



**Auto Consumer Alliance**  
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**Testimony to the House Economic Matters Committee  
HB 1046 – Insurance Protections for Vehicle Service Contracts  
Position: Favorable With Amendments**

The Honorable C.T. Wilson  
House Economic Matters Committee  
251 Lowe House Office Building  
Annapolis, MD 21401  
cc: Members, House Economic Matters Committee

Feb. 19, 2025

**Honorable Chair Wilson 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, as Del. Bagnall's office proposes to amend the bill, it will protect some consumers against unfair coverage denials under Vehicle Service Contracts and review ways to help car buyers get better access to the important safety concerns raised in the Technical Service Bulletins (TSBs) 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 arbitrarily 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 using TSBs as a rationale for refusing to cover claims would certainly protect some drivers against unfair coverage denials. At the same time, drivers could certainly benefit from better access to the safety information in those service bulletins.

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

<sup>2</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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Most consumers today know that many vehicles are subject to safety recalls – and many know they should check for outstanding recalls issues before buying a used vehicle. But few know that manufacturers often send dealers other communications about issues that impact the safety, reliability and durability of their vehicles. These may be called “technical service bulletins” or “service campaigns” or “warranty extensions” or “warranty adjustments” or other things. They address problems that have not yet – and may never – become recalls but often cause significant safety hazards and threats to the value and usefulness of the vehicle.<sup>4</sup>

In an infamous case, Chevrolet continued to sell several million cars with a deadly defect in their ignition switch for years after it began issuing service bulletins notifying dealers about the problem. The first service bulletin was issued in 2005. But this information was not made public until the cars were finally recalled in 2014.<sup>5</sup> At least 124 people were killed and 275 seriously injured as a result of this defect<sup>6</sup> – and many of those losses could have been prevented if the information had been available to the public somewhere close to when the first service bulletins were issued.

To help consumers get such information, Consumer Auto in 2016 led the successful effort to pass legislation that prohibits manufacturers from punishing Maryland car dealers for sharing such information with sales or services customers. Nationally, after years of work by advocates and lawsuits pressuring federal auto safety regulators to implement federal laws mandating that they make such information available to the public, the National Highway Traffic Safety Administration (NHTSA) has now made much of that information available online on its recall look-up site.<sup>7</sup> Those reforms make much better information about the problems detailed in Technical Service Bulletins available to consumers today – and that is a step forward. But sadly, few consumers know that such information is available or know why it might be important to them or how to find it.

As drafted originally, **HB 1046** wouldn't really provide new protections for consumers -- because misleading representations about VSCs (like other deceptive representations) would already be a violation of MD's Consumer Protection Act. But amending **HB 1046** to study ways to make the information in TSB's much more accessible to Maryland car buyers and to prevent VSCs from using service bulletins (and perhaps other arbitrary rationales) for denying repair coverage to their customers would give Maryland drivers significant new protections.

**We support HB 1046 with amendments, and ask you to give it an FWA report.**

Sincerely,  
Franz Schneiderman  
Consumer Auto

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<sup>4</sup> <https://www.consumerreports.org/car-repair-maintenance/how-to-get-a-technical-service-bulletin-tsb-for-free/>

<sup>5</sup> <https://www.nytimes.com/interactive/2014/05/18/business/gms-ignition-problem-who-knew-what-when.html>

<sup>6</sup> <https://www.caranddriver.com/news/a15353429/gm-ignition-switch-review-complete-124-fatalities-274-injuries/>

<sup>7</sup> <https://www.consumerreports.org/car-repair-maintenance/how-to-get-a-technical-service-bulletin-tsb-for-free/>