



**Auto Consumer Alliance**  
13900 Laurel Lakes Avenue, Suite 100  
Laurel, MD 20707

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**Testimony to the Senate Finance Committee**  
**HB 1046 – Mechanical Repair Contracts – Technical Service Bulletins**  
**Position: Favorable**

The Honorable Pam Beidle  
Senate Finance Committee  
3 East, Miller Senate Building  
Annapolis, MD 21401  
cc: Members, Senate Finance Committee

March 25, 2025

**Honorable Chair Beidle and Members of the Committee:**

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to secure safety, transparency, and fair treatment for Maryland drivers and consumers.

We support **HB 1046** because it will protect some consumers against unfair coverage denials under Vehicle Service Contracts for serious and expensive repair issues that manufacturers may have cited in the Technical Service Bulletins (TSBs) about defects and repair issues that car manufacturers often send to their dealers.

Consumers often complain about being treated unfairly by Vehicle Service Contract providers – and not just by the annoying spam calls and emails many of us receive, pushing us again and again to buy or renew such contracts. Consumer advisors often note that VSC's lack the kind of consumer protection federal law gives to auto warranties and tend to be a bad deal financially for consumers.<sup>1</sup> And many of those who've bought the contracts report being surprised by seemingly arbitrary exclusions in their coverage; like Delegate Bagnall, many drivers are shocked and financially hurt when they learn that their VSC provider will not cover some expensive repair because it may have been mentioned in a service bulletin or for some other dubious reason.

Indeed, in July 2024, the Federal Trade Commission fined CarShield (one of the leading VSC vendors) \$10 million for misleading marketing, and because "many purchasers found that many repairs were not 'covered,' despite making payment of up to \$120 per month."<sup>2</sup> In a 2021 study the Better Business Bureau of Missouri reported receiving more than 15,000 consumer complaints about VSCs just from within its own territory; the BBB found that "reports of misleading mail solicitations, high-pressure sales pitches and denial of previously promised coverage claims [by VSC providers] are common."<sup>3</sup>

Preventing VSC providers from refusing to pay for a repair otherwise covered by the service contract, as **HB 1046** would do, would certainly protect some drivers against some of these unfair

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<sup>1</sup> <https://www.consumerreports.org/cars/car-repair/get-an-extended-warranty-for-your-car-a1570471227/>

<sup>22</sup> <https://www.ftc.gov/news-events/news/press-releases/2024/07/carshield-nationwide-seller-vehicle-service-contracts-pay-10-million-resolve-federal-trade>

<sup>3</sup> <https://www.bbb.org/content/dam/0734-st-louis/vsc-study/VEHICLE%20SERVICE%20CONTRACT%20INDUSTRY%20v8.pdf>



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coverage denials – which can leave drivers stuck with bills for hundreds or even thousands of dollars for repairs they thought their service contracts would cover.

Such service bulletins often address serious car defects that manufacturers have learned about as drivers bring their cars in for repairs from their dealers. If a defect leads to a safety recall, manufacturers are required to provide repairs – at no expense to the car owner. But they are under no such obligation to do so for that great majority of problems cited in service bulletins that don't ever prompt a formal safety recall. While manufacturers sometimes do offer warranty extensions or service campaigns to help their customers get such defects fixed, they are under no legal obligation to do so – and in fact such warranty campaigns are relatively unusual.

So, when a service contract provider refuses to pay for a repair simply because the issue was cited in a service bulletin, a car owner whose vehicle isn't covered by the vehicle's original warranty will usually be stuck either paying out of pocket for an expensive repair or replacing the vehicle, which is likely to be even more costly.

By barring VSC providers from denying claims just because the repair issue "was identified in a technical service bulletin," **HB 1046** will work to prevent such unfair and costly claims denials.

**We support HB 1046 and ask you to give it a FAVORABLE report.**

Sincerely,

Franz Schneiderman  
Consumer Auto