

HB1422 HD2

Measure Title: RELATING TO SERVICE CONTRACTS.

Report Title: Service Contracts; Extended Warranties; Disclosure

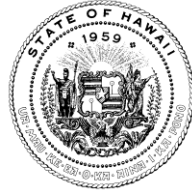
Description: Requires providers of service contracts and the obligors of service contract buyback agreements to disclose to contract holders that a claim against the contract voids the contract holder's right to a full refund. (HB1422 HD2)

Companion:

Package: None

Current Referral: CPN, JDL

Introducer(s): ITO



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TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Tuesday, March 17, 2015
9:00 a.m.

TESTIMONY ON HOUSE BILL NO. 1422, H.D. 2 – RELATING TO SERVICE CONTRACTS.

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department").

The Department opposes this bill as amended for the following reasons. The original bill's intent was to require notice to the purchaser of an extended warranty that a claim might trigger the invalidation of a refund. This draft treats service contract buyback contracts differently from extended warranties, effectively distancing the insurer from the buyer. At the point of sale, the dealer sells the vehicle, the extended warranty, and the service contract buyback agreement. It also provides repair services under these contracts. As such, it is the dealer, not necessarily the obligor that honors the service contract buyback agreement, who would know when the buyer brings in the vehicle for service. For this reason, the dealer should undertake the obligation to notify the buyer that obtaining service will affect the value of the service contract buyback agreement. Adding a remote third party insurer to the mix distances the dealer/seller from the notice obligation and defeats consumer protection.

We thank the committee for the opportunity to present testimony on this matter.