

STAND. COM. REP. NO. 830

Honolulu, Hawaii
March 6, 2015

RE: H.B. No. 1422
H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 1422, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO SERVICE CONTRACTS,"

begs leave to report as follows:

The purpose of this measure is to protect consumers by providing them with more information to make informed decisions regarding service contracts purchased for service or repairs for a product.

Specifically, this measure:

- (1) Requires that extended warranty contract providers disclose that contract holders making a claim for the first time under an extended warranty will no longer be entitled to a refund of the full purchase price of the extended warranty; and
- (2) Includes extended warranties within the definition of "service contract," and thereby includes extended warranties within the scope of all state laws regulating service contracts.

The Department of Commerce and Consumer Affairs submitted testimony in support of the intent of this measure. The Property Casualty Insurers Association of America supported the intent of this measure and recommended amendments.

HB1422 HD2 HSCR JUD HMS 2015-2422



Your Committee has amended this measure by:

- (1) Clarifying that the provider of a service contract or the obligor of a service contract buyback agreement shall inform the consumer that filing a claim against the contract voids the contract holder's right to a full refund of the contract's purchase price;
- (2) Defining "service contract buyback agreement" to mean a contract that refunds the purchase price of a service contract to the consumer if the consumer made no claim on the service contract; and
- (3) Specifying that an extended warranty is a service contract subject to regulation as such by the Insurance Commissioner only if it meets the definition of service contract.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1422, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1422, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



KARL RHOADS, Chair



