



Travis Moore, General Counsel
Written Testimony in Support of Amendments
to North Dakota HB 1228

1/18/2023

Introduction

Chairman Louser and members of the House Industry, Business, and Labor Committee. My name is Travis Moore, and I am General Counsel for the Service Contract Industry Council (SCIC). Thank you for the opportunity to testify in support of amendments to HB 1228.

Background

The SCIC is the national trade association representing providers, administrators, and sellers of service contracts covering motor vehicles, homes, and consumer goods. The association was established in 1991 and has collaborated with lawmakers and regulators around the country as well as the National Association of Insurance Commissioners (“NAIC”) in defining and regulating service contracts throughout the country. The SCIC monitors state legislative and regulatory activities, contributes to relevant legislative and administrative proceedings, and educates businesses and consumers about the value and benefits of service contracts.

About Service Contracts

Also known as “home warranties,” “extended warranties” or “extended service plans,” service contracts are popular among consumers as a cost-effective way to protect electronic devices, consumer goods, appliances and new and used autos beyond the terms provided by the manufacturer’s or seller’s original warranty. Approximately 250 million are sold annually nationwide, spanning:

- Protection afforded for **consumer goods** can include discounted product repair, product (e.g., phone) replacement, access to pre-qualified technicians, accidental damage from handling and 24-hour technical assistance.
- On the **home** front, typical service contracts cover repair or replacement of a home’s major systems, such as heating, air conditioning, electrical and plumbing and major appliances.
- Traditional **vehicle** service contracts provide reimbursement for operational or structural failure, as well as some incidental payment of indemnity benefits, such as emergency roadside and towing assistance.

In addition to protecting their assets and helping stabilize household cashflows, high accessibility affords

consumers with a convenient means to secure their peace of mind.

In North Dakota, service contracts are clearly defined in section 9-01-21 of the North Dakota Century Code. The definition is substantially similar to that promulgated by the NAIC and utilized in the vast majority of states. The definition further includes specific perils that, although they may resemble insurance, are better suited to the service contract model. This definition recognizes both the similarity to, and the importance of distinguishing these products from insurance.

Automatic Renewal

Automatic renewal provisions are an essential component of many service contracts. Like insurance, service contracts provide coverage for potentially costly repairs and help consumers spread out the cost of maintaining and repairing certain goods and systems. Any lapse in coverage means a consumer may be on the hook for those repairs unexpectedly. Imagine your house burning down and realizing you forgot to renew your homeowner's insurance. Fortunately, these types of insurance products automatically renew so you don't have to worry about that. Now, imagine your furnace breaks down unexpectedly. It isn't an insurable event, and the original manufacturer warranty is expired. Fortunately, you have a service contract to help cover the cost of repairs. By automatically renewing, the coverage provided by service contracts is always there for consumers. This is true of homes, vehicles, and the various consumer goods protected by these products.

While HB 1228 does not prohibit automatic renewal, we are concerned that the added requirements could cause some providers to not include automatic renewal clauses in their contracts. This would be to the detriment of North Dakota consumers as described above. We are aware of various instances where automatic renewal clauses are abused by purveyors of certain goods or services. To that end, we support this legislation and would hope to end abusive practices by bad actors. However, the service contract industry has for many years offered automatically renewing contracts without issue. Cancellation anytime, notice and pro rata refunds are standard practices throughout the industry. Therefore, we propose that HB 1228 be amended to include the following exemption:

"Any person or entity providing a property service contract as described in section 9-01-21 or an affiliate of that person or entity."

Conclusion

The SCIC supports the objective of HB 1228 and applauds the effort to stop abusive automatic renewal practices. We respectfully request that the importance of automatic renewal for certain industries be considered in including exemptions to this bill.

I'm happy to answer any questions the committee may have on this testimony,

Thank you,

Travis Moore