



Sen. Michael E. Hastings

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LRB099 17213 EGJ 46048 a

1 AMENDMENT TO SENATE BILL 2771

2 AMENDMENT NO. _____. Amend Senate Bill 2771 by replacing
3 everything after the enacting clause with the following:

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

1 include, without limitation, insurance policy deductibles,
2 rental vehicle charges, the difference between the actual value
3 of the stolen vehicle at the time of theft and the cost of a
4 replacement vehicle, sales taxes, registration fees,
5 transaction fees, and mechanical inspection fees.

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

25 "Vehicle protection product warrantor" or "warrantor"
26 means a person who is contractually obligated to the warranty

1 holder under the terms of the vehicle protection product.
2 Warrantor does not include an authorized insurer.

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

12 (b) No vehicle protection product sold or offered for sale
13 in this State in compliance with this Section shall be subject
14 to the provisions of this Code or the Service Contract Act
15 unless it is offered as a service contract as defined in
16 Section 5 of the Service Contract Act.

17 Vehicle protection product warrantors and related vehicle
18 protection product sellers and warranty administrators
19 complying with this Section are not required to comply with and
20 are not subject to any other provision of this Code or the
21 Service Contract Act unless it is offered as a service contract
22 as defined in Section 5 of the Service Contract Act. The
23 vehicle protection products' written warranties are express
24 warranties and not insurance.

25 (c) This Section applies to all vehicle protection products
26 sold or offered for sale prior to, on, or after the effective

1 date of this amendatory Act of the 93rd General Assembly. The
2 enactment of this Section does not imply that vehicle
3 protection products should have been subject to regulation
4 under this Code prior to the enactment of this Section. The
5 changes made to this Section by this amendatory Act of the 99th
6 General Assembly do not imply that vehicle protection products
7 should have been subject to regulation under this Code or the
8 Service Contract Act prior to this amendatory Act.

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

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

12 (215 ILCS 152/5)

13 Sec. 5. Definitions.

14 "Department" means the Department of Insurance.

15 "Director" means the Director of Insurance.

16 "Road hazard" means a hazard that is encountered while
17 driving a motor vehicle, including, but not limited to,
18 potholes, rocks, wood debris, metal parts, glass, plastic,
19 curbs, and composite scraps.

20 "Service contract" means a contract or agreement whereby a
21 service contract provider undertakes for a specified period of
22 time, for separate and identifiable consideration, to perform
23 the repair, replacement, or maintenance, or indemnification
24 for such services, of any automobile, system, or consumer

1 product in connection with the operational or structural
2 failure due to a defect in materials or workmanship, or normal
3 wear and tear, with or without additional provision for
4 incidental payment or indemnity under limited circumstances,
5 for related expenses, including, but not limited to, towing,
6 rental, and emergency road service. Service contracts may
7 provide for:

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

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

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

19 (4) the repair of chips or cracks in or the replacement
20 of motor vehicle windshields as a result of damage caused
21 by road hazards;

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

25 (6) the payment of specified incidental costs in the
26 event that a ~~protective chemical, substance, device, or~~

1 system, or service that ~~(A)~~ is installed on or applied to a
2 motor vehicle, ~~(B)~~ and is designed to prevent the theft of
3 ~~loss or damage to~~ a motor vehicle from a specific cause, ~~and~~
4 ~~(C) includes a written product warranty providing for~~
5 ~~payment to or on behalf of the warranty holder's incidental~~
6 ~~costs in the event that the product fails to prevent theft~~
7 ~~loss or damage~~ as specified; the reimbursement of
8 incidental costs ~~under the warranty~~ must be tied to the
9 purchase of a physical product that is formulated or
10 designed to make the specified loss or damage less likely
11 to occur; however, a device, system, or service that is
12 offered in compliance with and meets the definition of
13 "vehicle protection product" as defined in subsection (a)
14 of Section 155.39 of the Illinois Insurance Code shall not
15 be required to comply with this Act; or

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

19 Service contracts shall not include:

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

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

25 (iii) coverage for the repair or replacement, or both,
26 of damage to the interior surfaces of a vehicle, or for

1 repair or replacement, or both, of damage to the exterior
2 paint or finish of a vehicle; however, such coverage may be
3 offered in connection with the sale of a protective
4 chemical, device, or system described in item (6) of this
5 definition.

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

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

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

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

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

23 (215 ILCS 152/35)

24 Sec. 35. Cancellation and refunds.

25 (a) No service contract may be issued, sold, or offered for

1 sale in this State unless the service contract clearly states
2 that the service contract holder is allowed to cancel the
3 service contract. If the service contract holder elects
4 cancellation, the service contract provider may retain a
5 cancellation fee not to exceed the lesser of 10% of the service
6 contract price or \$50. The service contract cancellation
7 provision must provide that the service contract may be
8 cancelled:

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

14 (2) at any other time and a pro rata refund of the
15 service contract consideration for the unexpired term of
16 the service contract, based on the number of elapsed
17 months, miles, hours, or such other reasonably applicable
18 measure which is clearly disclosed in the service contract,
19 less the value of any service received, and any
20 cancellation fee stated in the service contract will be
21 paid to the service contract holder.

22 (b) In the event that a service contract includes the
23 coverage described in paragraph (6) of the definition of
24 "service contract" in Section 5 of this Act, the service
25 contract provider must refund the service contract purchase
26 price in accordance with this Section but is not required to

1 refund the purchase price of the device, system, or service;
2 however, the service contract provider may elect to refund the
3 purchase price of the device, system, or service if the terms
4 of that refund are clearly stated in the service contract. The
5 coverage described in paragraph (6) of the definition of
6 "service contract" in Section 5 of this Act may not be offered
7 as, or within, a service contract unless the service contract
8 clearly states whether or not the service contract holder is
9 entitled to a refund of the purchase price of the device,
10 system, or service and, if applicable, the terms of such
11 refund.

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