

## Article - Transportation

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§15–311.2.

(a) (1) For the purposes of this section, the term “mechanical repair contract” means any agreement or contract sold by a licensed vehicle dealer under which a specified provider agrees to perform over a fixed period of time, for a specific duration and for a specific identifiable price, services relating to the maintenance or repair of a motor vehicle, provided that the purchase of the contract is optional to the purchaser.

(2) The term “mechanical repair contract” includes, but is not limited to, extended warranties and extended service contracts.

(b) (1) A provider of services under a mechanical repair contract shall maintain adequate insurance reserves, as defined by the Insurance Commissioner, for each such contract for the protection of the purchasing consumer. A policy of insurance providing coverage for all obligations and liabilities incurred by a provider under the terms of a mechanical repair contract shall constitute adequate insurance reserves.

(2) The reserves shall be maintained with an insurer authorized to do business in Maryland on an admitted or surplus lines basis.

(3) A purchaser of a mechanical repair contract shall be entitled to make a direct claim against the insurer issuing a policy of insurance under this subsection upon failure of the specified provider to pay any claim or make any refund or consideration due within 60 days after the proof is filed with the provider.

(c) A mechanical repair contract shall be offered in addition to any express warranty originally included as part of the contract for sale of a new motor vehicle.

(d) A mechanical repair contract shall clearly and conspicuously set forth the date when the warranty begins.

(e) A mechanical repair contract shall clearly and conspicuously set forth the date or the odometer reading at which the warranty expires and the name and address of the insurer issuing the policy of insurance as described in subsection (b) of this section.

(f) The repair of a malfunction or defect covered under a mechanical repair contract shall include the cost of the teardown and diagnosing the malfunction or defect.

(g) The provisions of the Maryland Consumer Products Guaranty Act, Title 14, Subtitle 4 of the Commercial Law Article, apply to a mechanical repair contract sold by a licensed vehicle dealer.

(h) The provisions of this section do not apply to mechanical repair contracts issued by the motor vehicle manufacturer or the distributor or a wholly owned

subsidiary of the manufacturer or the distributor as defined in § 15-201 of this title.

(i) Notwithstanding subsection (h) of this section, licensed vehicle dealers who sell mechanical repair contracts shall have the same obligations as a seller under § 2-314 of the Commercial Law Article.

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