

AN ACT concerning regulation.

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

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

(215 ILCS 5/155.39)

Sec. 155.39. Vehicle protection products.

(a) As used in this Section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(215 ILCS 152/5)

Sec. 5. Definitions.

"Department" means the Department of Insurance.

"Director" means the Director of Insurance.

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

curbs, and composite scraps.

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

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

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

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

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

by road hazards;

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

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

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

Service contracts shall not include:

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

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

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

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

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

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

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

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

ventilation, or any other similar system of a home.

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

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

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

(215 ILCS 152/35)

Sec. 35. Cancellation and refunds.

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

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

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

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

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

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