

SENATE BILL NO. 357—SENATOR PARKS

MARCH 18, 2019

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions relating to home warranty protection plans. (BDR 57-295)

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

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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; making home warranty protection plans subject to regulation as service contracts; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law prohibits a provider of certain service contracts from issuing, selling or offering to sell a service contract unless the provider has registered with the Commissioner of Insurance as a provider of service contracts. (NRS 690C.150, 690C.160) With certain limitations, existing law defines a service contract to mean a contract which obligates a provider to repair, replace or perform maintenance on, or indemnify or reimburse the holder who is the homeowner for the costs of repairing, replacing or performing maintenance on, goods that are described in the service contract and which have an operational or structural failure as a result of a defect in materials, workmanship or normal wear and tear. (NRS 690C.080) Goods, in turn, are defined to include all tangible personal property used primarily for personal, family or household purposes. (NRS 690C.050) Existing law also provides certain conditions under which a service contract is void and a refund is required. (NRS 690C.250) Existing law sets forth various requirements for service contracts and prohibits the provider from making or allowing false or misleading statements about a service contract or intentionally omitting a material statement that causes a service contract to be misleading. The Commissioner is authorized to: (1) require the provider to amend any service contract that the Commissioner determines is false or misleading; and (2) assess a civil penalty to any person who violates any provision relating to service contracts, up to an aggregate of \$10,000 for multiple violations. (NRS 690C.260, 690C.330)

Section 5 of this bill includes home warranty protection plans as service contracts subject to all of the existing statutory requirements and consumer protections. **Sections 2 and 3** of this bill define terms relating to such plans.



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

Section 1. Chapter 690C of NRS is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this act.

Sec. 2. *“Dwelling” means a structure or part thereof that is designed or intended for occupancy as a residence.*

Sec. 3. *“Home warranty protection plan” means any contract sold to a holder that, subject to the terms of the contract, covers the repair or replacement costs of any of the following in a dwelling:*

- 1. Home appliances;*
- 2. Electrical systems;*
- 3. Heating, cooling and ventilation systems;*
- 4. Water drainage systems and components;*
- 5. Water heating, treatment systems and pumps; or*
- 6. Any other component of its physical structure.*

Sec. 4. NRS 690C.010 is hereby amended to read as follows:
690C.010 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 690C.020 to 690C.080, inclusive, *and sections 2 and 3 of this act* have the meanings ascribed to them in those sections.

Sec. 5. NRS 690C.080 is hereby amended to read as follows:

690C.080 1. “Service contract” means a contract pursuant to which a provider, in exchange for separately stated consideration, is obligated for a specified period to a holder to repair, replace or perform maintenance on, or indemnify or reimburse the holder for the costs of repairing, replacing or performing maintenance on, goods that are described in the service contract and which have an operational or structural failure as a result of a defect in materials, workmanship or normal wear and tear, including, without limitation:

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

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

(c) A home warranty protection plan.

2. The term does not include ~~the~~:

(a) A contract pursuant to which a provider, other than the manufacturer, builder, seller or lessor of a manufactured home, in exchange for separately stated consideration, is obligated for a specified period to a holder to repair or replace, or indemnify or reimburse the holder for the costs of repairing or replacing, any component of the physical structure of the manufactured home,



1 including, without limitation, the walls, roof supports, structural
2 floor base or foundation.

3 *(b) A home warranty protection plan sold by the builder of a*
4 *new dwelling, other than a manufactured home, if the home*
5 *warranty protection plan relates to the new dwelling.*

6 **Sec. 6.** The provisions of this act apply to any contract for a
7 home warranty plan that is issued, renewed or extended on or after
8 January 1, 2020.

9 **Sec. 7.** This act becomes effective upon passage and approval
10 for the purpose of adopting regulations and performing any other
11 preparatory administrative tasks that are necessary to carry out the
12 provisions of this act and on January 1, 2020, for all other purposes.

