



February 3, 2022

**To: Assemblyman Paul Moriarty
Chair, Assembly Consumer Affairs Committee**

RE: Comments Regarding Assembly Bill 1559

Dear Assembly Member Moriarty,

The Service Contract Industry Council ("SCIC") is submitting this letter to advise the Committee of its members' concerns pertaining to A1559. These concerns are based on S902. We are appreciative of the Director of Consumer Affairs and Senator Pou amending the bill last year to address many of the concerns that we identified with the original bill. The remaining concerns we have with S902 are as follows:

SCIC Background:

The SCIC is a national trade association whose member companies include manufacturers, service contract providers, administrators, and retailers offering service contracts covering motor vehicles, homes, and consumer goods throughout the country. We estimate that our member companies, which include Ford Motor Company, Ally Financial, American Home Shield, Phoenix American, Assurant, Asurion, Best Buy, CNA National Warranty Co., Automobile Protection Corporation, and Toyota Motor Insurance Services, Inc., among others, offer over 80% of service contracts available in the marketplace today.

A1559 (as expressed in S902):

1. We recommend modifying the definition of "provider" to remove inclusion of *administrator*. Removing "administrator" from the definition is beneficial because:
 - a. it eliminates duplication; if the obligor is licensed as a provider with all applicable requirements, including financial backing, duplicating this with administrators does not add any additional benefit to consumers and creates more work for the Division to license, and
 - b. there is enforcement authority over administrators already pursuant to N.J.S.A. 56:12-96b.

As an alternative, we recommend a more targeted approach to pull in relevant sections that specifically should pertain to administrator.

2. The use of the term “extended warranty” is currently only permitted to describe a product if it “accurately extends the identical coverages of an original equipment manufacturer warranty and the provider accurately sets forth the terms and source of the original equipment manufacturer warranty upon which the product is based and clearly and conspicuously discloses that the product is a service contract offered under P.L. 2013, c.197.”

We suggest removing this prohibition and enabling the term “extended warranty” to be used. There are many concerns with how this currently reads. First, a warranty may be provided by many entities that might not be limited to the original equipment manufacturer. For example, a warranty may be offered by a seller, servicer or other entity in the distribution channel. Also, we do not think it is intended to require the seller of the “extended warranty” to provide the same terms as the original equipment manufacturer’s warranty. A service contract may provide coverage that is broader than what the original equipment manufacturer’s warranty provides. We would recommend, instead, requiring a disclosure that simply explains that an extended warranty is a service contract that is separate, distinct and different from any existing product warranties.

We would also like to note that New Jersey recognizes this term in other statutes whereby “warranty” is used when discussing vehicle protection protects (N.J. Stat. Ann 17:18-19 and 20A). This language/term is also commonplace in the marketplace and in other jurisdictions. A change in New Jersey could require a New Jersey-specific form to comply, adding complexity to the delivery of product and services in the marketplace and confusing consumers.

3. Pertaining to the additional requirement that a provider utilizing a funded reserve to satisfy financial responsibility obligations “maintain a bond, having a value of not less than five percent of the gross consideration received per annum less claims paid, on the sale of the service contract for all service contracts issued and in force, but not less than \$25,000,” we recommend repositioning this provision to be in section 4.a (2) when specifically discussing the funded reserve option. Moving it to this location will make patently clear and obvious that maintaining the bond is only relevant to the funded reserve option and not applicable in other circumstances.
4. Regarding the new section 8, paragraph (2), we recommend it read as follows:

“Such methods shall include, for each consumer, at least one address to which written cancellation requests may be addressed, one phone number that consumers may call to cancel, or one online method of cancellation.”

We believe this aligns with intent and would afford options to deliver the information in a way that mirrors the methods used to purchase a service contract without being overly burdensome or excessive.

Thank you for the opportunity to submit comments and would welcome further dialogue and discussion to improve this bill in a manner that benefits all stakeholders.

Sincerely,

A handwritten signature in black ink that reads "Timothy J. Meenan". The signature is written in a cursive style with a large initial 'T' and 'M'.

Timothy J. Meenan, Executive Director and General Counsel