



Motor Vehicle Administration
6601 Ritchie Highway N.E.
Glen Burnie, MD 21062

Bulletin

D 03-03-01

March 7, 2003

BULLETIN TO:

ALL DEALERS, TITLE SERVICES

MECHANICAL REPAIR CONTRACTS

Following is an updated list of insurance companies reported by the Maryland Insurance Division to have approved filings for mechanical repair contract full reimbursement insurance policies. **New additions to the list are in bold print.**

For informational purposes, following the insurance company list, we have printed the Maryland Vehicle Law pertaining to the insurance requirements for Maryland dealers who sell, offer, or provide mechanical repair contracts.

If you have reason to believe you are not properly insured or the insurance policy used in conjunction with a prospective mechanical repair contract program is questionable, we would be glad to have the insurance policy reviewed by the Maryland Insurance Division.

Acceleration National Insurance Company
American Bankers Insurance Company of Florida
American Hardware Mutual Insurance Company
American National Property & Casualty Company
American Road Insurance Company
American Security Insurance Company
BCS Insurance Company
Capital Assurance Risk Retention Group, Inc
CIM Insurance Corporation
Commerce and Industry Insurance Company (AIG)
Continental Insurance Company (CNA)
Courtesy Insurance Company
Dealers Assurance Company
FFG Insurance Company
Federal Insurance Company (Chubb Group)
Fireman's Fund Insurance Company
Firemen's Insurance Company of Newark, NJ (CNA)
First Automotive Insurance Risk Retention Group, Inc
First Colonial Insurance Company
Gerling America Insurance Company (North American Group of Companies)
Global International Insurance Company, A Risk Retention Group
Granite State Insurance Company (AIG)
Great American Insurance Company/Great American Assurance Company
Greenwich Insurance Company

1-800-950-1MVA (1682) / TTY 1-800-492-4575 / www.marylandmva.com

DA-046 (11/02)

Guaranty National Insurance Company
 Heritage Indemnity Company
 Homestead Insurance Company
 Indemnity Insurance Company of North America (CIGNA)
 Legion Insurance Company
 Lyndon Property Insurance Company
 Marathon Financial Insurance Company, Inc RRG
 Monumental General Casualty Company
 National Warranty Insurance Risk Retention Group
 New Hampshire Insurance Company (AIG)
 National Service Contract Insurance Company Risk Retention Group
 National Union Fire Insurance Co. of Pittsburgh, Pennsylvania (AIG)
 Newport Mutual Insurance Risk Retention Group Inc
 Nobel Insurance Company
 Old United Casualty Insurance Company
 Old Republic Insurance Company
 Old Republic Minnehoma Insurance Company
 Prudential Property and Casualty Insurance Company
 Reliance Insurance Company
 Royal Insurance Company of America
 Royal Special Risks Insurance Company
 Scottsdale Insurance Company
 State National Insurance Company, Inc
 The Insurance Company of the State of Pennsylvania (AIG)
 Toyota Motor Insurance Company
 Travelers Indemnity Company
 Universal Underwriters Insurance Company
 Underwriters Insurance Company
 Underwriters at Lloyd's of London
 Virginia Surety Company, Inc
 Westchester Fire Insurance Company
 Western Diversified Casualty Insurance Company

Transportation Article Subsection 15-311.2

- (a) (1) For the purposes of this section, the term "mechanical repair contract" means any agreement or contract sold by a licensed vehicle dealer under which a specified provider agrees to perform over a fixed period of time, for a specific duration and for a specific identifiable price, services relating to the maintenance or repair of a motor vehicle; provided that the purchase of the contract is optional to the purchaser.
- (2) The term "mechanical repair contract" includes, but is not limited to, extended warranties and extended service contracts.
- (b) (1) Any provider of services under a mechanical repair contract shall maintain adequate insurance reserves, as defined by the Insurance Commissioner, for each such contract for the protection of the purchasing consumer. A policy of insurance providing coverage for all obligations and liabilities incurred by a provider under the terms of a mechanical repair contract shall constitute adequate insurance reserves.


(2) The reserves shall be maintained with an insurer authorized to do business in Maryland on an admitted or surplus lines basis

(3) Any purchaser of a mechanical repair contract shall be entitled to make a direct claim against the insurer issuing a policy of insurance under this subsection upon failure of the specified provider to pay any claim or make any refund or consideration due within 60 days after the proof is filed with the provider.

The Maryland Insurance Commissioner has defined "adequate insurance reserves" as follows:

A reimbursement insurance policy issued by acceptable insurance company purchased by or on behalf of the licensed vehicle dealer which shall provide full reimbursement to the licensed vehicle dealer by the insurer for the cost of services actually provided to the vehicle owner under the mechanical repair contract. This reimbursement insurance policy shall provide, in addition to the customary provisions contained in an insurance contract for this type, that in the event the licensed vehicle dealer is no longer in business, for whatever reason, the insurer shall provide directly to the vehicle owner all benefits to which the vehicle owner would be entitled under the mechanical repair contract.

- (c) A mechanical repair contract shall be offered in addition to any express warranty originally included as part of the contract for sale of a new motor vehicle.
- (d) A mechanical repair contract shall clearly and conspicuously set for the date when the warranty begins.
- (e) A mechanical repair contract shall clearly and conspicuously set forth the date or the odometer reading at which the warranty expires and the name and address of the insurer issuing the policy of insurance as described in subsection (b) of the section
- (f) The repair of a malfunction or defect covered under a mechanical repair contract shall include the cost of the teardown and diagnosing the malfunction or defect.
- (g) The provisions of the Maryland Consumer Products Guaranty Act, Title 14, Subtitle 4 of the Commercial Law Article, apply to a mechanical repair contract sold by a licensed vehicle dealer.
- (h) The provisions of this section do not apply to mechanical repair contracts issued by the motor vehicle manufacturer or the distributor or a wholly owned subsidiary of the manufacturer of the distributor as defined in '15-201 of this title.
- (i) Notwithstanding subsection (h) of this section, licensed vehicle dealers who sell mechanical repair contracts shall have the same obligations as a seller under '2-314 of the Commercial Law Article.


Charles D. Schaub, Manager

Business Licensing & Consumer Services

CDS/kem