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**By: Delegates Branch, Fulton, and C. Mitchell**

Introduced and read first time: January 15, 1996

Assigned to: Commerce and Government Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Motor Vehicle Dealers - Extended Warranties - Coverage**

3 FOR the purpose of requiring a mechanical repair contract sold by a motor vehicle dealer  
4 to cover all costs related to determining whether a malfunction or defect is covered  
5 under the warranty; requiring a mechanical repair contract to continue to cover  
6 certain malfunctions or defects under certain circumstances after the warranty  
7 period terminates; requiring a mechanical repair contract to specify certain  
8 procedures; making stylistic changes; and generally relating to mechanical repair  
9 contracts.

10 BY repealing and reenacting, with amendments,  
11 Article - Transportation  
12 Section 15-311.2  
13 Annotated Code of Maryland  
14 (1992 Replacement Volume and 1995 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Transportation**

18 15-311.2.

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

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

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

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

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

7                   (c) [Any extended warranty or] A mechanical repair contract shall be offered in  
8 addition to any express warranty originally included as part of the contract for sale of a  
9 new motor vehicle.

10                  (d) [Any extended warranty or] A mechanical repair contract shall clearly and  
11 conspicuously set forth the date when the warranty begins.

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

16                  (F) A MECHANICAL REPAIR CONTRACT SHALL COVER THE COST OF  
17 DETERMINING WHETHER A MALFUNCTION OR DEFECT IS COVERED UNDER THE  
18 WARRANTY.

19                  (G) (1) AFTER THE WARRANTY PERIOD TERMINATES, A MECHANICAL  
20 REPAIR CONTRACT SHALL CONTINUE TO COVER THE REPAIR OF A MALFUNCTION  
21 OR DEFECT THAT WAS COVERED UNDER THE WARRANTY IF, DURING THE  
22 WARRANTY PERIOD, THE CONSUMER HAS SENT WRITTEN NOTICE OF THE  
23 MALFUNCTION OR DEFECT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO  
24 THE SPECIFIED PROVIDER OF SERVICES.

25                  (2) A MECHANICAL REPAIR CONTRACT SHALL CLEARLY AND  
26 CONSPICUOUSLY SPECIFY THE NOTIFICATION PROCEDURE TO BE FOLLOWED  
27 UNDER PARAGRAPH (1) OF THIS SUBSECTION.

28                  [(f)] (H) The provisions of this section do not apply to mechanical repair  
29 contracts issued by the motor vehicle manufacturer or the distributor or a wholly owned  
30 subsidiary of the manufacturer or the distributor as defined in § 15-201 of this title.

31                  [(g)] (I) Notwithstanding subsection [(f)] (H) of this section, licensed vehicle  
32 dealers who sell mechanical repair contracts shall have the same obligations as a seller  
33 under § 2-314 of the Commercial Law Article.

34                  SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
35 October 1, 1996.