

Second Regular Session  
Sixty-ninth General Assembly  
STATE OF COLORADO

**PREAMENDED**

This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading

LLS NO. 14-0741.01 Bart Miller x2173

**HOUSE BILL 14-1199**

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**HOUSE SPONSORSHIP**

**Williams, Szabo**

**SENATE SPONSORSHIP**

**Jahn and Balmer,**

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**House Committees**

Business, Labor, Economic, & Workforce Development  
Appropriations

**Senate Committees**

Business, Labor, & Technology  
Appropriations

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**A BILL FOR AN ACT**

101 **CONCERNING CHANGES TO THE REGULATION OF CONSUMER GOODS**  
102 **SERVICE CONTRACTS, AND, IN CONNECTION THEREWITH,**  
103 **MAKING AN APPROPRIATION.**

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**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

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.*

HOUSE  
3rd Reading Unamended  
April 7, 2014

HOUSE  
Amended 2nd Reading  
April 4, 2014

the service contract. The bill requires that service contracts be in writing 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.

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



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

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

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

12 (7) "PERSON" HAS THE SAME MEANING AS SET FORTH IN SECTION  
13 2-4-401, C.R.S.

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

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

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

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

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

1 CONTRACTUAL OBLIGATIONS INCURRED BY THE PROVIDER UNDER THE  
2 TERMS OF THE INSURED SERVICE CONTRACTS ISSUED OR SOLD BY THE  
3 PROVIDER.

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

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

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

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

1 INCIDENTAL TO THE SALE OF THE PRODUCT, AND THAT GUARANTEES  
2 EITHER:

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

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

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

9 (a) WARRANTIES;

10 (b) MAINTENANCE AGREEMENTS;

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

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

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

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

22 (g) MOTOR VEHICLE SERVICE CONTRACTS GOVERNED BY ARTICLE  
23 11 OF TITLE 42, C.R.S.

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

1 PROVIDER AND FOR COMPLIANCE WITH THIS PART 16.

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

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

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

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

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

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

20

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

24

25

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

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

5 (II) IF THE COMPANY DOES NOT FILE WITH THE FEDERAL  
6 SECURITIES AND EXCHANGE COMMISSION, PROVIDE, UPON THE  
7 COMMISSIONER'S REQUEST, A COPY OF THE COMPANY'S AUDITED  
8 FINANCIAL STATEMENTS SHOWING A NET WORTH OF THE PROVIDER OR ITS  
9 PARENT COMPANY OF AT LEAST ONE HUNDRED MILLION DOLLARS; OR

10 (III) IF THE PROVIDER'S PARENT COMPANY'S FORM 10-K, FORM  
11 20-F, OR FINANCIAL STATEMENTS ARE FILED TO MEET THE REQUIREMENTS  
12 OF THIS SUBSECTION (4), AGREE TO GUARANTEE THE OBLIGATIONS OF THE  
13 PROVIDER RELATING TO SERVICE CONTRACTS SOLD BY THE PROVIDER IN  
14 THIS STATE.

15 (c) EXCEPT FOR THE REQUIREMENTS SET FORTH IN THIS  
16 SUBSECTION (4), THE COMMISSIONER SHALL REQUIRE NO OTHER FINANCIAL  
17 SECURITY REQUIREMENTS FOR SERVICE CONTRACT PROVIDERS.

18 (5) (a) A PROVIDER MUST PERMIT THE SERVICE CONTRACT HOLDER  
19 TO VOID THE SERVICE CONTRACT BY RETURNING IT WITHIN TWENTY DAYS  
20 AFTER THE DATE THE SERVICE CONTRACT IS MAILED TO THE SERVICE  
21 CONTRACT HOLDER OR WITHIN TEN DAYS AFTER DELIVERY IF THE SERVICE  
22 CONTRACT IS DELIVERED TO THE SERVICE CONTRACT HOLDER AT THE TIME  
23 OF SALE. THE SERVICE CONTRACT IS VOID WHEN THE SERVICE CONTRACT  
24 HOLDER RETURNS THE SERVICE CONTRACT TO THE PROVIDER, AND THE  
25 PROVIDER SHALL REFUND TO THE SERVICE CONTRACT HOLDER, OR CREDIT  
26 THE ACCOUNT OF THE CONTRACT HOLDER, THE FULL PURCHASE PRICE OF  
27 THE SERVICE CONTRACT.



1 (b) A SERVICE CONTRACT MAY ESTABLISH A RETURN PERIOD  
2 GREATER THAN TWENTY DAYS.

3 (c) THE RIGHT TO VOID THE SERVICE CONTRACT IS NOT  
4 TRANSFERABLE AND APPLIES ONLY TO THE ORIGINAL SERVICE CONTRACT  
5 PURCHASER.

6 (d) THE RIGHT TO VOID THE SERVICE CONTRACT DOES NOT APPLY  
7 IF A CLAIM HAS BEEN MADE PRIOR TO THE RETURN OF THE SERVICE  
8 CONTRACT TO THE PROVIDER.

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

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

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

22 (7) (a) THE PROVIDER MAY CANCEL A SERVICE CONTRACT UPON  
23 MAILING, AT LEAST FIVE DAYS PRIOR TO THE DATE OF CANCELLATION, A  
24 WRITTEN NOTICE TO THE SERVICE CONTRACT HOLDER AT THE CONTRACT  
25 HOLDER'S LAST-KNOWN ADDRESS CONTAINED IN THE PROVIDER'S  
26 RECORDS. THE NOTICE MUST STATE THE EFFECTIVE DATE OF THE  
27 CANCELLATION AND THE REASON FOR THE CANCELLATION.

1 (b) PRIOR NOTICE IS NOT REQUIRED IF THE REASON FOR  
2 CANCELLATION IS NONPAYMENT OF THE PROVIDER FEE, A MATERIAL  
3 MISREPRESENTATION BY THE SERVICE CONTRACT HOLDER TO THE  
4 PROVIDER, OR A SUBSTANTIAL BREACH BY THE SERVICE CONTRACT  
5 HOLDER RELATING TO THE COVERED PRODUCT OR ITS USE.

6 (c) IF THE PROVIDER CANCELS A SERVICE CONTRACT FOR A  
7 REASON OTHER THAN NONPAYMENT OF THE PROVIDER FEE, THE PROVIDER  
8 SHALL REFUND TO THE SERVICE CONTRACT HOLDER ONE HUNDRED  
9 PERCENT OF THE UNEARNED PRO RATA PROVIDER FEE, LESS ANY CLAIMS  
10 PAID.

11  
12 (8) (a) PROVIDER FEES COLLECTED ON SERVICE CONTRACTS ARE  
13 NOT SUBJECT TO PREMIUM TAXES.

14 (b) PREMIUMS FOR REIMBURSEMENT INSURANCE POLICIES ARE  
15 SUBJECT TO APPLICABLE TAXES.

16 (9) (a) PROVIDERS, RELATED SERVICE CONTRACT SELLERS, AND  
17 ADMINISTRATORS ARE EXEMPT FROM ANY LICENSING REQUIREMENTS OF  
18 THIS STATE SET FORTH IN THIS TITLE.

19 (b) (I) EACH PROVIDER OF SERVICE CONTRACTS SOLD IN  
20 COLORADO SHALL REGISTER WITH THE COMMISSIONER. THE REGISTRATION  
21 MUST CONTAIN THE PROVIDER'S NAME, FULL CORPORATE ADDRESS,  
22 TELEPHONE NUMBER, AND THE NAME OF AN INDIVIDUAL CONTACT PERSON.  
23 IN ADDITION, THE PROVIDER SHALL DESIGNATE AN AGENT FOR SERVICE OF  
24 PROCESS IN COLORADO. THE PROVIDER SHALL GIVE THE COMMISSIONER  
25 WRITTEN NOTICE OF ANY CHANGE IN THIS INFORMATION WITHIN THIRTY  
26 DAYS AFTER THE CHANGE.

27 (II) UPON INITIAL REGISTRATION, AND ANNUALLY THEREAFTER,

1 EACH PROVIDER THAT REGISTERS PURSUANT TO THIS PARAGRAPH (b)  
2 SHALL PAY TO THE COMMISSIONER A FEE, SET BY THE COMMISSIONER, IN  
3 AN AMOUNT SUFFICIENT TO DEFRAY THE COMMISSIONER'S DIRECT AND  
4 INDIRECT COSTS OF ADMINISTERING THIS PART 16 AND SUBJECT TO  
5 PERIODIC ADJUSTMENT IN ACCORDANCE WITH SECTION 24-75-402, C.R.S.

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

11 **10-4-1604. Obligations of reimbursement insurance**  
12 **companies.** (1) INSURERS ISSUING REIMBURSEMENT INSURANCE POLICIES  
13 TO PROVIDERS ARE DEEMED TO HAVE RECEIVED THE PREMIUMS FOR THIS  
14 INSURANCE UPON THE PAYMENT OF PROVIDER FEES BY CONSUMERS FOR  
15 SERVICE CONTRACTS ISSUED BY THE INSURED PROVIDERS.

16 (2) IF THE PROVIDER DOES NOT PROVIDE COVERED SERVICE WITHIN  
17 SIXTY DAYS AFTER PROOF OF LOSS BY THE SERVICE CONTRACT HOLDER,  
18 THE CONTRACT HOLDER MAY APPLY DIRECTLY TO THE REIMBURSEMENT  
19 INSURANCE COMPANY.

20 (3) THIS PART 16 DOES NOT PREVENT OR LIMIT THE RIGHT OF A  
21 REIMBURSEMENT INSURANCE COMPANY THAT ISSUED A REIMBURSEMENT  
22 INSURANCE POLICY TO SEEK INDEMNIFICATION OR SUBROGATION AGAINST  
23 A PROVIDER IF THE REIMBURSEMENT INSURANCE COMPANY PAYS OR IS  
24 OBLIGATED TO PAY THE SERVICE CONTRACT HOLDER SUMS THAT THE  
25 PROVIDER WAS OBLIGATED TO PAY PURSUANT TO THE PROVISIONS OF THE  
26 SERVICE CONTRACT.

27 (4) AN INSURER THAT ISSUED A REIMBURSEMENT INSURANCE

1 POLICY TO A PROVIDER SHALL NOT TERMINATE THE POLICY UNTIL A  
2 NOTICE OF TERMINATION HAS BEEN MAILED OR DELIVERED TO THE  
3 INSURED PROVIDER AS REQUIRED BY APPLICABLE LAW WITH A COPY OF THE  
4 NOTICE PROVIDED TO THE COMMISSIONER. THE TERMINATION OF A  
5 REIMBURSEMENT INSURANCE POLICY DOES NOT REDUCE THE ISSUER'S  
6 RESPONSIBILITY FOR SERVICE CONTRACTS ISSUED BY PROVIDERS PRIOR TO  
7 THE DATE OF THE TERMINATION.

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 MANUFACTURER OR SELLER OF ANY PRODUCT SHALL NOT  
17 REQUIRE THE PURCHASE OF A SERVICE CONTRACT AS A CONDITION FOR THE  
18 SALE OF ANY PROPERTY.

19 (4) NOTHING IN THIS SECTION LIMITS OR PROHIBITS A PERSON FROM  
20 PURSUING ANY CLAIM, CAUSE OF ACTION, OR RIGHT AVAILABLE UNDER  
21 COLORADO LAW.

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

25 (2) A PROVIDER'S ACCOUNTS, BOOKS, AND RECORDS MUST  
26 INCLUDE:

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

1 (b) THE NAME AND ADDRESS OF EACH SERVICE CONTRACT HOLDER  
2 TO THE EXTENT THAT THE NAME AND ADDRESS HAVE BEEN FURNISHED BY  
3 THE SERVICE CONTRACT HOLDER;

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

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

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

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

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

21 **10-4-1609. Enforcement provisions - rules.** (1) (a) THE  
22 COMMISSIONER MAY CONDUCT MARKET EXAMINATIONS OR FINANCIAL  
23 EXAMINATIONS OF PROVIDERS UNDER SECTIONS 10-1-201 TO 10-1-205 TO  
24 ENFORCE THIS PART 16.

25 (b) UPON THE COMMISSIONER'S REQUEST, THE PROVIDER SHALL  
26 MAKE AVAILABLE TO THE COMMISSIONER ALL ACCOUNTS, BOOKS, AND  
27 RECORDS CONCERNING SERVICE CONTRACTS SOLD BY THE PROVIDER THAT



1 ARE NECESSARY TO ENABLE THE COMMISSIONER TO REASONABLY  
2 DETERMINE THE PROVIDER'S COMPLIANCE OR NONCOMPLIANCE WITH THIS  
3 PART 16 AND THE COMMISSIONER'S RULES ADOPT IN FURTHERANCE OF THIS  
4 PART 16.

5 (2) THE PROVIDER EXAMINED IN ANY FINANCIAL OR MARKET  
6 CONDUCT EXAMINATION SHALL BEAR THE COST OF THE EXAMINATION IN  
7 ACCORDANCE WITH SECTION 10-1-205 (4).

8 (3) (a) IF A PROVIDER VIOLATES THIS PART 16, THE COMMISSIONER  
9 MAY TAKE THE FOLLOWING DISCIPLINARY ACTIONS:

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

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

15 (III) ISSUE AN ORDER IMPOSING A CIVIL PENALTY ON THE  
16 PROVIDER; OR

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

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

27 (c) A PERSON AGGRIEVED BY ANY ACTION TAKEN OR PENALTY

1 ASSESSED UNDER THIS SUBSECTION (3) MAY REQUEST A REVIEW IN  
2 ACCORDANCE WITH SECTION 10-1-205 (4).

3 (4) (a) THE COMMISSIONER MAY BRING AN ACTION IN ANY COURT  
4 OF COMPETENT JURISDICTION FOR AN INJUNCTION OR OTHER APPROPRIATE  
5 RELIEF TO ADDRESS THREATENED OR EXISTING VIOLATIONS OF THIS PART  
6 16.

7 (b) AN ACTION FILED UNDER THIS SUBSECTION (4) MAY ALSO SEEK  
8 RESTITUTION ON BEHALF OF PERSONS AGGRIEVED BY A VIOLATION OF THIS  
9 PART 16 OR ORDERS OR RULES OF THE COMMISSIONER.

10 (5) THE COMMISSIONER MAY PROMULGATE RULES TO IMPLEMENT  
11 THE PROVISIONS OF THIS PART 16.

12 **SECTION 3.** In Colorado Revised Statutes, 42-11-101, **amend**  
13 (2) as follows:

14 **42-11-101. Definitions.** As used in this article, unless the context  
15 otherwise requires:

16 (2) "Motor vehicle" means any vehicle subject to registration  
17 under section 42-1-102 (58) OR ANY POWERSPORTS VEHICLE AS DEFINED  
18 IN SECTION 12-6-502 (10), C.R.S.

19 **SECTION 4. Appropriation.** (1) In addition to any other  
20 appropriation, there is hereby appropriated, out of any moneys in the  
21 division of insurance cash fund created in section 10-1-103 (3), Colorado  
22 Revised Statutes, not otherwise appropriated, to the department of  
23 regulatory agencies, for the fiscal year beginning July 1, 2014, the sum of  
24 \$13,560 and 0.2 FTE, or so much thereof as may be necessary, to be  
25 allocated for the implementation of this act as follows:

26 (a) \$9,917 and 0.2 FTE to the division of insurance for personal  
27 services; and

1 (b) \$3,643 to the executive director's office and administrative  
2 services for the purchase of legal services.

3 (2) In addition to any other appropriation, there is hereby  
4 appropriated to the department of law, for the fiscal year beginning July  
5 1, 2014, the sum of \$3,643, or so much thereof as may be necessary, for  
6 the provision of legal services for the department of regulatory agencies  
7 related to the implementation of this act. Said sum is from reappropriated  
8 funds received from the department of regulatory agencies out of the  
9 appropriation made in paragraph (b) of subsection (1) of this section.

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11 **SECTION 5. Act subject to petition - effective date -**  
12 **applicability.** (1) This act takes effect January 1, 2015; except that, if a  
13 referendum petition is filed pursuant to section 1 (3) of article V of the  
14 state constitution against this act or an item, section, or part of this act  
15 within the ninety-day period after final adjournment of the general  
16 assembly, then the act, item, section, or part will not take effect unless  
17 approved by the people at the general election to be held in November  
18 2014 and, in such case, will take effect on January 1, 2015, or on the date  
19 of the official declaration of the vote thereon by the governor, whichever  
20 is later.

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