

Commercial Law

Subtitle 4A. Vehicle Protection Products Act

§ 14-4A-01. Definitions.

- (a) In general.- In this subtitle the following words have the meanings indicated.
- (b) Administrator.- "Administrator" means a person that is designated by a warrantor to be responsible for the administration of a vehicle protection product warranty.
- (c) Division.- "Division" means the Division of Consumer Protection of the Office of the Attorney General.
- (d) Incidental costs.-
- (1) "Incidental costs" means an expense that:
 - (i) Is specified in a vehicle protection product warranty;
 - (ii) Is incurred by the warranty holder; and
 - (iii) Relates to the failure of a vehicle protection product to perform as provided in the vehicle protection product warranty.
 - (2) "Incidental costs" include:
 - (i) Insurance policy deductibles;
 - (ii) Charges for rental vehicles;
 - (iii) The difference between the value of a stolen vehicle at the time of theft and the cost of a replacement vehicle;
 - (iv) Sales taxes;
 - (v) Registration fees;
 - (vi) Transaction fees; and
 - (vii) Mechanical inspection fees.
- (e) Vehicle protection product.-
- (1) "Vehicle protection product" means a vehicle protection device, system, or service that:
 - (i) Is sold with a written warranty;
 - (ii) Is installed on or applied to a vehicle; and
 - (iii) Is designed to prevent loss or damage to a vehicle from a specific cause.
 - (2) "Vehicle protection product" includes:
 - (i) An alarm system;
 - (ii) A body part marking product;
 - (iii) A steering lock;
 - (iv) A window etch product;
 - (v) A pedal or ignition lock;
 - (vi) A fuel or ignition kill switch; and
 - (vii) An electronic, radio, or satellite tracking device.
- (f) Vehicle protection product warranty.- "Vehicle protection product warranty" means a written agreement by a warrantor that provides that if a vehicle protection product fails to prevent loss or damage to a vehicle from a specific cause, the warrantor shall pay to, or on behalf of, the warranty holder specified incidental costs incurred as a result of the failure of the vehicle protection product to perform in accordance with the terms of the vehicle protection product warranty.

(g) Warrantor.-

(1) "Warrantor" means a person that is contractually obligated to the warranty holder under the terms of the vehicle protection product warranty.

(2) "Warrantor" does not include an authorized insurer that issues a warranty reimbursement insurance policy.

(h) Warranty holder.- "Warranty holder" means a person that purchases a vehicle protection product warranty or a permitted transferee.

(i) Warranty reimbursement insurance policy.- "Warranty reimbursement insurance policy" means a policy of insurance that is issued to a warrantor to:

(1) Provide reimbursement to the warrantor; or

(2) 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.

§ 14-4A-02. Applicability of subtitle and other provisions.

Statute text

(a) In general.- This subtitle does not apply to:

(1) A service contract provider that does not sell vehicle protection products; or

(2) A warranty, indemnity agreement, or guarantee that is not provided in connection with the sale of a vehicle protection product.

(b) Applicability of Subtitle 4 of this title.- A vehicle protection product warranty is not subject to the provisions of Subtitle 4 of this title.

(c) Applicability of the Insurance Article.- A seller or warrantor of a vehicle protection product, or a warrantor's administrator, that complies with this subtitle is not subject to any provisions of the Insurance Article.

§ 14-4A-03. Sale of a vehicle protection product.

A vehicle protection product may not be sold or offered for sale in the State unless the seller and warrantor of the vehicle protection product, and the warrantor's administrator, comply with the provisions of this subtitle.

§ 14-4A-04. Registration.

(a) In general.- A warrantor of a vehicle protection product that is sold or offered for sale in the State shall register with the Division on the form that the Division provides.

(b) Contents of form.- The registration form shall include:

(1) The name, address, and telephone number of the warrantor, including any name under which the warrantor does business;

(2) The name, address, and telephone number of the warrantor's administrator, if any;

(3) The name and address of the warrantor's registered agent, if any;

(4) The name of at least one officer of the warrantor who is directly responsible for the warrantor's vehicle protection product business;

- (5) (i) If the warrantor elects to carry warranty reimbursement insurance in accordance with § 14-4A-07(a)(1) of this subtitle, a copy of the warrantor's warranty reimbursement insurance policy; or
- (ii) If the warrantor elects to meet its financial obligations in accordance with § 14-4A-07(a)(2) of this subtitle, one of the following:
1. A copy of the most recent form 10-K or form 20-F filed by the warrantor or the warrantor's parent company with the United States Securities and Exchange Commission; or
 2. If the warrantor or the warrantor's parent company does not file with the United States Securities and Exchange Commission, a copy of the warrantor's or the warrantor's parent company's financial statement that shows a net worth or stockholders' equity of not less than \$50,000,000; and
- (6) A copy of each warranty that the warrantor proposes to use in the State.
- (c) Fee.-
- (1) A warrantor that registers under subsection (a) of this section shall pay a registration fee to the Division at the time of registration.
 - (2) On January 1 of each year following a warrantor's initial registration, the warrantor shall pay a renewal fee to the Division.
 - (3) The registration fee and the renewal fee required under this subsection shall be set by the Division in an amount not exceeding \$500 for each fee. [2007, ch. 407.]

§ 14-4A-05. Availability of information to the public.

Except for information received under § 14-4A-04(b)(5)(ii) of this subtitle, any information received by the Division in the course of administering this subtitle shall be made available to the public, subject to the provisions of the Maryland Public Information Act.[2007, ch. 407.]

§ 14-4A-06. Recordkeeping.

- (a) Requirement.- A warrantor of a vehicle protection product sold or offered for sale in the State shall keep accurate accounts, books, and records that relate to its vehicle protection product warranties.
- (b) Contents of records.- A warrantor's accounts, books, and records shall include:
- (1) A copy of each vehicle protection product warranty sold or issued in the State;
 - (2) The name and address of each warranty holder; and
 - (3) The date, amount, and description of each receipt, claim, and expenditure.
- (c) Time period for keeping of records.- A warrantor shall keep accounts, books, and records relating to a vehicle protection product warranty and a warranty holder for at least 2 years following the expiration of the vehicle protection product warranty.
- (d) Maintaining of records upon discontinuing of business.- A warrantor that discontinues business in the State shall maintain its accounts, books, and records until it can prove to the Division that it has discharged all of its obligations to any warranty holder in the State.
- (e) Inspection.- On request, a warrantor shall make all of its accounts, books, and records available for inspection by the Division.[2007, ch. 407.]

§ 14-4A-07. Insurance.

(a) Financial requirement.- A warrantor of a vehicle protection product sold or offered for sale in the State shall:

- (1) Be insured under a warranty reimbursement insurance policy; or
- (2) Maintain a net worth or stockholders' equity of not less than \$50,000,000.

(b) Other financial requirements.- A warrantor that meets its financial obligation in accordance with subsection (a) of this section is not required to meet any other financial requirement or financial standard.

(c) Warranty reimbursement insurance.- If a warrantor elects to carry warranty reimbursement insurance under subsection (a)(1) of this section, the warranty reimbursement insurance policy purchased by the warrantor shall provide:

(1) That the insurer will pay to, or on behalf of, the warrantor all sums that the warrantor is legally obligated to pay a warranty holder under the warrantor's vehicle protection product warranty;

(2) That, in the event payment due under the terms of the vehicle protection product warranty is not provided by the warrantor within 60 days after proof of loss has been filed by the warranty holder in accordance with the terms of the vehicle protection product warranty, the warranty holder may file a claim for reimbursement directly with the insurer;

(3) That the insurer shall be deemed to have received payment of the premium if the warranty holder paid the warrantor for the vehicle protection product warranty;

(4) That the insurer's liability under the warranty reimbursement insurance policy may not be reduced or relieved by a failure of the warrantor, for any reason, to report the issuance of a vehicle protection product warranty to the insurer; and

(5) That, with regard to cancellation of the warranty reimbursement insurance policy:

(i) The insurer may not cancel the warranty reimbursement insurance policy until a written notice of cancellation has been mailed or delivered to the insured warrantor;

(ii) The cancellation of a warranty reimbursement insurance policy may not reduce the insurer's responsibility for vehicle protection products sold before the date of cancellation; and

(iii) In the event an insurer cancels a warranty reimbursement insurance policy, the warrantor shall:

1. Discontinue offering vehicle protection product warranties as of the termination date of the warranty reimbursement insurance policy until a new warranty reimbursement insurance policy becomes effective; and

2. On obtaining a new warranty reimbursement insurance policy, file a copy of the new warranty reimbursement insurance policy with the Division.

(d) Guarantee of obligations.- If a warrantor elects to meet its financial obligation in accordance with subsection (a)(2) of this section, the warrantor's parent company shall guarantee the obligations of the warrantor for the vehicle protection product warranties issued by the warrantor in the State. [2007, ch. 407.]

§ 14-4A-08. Vehicle protection product warranty.

(a) Requirements.- A vehicle protection product warranty shall state:

(1) One of the following, as applicable:

(i) "The obligations of the warrantor to the warranty holder under this vehicle protection product warranty are guaranteed under a warranty reimbursement insurance policy. In the event payment due under the terms of the vehicle protection product warranty is not provided by the warrantor within 60 days after proof of loss has been filed by the warranty holder in accordance with the terms of the vehicle protection product warranty, the warranty holder may file a claim directly with the insurer that issued the warranty reimbursement insurance policy."; or

(ii) "The obligations of the warrantor to the warranty holder under this vehicle protection product warranty are backed by the full faith and credit of the warrantor.";

(2) The name and address of the insurer that issued the warranty reimbursement insurance policy to the warrantor, if applicable;

(3) The name and address of the warrantor, the seller of the vehicle protection product, and the warranty holder;

(4) The purchase price and terms of the vehicle protection product warranty, including a recital of the warrantor's obligations under the vehicle protection product warranty;

(5) The duration of the warranty period measured by time or, if practicable, by some measure of usage such as mileage;

(6) The procedure for making a claim, including a telephone number the warranty holder may call to make a claim;

(7) The payments or services to be provided under the vehicle protection product warranty, including payments for incidental costs, the manner of calculating or determining the payments to be provided, and any limitations, exceptions, or exclusions;

(8) The duties of the warranty holder, including:

(i) Protection of the vehicle from damage;

(ii) Notification to the warrantor in advance of any repair; and

(iii) Any other similar duty;

(9) Any terms, restrictions, or conditions relating to the transfer of the vehicle protection product warranty; and

(10) The terms and conditions governing cancellation of the vehicle protection product.

(b) Statement.- A vehicle protection product warranty shall include, in a prominent location, the following statement:

"This agreement is a product warranty and is not insurance."

(c) Written copy.- If the sale of a vehicle protection product includes a vehicle protection product warranty, the seller of the vehicle protection product or the warrantor shall provide to the purchaser:

(1) At the time of sale, a written copy of the vehicle protection product warranty; or

(2) (i) At the time of sale, a receipt or other written evidence of the purchase of the vehicle protection product; and

(ii) Within 30 days after the date of the purchase, a written copy of the vehicle protection product warranty.

(d) Information required under subsection (a)(3) and (5).- The information required under subsection (a)(3) and (5) of this section may be added to or stamped on the vehicle protection product warranty instead of being preprinted on the vehicle protection product warranty.

(e) Negotiation of warranty terms.- At the time of purchase of a vehicle protection product, a warrantor may negotiate with the purchaser the purchase price and terms of the vehicle protection product warranty.

(f) Reimbursement of incidental costs.- A vehicle protection product warranty may provide for the reimbursement of incidental costs incurred by the warranty holder:

(1) In a fixed amount specified in the vehicle protection product warranty; or

(2) According to a formula that itemizes specific incidental costs incurred by the warranty holder. [2007, ch. 407.]

§ 14-4A-09. Usage of certain terms.

(a) Prohibited words.- Unless authorized by the Maryland Insurance Commissioner to engage in the insurance business in the State, a warrantor may not use the following words in its name, contracts, or literature:

(1) "Insurance";

(2) "Casualty";

(3) "Surety";

(4) "Mutual"; or

(5) Any other words that are:

(i) Descriptive of the insurance, casualty, or surety business; or

(ii) Deceptively similar to the name or description of an insurer, a surety corporation, or another warrantor.

(b) Usage of "guaranty".- A warrantor may use the term "guaranty" or a similar word in the warrantor's name. [2007, ch. 407.]

§ 14-4A-10. Requiring purchase of vehicle protection product prohibited.

A vehicle protection product seller or a warrantor may not require, as a condition of the sale or financing of a vehicle, that the purchaser of the vehicle buy a vehicle protection product. [2007, ch. 407.]

§ 14-4A-11. Settlement of disputes.

A warrantor that establishes an informal dispute settlement procedure may elect to settle vehicle protection product warranty disputes in coordination with a private mediation services provider or the Division. [2007, ch. 407.]

§ 14-4A-12. Liabilities and duties.

A warrantor is:

- (1) Liable to the warranty holder for any wrongful breach of a vehicle protection product warranty; and
- (2) Under a duty to:
 - (i) Comply with the requirements of this subtitle; and
 - (ii) Compensate the warranty holder for all reasonable incidental expenses incurred as a result of the breach. [2007, ch. 407.]

§ 14-4A-13. Violations of subtitle.

(a) In general.- A violation of this subtitle:

- (1) Is an unfair or deceptive trade practice within the meaning of Title 13 of this article; and

- (2) Except for § 13-410 of this article, is subject to the enforcement and penalty provisions contained in Title 13 of this article.

(b) Fine.- A warrantor that violates the provisions of this subtitle is subject to a fine of \$500 for each violation, not exceeding \$10,000 for all violations.

(c) Separate violation.- For purposes of this section, each individual failure to comply with the requirements of this subtitle is a separate violation. [2007, ch. 407.]

§ 14-4A-14. Short title.

This subtitle may be cited as the Vehicle Protection Products Act. [2007, ch. 407.]