

House Study Bill 517 - Introduced

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 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 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 in
4 the business of service contracts to comply with chapter 523C.

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

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

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

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

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

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

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

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

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

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

1 **523C.2 License required.**

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

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

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

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

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

30 6. Within thirty calendar days of the initial pretrial
31 hearing date, a service company shall report to the commissioner
32 a criminal prosecution in any jurisdiction of an owner with
33 more than a ten percent ownership stake, an officer, or a
34 director directly responsible for the service contract business
35 of the service company, for an offense involving dishonesty

1 or a false statement including but not limited to fraud,
2 theft, misappropriation of funds, falsification of documents,
3 deceptive acts or practices, or other related offenses. The
4 report must include a copy of the initial complaint filed, the
5 order resulting from the hearing, and any other relevant legal
6 documents.

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

9 **523C.3 Application for license.**

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

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

14 b. The state of incorporation of the applicant.

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

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

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

20 (2) Each officer of the service company.

21 (3) Each director directly responsible for the business of
22 the service company.

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

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

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

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

33 i. A national association of insurance commissioners'
34 biographical affidavit and the verification of the biographical
35 affidavit for the chief executive officer and chief financial

1 officer of the service company, or for the individuals in
2 the equivalent positions. The service company shall use a
3 third-party vendor from a list of vendors approved by the
4 commissioner to verify the biographical affidavits. The service
5 company shall pay all costs associated with the required
6 verifications.

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

13 2. The application must be accompanied by all of the
14 following:

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

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

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

26 4. Fees collected under this section shall be deposited
27 into the service company oversight fund as provided in section
28 523C.24.

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

31 **523C.4 License expiration and renewal.**

32 1. A license issued under this chapter shall be valid for
33 a period of one year and shall be renewed annually on or
34 before August 31. A license that is not renewed prior to the
35 expiration date shall be deemed expired. Prior to a license

1 expiration date, and if a renewal application was submitted at
2 least fourteen calendar days prior to the license expiration
3 date, the commissioner may extend the renewal period for an
4 additional thirty calendar days.

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

12 3. The license renewal application must be accompanied by all
13 of the following:

14 a. A license renewal fee in the amount of two hundred
15 dollars.

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

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

27 d. Information regarding service contracts for the service
28 company in the immediately preceding calendar year itemized as
29 follows:

- 30 (1) The number of motor vehicle service contracts issued.
31 (2) The number of residential service contracts issued.
32 (3) The number of motor vehicle service contracts canceled.
33 (4) The number of residential service contracts canceled.
34 (5) The number of motor vehicle service contracts that
35 expired.

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

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

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

6 (9) The total dollar amount of refunds issued for all motor
7 vehicle service contracts that were canceled.

8 (10) The total dollar amount of refunds issued for all
9 residential service contracts that were canceled.

10 (11) The total dollar amount of motor vehicle service
11 contract fees received by the service company.

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

14 (13) The number of lawsuits filed by a third party or
15 a regulatory agency against the service company during the
16 immediately preceding calendar year regarding service contracts
17 issued, offered for sale, or sold by the service company.

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

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

30 6. a. A service company whose license has expired, and is
31 not within an additional thirty-day extension period granted by
32 the commissioner pursuant to section 523C.4, subsection 1, shall
33 not offer, extend, or renew a service contract until the service
34 company's license has been renewed, or the service company has
35 been issued a new license.

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

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

15 **523C.7 Disclosure to service contract holders — contract**
16 **form — required provisions.**

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

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

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

30 c. Provides a fully executed paper or electronic copy of
31 the service contract to the service contract holder within ten
32 calendar days of the date the service contract holder purchased
33 the service contract. A paper copy of the executed service
34 contract shall be provided to the service contract holder upon
35 request of the service contract holder at the expense of the

1 service company.

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

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

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

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

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

21 c. A service contract not insured under a reimbursement
22 insurance policy must contain a statement in substantially the
23 following form:

24 Obligations of the service company under this service contract
25 are backed by the full faith and credit of the service company
26 and are not guaranteed under a reimbursement insurance policy.

27 d. A service contract must state the name and address of
28 the service company obligated to perform services under the
29 contract, and must conspicuously identify the service company,
30 any third-party administrator, and the service contract holder
31 to the extent that the name and address of the service contract
32 holder has been furnished. The identities of such parties shall
33 not be required to be printed on the contract in advance and may
34 be added to the contract at the time of sale.

35 e. A service contract must clearly state the total purchase

1 price of the service contract and the terms under which the
2 service contract is sold. The total purchase price shall not
3 be required to be printed on the contract in advance and may be
4 added to the contract at the time of sale.

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

11 *g.* A service contract must clearly state any waiting period
12 applicable to coverage under the service contract, and the date
13 on which coverage begins.

14 *h.* A service contract must clearly state the existence of any
15 deductible amount.

16 *i.* A service contract must specify the merchandise or
17 services, or both, to be provided and any limitations,
18 exceptions, or exclusions.

19 *j.* A service contract must clearly state the conditions on
20 which the use of substitute parts or services will be allowed.
21 Such conditions must comply with applicable state and federal
22 laws.

23 *k.* A service contract must clearly state any terms,
24 restrictions, or conditions governing the transferability of the
25 service contract.

26 *l.* A service contract must clearly state the instructions
27 for cancellation of the service contract by the service contract
28 holder. Cancellation instructions must include all necessary
29 information for a service contract holder to complete a
30 cancellation. Cancellation instructions must include the phone
31 number, email address, or mailing address necessary for the
32 cancellation of the service contract, as well as any other
33 information that the service contract holder must use to cancel
34 the contract. A service company shall accept cancellation of
35 a service contract from a service contract holder by telephone,

1 email, or mail, or any other cost-effective and accessible
2 method of communication. The method of cancellation utilized
3 by a service company for the cancellation of a service contract
4 shall be as accessible as the method utilized by the service
5 company for the service contract holder to enter into the service
6 contract.

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

33 n. (1) A service contract must permit the original service
34 contract holder who purchased the contract to cancel the service
35 contract within at least thirty calendar days of the effective

1 date of the service contract, provided no claims have been paid
2 under the service contract, or within a longer period of time
3 as permitted under the service contract. If a claim has not
4 been paid under the service contract prior to cancellation by
5 the service contract holder, the service contract is void and
6 the full purchase price of the service contract shall be refunded
7 to the service contract holder. A ten percent penalty shall be
8 added to the refund each month if the refund is not paid to the
9 service contract holder within thirty calendar days, unless the
10 service contract holder fails to provide the information required
11 by the service contract to complete the cancellation.

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

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

30 p. A service contract must clearly state if the contract
31 covers or excludes consequential damages and preexisting
32 conditions, if applicable. A service contract may, but is not
33 required to, cover damage resulting from rust, corrosion, or
34 damage caused by a part or system not covered under the service
35 contract.

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

3 r. A service contract must state the name and address of
4 the commissioner, the current toll-free telephone number of the
5 division, and a statement that a consumer may file a complaint
6 with the division, including by filing a complaint on the
7 division's internet site.

8 s. If a residential service contract relates to heating,
9 cooling, plumbing, refrigeration, or electrical service, and the
10 claim being made by the service contract holder is essential
11 to the health and safety of the service contract holder or, if
12 applicable, the service contract holder's family, the service
13 company shall ensure all of the following:

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

17 (2) If the service company determines that the service
18 company cannot complete a repair, replacement, or service within
19 three calendar days after the report of the claim, the service
20 contract holder may seek an outside provider to complete the
21 repair, replacement, or service. The service company shall
22 cover reasonable costs associated with a repair, replacement,
23 or service completed by an outside service provider up to the
24 maximum dollar amount covered by the service contract.

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

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

34 (b) The primary reason the required repair, replacement, or
35 service will take longer than three calendar days, including the

1 status of all parts required for the repair, replacement, or
2 service.

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

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

10 (e) A statement that if the service contract holder is not
11 satisfied with the manner in which the service company handles
12 the claim under the terms of a service contract, the service
13 contract holder may file a complaint with the division pursuant
14 to paragraph "r".

15 (f) A notice to the service contract holder that the service
16 contract holder may seek an outside service provider to complete
17 the repair, replacement, or service, and that the service
18 company will cover reasonable costs associated with a repair,
19 replacement, or service completed by an outside service provider
20 up to the maximum dollar amount covered by the service contract.

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

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

26 2. At the time of filing each motor vehicle service contract
27 form with the division a service company shall pay a fee in
28 the amount of thirty-five dollars for each motor vehicle service
29 contract form.

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

35 Sec. 9. Section 523C.9, Code 2026, is amended by striking the

1 section and inserting in lieu thereof the following:

2 **523C.9 License denial, nonrenewal, suspension, or**
3 **revocation.**

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

9 a. The service company violated this chapter, a lawful order,
10 regulation, or subpoena.

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

14 c. The service company, without just cause, refused to
15 perform, or negligently or incompetently performed, a service
16 required to be performed under the service company's service
17 contracts and the refusal, or negligent or incompetent
18 performance, has occurred with such frequency as to indicate the
19 general business practices of the service company are negligent
20 or incompetent, as determined by the commissioner.

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

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

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

26 g. The service company provided incorrect, misleading,
27 incomplete, or materially untrue information in the service
28 company's license application.

29 h. The service company obtained or attempted to obtain a
30 license through misrepresentation or fraud.

31 i. The service company improperly withheld, misappropriated,
32 or converted any money or property received in the course of
33 business as a service company.

34 j. The service company intentionally misrepresented the terms
35 of an actual or proposed service contract.

1 k. Within the immediately preceding ten consecutive years,
2 an owner, officer, or director of the service company has
3 been convicted of a criminal offense involving any aspect
4 of a business involving securities, commodities, investments,
5 franchises, insurance, banking, or finance.

6 l. An owner, officer, or director of the service company has
7 been convicted of a criminal offense involving dishonesty or
8 a false statement, including but not limited to fraud, theft,
9 misappropriation of funds, falsification of documents, deceptive
10 acts or practices, or other related offenses.

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

13 n. The service company used fraudulent, coercive,
14 or dishonest practices, or demonstrated incompetence,
15 untrustworthiness, or financial irresponsibility, in conducting
16 business in this state or any other state.

17 o. The service company had a service company license or its
18 equivalent, denied, suspended, or revoked in any other state,
19 province, district, or territory.

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

22 2. If the commissioner suspends or revokes the license of,
23 denies the application for licensure of, or refuses to renew
24 the license of, a service company pursuant to this section, the
25 commissioner shall notify the service company in writing and
26 provide the reason for the suspension, revocation, denial, or
27 nonrenewal. The licensee or applicant may request a hearing on
28 the suspension, revocation, nonrenewal, or denial, and a hearing
29 shall be conducted according to section 507B.6.

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

32 **523C.13 Prohibited acts or practices — penalty — violations**
33 **— contracts voided.**

34 1. A service company, or the service company's support
35 services, that offers service contracts for sale in this state

1 shall not, directly or indirectly, represent in any manner,
2 whether by written solicitation or telemarketing, a false,
3 deceptive, or misleading statement with respect to any of the
4 following:

5 a. The service company's affiliation with a motor vehicle
6 manufacturer or importer.

7 b. The validity or expiration of a warranty.

8 c. A motor vehicle service contract holder's coverage under a
9 motor vehicle service contract, including statements suggesting
10 that the service contract holder must purchase a new service
11 contract in order to maintain coverage under the existing service
12 contract or warranty.

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

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

17 a. Fail to complete, or fail to ensure the completion of,
18 a repair, maintenance, replacement, service, or indemnification
19 of expenses associated with a covered claim within a reasonable
20 period of time.

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

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

26 d. Create or use any service contract marketing materials
27 that contain incorrect or misleading information.

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

33 3. The commissioner may adopt rules pursuant to chapter 17A
34 that regulate service contracts to prohibit misrepresentation,
35 false advertising, defamation, boycotts, coercion, intimidation,

1 false statements and entries, and unfair discrimination or
2 practices. If the commissioner finds that a person has violated
3 rules adopted under this section, the commissioner may order any
4 of the following:

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

18 b. Suspension or revocation of the person's license, if the
19 person knew or reasonably should have known the person was in
20 violation of this section.

21 4. A violation of this chapter constitutes an unlawful
22 practice pursuant to section 714.16.

23 5. A person shall not engage, directly or indirectly, in any
24 unfair method of competition, or an unfair or deceptive act or
25 practice, in the business of service contracts. Any violation
26 of this chapter constitutes an unfair method of competition, or
27 an unfair or deceptive act or practice. If, after hearing, the
28 commissioner determines that a person has engaged in an unfair
29 method of competition or an unfair or deceptive act or practice,
30 sections 507B.6 through 507B.8 shall apply.

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

33 **523C.22 Claim procedures.**

34 A licensed service company shall promptly provide a detailed
35 written explanation to the service contract holder, describing

1 the reasons for denying a claim or for the offer of a compromise
2 settlement, based on all relevant facts or legal requirements and
3 referring to applicable provisions of the service contract. The
4 written explanation must provide an itemized list of services
5 covered by, and not covered by, the service company under
6 the service contract. The written explanation must provide
7 instructions to the service contract holder on the process for
8 an appeal, second review, arbitration, or similar provisions
9 included in the contract, as well as information on how to file a
10 complaint with the division, including the internet site on which
11 to locate the division's complaint form.

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

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

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

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

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

1 2. Notwithstanding subsection 1, if the commissioner
2 determines that it is necessary in the public interest,
3 the commissioner may share information with other regulatory
4 authorities or government agencies, or may publish service
5 company-related data or information collected under this chapter.
6 Such information may be redacted so that neither personally
7 identifiable information nor service company identifiable
8 information is made available.

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

11 NEW PARAGRAPH. t. It is an unlawful practice for a person to
12 violate chapter 523C.

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

14 EXPLANATION

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

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

19 The bill prohibits a person that will be contractually
20 obligated to a service contract holder under the terms of a
21 service contract from issuing, offering for sale, or selling a
22 motor vehicle service contract or residential service contract in
23 the state unless the person is a licensed service company. The
24 requirements of the bill do not apply to any person who provides
25 support services. "Support services" is defined in the bill.

26 A service company shall maintain a license for the entirety
27 of any service contract that the service company has entered.
28 A service company shall report to the commissioner of insurance
29 (commissioner) within 30 calendar days any material change to
30 the information submitted in the initial or renewal application,
31 within 30 days of any administrative action taken against the
32 service company, and within 30 days of the initial pretrial
33 hearing date in a criminal prosecution against the service
34 company as detailed in the bill.

35 An application for a license as a service company shall be

1 filed with the commissioner, include all information as described
2 in the bill, and be accompanied by a \$500 license fee and a
3 \$35 fee for each motor vehicle service contract form provided by
4 the service company in the application. A license as a service
5 company is valid for one year and must be renewed annually on or
6 before August 31 of each year following the date of issuance.

7 An application for license renewal shall include the
8 information required for an initial license, a list of each
9 service contract form, any additional information requested
10 by the commissioner to verify the information in the renewal
11 application, and the information and fees as described in the
12 bill. If the renewal application meets the requirements, the
13 commissioner shall renew the license unless otherwise denied, in
14 which case the denial shall be in writing.

15 If a service company fails to renew their license on or before
16 the end of the license period, the company's license shall be
17 deemed expired, and the service company shall be subject to
18 restrictions detailed in the bill. Prior to a license expiration
19 date, and if a renewal application was submitted at least 14
20 days prior to the license expiration date, the commissioner may
21 extend the renewal period an additional 30 calendar days. If
22 a service company submits an application or renewal application
23 after the license has expired, the service company shall file a
24 service company license renewal application, including payment of
25 applicable fees.

26 A service contract shall not be issued, sold, or offered for
27 sale unless the service company complies with the requirements
28 of the bill. A paper copy of the sample copy or the service
29 contract shall be provided upon the consumer's request at the
30 expense of the service company.

31 A service contract issued, sold, or offered for sale in the
32 state shall comply with all of the requirements described in the
33 bill. The requirements for a residential service contract that
34 relates to goods that are essential to the health and safety of
35 the service contract holder are detailed in the bill.

1 A service company may continue to use a noncompliant service
2 contract form until August 31, 2027, provided no changes are made
3 to the form, and the service contract form was filed with the
4 division in 2026.

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

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

20 A service company shall not engage in a prohibited act or
21 practice as detailed in the bill. The commissioner may adopt
22 rules regulating service contracts to prohibit misrepresentation,
23 false advertising, defamation, boycotts, coercion, intimidation,
24 false statements and entries, and unfair discrimination or
25 practices. If the commissioner finds that a person has violated
26 rules adopted under the bill, the commissioner may order payment
27 of a civil penalty as described in the bill, or suspend or revoke
28 a service company's license. Under the bill, a person shall
29 not engage in any unfair method of competition, or an unfair or
30 deceptive act or practice, in the service contract business.

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 the division or obtained by the division

1 in the course of an investigation, examination, or inquiry,
2 including all notes, work papers, or other documents and the
3 information as described in the bill. The commissioner may
4 disclose or release information that is otherwise confidential in
5 the circumstances detailed in the bill.
6 The bill repeals Code section 523C.19 (cease and desist
7 orders).

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