

Second Regular Session  
Sixty-ninth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 14-0741.01 Bart Miller x2173

HOUSE BILL 14-1199

---

HOUSE SPONSORSHIP

Williams, Szabo

SENATE SPONSORSHIP

Jahn and Balmer,

---

House Committees

Business, Labor, Economic, & Workforce Development

Senate Committees

---

A BILL FOR AN ACT

101 CONCERNING CHANGES TO THE REGULATION OF CONSUMER GOODS  
102 SERVICE CONTRACTS.

---

Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

The bill provides for changes to the regulation of consumer goods service contracts based on the model act of the national association of insurance commissioners. These contracts require the provider to perform repair, replacement, or maintenance on any consumer good covered by the service contract. The bill requires that service contracts be in writing

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

and disclose to the contract holder the terms and conditions of the contract, the covered consumer goods, the identity of the provider and any administrator appointed by the provider, procedures for cancellation of the contract by either the provider or the service contract holder, and whether the service contract is protected by reimbursement insurance coverage. Under this bill, a provider must provide the contract holder with a sample copy of the service contract prior to selling the contract, and must provide an actual copy of the contract to the contract holder within a reasonable time following sale of the contract.

The bill requires that a contract holder be allowed to void the contract within 20 days after the contract holder receives the contract unless the contract holder has already made a claim under the contract. Either a contract holder or a provider may cancel a contract at any time, in which case the provider must refund to the contract holder a pro rata share of the consideration paid to the provider minus a 10% administrative fee.

In order for a service contract provider to sell service contracts, the provider must demonstrate an ability to faithfully provide the services covered under the contract. The provider can do this by either obtaining reimbursement insurance coverage, maintaining a funded reserve account and placing a financial security deposit in trust with the commissioner of insurance, or demonstrating that the provider's company or parent company has a net worth of at least \$100,000,000.

A service contract provider must also adhere to record-keeping requirements, and must maintain those records for a period of at least one year after the specified coverage has expired.

The bill specifies that service contracts are not insurance, and service contract providers, as well as their agents and employees, are not required to be licensed under any other provisions of the state insurance laws. Service contract providers, with some exceptions, are not allowed to use terms descriptive of the insurance industry in their name. Service contract providers are also prohibited from making false and misleading statements. Lending institutions, sellers, and manufacturers are further prohibited from requiring a service contract as a condition of a loan or for the sale of any property.

The commissioner may discipline noncompliance with the bill through an administrative hearing and may seek a judicial remedy for enforcement. Any civil penalties assessed by the commissioner are limited to \$500 per violation, up to \$10,000 for all violations of a similar nature.

---

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 10-4-1501, **amend**

1 (6) (b) (I) as follows:

2 **10-4-1501. Definitions.** As used in this part 15, unless the context  
3 otherwise requires:

4 (6) (b) "Portable electronics insurance" does not include:

5 (I) A service contract ~~or extended warranty that provides coverage~~  
6 ~~limited to the repair, replacement, or maintenance of property for the~~  
7 ~~operational or structural failure of property due to a defect in materials,~~  
8 ~~workmanship, accidental damage from handling, power surges, or normal~~  
9 ~~wear and tear~~ GOVERNED BY PART 16 OF THIS ARTICLE;

10 **SECTION 2.** In Colorado Revised Statutes, **add** part 16 to article  
11 4 of title 10 as follows:

12 PART 16

13 CONSUMER GOODS SERVICE CONTRACTS

14 **10-4-1601. Definitions.** AS USED IN THIS PART 16, UNLESS THE  
15 CONTEXT OTHERWISE REQUIRES:

16 (1) "ADMINISTRATOR" MEANS THE PERSON WHO IS RESPONSIBLE  
17 FOR THE ADMINISTRATION OF ANY SERVICE CONTRACTS ISSUED BY A  
18 PROVIDER OR WHO IS RESPONSIBLE FOR ANY SUBMISSION REQUIRED BY  
19 THIS PART 16 ON BEHALF OF A PROVIDER.

20 (2) "COMMISSIONER" MEANS THE COMMISSIONER OF INSURANCE.

21 (3) "CONSUMER" MEANS A NATURAL PERSON WHO BUYS, OTHER  
22 THAN FOR PURPOSES OF RESALE, ANY TANGIBLE PERSONAL PROPERTY  
23 THAT IS DISTRIBUTED IN COMMERCE AND THAT IS NORMALLY USED FOR  
24 PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES AND NOT FOR BUSINESS OR  
25 RESEARCH PURPOSES.

26 (4) "CONSUMER PRODUCT" MEANS ANY TANGIBLE PERSONAL  
27 PROPERTY THAT IS DISTRIBUTED IN COMMERCE AND IS NORMALLY USED

1 FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES, INCLUDING ANY  
2 TANGIBLE PERSONAL PROPERTY INTENDED TO BE ATTACHED TO OR  
3 INSTALLED IN ANY REAL PROPERTY WITHOUT REGARD TO WHETHER IT IS  
4 SO ATTACHED OR INSTALLED.

5 (5) "MAINTENANCE AGREEMENT" MEANS A CONTRACT OF LIMITED  
6 DURATION THAT PROVIDES FOR SCHEDULED MAINTENANCE ONLY AND  
7 DOES NOT INCLUDE REPAIR OR REPLACEMENT.

8 (6) "NONORIGINAL MANUFACTURER'S PARTS" MEANS  
9 REPLACEMENT PARTS NOT MADE FOR OR BY THE ORIGINAL  
10 MANUFACTURER OF THE PROPERTY.

11 (7) "PERSON" HAS THE SAME MEANING AS SET FORTH IN SECTION  
12 2-4-401, C.R.S.

13 (8) "PREMIUM" MEANS THE CONSIDERATION PAID TO AN INSURER  
14 FOR A REIMBURSEMENT INSURANCE POLICY.

15 (9) "PROVIDER" MEANS A PERSON WHO IS CONTRACTUALLY  
16 OBLIGATED TO THE SERVICE CONTRACT HOLDER UNDER THE TERMS OF THE  
17 SERVICE CONTRACT.

18 (10) "PROVIDER FEE" MEANS THE CONSIDERATION PAID FOR A  
19 SERVICE CONTRACT.

20 (11) "REIMBURSEMENT INSURANCE COMPANY" MEANS AN INSURER  
21 THAT ISSUES ANY REIMBURSEMENT INSURANCE POLICY.

22 (12) "REIMBURSEMENT INSURANCE POLICY" MEANS A POLICY OF  
23 INSURANCE ISSUED TO A PROVIDER TO EITHER PROVIDE REIMBURSEMENT  
24 TO THE PROVIDER UNDER THE TERMS OF THE INSURED SERVICE CONTRACTS  
25 ISSUED OR SOLD BY THE PROVIDER OR, IN THE EVENT OF THE PROVIDER'S  
26 NONPERFORMANCE, TO PAY ON BEHALF OF THE PROVIDER ALL COVERED  
27 CONTRACTUAL OBLIGATIONS INCURRED BY THE PROVIDER UNDER THE

1 TERMS OF THE INSURED SERVICE CONTRACTS ISSUED OR SOLD BY THE  
2 PROVIDER.

3 (13) "RELATED SERVICE CONTRACT SELLER" MEANS ANY  
4 EMPLOYEE OF THE PROVIDER WHO IS RESPONSIBLE FOR MARKETING,  
5 SELLING, OR OFFERING TO SELL SERVICE CONTRACTS ON THE PROVIDER'S  
6 BEHALF.

7 (14) "SERVICE CONTRACT" MEANS A CONTRACT OR AGREEMENT OF  
8 A SPECIFIC DURATION, FOR A SEPARATELY STATED CONSIDERATION, TO  
9 PERFORM THE REPAIR, REPLACEMENT, OR MAINTENANCE OF A CONSUMER  
10 PRODUCT OR INDEMNIFY THE CONSUMER FOR THE REPAIR, REPLACEMENT,  
11 OR MAINTENANCE OF A CONSUMER PRODUCT FOR THE OPERATIONAL OR  
12 STRUCTURAL FAILURE OF THE CONSUMER PRODUCT DUE TO A DEFECT IN  
13 MATERIALS, WORKMANSHIP, ACCIDENTAL DAMAGE FROM HANDLING, OR  
14 NORMAL WEAR AND TEAR, WITH OR WITHOUT ADDITIONAL PROVISIONS FOR  
15 INCIDENTAL PAYMENT OF INDEMNITY UNDER LIMITED CIRCUMSTANCES.  
16 SERVICE CONTRACTS MAY PROVIDE FOR THE REPAIR, REPLACEMENT, OR  
17 MAINTENANCE OF A CONSUMER PRODUCT FOR DAMAGE RESULTING FROM  
18 POWER SURGES OR INTERRUPTION. SERVICE CONTRACTS ARE NOT  
19 INSURANCE IN THIS STATE OR OTHERWISE REGULATED UNDER THIS TITLE.

20 (15) "SERVICE CONTRACT HOLDER" OR "CONTRACT HOLDER"  
21 MEANS A PERSON WHO IS THE PURCHASER OR HOLDER OF A SERVICE  
22 CONTRACT.

23 (16) "WARRANTY" MEANS A WARRANTY THAT IS MADE SOLELY BY  
24 THE MANUFACTURER, IMPORTER, OR SELLER OF TANGIBLE PERSONAL  
25 PROPERTY OR SERVICES WITHOUT CONSIDERATION, THAT IS NOT  
26 NEGOTIATED OR SEPARATED FROM THE SALE OF THE PROPERTY AND IS  
27 INCIDENTAL TO THE SALE OF THE PRODUCT, AND THAT GUARANTEES

1 EITHER:

2 (a) INDEMNITY FOR DEFECTIVE PARTS OR FOR DAMAGE RESULTING  
3 FROM A MECHANICAL OR ELECTRICAL BREAKDOWN, INCLUDING LABOR; OR

4 (b) OTHER REMEDIAL MEASURES, SUCH AS REPAIR OR  
5 REPLACEMENT OF THE PROPERTY OR REPETITION OF SERVICES.

6 **10-4-1602. Exemptions.** (1) THE FOLLOWING ITEMS ARE EXEMPT  
7 FROM THIS PART 16:

8 (a) WARRANTIES;

9 (b) MAINTENANCE AGREEMENTS;

10 (c) SERVICE CONTRACTS OFFERED BY PUBLIC UTILITIES ON THEIR  
11 TRANSMISSION DEVICES TO THE EXTENT THEY ARE REGULATED BY THE  
12 PUBLIC UTILITIES COMMISSION;

13 (d) SERVICE CONTRACTS SOLD OR OFFERED FOR SALE TO PERSONS  
14 OTHER THAN CONSUMERS;

15 (e) SERVICE CONTRACTS ON TANGIBLE PROPERTY WHERE THE  
16 TANGIBLE PROPERTY FOR WHICH THE SERVICE CONTRACT IS SOLD HAS A  
17 PURCHASE PRICE OF ONE HUNDRED DOLLARS OR LESS, EXCLUSIVE OF SALES  
18 TAX;

19 (f) PREOWNED HOME WARRANTY SERVICE CONTRACTS GOVERNED  
20 BY PART 6 OF ARTICLE 61 OF TITLE 12, C.R.S.; AND

21 (g) MOTOR VEHICLE SERVICE CONTRACTS GOVERNED BY ARTICLE  
22 11 OF TITLE 42, C.R.S.

23 **10-4-1603. Requirements for sale of consumer goods service**  
24 **contracts - definitions.** (1) A PROVIDER MAY APPOINT AN  
25 ADMINISTRATOR OR OTHER DESIGNEE TO BE RESPONSIBLE FOR ANY OR ALL  
26 OF THE ADMINISTRATION OF SERVICE CONTRACTS ISSUED BY THE  
27 PROVIDER AND FOR COMPLIANCE WITH THIS PART 16.

1           (2) A PROVIDER SHALL NOT ISSUE, SELL, OR OFFER FOR SALE A  
2 SERVICE CONTRACT UNLESS THE PROVIDER HAS:

3           (a) PROVIDED A RECEIPT FOR, OR OTHER WRITTEN EVIDENCE OF,  
4 THE PURCHASE OF THE SERVICE CONTRACT TO THE CONTRACT HOLDER;  
5 AND

6           (b) PROVIDED A COPY OF THE SERVICE CONTRACT TO THE SERVICE  
7 CONTRACT HOLDER BEFORE OR WITHIN A REASONABLE PERIOD OF TIME  
8 AFTER THE DATE OF PURCHASE.

9           (3) UPON A CONSUMER'S REQUEST, A PROVIDER SHALL PROVIDE  
10 THE CONSUMER WITH A COMPLETE SAMPLE COPY OF THE SERVICE  
11 CONTRACT TERMS AND CONDITIONS OR DIRECT THE CONSUMER TO A WEB  
12 SITE CONTAINING A COMPLETE SAMPLE OF THE TERMS AND CONDITIONS OF  
13 THE SERVICE CONTRACT.

14           (4) (a) A PROVIDER SHALL ASSURE FAITHFUL PERFORMANCE TO ITS  
15 SERVICE CONTRACT HOLDERS BY COMPLYING WITH ONE OR MORE OF THE  
16 FOLLOWING:

17           (I) INSURING ALL SERVICE CONTRACTS UNDER A REIMBURSEMENT  
18 INSURANCE POLICY ISSUED BY A LICENSED INSURER;

19           (II) MAINTAINING A FUNDED RESERVE ACCOUNT FOR ITS  
20 OBLIGATIONS UNDER ITS ISSUED AND OUTSTANDING SERVICE CONTRACTS,  
21 AND PLACING IN TRUST WITH THE COMMISSIONER A FINANCIAL SECURITY  
22 DEPOSIT; OR

23           (III) MAINTAINING, OR TOGETHER WITH ITS PARENT COMPANY  
24 MAINTAINING, A NET WORTH OR STOCKHOLDERS' EQUITY OF AT LEAST ONE  
25 HUNDRED MILLION DOLLARS.

26           (b) FOR THE PURPOSES OF SUBPARAGRAPH (II) OF PARAGRAPH (a)  
27 OF THIS SUBSECTION (4):

1 (I) "RESERVE ACCOUNT" MEANS AN ACCOUNT CONTAINING NOT  
2 LESS THAN FORTY PERCENT OF GROSS CONSIDERATION RECEIVED, LESS  
3 CLAIMS PAID, FOR EACH SERVICE CONTRACT IN FORCE. A PROVIDER'S  
4 RESERVE ACCOUNT IS SUBJECT TO EXAMINATION AND REVIEW BY THE  
5 COMMISSIONER.

6 (II) "FINANCIAL SECURITY DEPOSIT" MEANS A DEPOSIT OF AT  
7 LEAST FIVE PERCENT OF THE GROSS CONSIDERATION RECEIVED, LESS  
8 CLAIMS PAID, FOR EACH SERVICE CONTRACT IN FORCE. A FINANCIAL  
9 SECURITY DEPOSIT MUST BE AT LEAST TWENTY-FIVE THOUSAND DOLLARS.

10 A FINANCIAL SECURITY DEPOSIT MAY CONSIST OF:

11 (A) A SURETY BOND ISSUED BY AN AUTHORIZED SURETY;

12 (B) SECURITIES OF THE TYPE ELIGIBLE FOR DEPOSIT BY  
13 AUTHORIZED INSURERS IN THIS STATE;

14 (C) CASH;

15 (D) A LETTER OF CREDIT ISSUED BY A QUALIFIED FINANCIAL  
16 INSTITUTION; OR

17 (E) ANOTHER FORM OF SECURITY PRESCRIBED BY RULES ISSUED BY  
18 THE COMMISSIONER.

19 (c) FOR THE PURPOSES OF SUBPARAGRAPH (III) OF PARAGRAPH (a)  
20 OF THIS SUBSECTION (4), A PROVIDER SHALL:

21 (I) UPON THE COMMISSIONER'S REQUEST, PROVIDE A COPY OF THE  
22 PROVIDER'S OR PROVIDER'S PARENT COMPANY'S MOST RECENT FORM 10-K  
23 OR FORM 20-F FILED WITH THE FEDERAL SECURITIES AND EXCHANGE  
24 COMMISSION; OR

25 (II) IF THE COMPANY DOES NOT FILE WITH THE FEDERAL  
26 SECURITIES AND EXCHANGE COMMISSION, PROVIDE, UPON THE  
27 COMMISSIONER'S REQUEST, A COPY OF THE COMPANY'S AUDITED



1 FINANCIAL STATEMENTS SHOWING A NET WORTH OF THE PROVIDER OR ITS  
2 PARENT COMPANY OF AT LEAST ONE HUNDRED MILLION DOLLARS; OR

3 (III) IF THE PROVIDER'S PARENT COMPANY'S FORM 10-K, FORM  
4 20-F, OR FINANCIAL STATEMENTS ARE FILED TO MEET THE REQUIREMENTS  
5 OF THIS SUBSECTION (4), AGREE TO GUARANTEE THE OBLIGATIONS OF THE  
6 PROVIDER RELATING TO SERVICE CONTRACTS SOLD BY THE PROVIDER IN  
7 THIS STATE.

8 (d) EXCEPT FOR THE REQUIREMENTS SET FORTH IN THIS  
9 SUBSECTION (4), THE COMMISSIONER SHALL REQUIRE NO OTHER FINANCIAL  
10 SECURITY REQUIREMENTS FOR SERVICE CONTRACT PROVIDERS.

11 (5) (a) A PROVIDER MUST PERMIT THE SERVICE CONTRACT HOLDER  
12 TO VOID THE SERVICE CONTRACT BY RETURNING IT WITHIN TWENTY DAYS  
13 AFTER THE DATE THE SERVICE CONTRACT IS MAILED TO THE SERVICE  
14 CONTRACT HOLDER OR WITHIN TEN DAYS AFTER DELIVERY IF THE SERVICE  
15 CONTRACT IS DELIVERED TO THE SERVICE CONTRACT HOLDER AT THE TIME  
16 OF SALE. THE SERVICE CONTRACT IS VOID WHEN THE SERVICE CONTRACT  
17 HOLDER RETURNS THE SERVICE CONTRACT TO THE PROVIDER, AND THE  
18 PROVIDER SHALL REFUND TO THE SERVICE CONTRACT HOLDER, OR CREDIT  
19 THE ACCOUNT OF THE CONTRACT HOLDER, THE FULL PURCHASE PRICE OF  
20 THE SERVICE CONTRACT.

21 (b) A SERVICE CONTRACT MAY ESTABLISH A RETURN PERIOD  
22 GREATER THAN TWENTY DAYS.

23 (c) THE RIGHT TO VOID THE SERVICE CONTRACT IS NOT  
24 TRANSFERABLE AND APPLIES ONLY TO THE ORIGINAL SERVICE CONTRACT  
25 PURCHASER.

26 (d) THE RIGHT TO VOID THE SERVICE CONTRACT DOES NOT APPLY  
27 IF A CLAIM HAS BEEN MADE PRIOR TO THE RETURN OF THE SERVICE

1 CONTRACT TO THE PROVIDER.

2 (e) IF A REFUND OF A SERVICE CONTRACT PROVIDER FEE IS NOT  
3 PAID OR CREDITED WITHIN FORTY-FIVE DAYS AFTER THE RETURN OF THE  
4 SERVICE CONTRACT UNDER THIS SUBSECTION (5), THEN A TEN PERCENT  
5 PENALTY PER MONTH SHALL BE ADDED TO THE REFUND.

6 (6) (a) AFTER THE TIME SPECIFIED IN SUBSECTION (5) OF THIS  
7 SECTION, OR IF A CLAIM HAS BEEN MADE WITHIN THAT TIME, A SERVICE  
8 CONTRACT HOLDER MAY CANCEL THE SERVICE CONTRACT. UPON  
9 CANCELLATION, THE PROVIDER SHALL REFUND TO THE CONTRACT HOLDER  
10 ONE HUNDRED PERCENT OF THE UNEARNED PRO RATA PROVIDER FEE, LESS  
11 ANY CLAIMS MADE.

12 (b) A PROVIDER MAY CHARGE A REASONABLE ADMINISTRATIVE  
13 FEE, NOT TO EXCEED TEN PERCENT OF THE GROSS PROVIDER FEE PAID BY  
14 THE SERVICE CONTRACT HOLDER.

15 (7) (a) THE PROVIDER MAY CANCEL A SERVICE CONTRACT UPON  
16 MAILING, AT LEAST FIVE DAYS PRIOR TO THE DATE OF CANCELLATION, A  
17 WRITTEN NOTICE TO THE SERVICE CONTRACT HOLDER AT THE CONTRACT  
18 HOLDER'S LAST-KNOWN ADDRESS CONTAINED IN THE PROVIDER'S  
19 RECORDS. THE NOTICE MUST STATE THE EFFECTIVE DATE OF THE  
20 CANCELLATION AND THE REASON FOR THE CANCELLATION.

21 (b) PRIOR NOTICE IS NOT REQUIRED IF THE REASON FOR  
22 CANCELLATION IS NONPAYMENT OF THE PROVIDER FEE, A MATERIAL  
23 MISREPRESENTATION BY THE SERVICE CONTRACT HOLDER TO THE  
24 PROVIDER, OR A SUBSTANTIAL BREACH BY THE SERVICE CONTRACT  
25 HOLDER RELATING TO THE COVERED PRODUCT OR ITS USE.

26 (c) (I) IF THE PROVIDER CANCELS A SERVICE CONTRACT FOR A  
27 REASON OTHER THAN NONPAYMENT OF THE PROVIDER FEE, THE PROVIDER

1 SHALL REFUND TO THE SERVICE CONTRACT HOLDER ONE HUNDRED  
2 PERCENT OF THE UNEARNED PRO RATA PROVIDER FEE, LESS ANY CLAIMS  
3 PAID.

4 (II) THE PROVIDER MAY CHARGE A REASONABLE ADMINISTRATIVE  
5 FEE, NOT TO EXCEED TEN PERCENT OF THE GROSS PROVIDER FEE PAID BY  
6 THE CONTRACT HOLDER.

7 (8) (a) PROVIDER FEES COLLECTED ON SERVICE CONTRACTS ARE  
8 NOT SUBJECT TO PREMIUM TAXES.

9 (b) PREMIUMS FOR REIMBURSEMENT INSURANCE POLICIES ARE  
10 SUBJECT TO APPLICABLE TAXES.

11 (9) PROVIDERS, RELATED SERVICE CONTRACT SELLERS, AND  
12 ADMINISTRATORS ARE EXEMPT FROM ANY LICENSING REQUIREMENTS OF  
13 THIS STATE SET FORTH IN THIS TITLE.

14 (10) WITH THE EXCEPTION OF THE REQUIREMENTS SET FORTH IN  
15 THIS PART 16, THE MARKETING, SALE, OFFERING FOR SALE, ISSUANCE,  
16 MAKING, PROPOSING TO MAKE, AND ADMINISTRATION OF SERVICE  
17 CONTRACTS BY PROVIDERS, RELATED SERVICE CONTRACT SELLERS, AND  
18 ADMINISTRATORS ARE EXEMPT FROM THE REQUIREMENTS OF THIS TITLE.

19 **10-4-1604. Obligations of reimbursement insurance**  
20 **companies.** (1) INSURERS ISSUING REIMBURSEMENT INSURANCE POLICIES  
21 TO PROVIDERS ARE DEEMED TO HAVE RECEIVED THE PREMIUMS FOR THIS  
22 INSURANCE UPON THE PAYMENT OF PROVIDER FEES BY CONSUMERS FOR  
23 SERVICE CONTRACTS ISSUED BY THE INSURED PROVIDERS.

24 (2) IF THE PROVIDER DOES NOT PROVIDE COVERED SERVICE WITHIN  
25 SIXTY DAYS AFTER PROOF OF LOSS BY THE SERVICE CONTRACT HOLDER,  
26 THE CONTRACT HOLDER MAY APPLY DIRECTLY TO THE REIMBURSEMENT  
27 INSURANCE COMPANY.

1           (3) THIS PART 16 DOES NOT PREVENT OR LIMIT THE RIGHT OF A  
2 REIMBURSEMENT INSURANCE COMPANY THAT ISSUED A REIMBURSEMENT  
3 INSURANCE POLICY TO SEEK INDEMNIFICATION OR SUBROGATION AGAINST  
4 A PROVIDER IF THE REIMBURSEMENT INSURANCE COMPANY PAYS OR IS  
5 OBLIGATED TO PAY THE SERVICE CONTRACT HOLDER SUMS THAT THE  
6 PROVIDER WAS OBLIGATED TO PAY PURSUANT TO THE PROVISIONS OF THE  
7 SERVICE CONTRACT.

8           **10-4-1605. Required disclosures - reimbursement insurance**  
9 **policy.** (1) REIMBURSEMENT INSURANCE POLICIES INSURING SERVICE  
10 CONTRACTS ISSUED, SOLD, OR OFFERED FOR SALE MUST STATE THAT THE  
11 REIMBURSEMENT INSURANCE COMPANY SHALL EITHER:

12           (a) REIMBURSE OR PAY ON BEHALF OF THE PROVIDER ANY  
13 COVERED SUMS THE PROVIDER IS OBLIGATED TO PAY UNDER THE SERVICE  
14 CONTRACT; OR

15           (b) IN THE EVENT OF THE PROVIDER'S NONPERFORMANCE, PROVIDE  
16 THE SERVICE THAT THE PROVIDER MUST PERFORM ACCORDING TO THE  
17 TERMS AND CONDITIONS OF THE SERVICE CONTRACT.

18           **10-4-1606. Required disclosures - service contracts.**  
19 (1) SERVICE CONTRACTS MARKETED, SOLD, OFFERED FOR SALE, ISSUED,  
20 MADE, PROPOSED TO BE MADE, OR ADMINISTERED IN THIS STATE MUST BE  
21 WRITTEN, PRINTED, OR TYPED IN CLEAR, UNDERSTANDABLE LANGUAGE  
22 THAT IS EASY TO READ.

23           (2) SERVICE CONTRACTS INSURED UNDER A REIMBURSEMENT  
24 INSURANCE POLICY MUST CONTAIN A STATEMENT IN SUBSTANTIALLY THE  
25 FOLLOWING FORM: "OBLIGATIONS OF THE PROVIDER UNDER THIS SERVICE  
26 CONTRACT ARE INSURED UNDER A SERVICE CONTRACT REIMBURSEMENT  
27 INSURANCE POLICY." THE SERVICE CONTRACT MUST ALSO STATE THE

1 NAME AND ADDRESS OF THE REIMBURSEMENT INSURANCE COMPANY AND  
2 DISCLOSE TO THE CONSUMER THAT IF THE SERVICE CONTRACT PROVIDER  
3 DOES NOT PROVIDE A COVERED SERVICE WITHIN SIXTY DAYS AFTER PROOF  
4 OF LOSS BY THE SERVICE CONTRACT HOLDER, THE CONTRACT HOLDER MAY  
5 APPLY DIRECTLY TO THE REIMBURSEMENT INSURANCE COMPANY.

6 (3) SERVICE CONTRACTS NOT INSURED UNDER A REIMBURSEMENT  
7 INSURANCE POLICY MUST CONTAIN A STATEMENT IN SUBSTANTIALLY THE  
8 FOLLOWING FORM: "OBLIGATIONS OF THE PROVIDER UNDER THIS SERVICE  
9 CONTRACT ARE BACKED BY THE FULL FAITH AND CREDIT OF THE  
10 PROVIDER."

11 (4) (a) SERVICE CONTRACTS MUST IDENTIFY THE FOLLOWING:

12 (I) THE NAME AND ADDRESS OF THE PROVIDER;

13 (II) THE IDENTITY OF ANY ADMINISTRATOR, IF DIFFERENT FROM  
14 THE PROVIDER;

15 (III) THE SERVICE CONTRACT SELLER; AND

16 (IV) THE SERVICE CONTRACT HOLDER TO THE EXTENT THAT THE  
17 NAME OF THE SERVICE CONTRACT HOLDER HAS BEEN FURNISHED BY THE  
18 SERVICE CONTRACT HOLDER.

19 (b) THE IDENTITIES OF THE PARTIES IN THIS SUBSECTION (4) ARE  
20 NOT REQUIRED TO BE PREPRINTED ON THE SERVICE CONTRACT AND MAY  
21 BE ADDED TO THE SERVICE CONTRACT AT THE TIME OF SALE.

22 (5) SERVICE CONTRACTS MUST STATE THE TOTAL PURCHASE PRICE  
23 AND THE TERMS UNDER WHICH THE SERVICE CONTRACT IS SOLD. THE  
24 PURCHASE PRICE IS NOT REQUIRED TO BE PREPRINTED ON THE SERVICE  
25 CONTRACT AND MAY BE NEGOTIATED AT THE TIME OF SALE WITH THE  
26 SERVICE CONTRACT HOLDER.

27 (6) IN ADDITION TO THE OTHER REQUIREMENTS OF THIS SECTION,

1 A SERVICE CONTRACT MUST:

2 (a) IDENTIFY THE CONSUMER GOODS COVERED BY THE CONTRACT;

3 (b) STATE THE EXISTENCE OF ANY DEDUCTIBLE AMOUNT, IF  
4 APPLICABLE;

5 (c) SPECIFY THE MERCHANDISE AND SERVICES TO BE PROVIDED  
6 AND ANY LIMITATIONS, EXCEPTIONS, OR EXCLUSIONS;

7 (d) STATE WHETHER THE USE OF A NONORIGINAL  
8 MANUFACTURER'S PART IS ALLOWED;

9 (e) STATE ANY RESTRICTIONS GOVERNING THE TRANSFERABILITY  
10 OF THE SERVICE CONTRACT, IF APPLICABLE;

11 (f) STATE THE TERMS, RESTRICTIONS, OR CONDITIONS GOVERNING  
12 CANCELLATION OF THE SERVICE CONTRACT, EITHER BY THE PROVIDER OR  
13 THE SERVICE CONTRACT HOLDER, PRIOR TO THE TERMINATION OR  
14 EXPIRATION DATE OF THE SERVICE CONTRACT;

15 (g) SET FORTH ALL OF THE OBLIGATIONS AND DUTIES OF THE  
16 SERVICE CONTRACT HOLDER, SUCH AS THE DUTY TO PROTECT AGAINST  
17 ANY FURTHER DAMAGE AND ANY REQUIREMENT TO FOLLOW THE OWNER'S  
18 MANUAL; AND

19 (h) STATE WHETHER OR NOT THE SERVICE CONTRACT PROVIDES  
20 FOR OR EXCLUDES CONSEQUENTIAL DAMAGES OR PREEXISTING  
21 CONDITIONS, IF APPLICABLE.

22 **10-4-1607. Prohibited acts.** (1) (a) A PROVIDER SHALL NOT USE  
23 IN ITS NAME:

24 (I) THE WORDS "INSURANCE", "CASUALTY", "SURETY", "MUTUAL",  
25 OR ANY OTHER WORDS DESCRIPTIVE OF THE INSURANCE, CASUALTY, OR  
26 SURETY BUSINESS; OR

27 (II) A NAME DECEPTIVELY SIMILAR TO THE NAME OR DESCRIPTION

1 OF ANY INSURANCE OR SURETY CORPORATION, OR TO THE NAME OF ANY  
2 OTHER PROVIDER. THE WORD "GUARANTY" OR SIMILAR WORD MAY BE  
3 USED BY A PROVIDER.

4 (b) (I) THIS SECTION DOES NOT APPLY TO A PROVIDER THAT WAS  
5 USING ANY OF THE PROHIBITED LANGUAGE IN ITS NAME PRIOR TO THE  
6 EFFECTIVE DATE OF THIS PART 16.

7 (II) A PROVIDER USING THE PROHIBITED LANGUAGE IN ITS NAME  
8 SHALL INCLUDE IN ITS SERVICE CONTRACTS A STATEMENT IN  
9 SUBSTANTIALLY THE FOLLOWING FORM: "THIS AGREEMENT IS NOT AN  
10 INSURANCE CONTRACT."

11 (2) A PROVIDER OR ITS REPRESENTATIVE SHALL NOT IN ITS SERVICE  
12 CONTRACTS OR LITERATURE MAKE, PERMIT, OR CAUSE TO BE MADE ANY  
13 FALSE OR MISLEADING STATEMENT, OR DELIBERATELY OMIT ANY  
14 MATERIAL STATEMENT THAT WOULD BE CONSIDERED MISLEADING IF  
15 OMITTED.

16 (3) A PERSON, SUCH AS A BANK, SAVINGS AND LOAN ASSOCIATION,  
17 LENDING INSTITUTION, MANUFACTURER, OR SELLER OF ANY PRODUCT  
18 SHALL NOT REQUIRE THE PURCHASE OF A SERVICE CONTRACT AS A  
19 CONDITION OF A LOAN OR A CONDITION FOR THE SALE OF ANY PROPERTY.

20 **10-4-1608. Required record-keeping.** (1) A PROVIDER SHALL  
21 KEEP ACCURATE ACCOUNTS, BOOKS, AND RECORDS CONCERNING  
22 TRANSACTIONS REGULATED UNDER THIS PART 16.

23 (2) A PROVIDER'S ACCOUNTS, BOOKS, AND RECORDS MUST  
24 INCLUDE:

25 (a) COPIES OF EACH TYPE OF SERVICE CONTRACT SOLD;

26 (b) THE NAME AND ADDRESS OF EACH SERVICE CONTRACT HOLDER  
27 TO THE EXTENT THAT THE NAME AND ADDRESS HAVE BEEN FURNISHED BY

1 THE SERVICE CONTRACT HOLDER;

2 (c) A LIST OF THE LOCATIONS WHERE SERVICE CONTRACTS ARE  
3 MARKETED, SOLD, OR OFFERED FOR SALE; AND

4 (d) WRITTEN CLAIMS FILES CONTAINING AT LEAST THE DATES AND  
5 DESCRIPTIONS OF ALL CLAIMS RELATED TO THE SERVICE CONTRACTS.

6 (3) EXCEPT AS SET FORTH IN SUBSECTION (5) OF THIS SECTION, A  
7 PROVIDER SHALL RETAIN ALL RECORDS REQUIRED UNDER THIS SECTION  
8 FOR AT LEAST ONE YEAR AFTER THE SPECIFIED PERIOD OF COVERAGE HAS  
9 EXPIRED.

10 (4) THE RECORDS REQUIRED UNDER THIS SECTION MAY BE, BUT  
11 ARE NOT REQUIRED TO BE, MAINTAINED IN ELECTRONIC FORM OR OTHER  
12 RECORD-KEEPING TECHNOLOGY. IF THE RECORDS ARE MAINTAINED IN  
13 OTHER THAN HARD COPY, THE RECORDS MUST BE CAPABLE OF  
14 DUPLICATION TO LEGIBLE HARD COPY AT THE REQUEST OF THE  
15 COMMISSIONER.

16 (5) A PROVIDER DISCONTINUING BUSINESS IN THIS STATE SHALL  
17 MAINTAIN ITS RECORDS UNTIL IT HAS DISCHARGED ALL OBLIGATIONS TO  
18 CONTRACT HOLDERS IN THIS STATE.

19 **10-4-1609. Enforcement provisions.** (1) (a) THE COMMISSIONER  
20 MAY CONDUCT EXAMINATIONS OF PROVIDERS, ADMINISTRATORS,  
21 INSURERS, OR OTHER PERSONS TO ENFORCE THIS PART 16.

22 (b) UPON THE COMMISSIONER'S REQUEST, THE PROVIDER SHALL  
23 MAKE AVAILABLE TO THE COMMISSIONER ALL ACCOUNTS, BOOKS, AND  
24 RECORDS CONCERNING SERVICE CONTRACTS SOLD BY THE PROVIDER THAT  
25 ARE NECESSARY TO ENABLE THE COMMISSIONER TO REASONABLY  
26 DETERMINE THE PROVIDER'S COMPLIANCE OR NONCOMPLIANCE WITH THIS  
27 PART 16 AND THE COMMISSIONER'S RULES ADOPT IN FURTHERANCE OF THIS



1 PART 16.

2 (2) (a) IF A PROVIDER VIOLATES THIS PART 16, THE COMMISSIONER  
3 MAY, AFTER A HEARING CONDUCTED AS SET FORTH IN SECTION 24-4-105,  
4 C.R.S., TAKE THE FOLLOWING DISCIPLINARY ACTIONS:

5 (I) ISSUE AN ORDER DIRECTING THE PROVIDER TO CEASE AND  
6 DESIST FROM COMMITTING VIOLATIONS OF THIS PART 16;

7 (II) ISSUE AN ORDER PROHIBITING A SERVICE CONTRACT PROVIDER  
8 FROM SELLING OR OFFERING FOR SALE SERVICE CONTRACTS IN VIOLATION  
9 OF THIS PART 16;

10 (III) ISSUE AN ORDER IMPOSING A CIVIL PENALTY ON THE  
11 PROVIDER; OR

12 (IV) ANY COMBINATION OF THE ACTIONS SET FORTH IN  
13 SUBPARAGRAPHS (I) TO (III) OF THIS PARAGRAPH (a).

14 (b) ANY CIVIL PENALTY ASSESSED BY THE COMMISSIONER IS  
15 LIMITED TO NOT MORE THAN FIVE HUNDRED DOLLARS PER VIOLATION AND  
16 NOT MORE THAN TEN THOUSAND DOLLARS IN THE AGGREGATE FOR ALL  
17 VIOLATIONS OF A SIMILAR NATURE. FOR PURPOSES OF THIS PARAGRAPH  
18 (b), VIOLATIONS ARE OF A SIMILAR NATURE IF THE VIOLATIONS CONSIST OF  
19 THE SAME OR SIMILAR COURSE OF CONDUCT, ACTION, OR PRACTICE,  
20 REGARDLESS OF THE NUMBER OF TIMES THE NONCOMPLIANT ACT,  
21 CONDUCT, OR PRACTICE OCCURRED.

22 (3) (a) THE COMMISSIONER MAY BRING AN ACTION IN ANY COURT  
23 OF COMPETENT JURISDICTION FOR AN INJUNCTION OR OTHER APPROPRIATE  
24 RELIEF TO ADDRESS THREATENED OR EXISTING VIOLATIONS OF THIS PART  
25 16.

26 (b) AN ACTION FILED UNDER THIS SUBSECTION (3) MAY ALSO SEEK  
27 RESTITUTION ON BEHALF OF PERSONS AGGRIEVED BY A VIOLATION OF THIS

1 PART 16 OR ORDERS OR RULES OF THE COMMISSIONER.

2 **SECTION 3. Repeal of rule in the Code of Colorado**  
3 **Regulations.** In the Rules of the Division of Insurance in the Department  
4 of Regulatory Agencies governing property and casualty insurance,  
5 **repeal** Regulation 5-1-12 (3 CCR 702-5), concerning warranties and  
6 service contracts.

7 **SECTION 4. Act subject to petition - effective date -**  
8 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following  
9 the expiration of the ninety-day period after final adjournment of the  
10 general assembly (August 6, 2014, if adjournment sine die is on May 7,  
11 2014); except that, if a referendum petition is filed pursuant to section 1  
12 (3) of article V of the state constitution against this act or an item, section,  
13 or part of this act within such period, then the act, item, section, or part  
14 will not take effect unless approved by the people at the general election  
15 to be held in November 2014 and, in such case, will take effect on the  
16 date of the official declaration of the vote thereon by the governor.

17 (2) This act applies to service contracts issued on or after the  
18 applicable effective date of this act.