

REQUIRED PROVISIONS OF THE SERVICE CONTRACT

1. Service contracts sold or offered for sale in this state, in their entirety, shall be written, printed, or typed in eight point type size, or larger.

2. Service contracts insured under a reimbursement insurance policy pursuant to Section 8-32-3(f)(1), Code of Alabama, 1975, shall contain a statement in substantially the following form:

“Obligations of the provider under this service contract are guaranteed under a service contract reimbursement insurance policy.”

If the provider fails to pay or to provide service on a claim within 60 days after proof of loss has been filed, the service contract holder is entitled to make a claim directly against the reimbursement insurance company. The service contract shall state the name and address of the reimbursement insurance company.

3. Service contracts not insured under a reimbursement insurance policy pursuant to Section 8-32-3(f)(1), Code of Alabama, 1975, shall contain a statement in substantially the following form:

“Obligations of the provider under this service contract are backed by the full faith and credit of the provider.”

4. Service contracts shall state the name and address of the provider, and shall identify any administrator, the service contract seller, and the service contract holder to the extent that the name and address of the service contract holder has been furnished by the service contract holder. Neither the name of the service contract seller nor other provisions are required to be preprinted on the service contract and may be added to the service contract at the time of sale.

5. Service contracts shall state the purchase price of the service contract, the term of the service contract and any applicable renewal provisions. Neither the purchase price nor any other provisions are required to be pre-printed on the service contract and may be negotiated at the time of sale with the service contract holder.

6. If the provider will reimburse the contract holder for repair work performed by third parties and if prior approval of repair work is required, (i) the service contract shall state the procedure for obtaining prior approval and for making a claim, including a toll-free telephone number for claim service and (ii) if the service contract provides services essential to public health, or welfare, the service contract shall either provide for 24-hour telephone assistance, or state the procedure for obtaining emergency repairs performed outside of normal business hours.

7. Service contracts shall state the existence of any deductible amount, if applicable.

8. Service contracts shall describe the property upon which the services are to be provided, the services to be provided and any limitations, exceptions, or exclusions to the services to be provided.

9. Service contracts shall state whether the use of non-original manufacturer's parts is allowed.

10. Service contracts shall state any restrictions governing the transferability of the service contract.

11. Service contracts shall state the terms, restrictions, or conditions governing cancellation of the service contract prior to the termination or expiration date of the service contract by either the provider or by the service contract holder. The provider of the service contract shall mail a written notice to the service contract holder at the last known address of the service contract holder contained in the records of the provider at least five days prior to cancellation by the provider. Prior notice is not required if the reason for cancellation is nonpayment of the provider fee or a material misrepresentation by the service contract holder to the provider relating to the covered property or its use. The notice shall state the effective date of the cancellation and the reason for the cancellation.

12. Service contracts shall set forth the obligations and duties of the service contract holder relating to the property covered by the service contract.

13. Service contracts shall state whether or not the service contract provides for or excludes consequential damages or preexisting conditions, to the extent applicable.

14. Service contracts may contain other provisions as determined by the provider.

THE MANDATORY FREE LOOK PROVISION

Service contracts shall require the provider to permit the service contract holder to return the service contract within no less than 20 days of the date the service contract was mailed to the service contract holder or within no less than 10 days of delivery if the service contract is delivered to the service contract holder at the time of sale. Upon return of the service contract to the provider within the applicable time period, if no claim has been made under the service contract prior to its return to the provider, the service contract is void and the provider shall refund to the service contract holder the full purchase price of the service contract including any premium paid for any applicable reimbursement insurance policy. Any refund due a service contract holder may be credited to any outstanding balance of the account of the service contract holder, and the excess, if any, shall be refunded to the service contract holder. The right to void the service contract provided in Section 8-32-3(g), Code of Alabama, 1975, is not transferable and shall apply only to the original service contract purchaser, and only if no claim has been made prior to its return to the provider. A 10 percent penalty per

month shall be added to a refund that is not paid or credited within 45 days after return of the service contract to the provider.

In the event the original service contract holder makes a written demand for cancellation of a service contract pursuant to the terms of the service contract, the provider shall refund to the service contract holder the unearned portion of the full purchase price of the service contract including the unearned portion of any premium paid for any applicable reimbursement insurance policy. Any refund due a service contract holder may be credited to any outstanding balance of the account of the service contract holder, and the excess, if any, shall be refunded to the service contract holder. If the original contract purchaser or a contract holder elects cancellation, the provider may retain an administrative fee of up to twenty-five dollars (\$25) for issuance of the service contract if such fee is provided for in the service contract; however, this amount may not be deducted in the event the service contract is terminated pursuant to the provisions of Section 8-32-3(g), Code of Alabama, 1975.

PREMIUM TAXES

- (1) Provider fees are not subject to premium taxes.
- (2) Premiums for reimbursement insurance policies are subject to applicable taxes.

MISCELLANEOUS PROVISIONS

Except for the registration requirement in Section 8-32-3(c), Code of Alabama, 1975, providers, administrators, and other persons marketing, selling or offering to sell service contracts for providers are exempt from any licensing requirements of this state.

Providers are not required to comply with any provision of Title 27, Code of Alabama, 1975.

PROHIBITED ACTS

A provider shall not use in its name the words "insurance", "casualty", "surety", "mutual" or any other words descriptive of the insurance, casualty or surety business; or a name deceptively similar to the name or description of any insurance or surety corporation, or to the name of any other provider. The word "guaranty" or similar word may be used by a provider.