

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by
5 changing Section 155.39 as follows:

6 (215 ILCS 5/155.39)

7 Sec. 155.39. Vehicle protection products.

8 (a) As used in this Section:

9 "Administrator" means a third party other than the
10 warrantor who is designated by the warrantor to be responsible
11 for the administration of vehicle protection product
12 warranties.

13 "Incidental costs" means expenses specified in the vehicle
14 protection product warranty incurred by the warranty holder
15 related to the failure of the vehicle protection product to
16 perform as provided in the warranty. Incidental costs may
17 include, without limitation, insurance policy deductibles,
18 rental vehicle charges, the difference between the actual value
19 of the stolen vehicle at the time of theft and the cost of a
20 replacement vehicle, sales taxes, registration fees,
21 transaction fees, and mechanical inspection fees.

22 "Vehicle protection product" means a protective chemical,
23 substance, ~~vehicle protection~~ device, system, or service that

1 is (i) installed on or applied to a vehicle, and (ii) ~~is~~
2 designed to prevent loss or damage to a vehicle from a specific
3 cause, ~~(iii) includes a written warranty by a warrantor that~~
4 ~~provides if the vehicle protection product fails to prevent~~
5 ~~loss or damage to a vehicle from a specific cause, that the~~
6 ~~warranty holder shall be paid specified incidental costs by the~~
7 ~~warrantor as a result of the failure of the vehicle protection~~
8 ~~product to perform pursuant to the terms of the warranty, and~~
9 ~~(iv) the warrantor's liability is covered by a warranty~~
10 ~~reimbursement insurance policy.~~ The term "vehicle protection
11 product" shall include, without limitation, protective
12 chemicals, alarm systems, body part marking products, steering
13 locks, window etch products, pedal and ignition locks, fuel and
14 ignition kill switches, and electronic, radio, and satellite
15 tracking devices. "Vehicle protection product" does not
16 include fuel additives, oil additives, or other chemical
17 products applied to the engine, transmission, or fuel system of
18 a motor vehicle.

19 "Vehicle protection product warrantor" or "warrantor"
20 means a person who is contractually obligated to the warranty
21 holder under the terms of a ~~the~~ vehicle protection product
22 warranty. "Warrantor" ~~Warrantor~~ does not include an authorized
23 insurer.

24 "Vehicle protection product warranty" means a written
25 warranty by a vehicle protection product warrantor that (i) is
26 included, for no separate and identifiable consideration, with

1 the purchase of a vehicle protection product sold or offered
2 for sale in this State and (ii) provides if the vehicle
3 protection product fails to prevent loss or damage to a vehicle
4 from a specific cause, that the warranty holder shall be paid
5 specified incidental costs by the warrantor as a result of the
6 failure of the vehicle protection product to perform pursuant
7 to the terms of the warranty.

8 "Warranty reimbursement insurance policy" means a policy
9 of insurance issued to the vehicle protection product warrantor
10 to pay on behalf of the warrantor all covered contractual
11 obligations incurred by the warrantor under the terms and
12 conditions of the insured vehicle protection product
13 warranties sold by the warrantor. The warranty reimbursement
14 insurance policy shall be issued by an insurer authorized to do
15 business in this State that has filed its policy form with the
16 Department.

17 (a-5) A vehicle protection product warrantor's liabilities
18 under a vehicle protection product warranty shall be covered by
19 a warranty reimbursement insurance policy.

20 (b) No vehicle protection product warranty sold or offered
21 for sale in this State shall be subject to the provisions of
22 this Code. Vehicle protection product warranties are express
23 warranties and not insurance.

24 Vehicle protection product warrantors and related vehicle
25 protection product sellers and warranty administrators
26 ~~complying with this Section~~ are not required to comply with and

1 are not subject to any other provision of this Code. ~~The~~
2 ~~vehicle protection products' written warranties are express~~
3 ~~warranties and not insurance.~~

4 (c) This Section applies to all vehicle protection products
5 sold or offered for sale prior to, on, or after the effective
6 date of this amendatory Act of the 93rd General Assembly. The
7 enactment of this Section does not imply that vehicle
8 protection products should have been subject to regulation
9 under this Code prior to the enactment of this Section. The
10 changes made to this Section by this amendatory Act of the
11 100th General Assembly do not imply that vehicle protection
12 products and vehicle protection product warranties should have
13 been subject to regulation under this Code prior to this
14 amendatory Act of the 100th General Assembly.

15 (Source: P.A. 95-331, eff. 8-21-07.)

16 Section 10. The Service Contract Act is amended by changing
17 Sections 5 and 35 as follows:

18 (215 ILCS 152/5)

19 Sec. 5. Definitions.

20 "Department" means the Department of Insurance.

21 "Director" means the Director of Insurance.

22 "Road hazard" means a hazard that is encountered while
23 driving a motor vehicle, including, but not limited to,
24 potholes, rocks, wood debris, metal parts, glass, plastic,

1 curbs, and composite scraps.

2 "Service contract" means a contract or agreement whereby a
3 service contract provider undertakes for a specified period of
4 time, for separate and identifiable consideration, to perform
5 the repair, replacement, or maintenance, or indemnification
6 for such services, of any automobile, system, or consumer
7 product in connection with the operational or structural
8 failure due to a defect in materials or workmanship, or normal
9 wear and tear, with or without additional provision for
10 incidental payment or indemnity under limited circumstances,
11 for related expenses, including, but not limited to, towing,
12 rental, and emergency road service. Service contracts may
13 provide for:

14 (1) the repair, replacement, or maintenance of such
15 property for damage resulting from power surges and
16 accidental damage from handling;

17 (2) the repair or replacement of tires or wheels, or
18 both, on a motor vehicle damaged as the result of coming
19 into contact with road hazards;

20 (3) the removal of dents, dings, or creases on a motor
21 vehicle that can be repaired using the process of paintless
22 dent removal without affecting the existing paint finish
23 and without replacing vehicle body panels, sanding,
24 bonding, or painting;

25 (4) the repair of chips or cracks in or the replacement
26 of motor vehicle windshields as a result of damage caused

1 by road hazards;

2 (5) the replacement of a motor vehicle key or key-fob
3 in the event that the key or key-fob becomes inoperable or
4 is lost or stolen;

5 (6) the payment of specified incidental costs in the
6 event that a vehicle protection product ~~a protective~~
7 ~~chemical, substance, device, or system that (A) is~~
8 ~~installed on or applied to a motor vehicle, (B) is designed~~
9 ~~to prevent loss or damage to a motor vehicle from a~~
10 ~~specific cause, and (C) includes a written product warranty~~
11 ~~providing for payment to or on behalf of the warranty~~
12 ~~holder's incidental costs in the event that the product~~
13 fails to prevent loss or damage as specified; the
14 reimbursement of incidental costs ~~under the warranty~~ must
15 be tied to the purchase of a physical product that is
16 formulated or designed to make the specified loss or damage
17 less likely to occur; or

18 (7) other services that may be approved by the
19 Director, if not inconsistent with other provisions of this
20 Act.

21 Service contracts shall not include:

22 (i) contracts of limited duration that provide for
23 scheduled maintenance only;

24 (ii) fuel additives, oil additives, or other chemical
25 products applied to the engine, transmission, or fuel
26 system of a motor vehicle;

1 (iii) coverage for the repair or replacement, or both,
2 of damage to the interior surfaces of a vehicle, or for
3 repair or replacement, or both, of damage to the exterior
4 paint or finish of a vehicle; however, such coverage may be
5 offered in connection with the sale of a vehicle protection
6 product; and

7 (iv) a vehicle product protection warranty included,
8 for no separate and identifiable consideration, with the
9 purchase of a vehicle protection product ~~protective~~
10 ~~chemical, device, or system described in item (6) of this~~
11 ~~definition.~~

12 "Service contract holder" means the person who purchases a
13 service contract or a permitted transferee.

14 "Service contract provider" means a person who is
15 contractually obligated to the service contract holder under
16 the terms of the service contract. A service contract provider
17 does not include an insurer.

18 "Service contract reimbursement insurance policy" means a
19 policy of insurance that is issued to the service contract
20 provider to provide reimbursement to the service contract
21 provider or to pay on behalf of the service contract provider
22 all covered contractual obligations incurred by the service
23 contract provider under the terms and conditions of the insured
24 service contracts issued or sold by the service contract
25 provider.

26 "System" means the heating, cooling, plumbing, electrical,

1 ventilation, or any other similar system of a home.

2 "Vehicle protection product" has the same meaning as that
3 term is defined in subsection (a) of Section 155.39 of the
4 Illinois Insurance Code.

5 "Vehicle protection product warranty" has the same meaning
6 as that term is defined in subsection (a) of Section 155.39 of
7 the Illinois Insurance Code.

8 (Source: P.A. 98-222, eff. 1-1-14.)

9 (215 ILCS 152/35)

10 Sec. 35. Cancellation and refunds.

11 (a) No service contract may be issued, sold, or offered for
12 sale in this State unless the service contract clearly states
13 that the service contract holder is allowed to cancel the
14 service contract. If the service contract holder elects
15 cancellation, the service contract provider may retain a
16 cancellation fee not to exceed the lesser of 10% of the service
17 contract price or \$50. The service contract cancellation
18 provision must provide that the service contract may be
19 cancelled:

20 (1) within 30 days after its purchase if no service has
21 been provided and that a full refund of the service contract
22 consideration, less any cancellation fee stated in the service
23 contract will be paid to the service contract holder; or

24 (2) at any other time and a pro rata refund of the service
25 contract consideration for the unexpired term of the service

1 contract, based on the number of elapsed months, miles, hours,
2 or such other reasonably applicable measure which is clearly
3 disclosed in the service contract, less the value of any
4 service received, and any cancellation fee stated in the
5 service contract will be paid to the service contract holder.

6 (b) In the event of the cancellation of a service contract
7 that includes the coverage described in paragraph (6) of the
8 definition of "service contract" in Section 5 of this Act, the
9 service contract provider is not required to, but may, refund
10 the purchase price of the vehicle protection product. The
11 coverage described in paragraph (6) of the definition of
12 "service contract" in Section 5 of this Act may not be offered
13 as or within a service contract unless the service contract
14 clearly states whether the service contract holder is entitled
15 to a refund of the purchase price of the vehicle protection
16 product and, if applicable, the terms of such refund.

17 (Source: P.A. 90-711, eff. 8-7-98.)