

SB219 ENROLLED



1 SB219
2 TBXHI99-2
3 By Senator Kitchens
4 RFD: Banking and Insurance
5 First Read: 29-Jan-26



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1 Enrolled, An Act,

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4 Relating to insurance; to amend Section 8-32-3, Code of
5 Alabama 1975; to require all service contract provider
6 registration fees to be paid into the State Treasury to the
7 credit of the Special Examination Revolving Fund in lieu of
8 the Service Contract Revolving Fund; to clarify any service
9 contract provider registration fee adjustment is in accordance
10 with changes in the Consumer Price Index under existing law;
11 to require any unencumbered and unexpended balance remaining
12 in the Service Contract Revolving Fund to be transferred to
13 the credit of the Special Examination Revolving Fund; and to
14 amend Sections 8-32-1 and 8-32-5, Code of Alabama 1975, to
15 make conforming changes.

16 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

17 Section 1. Section 8-32-3, Code of Alabama 1975, is
18 amended to read as follows:

19 "§8-32-3

20 (a) Either the provider or its designee shall:

21 (1) Provide a receipt for, or other written evidence
22 of, the purchase of the service contract to the contract
23 holder.

24 (2) Provide a copy of the service contract to the
25 service contract holder within a reasonable period of time
26 from the date of purchase.

27 (b) A provider may, but is not required to, appoint an
28 administrator or other designee to be responsible for any or



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29 all of the administration of service contracts and compliance
30 with this chapter.

31 (c) Each provider of service contracts sold in this
32 state shall file a registration with the commissioner on a
33 form prescribed by the commissioner. Each provider shall pay
34 to the commissioner a fee in the amount of two hundred dollars
35 (\$200) annually, or as otherwise adjusted pursuant to Section
36 41-1-11. All fees collected shall be ~~paid into a special~~
37 ~~revolving fund to be set up by the State Treasurer referred to~~
38 ~~as the "Service Contract~~ deposited into the State Treasury to
39 the credit of the Special Examination Revolving Fund. ~~The~~
40 ~~Service Contract Revolving Fund shall be used in the~~
41 ~~supervision and examination of providers and otherwise in the~~
42 ~~administration of this chapter; provided however, that nothing~~
43 ~~in this section shall be construed to mean that all of the~~
44 ~~expenses of supervision and examination of providers and in~~
45 ~~the administration of this chapter incurred by the State~~
46 ~~Insurance Department shall come from the Service Contract~~
47 ~~Revolving Fund.~~

48 ~~(d) All funds now or hereafter deposited in the State~~
49 ~~Treasury to the credit of the Service Contract Revolving Fund~~
50 ~~shall not be expended for any purpose whatsoever unless the~~
51 ~~same shall have been allotted and budgeted in accordance with~~
52 ~~the provisions of Sections 41-4-80 to 41-4-96, inclusive, and~~
53 ~~41-19-1 to 41-19-12, inclusive, and only in the amounts and~~
54 ~~for the purposes provided by the Legislature in the general~~
55 ~~appropriation bill, other appropriations bills or this~~
56 ~~chapter.~~



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57 ~~(e) There is hereby appropriated for the fiscal year~~
58 ~~ending September 30, 1998, from the Service Contract Revolving~~
59 ~~Fund to the State Department of Insurance those amounts as~~
60 ~~deemed necessary to carry out the provisions of this chapter~~
61 ~~as determined by the Commissioner of Insurance.~~

62 ~~(f)~~ (d) In order to assure the faithful performance of a
63 provider's obligations to its service contract holders, each
64 provider shall be responsible for complying with the
65 requirements of one of the following subdivisions:

66 (1) Insure all service contracts under a reimbursement
67 insurance policy issued by an insurer authorized to transact
68 insurance in this state or issued pursuant to Chapter 10,
69 Title 27.

70 (2) Do both of the following:

71 a. Maintain a funded reserve account for its
72 obligations under its service contracts sold and outstanding
73 in this state. The reserves shall be based on the loss
74 experience of the provider as certified by an actuary or, at
75 the election of the provider, the reserves shall be 30 percent
76 of the aggregate provider fees for all service contracts sold
77 and then in force. The reserve account shall be subject to
78 examination and review by the commissioner.

79 b. Place in trust with the commissioner a financial
80 security deposit, having a value of not less than five percent
81 of the aggregate provider fees, less claims paid, for all
82 service contracts sold and then in force, but not less than
83 twenty-five thousand dollars (\$25,000) consisting of one of
84 the following:



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85 ~~(i)~~1. A surety bond issued by an authorized surety.

86 ~~(ii)~~2. Securities of the type eligible for deposit by
87 authorized insurers in this state.

88 ~~(iii)~~3. Cash.

89 ~~(iv)~~4. A letter of credit issued by a qualified
90 financial institution.

91 ~~(v)~~5. Another form of security prescribed by
92 regulations issued by the commissioner.

93 (3) Do both of the following:

94 a. Maintain a net worth or stockholders' equity of one
95 hundred million dollars (\$100,000,000).

96 b. Upon request, provide the commissioner with a copy
97 of the financial statement of the provider included in its
98 most recent annual report on Form 10-K or Form 20-F filed with
99 the Securities and Exchange Commission (SEC) within the last
100 calendar year, or if the provider does not file with the SEC,
101 a copy of the audited financial statements of the provider,
102 which shows a net worth of the provider of at least one
103 hundred million dollars (\$100,000,000). A consolidated Form
104 10-K, Form 20-F, or audited financial statements shall meet
105 the requirements of this chapter for the provider if it shows
106 a net worth or stockholders' equity of the provider of at
107 least one hundred million dollars (\$100,000,000) and there
108 shall be no requirement of a parent company guarantee,
109 reimbursement insurance, or other form of financial stability
110 requirement. However, if the Form 10-K, Form 20-F, or audited
111 financial statements of the parent company of the provider are
112 filed to meet the provider's financial stability requirement



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113 because the provider's net worth or stockholders' equity of
114 the provider is not at least one hundred million dollars
115 (\$100,000,000),~~r~~ or because the net worth or stockholders'
116 equity is not determinable from the consolidated Form 10-K,
117 Form 20-F,l or audited financial statements of the parent
118 company, then the parent company shall agree to guarantee the
119 obligations of the provider relating to service contracts sold
120 by the provider in this state.

121 ~~(g)~~ (e) Service contracts shall require the provider to
122 permit the service contract holder to return the service
123 contract within no less than 20 days of the date the service
124 contract was mailed to the service contract holder or within
125 no less than 10 days of delivery if the service contract is
126 delivered to the service contract holder at the time of sale.
127 Upon return of the service contract to the provider within the
128 applicable time period, if no claim has been made under the
129 service contract prior to its return to the provider, the
130 service contract is void and the provider shall refund to the
131 service contract holder the full purchase price of the service
132 contract including any premium paid for any applicable
133 reimbursement insurance policy. Any refund due a service
134 contract holder may be credited to any outstanding balance of
135 the account of the service contract holder, and the excess, if
136 any, shall be refunded to the service contract holder. The
137 right to void the service contract provided in this subsection
138 ~~(g)~~ is not transferable and shall apply only to the original
139 service contract purchaser, and only if no claim has been made
140 prior to its return to the provider. A 10 percent penalty per



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

144 ~~(h) In the event~~ (f) If the original service contract
145 holder makes a written demand for cancellation of a service
146 contract pursuant to the terms of the service contract, the
147 provider shall refund to the service contract holder the
148 unearned portion of the full purchase price of the service
149 contract, including the unearned portion of any premium paid
150 for any applicable reimbursement insurance policy. Any refund
151 due a service contract holder may be credited to any
152 outstanding balance of the account of the service contract
153 holder, and the excess, if any, shall be refunded to the
154 service contract holder. If the original contract purchaser or
155 a contract holder elects cancellation, the provider may retain
156 an administrative fee of up to twenty-five dollars (\$25) for
157 issuance of the service contract if ~~such~~ the fee is provided
158 for in the service contract; however, this amount may not be
159 deducted ~~in the event~~ if the service contract is terminated
160 pursuant to ~~the provisions of~~ subsection ~~(g)~~ (e).

161 ~~(i)~~ (g) (1) Provider fees are not subject to premium
162 taxes.

163 (2) Premiums for reimbursement insurance policies are
164 subject to applicable taxes.

165 ~~(j)~~ (h) Except for the registration requirement in
166 subsection (c), providers, administrators, and other persons
167 marketing, selling, or offering to sell service contracts for
168 providers are exempt from any licensing requirements of this



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169 state.

170 ~~(*)~~ (i) Providers are not required to comply with any
171 provision of Title 27."

172 Section 2. Any unencumbered and unexpended balance
173 remaining in the Service Contract Revolving Fund on October 1,
174 2026, shall be transferred to the credit of the Special
175 Examination Revolving Fund.

176 Section 3. Sections 8-32-1 and 8-32-5 of the Code of
177 Alabama 1975, are amended to make conforming changes to read
178 as follows:

179 "§8-32-1

180 (a) The purpose of this chapter is to create a
181 framework to regulate service contracts sold to consumers in
182 this state.

183 (b) The following are exempt from Sections 8-32-2 to
184 8-32-12, inclusive, of this chapter:

185 (1) Warranties.

186 (2) Maintenance agreements.

187 (3) Warranties, service contracts, or maintenance
188 agreements offered by electric, gas, water, or telephone
189 utilities on their transmission devices.

190 (4) Service contracts sold or offered for sale in
191 commercial transactions.

192 (5) Service contracts sold or offered for sale to
193 persons other than consumers.

194 (6) Service contracts sold at the point of sale, or
195 within 60 days of the original purchase date of the property,
196 which cover tangible property where the tangible property for



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197 which the service contract is sold, has a purchase price of
198 two hundred and fifty dollars (\$250) or less, exclusive of
199 sales tax.

200 (c) Manufacturer's service contracts on the
201 manufacturer's products and service contracts sold or offered
202 for sale by Alabama electric cooperatives, and their
203 subsidiaries and affiliates, including without limitation,
204 affiliates managed or controlled by electric cooperatives, are
205 required to comply only with Section 8-32-3(a), Section
206 8-32-3~~(g)~~(e), Section 8-32-5(a), Section 8-32-5(d) ~~to~~ through
207 (n), ~~inclusive~~, Section 8-32-6, Section 8-32-10(a), and
208 Section 8-32-10(c) ~~to~~ through (f), ~~inclusive~~, as applicable,
209 of this chapter.

210 (d) The types of agreements referred to in subsections
211 (b) and (c) are not insurance for any purpose including,
212 without limitation, compliance with the Alabama Insurance
213 Code."

214 "§8-32-5

215 (a) Service contracts sold or offered for sale in this
216 state, in their entirety, shall be written, printed, or typed
217 in eight point type size, or larger, and shall comply with the
218 requirements set forth in this section, as applicable.

219 (b) Service contracts insured under a reimbursement
220 insurance policy pursuant to ~~subdivision (1) of subsection (f)~~
221 ~~of~~ Section 8-32-3(d)(1) shall contain a statement in
222 substantially the following form:

223 "Obligations of the provider under this service
224 contract are guaranteed under a service contract reimbursement



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225 insurance policy."

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

232 (c) Service contracts not insured under a reimbursement
233 insurance policy pursuant to ~~subdivision (1) of subsection (f)~~
234 ~~of~~ Section 8-32-3 (d) (1) shall contain a statement in
235 substantially the following form:

236 "Obligations of the provider under this service
237 contract are backed by the full faith and credit of the
238 provider."

239 (d) Service contracts shall state the name and address
240 of the provider, and shall identify any administrator, the
241 service contract seller, and the service contract holder to
242 the extent that the name and address of the service contract
243 holder has been furnished by the service contract holder.
244 Neither the name of the service contract seller nor other
245 provisions are required to be preprinted on the service
246 contract and may be added to the service contract at the time
247 of sale.

248 (e) Service contracts shall state the purchase price of
249 the service contract, the term of the service contract and any
250 applicable renewal provisions. Neither the purchase price nor
251 any other provisions are required to be pre-printed on the
252 service contract and may be negotiated at the time of sale



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253 with the service contract holder.

254 (f) If the provider will reimburse the contract holder
255 for repair work performed by third parties and if prior
256 approval of repair work is required, 7: (i) the service contract
257 shall state the procedure for obtaining prior approval and for
258 making a claim, including a toll-free telephone number for
259 claim service; and (ii) if the service contract provides
260 services essential to public health, safety, or welfare, the
261 service contract shall either provide for 24-hour telephone
262 assistance, or state the procedure for obtaining emergency
263 repairs performed outside of normal business hours.

264 (g) Service contracts shall state the existence of any
265 deductible amount.

266 (h) Service contracts shall describe the property upon
267 which the services are to be provided, the services to be
268 provided, and any limitations, exceptions, or exclusions to
269 the services to be provided.

270 (i) Service contracts shall state whether the use of
271 non-original manufacturer's parts is allowed.

272 (j) Service contracts shall state any restrictions
273 governing the transferability of the service contract.

274 ~~(k) Service contracts~~ A service contract shall state
275 the terms, restrictions, or conditions governing cancellation
276 of the service contract prior to the termination or expiration
277 date of the service contract by either the provider or by the
278 service contract holder. The provider of the service contract
279 shall mail a written notice to the service contract holder at
280 the last known address of the service contract holder



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281 contained in the records of the provider at least five days
282 prior to cancellation by the provider. Prior notice is not
283 required if the reason for cancellation is nonpayment of the
284 provider fee or a material misrepresentation by the service
285 contract holder to the provider relating to the covered
286 property or its use. The notice shall state the effective date
287 of the cancellation and the reason for the cancellation.

288 (l) Service contracts shall set forth the obligations
289 and duties of the service contract holder relating to the
290 property covered by the service contract.

291 (m) Service contracts shall state whether or not the
292 service contract provides for or excludes consequential
293 damages or preexisting conditions, to the extent applicable.

294 (n) Service contracts may contain other provisions as
295 determined by the provider."

296 Section 4. This act shall become effective on October
297 1, 2026.



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President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB219
Senate 25-Feb-26
I hereby certify that the within Act originated in and passed
the Senate.

Patrick Harris,
Secretary.

House of Representatives
Passed: 02-Apr-26

By: Senator Kitchens