

House File 2756 - Introduced

HOUSE FILE 2756
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2714)
(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 service
33 company's service contract business, or any other change that
34 substantially affects the service company's operations in the
35 state.

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

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

20 7. A residential service contract and a motor vehicle service
21 contract shall not be considered insurance.

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

24 **523C.3 Application for license.**

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

- 28 a. The name and principal address of the applicant.
29 b. The state of incorporation of the applicant.
30 c. The name and address of the applicant's registered agent
31 for service of process in Iowa.

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

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

35 (2) Each officer of the service company.

1 (3) Each director directly responsible for the business of
2 the service company.

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

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

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

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

17 i. A national association of insurance commissioners'
18 biographical affidavit for the chief executive officer and chief
19 financial officer of the service company, or for the individuals
20 in equivalent positions.

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

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

30 3. If the application for a service company license contains
31 the information under subsection 1, is accompanied by the fees
32 under subsection 2, includes any additional information requested
33 by the commissioner to verify the information in the application,
34 and the commissioner has not denied the application pursuant to
35 section 523C.9, the commissioner shall issue the license to the

1 applicant.

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

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

7 **523C.4 License expiration and renewal.**

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

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

21 3. The license renewal application must be accompanied by all
22 of the following:

23 a. A license renewal fee in the amount of two hundred
24 dollars.

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

31 c. In a format prescribed by the commissioner, information
32 regarding service contracts in this state for the service company
33 in the immediately preceding calendar year itemized as follows:

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

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

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

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

3 (5) The number of motor vehicle service contracts that
4 expired.

5 (6) The number of residential service contracts that 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 motor vehicle service contract
11 fees received by the service company.

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

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

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

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

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

32 **523C.7 Disclosure to service contract holders — contract**
33 **form — required provisions.**

34 1. A service contract shall not be issued, sold, or offered
35 for sale in this state unless the service company does all of the

1 following:

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

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

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

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

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

21 b. (1) A service contract insured under a reimbursement
22 insurance policy as provided in section 523C.5, subsection 1,
23 must include a statement in substantially the following form:
24 Obligations of the service company under this service contract
25 are guaranteed under a reimbursement insurance policy. If the
26 service company fails to pay or provide service on a claim within
27 sixty days after proof of loss has been filed with the service
28 company, the service contract holder is entitled to make a claim
29 directly against the reimbursement insurance policy.

30 (2) A service contract insured under a reimbursement
31 insurance policy must conspicuously state the name and address of
32 the issuer of the reimbursement insurance policy for that service
33 contract. A claim against a reimbursement insurance policy must
34 also include a claim for return of any refund due in accordance
35 with paragraphs "m" and "n".

1 c. A service contract not insured under a reimbursement
2 insurance policy must contain a statement in substantially the
3 following form:

4 Obligations of the service company under this service contract
5 are backed by the full faith and credit of the service company
6 and are not guaranteed under a reimbursement insurance policy.

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

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

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

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

28 h. A service contract must clearly state the existence of any
29 deductible amount.

30 i. A service contract must specify the merchandise or
31 services, or both, to be provided and any limitations,
32 exceptions, or exclusions.

33 j. A service contract must clearly state the conditions on
34 which the use of substitute parts or services will be allowed.
35 Such conditions must comply with applicable state and federal

1 laws.

2 k. A service contract must clearly state any terms,
3 restrictions, or conditions governing the transferability of the
4 service contract.

5 l. A service contract must clearly state the instructions
6 for cancellation of the service contract by the service contract
7 holder. Cancellation instructions must include the phone number,
8 email address, or mailing address necessary for the cancellation
9 of the service contract. A service company shall accept
10 cancellation of a service contract from a service contract holder
11 by one or more of the following methods:

12 (1) Telephone.

13 (2) Email.

14 (3) The method utilized by the service company to enter into
15 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 penalty of ten percent of the original dollar amount of the
5 refund shall be added to the refund each month if the refund is
6 not paid to the service contract holder within thirty calendar
7 days.

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

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

1 complete the cancellation.

2 o. A service contract must set forth all obligations and
3 duties of the service contract holder, including but not limited
4 to the duty to protect against any further damage, and the
5 obligation to follow an owner's manual and to perform, or have
6 performed, all required service or maintenance.

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

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

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

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

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

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

1 The status report must include all of the following:

2 (a) A list of all required repairs, replacements, or
3 services, and the estimated cost to the service contract holder
4 if known.

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

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

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

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

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

21 2. At the time of filing a new or modified motor vehicle
22 service contract form with the division a service company shall
23 pay a fee in the amount of thirty-five dollars for a new or
24 modified motor vehicle service contract form filed with the
25 division. If a service company files a modified motor vehicle
26 service contract form, and the only modification to the motor
27 vehicle service contract form is information required by section
28 523C.7, subsection 2, paragraph "r", the service company shall
29 not be required to pay a fee for filing the modified motor
30 vehicle service contract form.

31 3. Notwithstanding section 523C.7, a service company may
32 continue to use a service contract form that is noncompliant with
33 this chapter until January 1, 2028, provided no changes are made
34 to the service contract form and the service contract form was
35 filed with the division before January 1, 2027.

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

3 **523C.9 License denial, nonrenewal, suspension, or**
4 **revocation.**

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

9 a. The service company is insolvent or impaired.

10 b. A proceeding for receivership, conservatorship,
11 rehabilitation, or other delinquency proceeding regarding the
12 service company has been commenced in any state.

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

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

21 a. The service company violated this chapter, a lawful
22 order, regulation, or subpoena issued by the commissioner or a
23 regulatory authority of another state.

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

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

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

35 e. The service company failed to demonstrate financial

1 responsibility pursuant to section 523C.5, if applicable.

2 *f.* The service company failed to maintain a corporate
3 certificate of good standing pursuant to section 523C.3,
4 subsection 1.

5 *g.* The service company provided incorrect, misleading,
6 incomplete, or materially untrue information in the service
7 company's license application.

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

10 *i.* The service company improperly withheld, misappropriated,
11 or converted any money or property received in the course of
12 business as a service company.

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

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

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

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

31 *n.* The service company used fraudulent, coercive,
32 or dishonest practices, or demonstrated incompetence,
33 untrustworthiness, or financial irresponsibility, in conducting
34 business in this state or any other state.

35 *o.* The service company had a service company license or its

1 equivalent, denied, suspended, or revoked in any other state,
2 province, district, or territory.

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

5 q. The commissioner has found the service company to be
6 incompetent, untrustworthy, financially irresponsible, or not of
7 good personal or business reputation.

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

14 s. The service company has engaged, directly or indirectly,
15 in an unfair method of competition or unfair or deceptive act or
16 practice.

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

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

27 **523C.13 Prohibited acts or practices — penalty — violations**
28 **— contracts voided.**

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

35 a. The service company's affiliation with a motor vehicle

1 manufacturer or importer.

2 b. The validity or expiration of a warranty.

3 c. A motor vehicle service contract holder's coverage under a
4 motor vehicle service contract, including statements suggesting
5 that the service contract holder must purchase a new service
6 contract in order to maintain coverage under the existing service
7 contract or warranty.

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

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

12 a. Fail to attempt, in good faith, to effectuate the prompt,
13 fair, and equitable resolution of a claim made under a service
14 contract.

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

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

22 d. Create or use any service contract marketing materials
23 that contain incorrect or misleading information.

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

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

34 4. After a hearing, if the commissioner finds that a person
35 violated this chapter or a rule adopted under this chapter, the

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

15 5. A violation of this section or section 523C.7 constitutes
16 an unlawful practice pursuant to section 714.16.

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

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

23 **523C.22 Claim procedures.**

24 A licensed service company shall promptly provide a written
25 explanation to the service contract holder, describing the
26 reasons for denying a claim or for the offer of a compromise
27 settlement, based on all relevant facts or legal requirements
28 and referring to applicable provisions of the service contract.
29 The written explanation must include the process for filing a
30 complaint with the division, including the division's internet
31 site for accessing the complaint form.

32 Sec. 12. Section 523C.23, subsection 1, paragraph b, Code
33 2026, is amended by adding the following new subparagraphs:

34 NEW SUBPARAGRAPH. (4) During an investigation or proceeding
35 conducted under this chapter, the commissioner or any designee of

1 the commissioner may administer oaths and affirmations, subpoena
2 witnesses, compel witnesses' attendance, take evidence, and
3 require the production of any records which the commissioner
4 deems relevant or material to the investigation or proceeding.

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

11 Sec. 13. Section 523C.23, subsection 1, paragraph c, Code
12 2026, is amended by striking the paragraph.

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

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

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

31 2. Notwithstanding subsection 1, if the commissioner
32 determines that it is necessary in the public interest, the
33 commissioner may share information submitted to the division or
34 obtained by the division in the course of an investigation,
35 examination, or inquiry pursuant to this chapter with other

1 regulatory authorities or government agencies.

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

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

16 Sec. 16. Section 714.16, subsection 2, Code 2026, is amended
17 by adding the following new paragraph:

18 NEW PARAGRAPH. t. It is an unlawful practice for a person to
19 violate section 523C.7 or 523C.13.

20 Sec. 17. EFFECTIVE DATE. This Act takes effect January 1,
21 2027.

22 EXPLANATION

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

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

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

33 A service company shall maintain a license for the entirety
34 of any service contract that the service company has entered,
35 unless otherwise ordered by the commissioner of insurance

1 (commissioner). A service company shall report to the
2 commissioner material changes to the information submitted in
3 the company's application, final dispositions of administrative
4 actions, and criminal prosecutions as detailed in the bill.
5 A residential or motor vehicle service contract shall not be
6 considered 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
22 before the end of the license period, the company's license may
23 be 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 relate 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 January 1, 2027.

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, including the process for
34 filing a complaint with the division and the internet site for
35 accessing the complaint form.

1 The commissioner shall maintain the confidentiality of
2 information submitted to or obtained by the division in the
3 course of an investigation, examination, or inquiry, including
4 all notes, work papers, or other documents and the information as
5 described in the bill. The commissioner may disclose or release
6 information that is otherwise confidential in the circumstances
7 detailed in the bill.

8 The bill takes effect January 1, 2027.

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