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EXTENDED SERVICE CONTRACT PROTECTION ACT

House Bill 5011

Sponsor: Rep. A.T. Frank

Committee: Regulatory Reform

Complete to 9-13-00

A SUMMARY OF HOUSE BILL 5011 AS INTRODUCED 10-19-99

The bill would create the Extended Service Contract Protection Act, and would apply to extended service contracts for goods and services that are entered into on or after the bill's effective date. The bill would not apply to new or used motor vehicles, watercraft, or mobile homes. An extended service contract would have to be signed by the provider and would have to include certain specified information, such as the product covered by the contract, the service provided under the contract, how to obtain the provided service, the time period covered by the contract, and whether the contract is transferable. "Provider" would mean a person who issued an extended service contract to a consumer on behalf of a retailer. A provider would include a retailer, manufacturer, or third party company, but would not include persons licensed under the Forbes Mechanical Contractors Act, the Electrical Administrative Act, Public Act 266 of 1929, or a provider as defined under the Michigan Telecommunications Act (MCL 484.2102). "Retailer" would be defined as a person whose gross receipts from the sale of goods and services to consumers are more than \$1 million annually.

The bill would allow a consumer to rescind an extended service contract within ten days after purchase, and would establish a protocol for how rescissions would be handled. The bill would also require an extended service contract provider to be registered with the secretary of state and post a surety bond based on the amount of annual sales of contracts to consumers.

A violation of the act would constitute a state civil infraction with a fine up to \$5,000 for each violation. A person who suffered loss as a result of a violation of the bill could bring an action to recover actual damages or \$250, whichever was greater, along with costs and reasonable attorney fees.

Analyst: S. Stutzky

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.