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# A BILL FOR AN ACT

RELATING TO SERVICE CONTRACTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 481X, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:  
4           "§481X-        Claims under a service contract; provider  
5 disclosure. (a) When a contract holder makes the first claim on  
6 a service contract during the contract period, the provider of  
7 the service contract shall disclose to the contract holder that,  
8 pursuant to section 481X-7(b), if the claim is charged against  
9 the service contract, the contract holder shall not be entitled  
10 to a refund of the full purchase price of the service contract.  
11           (b) Upon presentation of the first claim, a contract  
12 holder who has purchased a service contract buyback agreement  
13 shall be notified by the obligor of the service contract buyback  
14 agreement that the contract holder shall not be entitled to  
15 reimbursement of the full purchase price of the service  
16 contract."



1 SECTION 2. Section 481X-2, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By adding a new definition to be appropriately  
4 inserted and to read:

5 "Service contract buyback agreement" means a contract or  
6 agreement that refunds the provider fee to the contract holder  
7 if no claim is made on the service contract. The service  
8 contract buyback agreement is separate and apart from a service  
9 contract and is paid for with separately stated consideration."

10 2. By amending the definition of "service contract" to  
11 read:

12 "Service contract" means a contract or agreement for a  
13 separately stated consideration and a specific duration, to  
14 perform or indemnify the repair, replacement, or maintenance of  
15 property for operational or structural failure due either to a  
16 defect in materials or artisanship, or to normal wear and tear,  
17 with or without additional provision for incidental payment or  
18 indemnity under limited circumstances, including but not limited  
19 to towing, rental, and emergency road service. Service  
20 contracts may provide for the repair, replacement, or  
21 maintenance of property damaged by power surges, or accidentally



1 damaged during handling. Contracts labeled extended warranties  
2 that meet this definition are service contracts."

3 SECTION 3. This Act does not affect rights and duties that  
4 matured, penalties that were incurred, and proceedings that were  
5 begun before its effective date.

6 SECTION 4. New statutory material is underscored.

7 SECTION 5. This Act shall take effect on June 30, 2112.



**Report Title:**

Service Contracts; Extended Warranties; Disclosure

**Description:**

Requires providers of service contracts and the obligors of service contract buyback agreements to disclose to contract holders that a claim against the contract voids the contract holder's right to a full refund. (HB1422 HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

