

Senate File 2505 - Introduced

SENATE FILE 2505

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2445)

(SUCCESSOR TO SSB 3057)

(COMPANION TO HF 2756 BY

COMMITTEE ON WAYS AND MEANS)

A BILL FOR

1 An Act relating to licensing of service companies, motor
2 vehicle service contracts, and residential service
3 contracts, and providing civil penalties and including
4 effective date provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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*
4 *manner*" means communication by in-person delivery, first
5 class mail, email, or, if there is an auditable record of the
6 communication, by telephone or software application on an
7 electronic device.

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

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

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

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

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

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

30 4. "*Motor vehicle*" means any vehicle that is self-propelled
31 vehicle and subject to registration under [chapter 321](#).

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

34 10. "*Residential service contract*" means a contract or
35 agreement between a residential customer and a service company

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

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

13 **523C.2 License required.**

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

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

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

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

1 service company's operations in the state.

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

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

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

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

25 **523C.3 Application for license.**

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

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

30 b. The state of incorporation of the applicant.

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

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

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

1 (2) Each officer of the service company.

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

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

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

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

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

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

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

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

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

1 application pursuant to section 523C.9, the commissioner shall
2 issue the license to the applicant.

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

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

8 **523C.4 License expiration and renewal.**

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

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

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

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

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

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

- 1 (1) The number of motor vehicle service contracts issued.
- 2 (2) The number of residential service contracts issued.
- 3 (3) The number of motor vehicle service contracts canceled.
- 4 (4) The number of residential service contracts canceled.
- 5 (5) The number of motor vehicle service contracts that
- 6 expired.
- 7 (6) The number of residential service contracts that
- 8 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
- 14 contract fees received by the service company.
- 15 (10) The total dollar amount of residential service
- 16 contract 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.
- 22 If the commissioner refuses renewal of a license pursuant to
- 23 section 523C.9, the refusal shall be in writing setting forth
- 24 the grounds for the refusal.
- 25 5. If a service company submits a license renewal
- 26 application after the license has expired, the service company
- 27 shall pay a reinstatement fee of eight hundred dollars, and the
- 28 applicable 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
- 34 the 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
4 the 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
9 comply with this paragraph by providing the consumer with a
10 complete electronic sample copy of the service contract, or
11 directing the consumer to a complete sample copy of the service
12 contract on an 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
30 within sixty days after proof of loss has been filed with
31 the service company, the service contract holder is entitled
32 to make a claim directly against the reimbursement insurance
33 policy.

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

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

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

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

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

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

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

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

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

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

1 exceptions, or exclusions.

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

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

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

16 (1) Telephone.

17 (2) Email.

18 (3) The method utilized by the service company to enter into
19 the service contract with the service contract holder.

20 *m.* A service contract must clearly state the terms and
21 conditions governing the cancellation of the contract prior
22 to the termination or expiration date of the contract by the
23 service company or the service contract holder. If the service
24 company cancels the contract, the service company shall mail a
25 written notice of termination to the service contract holder at
26 least fifteen calendar days before the date of the termination.
27 Prior notice of cancellation by the service company shall not
28 be required if the reason for cancellation is nonpayment of the
29 purchase price, a material misrepresentation by the service
30 contract holder to the service company or the support services
31 for the service company, or a substantial breach of duty by the
32 service contract holder relating to the covered product or use
33 of the covered product. The notice of cancellation must state
34 the effective date of the cancellation and the reason for the
35 cancellation. If a service contract is canceled by the service

1 company for any reason other than nonpayment of the purchase
2 price, the service company shall refund the service contract
3 holder in an amount equal to one hundred percent of the
4 unearned purchase price paid, calculated on a pro rata basis
5 based upon elapsed time or mileage, less any claims paid. The
6 service company may also charge a reasonable administrative fee
7 in an amount no greater than ten percent of the total purchase
8 price. A penalty of ten percent of the original dollar amount
9 of the refund shall be added to the refund each month if the
10 refund is not paid to the service contract holder within thirty
11 calendar days.

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

28 (2) If the service contract holder cancels the service
29 contract in violation of subparagraph (1), the service company
30 shall refund the service contract holder an amount equal to one
31 hundred percent of the unearned purchase price paid, calculated
32 on a pro rata basis based upon elapsed time or mileage,
33 less any claims paid. The service company may also charge a
34 reasonable administrative fee in an amount no greater than ten
35 percent of the total purchase price. A penalty of ten percent

1 of the original dollar amount of the refund shall be added to
2 a refund each month if the refund is not paid to the service
3 contract holder within thirty calendar days of the service
4 contract cancellation request, unless the service contract
5 holder fails to provide the information required in the service
6 contract to complete the cancellation.

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

12 *p.* A service contract must clearly state if the contract
13 covers or excludes consequential damages and preexisting
14 conditions, if applicable. A service contract may, but is not
15 required to, cover damage resulting from rust, corrosion, or
16 damage caused by a part or system not covered under the service
17 contract.

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

20 *r.* A service contract must state the name and address of
21 the commissioner, the current toll-free telephone number of the
22 division, and a statement that a consumer may file a complaint
23 with the division, including by filing a complaint on the
24 division's internet site.

25 *s.* A service contract must state that if the claim covered
26 under a residential service contract relates to the total
27 loss of heating, cooling, or plumbing, or substantial loss of
28 electrical service, and the claim being made by the service
29 contract holder is essential to the health and safety of the
30 service contract holder or, if applicable, the service contract
31 holder's family, the service company shall ensure all of the
32 following:

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

1 (2) Notice is provided to the service contract holder if a
2 repair cannot practicably be completed within three calendar
3 days after the report of the claim. The service company shall
4 provide a status report to the service contract holder by
5 communicating in a verifiable manner as soon as practicable,
6 but no later than three calendar days after the date of the
7 report of the claim. The status report must include all of the
8 following:

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

12 (b) The primary reason the required repair, replacement, or
13 service will take longer than three calendar days, including
14 the status of all parts required for the repair, replacement,
15 or service.

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

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

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

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

28 2. At the time of filing a new or modified motor vehicle
29 service contract form with the division a service company
30 shall pay a fee in the amount of thirty-five dollars for a new
31 or modified motor vehicle service contract form filed with
32 the division. If a service company files a modified motor
33 vehicle service contract form, and the only modification to the
34 motor vehicle service contract form is information required
35 by section 523C.7, subsection 2, paragraph "r", the service

1 company shall not be required to pay a fee for filing the
2 modified motor vehicle service contract form.

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

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

10 **523C.9 License denial, nonrenewal, suspension, or revocation.**

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

15 a. The service company is insolvent or impaired.

16 b. A proceeding for receivership, conservatorship,
17 rehabilitation, or other delinquency proceeding regarding the
18 service company has been commenced in any state.

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

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

27 a. The service company violated this chapter, a lawful
28 order, regulation, or subpoena issued by the commissioner or a
29 regulatory authority of another state.

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

33 c. The service company, without just cause, refused
34 to perform, or negligently or incompetently performed, a
35 service required to be performed under the service company's

1 service contracts and the refusal, or negligent or incompetent
2 performance, has occurred with such frequency as determined by
3 the commissioner, as to indicate the general business practices
4 of the service company.

5 *d.* The service company violated section 523C.13.

6 *e.* The service company failed to demonstrate financial
7 responsibility pursuant to section 523C.5, if applicable.

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

11 *g.* The service company provided incorrect, misleading,
12 incomplete, or materially untrue information in the service
13 company's license application.

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

16 *i.* The service company improperly withheld, misappropriated,
17 or converted any money or property received in the course of
18 business as a service company.

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

21 *k.* Within the immediately preceding ten consecutive years,
22 an owner who has an ownership stake in the service company
23 of more than ten percent, an officer, or a director directly
24 responsible for the business of the service company has been
25 convicted of a criminal offense involving any aspect of a
26 business involving securities, commodities, investments,
27 franchises, insurance, banking, or finance.

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

35 *m.* The service company admitted to committing, or was found

1 to have committed, any unfair trade practice or fraud.

2 *n.* The service company used fraudulent, coercive,
3 or dishonest practices, or demonstrated incompetence,
4 untrustworthiness, or financial irresponsibility, in conducting
5 business in this state or any other state.

6 *o.* The service company had a service company license or its
7 equivalent, denied, suspended, or revoked in any other state,
8 province, district, or territory.

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

11 *q.* The commissioner has found the service company to be
12 incompetent, untrustworthy, financially irresponsible, or not
13 of good personal or business reputation.

14 *r.* The service company has refused to be examined or to
15 produce the service company's accounts, records, or files for
16 examination, or any individual responsible for the conduct
17 of the affairs of the service company has refused to provide
18 information with respect to the service company's affairs or
19 has refused to perform any other legal obligation as to an
20 examination.

21 *s.* The service company has engaged, directly or indirectly,
22 in an unfair method of competition or unfair or deceptive act
23 or practice.

24 3. If the commissioner suspends or revokes the license of,
25 denies the application for licensure of, or refuses to renew
26 the license of, a service company pursuant to this section, the
27 commissioner shall notify the service company in writing and
28 provide the reason for the suspension, revocation, denial, or
29 nonrenewal. The licensee or applicant may request a hearing
30 on the suspension, revocation, nonrenewal, or denial, and a
31 hearing shall be conducted according to chapter 17A.

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

34 **523C.13 Prohibited acts or practices — penalty — violations**
35 **— contracts voided.**

1 1. A service company, or the service company's support
2 services, that offers service contracts for sale in this state
3 shall not, directly or indirectly, represent in any manner,
4 whether by written solicitation or telemarketing, a false,
5 deceptive, or misleading statement with respect to any of the
6 following:

7 a. The service company's affiliation with a motor vehicle
8 manufacturer or importer.

9 b. The validity or expiration of a warranty.

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

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

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

19 a. Fail to attempt, in good faith, to effectuate the prompt,
20 fair, and equitable resolution of a claim made under a service
21 contract.

22 b. Create or use any advertising that does not include the
23 name of the licensed service company or direct consumers to an
24 internet site where the name of the licensed service company
25 can be found.

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

29 d. Create or use any service contract marketing materials
30 that contain incorrect or misleading information.

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

1 period.

2 3. The commissioner may adopt rules pursuant to
3 chapter 17A that regulate service contracts to prohibit
4 misrepresentation, false advertising, defamation, boycotts,
5 coercion, intimidation, false statements and entries, and
6 unfair discrimination or practices.

7 4. After a hearing, if the commissioner finds that a person
8 violated this chapter or a rule adopted under this chapter,
9 the commissioner may order the person to cease and desist from
10 the violation and may order the person to pay a civil penalty
11 of not more than one thousand dollars for each violation, not
12 to exceed an aggregate of ten thousand dollars, unless the
13 person knew or reasonably should have known the person was in
14 violation of this chapter, in which case the civil penalty
15 shall be no more than five thousand dollars for each violation,
16 not to exceed an aggregate of fifty thousand dollars in any
17 one consecutive six-month period. If the commissioner finds a
18 violation of this chapter was directed, encouraged, condoned,
19 ignored, or ratified by the employer of such person or by a
20 service company, the commissioner shall assess a penalty to the
21 employer or service company. Any civil penalties collected
22 under this subsection shall be deposited as provided in section
23 505.7.

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

26 6. A service contract issued or sold in this state by a
27 service company that was not licensed as a service company at
28 the time the service contract was issued or sold shall be void
29 and unenforceable.

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

32 **523C.22 Claim procedures.**

33 A licensed service company shall promptly provide a written
34 explanation to the service contract holder, describing the
35 reasons for denying a claim or for the offer of a compromise

1 settlement, based on all relevant facts or legal requirements
2 and referring to applicable provisions of the service contract.
3 The written explanation must include the process for filing a
4 complaint with the division, including the division's internet
5 site for accessing the complaint form.

6 Sec. 12. Section 523C.23, subsection 1, paragraph b, Code
7 2026, is amended by adding the following new subparagraphs:

8 NEW SUBPARAGRAPH. (4) During an investigation or
9 proceeding conducted under this chapter, the commissioner or
10 any designee of the commissioner may administer oaths and
11 affirmations, subpoena witnesses, compel witnesses' attendance,
12 take evidence, and require the production of any records
13 which the commissioner deems relevant or material to the
14 investigation or proceeding.

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

21 Sec. 13. Section 523C.23, subsection 1, paragraph c, Code
22 2026, is amended by striking the paragraph.

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

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

26 1. Notwithstanding chapter 22, the commissioner shall
27 maintain the confidentiality of information submitted to the
28 division or obtained by the division in the course of an
29 investigation, examination, or inquiry pursuant to this chapter
30 or the commissioner's licensing authority, including all notes,
31 work papers, or other documents. Information obtained by
32 the commissioner in the course of investigating a complaint
33 or inquiry may, at the discretion of the commissioner, be
34 provided to the service company that is the subject of the
35 complaint or inquiry and the consumer who filed the complaint

1 or inquiry, without waiving the confidentiality afforded to
2 the commissioner or to any other person by this section. The
3 commissioner may disclose or release information that is
4 otherwise confidential under this subsection in the course of
5 an administrative or judicial proceeding.

6 2. Notwithstanding subsection 1, if the commissioner
7 determines that it is necessary in the public interest, the
8 commissioner may share information submitted to the division
9 or obtained by the division in the course of an investigation,
10 examination, or inquiry pursuant to this chapter with other
11 regulatory authorities or government agencies.

12 3. Notwithstanding subsection 1, if the commissioner
13 determines that it is necessary in the public interest, the
14 commissioner may publish service company-related data or
15 information submitted to the division or obtained by the
16 division in the course of an investigation, examination, or
17 inquiry pursuant to this chapter. Such information may be
18 redacted so that neither personally identifiable information
19 nor service company identifiable information is made available.

20 4. Notwithstanding subsection 1, the commissioner may
21 publish on the division's internet site the name, physical
22 address, telephone number, and license status of any service
23 company submitted to the division or obtained by the division
24 in the course of an investigation, examination, or inquiry
25 pursuant to this chapter.

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

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

30 Sec. 17. EFFECTIVE DATE. This Act takes effect January 1,
31 2027.

32 EXPLANATION

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

35 This bill relates to the licensing of service companies,

1 motor vehicle service contracts, and residential service
2 contracts.

3 The bill prohibits a person from issuing, offering for sale,
4 or selling a motor vehicle service contract or residential
5 service contract in the state unless the person is a licensed
6 service company. The requirements of the bill do not apply to
7 any person who provides support services. "Support services"
8 is defined in the bill.

9 A service company shall maintain a license for the entirety
10 of any service contract that the service company has entered,
11 unless otherwise ordered by the commissioner of insurance
12 (commissioner) after a hearing. A service company shall report
13 to the commissioner within 30 calendar days any material
14 change to the information submitted in the initial or renewal
15 application, within 30 days of any final disposition of an
16 administrative action taken against the service company related
17 to the service company's service contract business, and within
18 30 days of the initial pretrial hearing date in a criminal
19 prosecution against the service company as detailed in the
20 bill.

21 A residential service contract and motor vehicle service
22 contract shall not be considered insurance.

23 An application for a license as a service company shall
24 be filed with the commissioner, include all information as
25 described in the bill, and be accompanied by a \$500 license
26 fee. A license as a service company is valid for one year and
27 must be renewed annually on or before August 31 of each year
28 following the date of issuance. A licensee must apply for
29 renewal at least 90 days prior to the license expiration date.

30 An application for license renewal shall include the
31 information required for an initial license, a list of each
32 service contract form, any additional information requested
33 by the commissioner to verify the information in the renewal
34 application, and the information and fees as described in the
35 bill. If the renewal application meets the requirements, the

1 commissioner shall renew the license unless otherwise denied,
2 in which case the denial shall be in writing.

3 If a service company fails to renew their license on or
4 before the end of the license period, the company's license may
5 be deemed expired. If a service company submits an application
6 or renewal application after the license has expired, the
7 service company shall file a service company license renewal
8 application, including payment of applicable fees.

9 A service contract shall not be issued, sold, or offered for
10 sale unless the service company complies with the requirements
11 of the bill.

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

17 A service company may continue to use a noncompliant service
18 contract form until January 1, 2028, provided no changes are
19 made to the form, and the service contract form was filed with
20 the division before January 1, 2027.

21 The commissioner may, at the commissioner's discretion
22 and without advanced notice or hearing, immediately suspend
23 a service company's license if the commissioner finds that
24 any of the circumstances detailed in the bill are true. The
25 commissioner may suspend or revoke the license of, deny an
26 application for license from, or refuse to renew the license
27 of a service company, or may levy a civil penalty against a
28 service company, as described in the bill, and shall notify the
29 service company in writing of the reason for the suspension,
30 revocation, nonrenewal, or denial. The licensee or applicant
31 may request a hearing.

32 A service company that offers service contracts for sale,
33 or the service company's support services, shall not represent
34 in any manner a false, deceptive, or misleading statement with
35 respect to the service company's affiliation with a motor

1 vehicle manufacturer or importer, the validity or expiration
2 of a warranty, or a motor vehicle service contract holder's
3 coverage under a motor vehicle service contract, and shall not
4 describe the service contract as a policy.

5 A service company shall not engage in a prohibited act
6 or practice as detailed in the bill. The commissioner
7 may adopt rules regulating service contracts to prohibit
8 misrepresentation, false advertising, defamation, boycotts,
9 coercion, intimidation, false statements and entries, and
10 unfair discrimination or practices. After a hearing, if the
11 commissioner finds that a person has violated the bill or rules
12 adopted under the bill, the commissioner may order the person
13 to cease and desist from the violation and may order the person
14 to pay a civil penalty. A violation of the bill constitutes
15 an unlawful practice. A service contract issued or sold by a
16 service company that was not licensed at the time the service
17 contract was issued or sold shall be void and unenforceable.

18 A written explanation to a service contract holder of a
19 denial of a claim or offer of a settlement shall include the
20 information detailed in the bill.

21 The duties of the commissioner during an investigation,
22 proceeding, examination, or inquiry are detailed in the bill.

23 The commissioner shall maintain the confidentiality of
24 information submitted to the division or obtained by the
25 division in the course of an investigation, examination, or
26 inquiry, including all notes, work papers, or other documents
27 and the information as described in the bill. The commissioner
28 may disclose or release information that is otherwise
29 confidential in the circumstances detailed in the bill.

30 The bill takes effect on January 1, 2027.