

1 AN ACT concerning service contracts.

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

4 Section 5. The Service Contract Act is amended by changing
5 Sections 5 and 10 and by adding Section 37 as follows:

6 (215 ILCS 152/5)

7 Sec. 5. Definitions.

8 "Department" means the Department of Insurance.

9 "Director" means the Director of Insurance.

10 "Service Contract" means a contract or agreement whereby a
11 service contract provider undertakes for a specified period of
12 time, for separate and identifiable consideration, to perform
13 the repair, replacement, or maintenance, or indemnification
14 for such services, of any automobile, system, or consumer
15 product in connection with the operational or structural
16 failure due to a defect in materials or workmanship, or normal
17 wear and tear, with or without additional provision for
18 incidental payment or indemnity under limited circumstances,
19 for related expenses, including, but not limited to, towing,
20 rental, and emergency road service. Service contracts may
21 provide for the repair, replacement, or maintenance of such
22 property for damage resulting from power surges and accidental
23 damage from handling. Except as provided in Section 37, service
24 ~~Service~~ contracts shall not include contracts of limited
25 duration that provide for scheduled maintenance only.

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

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

32 "Service contract reimbursement insurance policy" means a

1 policy of insurance that is issued to the service contract
2 provider to provide reimbursement to the service contract
3 provider or to pay on behalf of the service contract provider
4 all covered contractual obligations incurred by the service
5 contract provider under the terms and conditions of the insured
6 service contracts issued or sold by the service contract
7 provider.

8 "System" means the heating, cooling, plumbing, electrical,
9 ventilation, or any other similar system of a home.

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

11 (215 ILCS 152/10)

12 Sec. 10. Exemptions. Service contract providers and
13 related service contract sellers and administrators complying
14 with this Act are not required to comply with and are not
15 subject to any provision of the Illinois Insurance Code. A
16 service contract provider who is the manufacturer or a
17 wholly-owned subsidiary of the manufacturer of the product or
18 the builder, seller, or lessor of the product that is the
19 subject of the service contract is required to comply only with
20 Sections 30, 35, 37, 45, and 50 of this Act; except that, a
21 service contract provider who sells a motor vehicle, excluding
22 a motorcycle as defined in Section 1-147 of the Illinois
23 Vehicle Code, or who leases, but is not the manufacturer of,
24 the motor vehicle, excluding a motorcycle as defined in Section
25 1-147 of the Illinois Vehicle Code, that is the subject of the
26 service contract must comply with this Act in its entirety.
27 Contracts for the repair and monitoring of private alarm or
28 private security systems regulated under the Private
29 Detective, Private Alarm, Private Security, and Locksmith Act
30 of 2004 are not required to comply with this Act and are not
31 subject to any provision of the Illinois Insurance Code.

32 (Source: P.A. 92-16, eff. 6-28-01; 93-438, eff. 8-5-03.)

33 (215 ILCS 152/37 new)

34 Sec. 37. Performance of automobile service contract

1 services. If the service contract is for an automobile and
2 provides that a specified number of individual services are to
3 be provided to the service contract holder during the duration
4 of the service contract, the service contract provider must
5 provide the number of individual services specified under the
6 service contract even if the contract has expired.

7 For the purposes of this Section, "service contract holder"
8 means only the purchaser of the service contract.

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.