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Public Health and
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

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HB1046 – Insurance Protections for Vehicle Service Contracts

Chairman, Vice Chair, and members of the Economic Matters Committee. Thank you for the opportunity to present House Bill 1046.

You may recall [HB695](#) (2024), which would have required consumers be notified of technical service bulletins (TSB's) for a motor vehicle at the point of sale of the vehicle. HB1046 tackles a related issue regarding the relationship between TSB's and vehicle service contracts.

Vehicle service contracts (VSC's) purport to cover the cost of unexpected repairs on vehicles with expired manufacturer warranties. The terms of these contracts vary widely in price, length, and coverage. In theory, VSC's offer peace of mind and financial protections to consumers looking to hedge themselves against pricey vehicle repairs. However, in practice, vendors will obscure the true extent of VSC coverage, leaving customers frustrated and without the protections they expect.

In 2024, the FTC filed a complaint against VSC vendor, CarShield, for their deceptive advertising practices. The FTC outlined CarShield's efforts to misrepresent the terms of their contracts and falsely suggest they offer comprehensive coverage for repairs. Additionally, the company also paid for the endorsements of celebrity spokespeople, who despite never using the product, claimed to have saved money with a CarShield VSC. To address the complaint CarShield, and the administrator of its VSCs, entered a settlement with the FTC that included a \$10 million dollar monetary judgement and the implementation of consumer protection guidelines.

Pursuant to these actions at the federal level, House Bill 1046 looks to provide clearer protections for consumers who choose to enter a VSC for their car. The bill as written would codify consumer protections by prohibiting VSC vendors from making deceptive and misleading statements, and requiring them to ensure their endorsers' testimonials are truthful, accurate, and not deceptive. I learned recently that the language requested from drafting is duplicative with existing consumer protection law; however, in working with OAG's consumer protections division, there remains a gap in protections for Marylanders. My intent for the bill is to build on last year's idea of providing consumer protections for and increasing awareness of TSB's; to that end, I have requested two amendments for HB1046.

The first amendment is to prohibit VSC's from using TSB's as justification for denials. One of the ways in which current law fails to provide those protections for consumers is in how they

regulate VSC's with regards to TSB's. Many VSC's *do* provide coverage for TSB's; however, some VSC's contain language preventing coverage of TSB's since they consider TSB's a "notice of manufacturer responsibility," in the same vein as a recall. This is deceptive, as a TSB is not an admittance of responsibility by a manufacturer to fix an issue with a vehicle. Prohibiting TSB's from being used as justification for denial of service under a VSC would address this gap in responsibility.

The second amendment is to create a workgroup to provide recommendations on the best way to provide notice of TSB's to consumers. This is a more direct continuation of last year's bill; while we came close to a workable bill, we need stakeholders to come to the table and provide input on this issue so we can find a solution that gives consumers the information they need to make informed car purchases.

HB1046 will promote transparency in the industry and ensure Marylanders have the information they need to make an informed decision when purchasing vehicles and entering VSC's. I respectfully ask for a favorable report on HB1046, with proposed amendments.