

SENATE BILL NO. 381—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 2021

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions relating to service contracts. (BDR 57-1009)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to service contracts; revising provisions relating to service contracts and providers of service contracts; setting forth various requirements and restrictions for providers of home service contracts; revising certain fees for providers of service contracts; setting forth certain requirements relating to the payment of a refund to the holder of a service contract who cancels or returns the service contract; setting forth certain requirements for the content of a service contract; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law provides for the registration and regulation of providers of service
2 contracts in this State by the Commissioner of Insurance. (Chapter 690C of NRS)
3 Existing law defines “service contract” to generally mean a contract pursuant to
4 which a provider is obligated for a specified period to a holder to repair, replace or
5 perform maintenance on, or indemnify or reimburse the holder for the costs of
6 repairing, replacing or performing maintenance on, goods that are described in the
7 service contract. (NRS 690C.080) **Sections 11 and 12** of this bill, respectively,
8 revise the definitions of “provider” and “service contract” to, among other things,
9 include the servicing of a good as a service for which a provider may be obligated
10 under a service contract.

11 **Section 12** also revises the definition of “service contract” to include a “home
12 service contract,” which is defined in **section 4** of this bill to generally mean a
13 service contract that covers goods which are household appliances, systems or
14 components. **Section 10** of this bill revises the definition of “goods” to specify that
15 the term includes a household appliance, system or component. **Section 5** of this
16 bill imposes certain requirements on a provider who issues or sells a home service
17 contract relating to claims for services under the contract. **Section 6** of this bill



18 prohibits certain practices by providers who have issued or sold a home service
19 contract.

20 **Section 3.5** of this bill defines “emergency service contract” to mean a home
21 service contract whereby the provider agrees to provide repairs on an expedited
22 basis and within a specified period of time. **Section 6.5** of this bill requires a
23 provider to include certain disclosures in any advertising, sales, marketing or other
24 promotional materials offering a home service contract that is not an emergency
25 service contract.

26 Existing regulations require a provider to refund the unearned purchase price of
27 a service contract to a holder who requests the cancellation of the service contract
28 in accordance with the terms of the contract. Existing regulations authorize a
29 provider to impose a reasonable fee for such a cancellation under certain
30 circumstances. (NAC 690C.120) **Section 7** of this bill codifies these provisions in
31 statute. **Section 7** also provides that, for a home service contract, 10 percent of the
32 purchase price of the contract or \$75, whichever is less, is deemed to be a
33 reasonable cancellation fee. **Section 7** further allows a provider to deduct from the
34 portion of the purchase price that is unearned by the provider any claims paid by
35 the provider during the contract year in which the holder requests the cancellation
36 of the service contract. **Section 18** of this bill revises provisions of existing law
37 which prohibit the cancellation of a service contract from becoming effective until
38 at least 15 days after notice of cancellation is mailed to the holder for the purpose
39 of clarifying this prohibition applies only to the cancellation of a service contract by
40 the provider who issued or sold the contract. (NRS 690C.270)

41 Existing law provides that the sale of a service contract pursuant to the
42 provisions of existing law governing the sale of service contracts to consumers does
43 not constitute the business of insurance for the purposes of certain provisions of
44 federal law that impose civil and criminal penalties upon certain persons engaged in
45 the business of insurance who engage in certain fraudulent activities. (NRS
46 690C.100; 18 U.S.C. §§ 1033-1034) **Section 13** of this bill provides that the sale of
47 a service contract to any other third party also does not constitute the business of
48 insurance for the purposes of those provisions of federal law.

49 Existing law requires a provider who wishes to issue, sell or offer for sale
50 service contracts in this State to pay an initial fee in the amount of \$1,300 at the
51 time of submission of an application for registration and an annual fee in the
52 amount of \$1,300. (NRS 680C.110, 690C.160) **Sections 2 and 14** of this bill
53 instead require a provider to pay an initial fee in the amount of \$2,600 and a
54 biennial fee in the amount of \$2,600. **Section 15** of this bill revises provisions
55 relating to the amount of money that a provider is required to maintain in a reserve
56 account and the amount of a security that a provider is required to deposit with the
57 Commissioner to satisfy certain requirements for the issuance of a certificate of
58 registration. (NRS 690C.170)

59 Existing law sets forth certain requirements for the content of a service
60 contract. (NRS 690C.260) **Section 17** of this bill requires certain additional
61 information to be included in a service contract.

62 **Section 9** of this bill makes a conforming change to indicate the proper
63 placement of new provisions in the Nevada Revised Statutes.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** (Deleted by amendment.)

2 **Sec. 2.** NRS 680C.110 is hereby amended to read as follows:

3 680C.110 1. In addition to any other fee or charge, the
4 Commissioner shall collect in advance and receipt for, and persons
5 so served must pay to the Commissioner, the fees required by this
6 section.

7 2. A fee required by this section must be:

8 (a) If an initial fee, paid at the time of an initial application or
9 issuance of a license, as applicable;

10 (b) Except as otherwise provided in NRS 680A.180, 683A.378,
11 686A.380, ~~690C.160,~~ 694C.230, 695A.080, 695B.135, 695D.150,
12 695H.090 and 696A.150, if an annual fee, paid on or before the date
13 established by regulation of the Commissioner;

14 (c) *If a biennial fee required by subparagraph (2) of*
15 *paragraph (x), paid on or before the date set forth in*
16 *NRS 690C.160;*

17 (d) If a triennial fee, paid on or before the time of continuation,
18 renewal or other similar action in regard to a certificate, license,
19 permit or other type of authorization, as applicable; and

20 ~~[(d)]~~ (e) Deposited in the Fund for Insurance Administration
21 and Enforcement created by NRS 680C.100.

22 3. The fees required pursuant to this section are not refundable.

23 4. The following fees must be paid by the following persons to
24 the Commissioner:

25 (a) Associations of self-insured private employers, as
26 defined in NRS 616A.050:

- 27 (1) Initial fee..... \$1,300
- 28 (2) Annual fee..... \$1,300

29 (b) Associations of self-insured public employers, as
30 defined in NRS 616A.055:

- 31 (1) Initial fee..... \$1,300
- 32 (2) Annual fee..... \$1,300

33 (c) Independent review organizations, as provided for
34 in NRS 616A.469 or 683A.3715, or both:

- 35 (1) Initial fee..... \$60
- 36 (2) Annual fee..... \$60

37 (d) Producers of insurance, as defined in
38 NRS 679A.117:

- 39 (1) Initial fee..... \$60
- 40 (2) Triennial fee..... \$60

41 (e) Reinsurers, as provided for in NRS 681A.1551 or
42 681A.160, as applicable:



1	(1) Initial fee.....	\$1,300
2	(2) Annual fee.....	\$1,300
3	(f) Intermediaries, as defined in NRS 681A.330:	
4	(1) Initial fee.....	\$60
5	(2) Triennial fee.....	\$60
6	(g) Reinsurers, as defined in NRS 681A.370:	
7	(1) Initial fee.....	\$1,300
8	(2) Annual fee.....	\$1,300
9	(h) Administrators, as defined in NRS 683A.025:	
10	(1) Initial fee.....	\$60
11	(2) Triennial fee.....	\$60
12	(i) Managing general agents, as defined in	
13	NRS 683A.060:	
14	(1) Initial fee.....	\$60
15	(2) Triennial fee.....	\$60
16	(j) Agents who perform utilization reviews, as defined	
17	in NRS 683A.376:	
18	(1) Initial fee.....	\$60
19	(2) Annual fee.....	\$60
20	(k) Insurance consultants, as defined in	
21	NRS 683C.010:	
22	(1) Initial fee.....	\$60
23	(2) Triennial fee.....	\$60
24	(l) Independent adjusters, as defined in	
25	NRS 684A.030:	
26	(1) Initial fee.....	\$60
27	(2) Triennial fee.....	\$60
28	(m) Public adjusters, as defined in NRS 684A.030:	
29	(1) Initial fee.....	\$60
30	(2) Triennial fee.....	\$60
31	(n) Motor vehicle physical damage appraisers, as	
32	defined in NRS 684B.010:	
33	(1) Initial fee.....	\$60
34	(2) Triennial fee.....	\$60
35	(o) Brokers, as defined in NRS 685A.031:	
36	(1) Initial fee.....	\$60
37	(2) Triennial fee.....	\$60
38	(p) Companies, as defined in NRS 686A.330:	
39	(1) Initial fee.....	\$1,300
40	(2) Annual fee.....	\$1,300
41	(q) Rate service organizations, as defined in	
42	NRS 686B.020:	
43	(1) Initial fee.....	\$1,300
44	(2) Annual fee.....	\$1,300



1	(r) Brokers of viatical settlements, as defined in	
2	NRS 688C.030:	
3	(1) Initial fee.....	\$60
4	(2) Annual fee.....	\$60
5	(s) Providers of viatical settlements, as defined in	
6	NRS 688C.080:	
7	(1) Initial fee.....	\$60
8	(2) Annual fee.....	\$60
9	(t) Agents for prepaid burial contracts subject to the	
10	provisions of chapter 689 of NRS:	
11	(1) Initial fee.....	\$60
12	(2) Triennial fee.....	\$60
13	(u) Agents for prepaid funeral contracts subject to the	
14	provisions of chapter 689 of NRS:	
15	(1) Initial fee.....	\$60
16	(2) Triennial fee.....	\$60
17	(v) Sellers of prepaid burial contracts subject to the	
18	provisions of chapter 689 of NRS:	
19	(1) Initial fee.....	\$60
20	(2) Triennial fee.....	\$60
21	(w) Sellers of prepaid funeral contracts subject to the	
22	provisions of chapter 689 of NRS:	
23	(1) Initial fee.....	\$60
24	(2) Triennial fee.....	\$60
25	(x) Providers, as defined in NRS 690C.070:	
26	(1) Initial fee.....	[\$1,300] \$2,600
27	(2) [Annual] <i>Biennial</i> fee.....	[\$1,300] \$2,600
28	(y) Escrow officers, as defined in NRS 692A.028:	
29	(1) Initial fee.....	\$60
30	(2) Triennial fee.....	\$60
31	(z) Title agents, as defined in NRS 692A.060:	
32	(1) Initial fee.....	\$60
33	(2) Triennial fee.....	\$60
34	(aa) Captive insurers, as defined in NRS 694C.060:	
35	(1) Initial fee.....	\$250
36	(2) Annual fee.....	\$250
37	(bb) Purchasing groups, as defined in NRS 695E.100:	
38	(1) Initial fee.....	\$250
39	(2) Annual fee.....	\$250
40	(cc) Risk retention groups, as defined in	
41	NRS 695E.110:	
42	(1) Initial fee.....	\$250
43	(2) Annual fee.....	\$250
44	(dd) Medical discount plans, as defined in	
45	NRS 695H.050:	



- 1 (1) Initial fee..... \$1,300
- 2 (2) Annual fee..... \$1,300
- 3 (ee) Club agents, as defined in NRS 696A.040:
- 4 (1) Initial fee..... \$60
- 5 (2) Triennial fee..... \$60
- 6 (ff) Motor clubs, as defined in NRS 696A.050:
- 7 (1) Initial fee..... \$1,300
- 8 (2) Annual fee..... \$1,300
- 9 (gg) Bail agents, as defined in NRS 697.040:
- 10 (1) Initial fee..... \$60
- 11 (2) Triennial fee..... \$60
- 12 (hh) Bail enforcement agents, as defined in
- 13 NRS 697.055:
- 14 (1) Initial fee..... \$60
- 15 (2) Triennial fee..... \$60
- 16 (ii) Bail solicitors, as defined in NRS 697.060:
- 17 (1) Initial fee..... \$60
- 18 (2) Triennial fee..... \$60
- 19 (jj) General agents, as defined in NRS 697.070:
- 20 (1) Initial fee..... \$60
- 21 (2) Triennial fee..... \$60
- 22 (kk) Exchange enrollment facilitators, as defined in
- 23 NRS 695J.050:
- 24 (1) Initial fee..... \$60
- 25 (2) Triennial fee..... \$60
- 26 5. An initial fee of \$1,000 must be paid to the Commissioner
- 27 by each:
- 28 (a) Insurer who is authorized to transact casualty insurance, as
- 29 defined in NRS 681A.020;
- 30 (b) Insurer who is authorized to transact health insurance, as
- 31 defined in NRS 681A.030;
- 32 (c) Insurer who is authorized to transact life insurance, as
- 33 defined in NRS 681A.040;
- 34 (d) Insurer who is authorized to transact property insurance, as
- 35 defined in NRS 681A.060;
- 36 (e) Title insurer, as defined in NRS 692A.070;
- 37 (f) Fraternal benefit society, as defined in NRS 695A.010;
- 38 (g) Corporation subject to the provisions of chapter 695B of
- 39 NRS;
- 40 (h) Health maintenance organization, as defined in
- 41 NRS 695C.030;
- 42 (i) Organization for dental care, as defined in NRS 695D.060;
- 43 and
- 44 (j) Prepaid limited health service organization, as defined in
- 45 NRS 695F.050.



1 6. An insurer who is required to pay an initial fee of \$1,000
2 pursuant to subsection 5 shall also pay to the Commissioner an
3 annual fee in an amount determined by the Commissioner. When
4 determining the amount of the annual fee, the Commissioner must
5 consider:

6 (a) The direct written premiums reported to the Commissioner
7 by the insurer during the previous year;

8 (b) The number of insurers who are required to pay an annual
9 fee pursuant to this subsection;

10 (c) The direct written premiums reported during the previous
11 year by all insurers paying such fees; and

12 (d) The budget of the Division.

13 7. An insurer who is not required to pay an initial or annual fee
14 pursuant to subsection 4 or subsections 5 and 6 shall pay to the
15 Commissioner an initial fee of \$1,300 and an annual fee of \$1,300.

16 **Sec. 3.** Chapter 690C of NRS is hereby amended by adding
17 thereto the provisions set forth as sections 3.5 to 8, inclusive, of this
18 act.

19 **Sec. 3.5.** *“Emergency service contract” means a home*
20 *service contract whereby the provider agrees to provide repairs on*
21 *an expedited basis and within a specified period of time.*

22 **Sec. 4.** *“Home service contract” means a service contract*
23 *which covers goods that are household appliances, systems or*
24 *components. The term includes a contract described in paragraph*
25 *(b) of subsection 2 of NRS 690B.100.*

26 **Sec. 5. 1.** *A provider who has issued or sold a home service*
27 *contract shall conduct and diligently pursue a thorough, fair and*
28 *objective investigation relating to each claim for services under*
29 *the contract and shall not persist in seeking information that is not*
30 *reasonably required for or material to the resolution of a claim.*

31 **2.** *If a holder of a home service contract that is not an*
32 *emergency service contract makes a claim for services involving*
33 *the repair of a heating or cooling system covered by the home*
34 *service contract during a period of extreme heat or cold or any*
35 *other repair of goods covered by the home service contract that*
36 *affect the immediate health and safety of the holder, the provider*
37 *shall:*

38 (a) *Respond to the claim within 24 hours after the receipt of*
39 *the claim; and*

40 (b) *If the provider has not completed the repairs within 72*
41 *hours, the provider shall provide to the holder written procedures*
42 *for expediting the completion of the repairs.*

43 **3.** *If a provider who has issued or sold a home service*
44 *contract denies a claim for services, in whole or in part, the*
45 *provider shall communicate the denial to the holder by mail,*



1 *electronic mail or in any other manner established by the home*
2 *service contract that is written and reproducible.*

3 **Sec. 6.** *A provider who has issued or sold a home services*
4 *contract shall not:*

5 *1. Attempt to settle a claim by making a settlement offer that*
6 *is unreasonably unfair or unreasonably less than the benefits*
7 *described in the home service contract;*

8 *2. Deny a claim based on information obtained in a telephone*
9 *conversation or personal interview with any source unless the*
10 *telephone conversation or personal interview is documented in the*
11 *records relating to the claim that are required to be maintained*
12 *pursuant to NRS 690C.310;*

13 *3. Require that a holder of a home service contract withdraw,*
14 *rescind or refrain from submitting any complaint to the*
15 *Commissioner regarding the handling of a claim or any other*
16 *matter complained of as a condition precedent to the settlement of*
17 *any claim;*

18 *4. Misrepresent or conceal benefits, time limits or other*
19 *provisions of the home service contract; or*

20 *5. Discriminate in its claim management practices based on*
21 *age, race, ethnicity, ancestry, national origin, sex, gender identity*
22 *or expression, religion, income, language or mental or physical*
23 *disability.*

24 **Sec. 6.5.** *If a provider or an agent of a provider uses*
25 *advertising, sales, marketing or other promotional materials to*
26 *offer a home service contract that is not an emergency service*
27 *contract, the materials must contain a statement to the effect that*
28 *the home service contract being offered is not an emergency*
29 *service contract and that services under the contract will be*
30 *provided as soon as commercially and practically feasible.*

31 **Sec. 7.** *1. If a holder who is the original purchaser of a*
32 *service contract submits to the provider a request in writing to*
33 *cancel the service contract in accordance with the terms of the*
34 *contract, the provider shall refund to the holder the portion of the*
35 *purchase price that is unearned by the provider.*

36 *2. If a holder requests the cancellation of a service contract*
37 *pursuant to subsection 1, the provider may impose a reasonable*
38 *cancellation fee if such a fee is provided for in the terms of the*
39 *service contract.*

40 *3. When calculating the amount of a refund pursuant to*
41 *subsection 1, the provider may deduct from the portion of the*
42 *purchase price that is unearned by the provider any:*

43 *(a) Outstanding balance on the account of the holder;*



1 (b) Any claims paid by the provider during the contract year in
2 which the holder requests the cancellation of the service contract;
3 and

4 (c) Cancellation fee imposed pursuant to this section.

5 4. For the cancellation of a service contract that is a home
6 service contract, a cancellation fee of not more than 10 percent of
7 the purchase price of the contract or \$75, whichever is less, shall
8 be deemed to be a reasonable cancellation fee for the purposes of
9 subsection 2.

10 **Sec. 8.** (Deleted by amendment.)

11 **Sec. 9.** NRS 690C.010 is hereby amended to read as follows:

12 690C.010 As used in this chapter, unless the context otherwise
13 requires, the words and terms defined in NRS 690C.020 to
14 690C.080, inclusive, *and sections 3.5 and 4 of this act* have the
15 meanings ascribed to them in those sections.

16 **Sec. 10.** NRS 690C.050 is hereby amended to read as follows:

17 690C.050 “Goods” means all tangible personal property,
18 whether movable at the time of purchase or a fixture, that is used
19 primarily for personal, family or household purposes. *The term*
20 *includes, without limitation, a household appliance, system or*
21 *component.*

22 **Sec. 11.** NRS 690C.070 is hereby amended to read as follows:

23 690C.070 “Provider” means a person who is *contractually or*
24 *financially* obligated to a holder pursuant to the terms of a service
25 contract to *service*, repair, replace or perform maintenance on, or to
26 indemnify *or reimburse* the holder for *any part of* the costs of
27 *servicing*, repairing, replacing or performing maintenance on,
28 goods.

29 **Sec. 12.** NRS 690C.080 is hereby amended to read as follows:

30 690C.080 1. “Service contract” means a contract ~~[pursuant to~~
31 ~~which a provider, in exchange] or agreement~~ for a separately stated
32 consideration ~~[;] or for a specific duration pursuant to which a~~
33 *provider* is obligated ~~[for a specified period]~~ to a holder to *service*,
34 repair, replace or perform maintenance on, or indemnify or
35 reimburse the holder for *any part of* the costs of *servicing*,
36 repairing, replacing or performing maintenance on, goods that are
37 described in the service contract and which have an operational or
38 structural failure as a result of a defect in materials, workmanship or
39 normal wear and tear, including, without limitation:

40 (a) A contract that includes a provision for incidental payment
41 of indemnity under limited circumstances, including, without
42 limitation, towing, rental and emergency road service; ~~[and]~~

43 (b) A contract that provides for the repair, replacement or
44 maintenance of goods for damages that result from power surges or
45 accidental damage from handling ~~[;]~~; *and*



1 (c) *A home service contract.*

2 2. The term does not include a contract pursuant to which a
3 provider, other than the manufacturer, builder, seller or lessor of a
4 manufactured home, in exchange for separately stated consideration,
5 is obligated for a specified period to a holder to repair or replace, or
6 indemnify or reimburse the holder for the costs of repairing or
7 replacing, any component of the physical structure of the
8 manufactured home, including, without limitation, the walls, roof
9 supports, structural floor base or foundation.

10 **Sec. 13.** NRS 690C.100 is hereby amended to read as follows:

11 690C.100 1. The provisions of this title do not apply to:

12 (a) A warranty;

13 (b) A maintenance agreement;

14 (c) A service contract provided by a public utility on its
15 transmission device if the service contract is regulated by the Public
16 Utilities Commission of Nevada;

17 (d) A service contract sold or offered for sale to a person who is
18 not a consumer;

19 (e) A service contract for goods if the purchase price of the
20 goods is less than \$250; or

21 (f) A service contract issued, sold or offered for sale by a vehicle
22 dealer on vehicles sold by the dealer, if the dealer is licensed
23 pursuant to NRS 482.325 and the service contract obligates either
24 the dealer or the manufacturer of the vehicle, or an affiliate of the
25 dealer or manufacturer, to provide all services under the service
26 contract.

27 2. The sale of a service contract *to a consumer* pursuant to this
28 chapter *or to any other third party* does not constitute the business
29 of insurance for the purposes of 18 U.S.C. §§ 1033 and 1034.

30 3. As used in this section:

31 (a) "Maintenance agreement" means a contract ~~{for a limited~~
32 ~~period}~~ that provides only for scheduled maintenance.

33 (b) "Warranty" means a warranty provided solely by a
34 manufacturer, importer or seller of goods for which the
35 manufacturer, importer or seller did not receive separate
36 consideration and that:

37 (1) Is not negotiated or separated from the sale of the goods;

38 (2) Is incidental to the sale of the goods; and

39 (3) Guarantees to indemnify the consumer for defective
40 parts, mechanical or electrical failure, labor or other remedial
41 measures required to repair or replace the goods.

42 **Sec. 14.** NRS 690C.160 is hereby amended to read as follows:

43 690C.160 1. A provider who wishes to issue, sell or offer for
44 sale service contracts in this state must submit to the Commissioner:



1 (a) A registration application on a form prescribed by the
2 Commissioner;

3 (b) Proof that the provider has complied with the requirements
4 for financial security set forth in NRS 690C.170;

5 (c) A copy of each type of service contract the provider proposes
6 to issue, sell or offer for sale;

7 (d) The name, address and telephone number of each
8 administrator with whom the provider intends to contract;

9 (e) A fee of \$2,000 and all applicable fees required pursuant to
10 NRS 680C.110 to be paid at the time of application; and

11 (f) The following information for each controlling person:

12 (1) Whether the person, in the last 10 years, has been:

13 (I) Convicted of a felony or misdemeanor of which an
14 essential element is fraud;

15 (II) Insolvent or adjudged bankrupt;

16 (III) Refused a license or registration as a service contract
17 provider or had an existing license or registration as a service
18 contract provider suspended or revoked by any state or
19 governmental agency or authority; or

20 (IV) Fined by any state or governmental agency or
21 authority in any matter regarding service contracts; and

22 (2) Whether there are any pending criminal actions against
23 the person other than moving traffic violations.

24 2. In addition to the fee required by subsection 1, a provider
25 must pay a fee of \$25 for each type of service contract the provider
26 files with the Commissioner.

27 3. ~~Each year,~~ *Every 2 years*, not later than the anniversary
28 date of his or her certificate of registration, a provider must pay the
29 ~~annual~~ *biennial* fee required pursuant to NRS 680C.110 in
30 addition to any other fee required pursuant to this section.

31 4. A certificate of registration is valid for 2 years after the date
32 the Commissioner issues the certificate to the provider. A provider
33 may renew his or her certificate of registration if, not later than 60
34 days before the certificate expires, the provider submits to the
35 Commissioner:

36 (a) An application on a form prescribed by the Commissioner;

37 (b) A fee of \$2,000 and, in addition to any other fee or charge,
38 all applicable fees required pursuant to subsection 3; and

39 (c) The information required by paragraph (f) of subsection 1:

40 (1) If an existing controlling person has had a change in any
41 of the information previously submitted to the Commissioner; or

42 (2) For a controlling person who has not previously
43 submitted the information required by paragraph (f) of subsection 1
44 to the Commissioner.

45 5. All fees paid pursuant to this section are nonrefundable.



1 6. Each application submitted pursuant to this section,
2 including, without limitation, an application for renewal, must:

3 (a) Be signed by an executive officer, if any, of the provider or,
4 if the provider does not have an executive officer, by a controlling
5 person of the provider; and

6 (b) Have attached to it an affidavit signed by the person
7 described in paragraph (a) which meets the requirements of
8 subsection 7.

9 7. Before signing the application described in subsection 6, the
10 person who signs the application shall verify that the information
11 provided is accurate to the best of his or her knowledge.

12 **Sec. 15.** NRS 690C.170 is hereby amended to read as follows:

13 690C.170 1. To be issued a certificate of registration, a
14 provider must comply with one of the following to provide for
15 financial security:

16 (a) Purchase a contractual liability insurance policy which
17 insures the obligations of each service contract the provider issues,
18 sells or offers for sale. The contractual liability insurance policy
19 must:

20 (1) Be issued by an insurer which is licensed, registered or
21 otherwise authorized to transact insurance in this state or pursuant to
22 the provisions of chapter 685A of NRS.

23 (2) Contain a provision prohibiting the insurer from
24 terminating the policy until a notice of termination has been mailed
25 or delivered to the Commissioner at least 60 days prior to the
26 termination of the policy. Any such termination shall not reduce
27 the responsibility of the insurer for service contracts issued by the
28 provider prior to the effective date of termination.

29 (b) Maintain a reserve account in this State and deposit with the
30 Commissioner security as provided in this subsection. The reserve
31 account must contain at all times an amount of money equal to at
32 least 40 percent of the ~~unearned~~ gross consideration received by
33 the provider, *less claims paid*, for any unexpired service contracts ~~[-]~~
34 *which are sold and cover goods in this State*. The reserve account
35 must be kept separate from the operating accounts of the provider
36 and must be clearly identified as the "(Provider's Name) Nevada
37 Service Contracts Funded Reserve Account." The Commissioner
38 may examine the reserve account at any time. The provider shall
39 also deposit with the Commissioner security in an amount that is
40 equal to \$25,000 or 10 percent of the ~~unearned~~ gross consideration
41 received by the provider, *less claims paid*, for any unexpired service
42 contracts ~~[-]~~ *which are sold and cover goods in this State*,
43 whichever is greater. The security must be:

44 (1) A surety bond issued by a surety company authorized to
45 do business in this State;



1 (2) Securities of the type eligible for deposit pursuant to
2 NRS 682B.030;

3 (3) Cash;

4 (4) An irrevocable letter of credit issued by a financial
5 institution approved by the Commissioner; or

6 (5) In any other form prescribed by the Commissioner.

7 (c) Maintain, or be a subsidiary of a parent company that
8 maintains, a net worth or stockholders' equity of at least
9 \$100,000,000. Upon request, a provider shall provide to the
10 Commissioner a copy of the most recent Form 10-K report or Form
11 20-F report filed by the provider or parent company of the provider
12 with the Securities and Exchange Commission within the previous
13 year. If the provider or parent company is not required to file those
14 reports with the Securities and Exchange Commission, the provider
15 shall provide to the Commissioner a copy of the most recently
16 audited financial statements of the provider or parent company. If
17 the net worth or stockholders' equity of the parent company of the
18 provider is used to comply with the requirements of this subsection,
19 the parent company must guarantee to carry out the duties of the
20 provider under any service contract issued or sold by the provider.

21 2. A provider shall not use any money in a reserve account
22 described in paragraph (b) of subsection 1 for any purpose other
23 than to pay an obligation of the provider under an unexpired service
24 contract ~~in~~ *in this State*.

25 3. A provider shall maintain the financial security required by
26 subsection 1 until:

27 (a) The provider ceases doing business in this State; and

28 (b) The provider has performed or otherwise satisfied all
29 liabilities and obligations under all unexpired service contracts
30 issued by the provider ~~in~~ *in this State*.

31 4. If the certificate of registration of a provider has not expired
32 and the provider fails to maintain the financial security required by
33 subsection 1, including, without limitation, if the financial security
34 is cancelled or lapses, the provider shall not issue or sell a service
35 contract on or after the effective date of such failure until the
36 provider submits to the Commissioner proof satisfactory to the
37 Commissioner that the provider is in compliance with subsection 1.

38 **Sec. 16.** NRS 690C.250 is hereby amended to read as follows:

39 690C.250 1. A service contract is void and a provider shall
40 refund to the holder the purchase price of the service contract if the
41 holder has not made a claim under the service contract and the
42 holder returns the service contract to the provider:

43 (a) Within 20 days after the date the provider ~~sends~~ *sends* a
44 copy of the service contract to the holder;



1 (b) Within 10 days after the purchaser receives a copy of the
2 service contract if the provider furnishes the holder with the copy at
3 the time the contract is purchased; or

4 (c) Within a longer period specified in the service contract.

5 2. The right of a holder to return a service contract pursuant to
6 this section applies only to the original purchaser of the service
7 contract.

8 3. A service contract must include a provision that clearly
9 states the right of a holder to return a service contract pursuant to
10 this section.

11 4. The provider shall refund to the holder the purchase price of
12 the service contract within 45 days after a service contract is
13 returned pursuant to subsection 1. If the provider fails to refund the
14 purchase price within that time, the provider shall pay the holder a
15 penalty of 10 percent of the purchase price for each 30-day period or
16 portion thereof that the refund and any accrued penalties remain
17 unpaid.

18 **Sec. 17.** NRS 690C.260 is hereby amended to read as follows:

19 690C.260 1. A service contract must:

20 (a) Be written in language that is understandable and printed in
21 ~~[a typeface]~~ *at least 10-point Courier font or other similar font* that
22 is easy to read.

23 (b) Indicate that it is insured by a contractual liability insurance
24 policy if it is so insured, and include the name and address of the
25 issuer of the policy or that it is backed by the full faith and credit of
26 the provider if the service contract is not insured by a contractual
27 liability insurance policy.

28 (c) Include the amount of any deductible *or fee for services* that
29 the holder is required to pay.

30 (d) Include the name and address of the provider and, if
31 applicable:

32 (1) The name and address of the administrator; and

33 (2) The name of the holder, if provided by the holder.

34 ➔ The names and addresses of such persons are not required to be
35 preprinted on the service contract and may be added to the service
36 contract at the time of the sale.

37 (e) Include the purchase price of the service contract. The
38 purchase price must be determined pursuant to a schedule of fees
39 established by the provider. The purchase price is not required to be
40 preprinted on the service contract and may be negotiated with the
41 holder and added to the service contract at the time of sale.

42 (f) Include a description of the goods covered by the service
43 contract.

44 (g) Specify the duties of the provider and any limitations,
45 exceptions or exclusions.



1 (h) If the service contract covers a motor vehicle, indicate
2 whether replacement parts that are not made for or by the original
3 manufacturer of the motor vehicle may be used to comply with the
4 terms of the service contract.

5 (i) Include any restrictions on transferring or renewing the
6 service contract.

7 (j) Include the terms, restrictions or conditions for cancelling the
8 service contract before it expires and the procedure for cancelling
9 the service contract. The conditions for cancelling the service
10 contract must include, without limitation, the provisions of
11 NRS 690C.270.

12 (k) Include the duties of the holder under the contract, including,
13 without limitation, the duty to protect against damage to the goods
14 covered by the service contract or to comply with any instructions
15 included in the owner's manual for the goods.

16 (l) Indicate whether the service contract authorizes the holder to
17 recover consequential damages.

18 (m) Indicate whether any defect in the goods covered by the
19 service contract existing on the date the contract is purchased is not
20 covered under the service contract.

21 *(n) Indicate that services will be performed upon the making*
22 *of a claim for services, without any requirement that additional*
23 *forms or applications to request services be filed before the*
24 *rendition of services.*

25 *(o) If the service contract requires the holder to obtain prior*
26 *approval before the provision of services, include a procedure for*
27 *obtaining such approval, which must include, without limitation, a*
28 *toll-free telephone number through which the holder may obtain*
29 *such approval.*

30 *(p) If the service contract includes the provision of emergency*
31 *services performed outside of normal business hours, include*
32 *procedures for obtaining such emergency services.*

33 *(q) If the service contract is a home service contract that is not*
34 *an emergency service contract, include the following statement:*
35 *"This is not an emergency service contract and services will be*
36 *provided as soon as commercially and practically feasible."*

37 2. A provider shall not allow, make or cause to be made a false
38 or misleading statement in any of the service contracts of the
39 provider or intentionally omit a material statement that causes a
40 service contract to be misleading. The Commissioner may require
41 the provider to amend any service contract that the Commissioner
42 determines is false or misleading.

43 **Sec. 18.** NRS 690C.270 is hereby amended to read as follows:

44 690C.270 1. No service contract that has been in effect for at
45 least 70 days may be cancelled by the provider before the expiration



1 of the agreed term or 1 year after the effective date of the service
2 contract, whichever occurs first, except on any of the following
3 grounds:

4 (a) Failure by the holder to pay an amount when due;
5 (b) Conviction of the holder of a crime which results in an
6 increase in the service required under the service contract;

7 (c) Discovery of fraud or material misrepresentation by the
8 holder in obtaining the service contract, or in presenting a claim for
9 service thereunder;

10 (d) Discovery of:

11 (1) An act or omission by the holder; or

12 (2) A violation by the holder of any condition of the service
13 contract,

14 ↪ which occurred after the effective date of the service contract and
15 which substantially and materially increases the service required
16 under the service contract; or

17 (e) A material change in the nature or extent of the required
18 service or repair which occurs after the effective date of the service
19 contract and which causes the required service or repair to be
20 substantially and materially increased beyond that contemplated at
21 the time that the service contract was issued or sold.

22 2. No cancellation of a service contract *by a provider* may
23 become effective until at least 15 days after the notice of
24 cancellation is mailed to the holder.

