
16 a criminal offense involving any aspect of a business involving
17 securities, commodities, investments, franchises, insurance,
18 banking, or finance.

19 l. An owner who has an ownership stake in the service
20 company of more than ten percent, an officer, or a director
21 directly responsible for the business of the service company
22 has been convicted of a criminal offense involving dishonesty or
23 a false statement, including but not limited to fraud, theft,
24 misappropriation of funds, falsification of documents, deceptive
25 acts or practices, or other related offenses.

26 m. The service company admitted to committing, or was found
27 to have committed, any unfair trade practice or fraud.

28 n. The service company used fraudulent, coercive,
29 or dishonest practices, or demonstrated incompetence,
30 untrustworthiness, or financial irresponsibility, in conducting
31 business in this state or any other state.

32 o. The service company had a service company license or its
33 equivalent, denied, suspended, or revoked in any other state,
34 province, district, or territory.

35 p. The service company failed, or refused, to cooperate in an

1 investigation conducted by the commissioner of insurance.

2 q. The commissioner has found the service company to be
3 incompetent, untrustworthy, financially irresponsible, or not of
4 good personal or business reputation.

5 r. The service company has refused to be examined or to
6 produce the service company's accounts, records, or files for
7 examination, or any individual responsible for the conduct of the
8 affairs of the service company has refused to provide information
9 with respect to the service company's affairs or has refused to
10 perform any other legal obligation as to an examination.

11 s. The service company has engaged, directly or indirectly,
12 in an unfair method of competition or unfair or deceptive act or
13 practice.

14 3. If the commissioner suspends or revokes the license of,
15 denies the application for licensure of, or refuses to renew
16 the license of, a service company pursuant to this section, the
17 commissioner shall notify the service company in writing and
18 provide the reason for the suspension, revocation, denial, or
19 nonrenewal. The licensee or applicant may request a hearing on
20 the suspension, revocation, nonrenewal, or denial, and a hearing
21 shall be conducted according to chapter 17A.

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

24 **523C.13 Prohibited acts or practices — penalty — violations**
25 **— contracts voided.**

26 1. A service company, or the service company's support
27 services, that offers service contracts for sale in this state
28 shall not, directly or indirectly, represent in any manner,
29 whether by written solicitation or telemarketing, a false,
30 deceptive, or misleading statement with respect to any of the
31 following:

32 a. The service company's affiliation with a motor vehicle
33 manufacturer or importer.

34 b. The validity or expiration of a warranty.

35 c. A motor vehicle service contract holder's coverage under a

1 motor vehicle service contract, including statements suggesting
2 that the service contract holder must purchase a new service
3 contract in order to maintain coverage under the existing service
4 contract or warranty.

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

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

9 a. Fail to complete, or fail to ensure the completion of,
10 a repair, maintenance, replacement, service, or indemnification
11 of expenses associated with a covered claim within a reasonable
12 period of time.

13 b. Create or use any advertising that does not include the
14 name of the licensed service company or direct consumers to an
15 internet site where the name of the licensed service company can
16 be found.

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

20 d. Create or use any service contract marketing materials
21 that contain incorrect or misleading information.

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

27 3. The commissioner may adopt rules pursuant to chapter 17A
28 that regulate service contracts to prohibit misrepresentation,
29 false advertising, defamation, boycotts, coercion, intimidation,
30 false statements and entries, and unfair discrimination or
31 practices.

32 4. After a hearing, if the commissioner finds that a person
33 violated this chapter or a rule adopted under this chapter, the
34 commissioner may order the person to cease and desist from the
35 violation and may order the person to pay a civil penalty of

1 not more than one thousand dollars for each violation, not to
2 exceed an aggregate of ten thousand dollars, unless the person
3 knew or reasonably should have known the person was in violation
4 of this chapter, in which case the civil penalty shall be no
5 more than five thousand dollars for each violation, not to exceed
6 an aggregate of fifty thousand dollars in any one consecutive
7 six-month period. If the commissioner finds a violation of this
8 chapter was directed, encouraged, condoned, ignored, or ratified
9 by the employer of such person or by a service company, the
10 commissioner shall assess a penalty to the employer or service
11 company. Any civil penalties collected under this subsection
12 shall be deposited as provided in section 505.7.

13 5. A violation of this chapter constitutes an unlawful
14 practice pursuant to section 714.16.

15 6. A service contract issued or sold in this state by a
16 service company that was not licensed as a service company at the
17 time the service contract was issued or sold shall be void and
18 unenforceable.

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

21 **523C.22 Claim procedures.**

22 A licensed service company shall promptly provide a reasonable
23 written explanation to the service contract holder, describing
24 explaining the reasons for denying a claim or for the offer
25 of a compromise settlement, based on all relevant facts or
26 legal requirements and referring to applicable provisions of
27 the service contract legal and factual basis for the denial of
28 a claim or an offer of a compromise settlement. The written
29 explanation must provide instructions to the service contract
30 holder on the process for an appeal, second review, arbitration,
31 or similar provisions included in the contract, as well as
32 information on how to file a complaint with the division,
33 including the internet site on which to locate the division's
34 complaint form.

35 Sec. 12. Section 523C.23, subsection 1, paragraph b, Code

1 2026, is amended by adding the following new subparagraphs:

2 NEW SUBPARAGRAPH. (4) During an investigation or proceeding
3 conducted under this chapter, the commissioner or any designee of
4 the commissioner may administer oaths and affirmations, subpoena
5 witnesses, compel witnesses' attendance, take evidence, and
6 require the production of any records which the commissioner
7 deems relevant or material to the investigation or proceeding.

8 NEW SUBPARAGRAPH. (5) Conduct an investigation of a
9 suspected violation of this chapter and enforce the provisions
10 of, and impose any penalty or remedy authorized by, this chapter
11 against any person who is under investigation for, or charged
12 with, a violation of this chapter even if the person's license
13 has been surrendered or has lapsed by operation of law.

14 Sec. 13. Section 523C.23, subsection 1, paragraph c, Code
15 2026, is amended by striking the paragraph.

16 Sec. 14. Section 523C.23, subsection 3, Code 2026, is amended
17 by striking the subsection.

18 Sec. 15. NEW SECTION. **523C.25 Confidentiality.**

19 1. Notwithstanding chapter 22, the commissioner shall
20 maintain the confidentiality of information submitted to the
21 division or obtained by the division in the course of an
22 investigation, examination, or inquiry pursuant to this chapter
23 or the commissioner's licensing authority, including all notes,
24 work papers, or other documents. Information obtained by the
25 commissioner in the course of investigating a complaint or
26 inquiry may, at the discretion of the commissioner, be provided
27 to the service company that is the subject of the complaint or
28 inquiry and the consumer who filed the complaint or inquiry,
29 without waiving the confidentiality afforded to the commissioner
30 or to any other person by this section. The commissioner may
31 disclose or release information that is otherwise confidential
32 under this subsection in the course of an administrative or
33 judicial proceeding.

34 2. Notwithstanding subsection 1, if the commissioner
35 determines that it is necessary in the public interest, the

1 commissioner may share information submitted to the division or
2 obtained by the division in the course of an investigation,
3 examination, or inquiry pursuant to this chapter with other
4 regulatory authorities or government agencies.

5 3. Notwithstanding subsection 1, if the commissioner
6 determines that it is necessary in the public interest,
7 the commissioner may publish service company-related data or
8 information submitted to the division or obtained by the division
9 in the course of an investigation, examination, or inquiry
10 pursuant to this chapter. Such information may be redacted
11 so that neither personally identifiable information nor service
12 company identifiable information is made available.

13 4. Notwithstanding subsection 1, the commissioner may publish
14 on the division's internet site the name, physical address,
15 telephone number, and license status of any service company
16 submitted to the division or obtained by the division in the
17 course of an investigation, examination, or inquiry pursuant to
18 this chapter.

19 Sec. 16. 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 to
22 violate chapter 523C.

23 EXPLANATION

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

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

28 The bill prohibits a person from issuing, offering for sale,
29 or selling a motor vehicle service contract or residential
30 service contract in the state unless the person is a licensed
31 service company. The requirements of the bill do not apply to
32 any person who provides support services. "Support services" is
33 defined in the bill.

34 A service company shall maintain a license for the entirety
35 of any service contract that the service company has entered,

1 unless otherwise ordered by the commissioner of insurance
2 (commissioner). A service company shall report to the
3 commissioner changes to an application, administrative actions,
4 and criminal prosecutions as detailed in the bill. A residential
5 or motor vehicle service contract shall not be considered
6 insurance.

7 An application for a license as a service company shall be
8 filed with the commissioner, include all information as described
9 in the bill, and be accompanied by a \$500 license fee. A license
10 as a service company is valid for one year and must be renewed
11 annually on or before August 31 following the date of issuance.
12 A licensee must apply for renewal at least 90 days prior to the
13 license expiration date.

14 An application for license renewal shall include the
15 information required for an initial license, a list of each
16 service contract form, any additional information requested by
17 the commissioner, and the information and fees as described in
18 the bill. If the renewal application meets the requirements, the
19 commissioner shall renew the license unless otherwise denied, in
20 which case the denial shall be in writing.

21 If a service company fails to renew their license on or before
22 the end of the license period, the company's license shall be
23 deemed expired, and the service company shall be subject to
24 restrictions detailed in the bill. If a service company submits
25 an application or renewal application after the license has
26 expired, the service company shall file a service company license
27 renewal application, including payment of applicable fees.

28 A service contract shall not be issued, sold, or offered for
29 sale unless the service contract and service company complies
30 with the requirements of the bill. The requirements for a
31 residential service contract that relates to goods that are
32 essential to the health and safety of the service contract holder
33 are detailed in the bill.

34 A service company may continue to use a noncompliant service
35 contract form until January 1, 2028, provided no changes are made

1 to the form, and the service contract form was filed with the
2 division before July 1, 2026.

3 The commissioner may suspend or revoke the license of, deny an
4 application for license from, or refuse to renew the license of
5 a service company, or may levy a civil penalty against a service
6 company, as described in the bill, and shall notify the service
7 company in writing of the reason for the suspension, revocation,
8 nonrenewal, or denial. The licensee or applicant may request a
9 hearing.

10 A service company that offers service contracts for sale,
11 or the service company's support services, shall not represent
12 in any manner a false, deceptive, or misleading statement
13 with respect to the service company's affiliation with a motor
14 vehicle manufacturer or importer, the validity or expiration of
15 a warranty, or a motor vehicle service contract holder's coverage
16 under a motor vehicle service contract, and shall not describe
17 the service contract as a policy.

18 A service company shall not engage in a prohibited act or
19 practice as detailed in the bill. The commissioner may adopt
20 rules regulating service contracts to prohibit misrepresentation,
21 false advertising, defamation, boycotts, coercion, intimidation,
22 false statements and entries, and unfair discrimination or
23 practices. If the commissioner finds that a person has violated
24 the bill or rules adopted under the bill, the commissioner may
25 order the person to cease and desist from the violation and
26 may order payment of a civil penalty as described in the bill.
27 A violation of the bill is an unlawful practice. A service
28 contract issued or sold by an unlicensed service company shall
29 be void and unenforceable. The requirements for an investigation
30 or proceeding are detailed in the bill.

31 A written explanation to a service contract holder for a
32 denial of a claim or offer of a settlement shall include the
33 information detailed in the bill.

34 The commissioner shall maintain the confidentiality of
35 information submitted to or obtained by the division in the

1 course of an investigation, examination, or inquiry, including
2 all notes, work papers, or other documents and the information as
3 described in the bill. The commissioner may disclose or release
4 information that is otherwise confidential in the circumstances
5 detailed in the bill.

unofficial