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To: The Honorable C. T. Wilson
Chair, Economic Matters Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 1046 – Insurance Protections for Vehicle Service Contracts (FAVORABLE WITH AMENDMENTS)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 1046 submitted by Delegate Heather Bagnall with the amendments discussed below. The bill as currently written would prevent licensed vehicle dealers, obligors and agents that sell mechanical repair contracts for motor vehicles from making deceptive or misleading statements regarding a mechanical repair contract. The bill would further make these same parties responsible for ensuring that the testimony of endorsers of these contracts is also not misleading or deceptive. However, the Consumer Protection Act already prohibits such deceptive or misleading statements.

In discussions with the sponsor, the Division learned that some extended warranties do not cover claims if the auto manufacturer has issued a Technical Service Bulletin (TSB) related to the defect. A TSB is a document that provides instructions to dealers for repairing non-safety related problems. TSBs are usually issued by manufacturers when a problem occurs in multiple vehicles that does not rise to the level of a recall. While manufacturers are required to notify consumers of a recall; manufacturers and dealers are not required to disclose TSBs to consumers.

Auto manufacturers create TSBs after receiving multiple complaints or warranty claims about a problem, even if they do not currently have a solution to that problem. They can apply to a specific model or an entire product line and generally include instructions for repairs, software updates or modifications.

These bulletins are issued to repair shops and dealerships, but most consumers are unaware when a TSB has been issued that may affect their vehicle. As a result, when a problem occurs, it is usually too late to take the necessary precautions to have the manufacturer or dealer repair the item described in the TSB. In addition, if the vehicle is outside of the manufacturer warranty, these may be very expensive to repair and leave a consumer with no recourse if the vehicle service contract denies coverage solely based on the existence of a TSB.

Consequently, the Division understands that the sponsor intends to amend HB 1046 to prohibit an extended warranty from excluding coverage for a repair solely because the manufacturer has issued a TSB. This is especially necessary because there is no requirement that consumers be made aware that such a TSB even exists.

For these reasons, we ask that the Economic Matters Committee issue a favorable report on this bill with the amendment discussed above.

cc: The Honorable Heather Bagnall
Members, Economic Matters Committee