

SENATE BILL 1582

By Lowe

AN ACT to amend Tennessee Code Annotated, Title 47;
Title 55, Chapter 24 and Title 56, relative to motor
vehicle warranties.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, is amended by adding the following
as a new chapter:

56-62-101.

As used in this chapter:

(1) "Commissioner" means the commissioner of commerce and
insurance;

(2) "Department" means the department of commerce and insurance;

(3) "Extended warranty" means a warranty policy that extends beyond
the factory warranty for a motor vehicle and provides protection against defects,
malfunctions, or other failures of the motor vehicle;

(4) "Extended warranty reimbursement insurance policy" or
"reimbursement policy" means a policy of insurance that is issued to the
warrantor to provide reimbursement to the warranty holder, or to pay on behalf of
the warrantor, all covered contractual obligations incurred by the warranty holder
under the terms and conditions of the extended warranty sold by the warrantor;

(5) "Premium" means the price paid to purchase an extended warranty,
paid with a one-time lump sum or structured, periodic payments;

(6) "Warranty holder" means the individual or entity that purchased the
extended warranty, or a permitted transferee; and

(7) "Warrantor" means the provider of the extended warranty policy.

56-62-102.

A company offering an extended warranty for a motor vehicle shall have an extended warranty reimbursement insurance policy that provides that the insurer will pay to, or on behalf of, the warrantor one hundred percent (100%) of all sums that the warrantor is legally obligated to pay according to the warrantor's contractual obligations under the warrantor's extended warranty.

56-62-103.

(a) A company offering an extended warranty for a motor vehicle shall provide a list and schedule of the required maintenance for the motor vehicle that must be followed by the warranty holder to maintain the extended warranty policy. The list and schedule must be provided at the time of purchase of the extended warranty.

(b) If the extended warranty is voided, including due to the warranty holder's failure to comply with the maintenance schedule described in subsection (a), then the warrantor shall refund all premiums paid by the warranty holder up to the date that the extended warranty is voided.

56-62-104.

(a)

(1) A warrantor shall keep accurate accounts, books, and records concerning transactions regulated under this chapter.

(2) The accounts, books, and records required under subdivision (a)(1) must include:

(A) A copy of each extended warranty policy entered into by the warrantor;

(B) The name and address of the warranty holder; and

(C) The dates, amounts, and descriptions of all receipts, claims, and expenditures.

(b) A warrantor shall retain the accounts, books, and records required under subsection (a) for at least two (2) years after the specified period of coverage has expired. A warrantor discontinuing business in this state shall maintain the accounts, books, and records until the warrantor furnishes to the commissioner satisfactory proof that the warrantor has discharged all obligations to its warranty holders in this state.

(c) A warrantor shall make all accounts, books, and records concerning transactions regulated under this chapter available to the commissioner for examination.

56-62-105.

(a)

(1) The commissioner may conduct an examination of a warrantor, administrator for a warrantor, or another appropriate individual to enforce this chapter. Upon request of the commissioner, a warrantor shall make available to the commissioner all accounts, books, and records concerning extended warranties sold by the warrantor that are necessary to enable the commissioner to reasonably determine compliance or noncompliance with this chapter.

(2) A warrantor, administrator for a warrantor, or another appropriate individual who is examined shall pay the appropriate and reasonable costs incurred by the commissioner during the examination, including the compensation of an expert, actuary, examiner, or another individual that may be contracted for by the commissioner or the commissioner's designated appointee for the purpose of assisting in the examination. The compensation must be fixed at a reasonable amount, commensurate with usual compensation for like

services, and must be contracted for in accordance with applicable state contracting procedures, if applicable.

(b)

(1) If a warrantor or individual violates this chapter and the commissioner reasonably believes the violation threatens to cause irreparable loss or injury to the property or business of an individual or entity located in this state, the commissioner may issue:

(A) An order directed to the warrantor to cease and desist from engaging in further acts, practices, or transactions that are causing the conduct;

(B) An order prohibiting the warrantor from selling, or offering for sale, an extended warranty in violation of this chapter;

(C) An order imposing a civil penalty on the warrantor; or

(D) A combination of the orders described in subdivisions

(b)(1)(A)-(C).

(2) The commissioner may also bring an action in a court of competent jurisdiction for the following:

(A) An injunction;

(B) To enjoin a threatened or existing violation of this chapter or rules promulgated pursuant to this chapter; or

(C) Restitution on behalf of an individual or entity aggrieved by a violation of this chapter.

(3) A warrantor or individual who is found to have violated this chapter may be ordered to pay a civil penalty in an amount determined by the commissioner, not to exceed five thousand dollars (\$5,000) per violation.

(4) A hearing held or other action taken pursuant to this chapter must be held or taken in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

SECTION 2. This act takes effect July 1, 2024, the public welfare requiring it, and applies to extended warranties issued on or after that date.