"Motor Vehicle Service Contract Act"

This subchapter is known and may be cited as the "Motor Vehicle Service Contract Act."

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coverage for all obligations and liabilities incurred by a motor vehicle service contract provider under the
terms of the motor vehicle service contracts issued or sold by the provider; and

(7) "Service contract holder" or "holder" shall mean the person who purchases a service contract or a permitted
transferee.

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4-90-503

Applicability

This subchapter shall apply to motor vehicle service contracts sold on or after May 1, 1993.

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Insurance Related Laws


4-90-504

Exclusivity of provisions

(a) Except as provided in this subchapter, motor vehicle service contract providers shall be governed by the
provisions of this subchapter and shall be exempt from all other provisions of the Arkansas Insurance Code.

(b) Nothing in this subchapter shall, however, prohibit or affect the giving, free of charge, of the usual
warranties or performance guarantees by manufacturers, distributors, or dealers in connection with the sale of
new motor vehicles; further, the requirements of this subchapter shall not apply to motor vehicle service
contracts issued by a motor vehicle manufacturer, distributor, importer, or dealer of motor vehicles, nor shall
the requirements of this subchapter apply to any nonrenewable motor vehicle service contract issued for a
period of less than six (6) months, provided that the issuer of such motor vehicle service contract is the entity
which sold the motor vehicle to which the service contract applies or is an affiliate of such entity.

(c) For purposes of this subchapter, an “affiliate” is an entity whose ownership is held fifty-one percent (51%) or
more by the same entity which holds fifty-one percent (51%) or more ownership of the seller of the motor
vehicle.

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4-90-505

Mandatory insurance; contract provisions

(a) No motor vehicle service contract shall be issued, sold, or offered for sale in this state unless the motor vehicle service contract provider is insured under a motor vehicle service contract reimbursement insurance policy issued by an insurer authorized to do business in this state, and providing that the insurer will pay on behalf of the provider all sums which the provider is legally obligated to pay and will guarantee the performance of the provider's obligations undertaken according to the provider's contractual obligations under the service contracts issued or sold by the provider.

(b) No policy of insurance may be cancelled, terminated, or nonrenewed by the insurer unless a sixty-day written notice has been given to the motor vehicle service contract provider before the date of the cancellation, termination, or nonrenewal.

(c) No cancellation, termination, or nonrenewal shall affect the liability of the insurer to guarantee the provider's performance under the motor vehicle service contracts issued or sold prior to the effective date of cancellation or termination or nonrenewal.

(d) The insured motor vehicle service contract must conspicuously state:

(1) That the obligations of the provider to the service contract holder are guaranteed under a motor vehicle service contract reimbursement insurance policy;

(2) The name, address, and telephone number of the issuer of the provider's motor vehicle service contract reimbursement insurance policy; and

(3) The procedure for filing a claim under the service contract directly with the motor vehicle service contract reimbursement insurer.

(e) The motor vehicle service contract reimbursement insurer shall establish and maintain unearned premium reserves and claims reserves for the gross policy obligations under the motor vehicle service contract reimbursement insurance policy, net of reinsurance ceded, for which the insurer is entitled to full reserve credit on its financial statements, in accordance with the provisions of this subchapter.

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**Contract disclosures**

All motor vehicle service contracts issued or sold for delivery in this state shall contain the following disclosures in a conspicuous and readable manner:

1. The name and address of the provider and the holder;
2. The total retail price of the service contract;
3. The procedure for making a claim under the service contract, including the name, address, and telephone number of any person from whom approval is required before covered repairs may be commenced;
4. The existence and amount of a deductible, if any;
5. The motor vehicle parts and components covered under the service contract, and any limitations, exceptions, or exclusions;
6. The terms, conditions, and restrictions governing transferability of the service contract, if any;
7. The provisions governing termination and refunds in accordance with § 4-90-507; and
8. A statement that purchase of the motor vehicle service contract is not required in order to purchase or obtain financing for a motor vehicle.

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**Contract termination**

No motor vehicle service contract may be issued, sold, or offered for sale or delivery in this state unless the service contract conspicuously states that the holder is allowed to cancel the service contract:

1. Within thirty (30) days of its purchase if no claim has been made, and receive a full refund of the service
contract retail price, less any cancellation fee stated in the service contract not exceeding fifty dollars ($50.00); or

(2) At any other time, and receive a pro rata refund of the service contract retail price for the unexpired term of the service contract based on the number of elapsed months or miles, less any cancellation fee stated in the service contract not exceeding fifty dollars ($50.00).

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4-90-510

Investigations

(a) The Insurance Commissioner is authorized to conduct such investigations of the motor vehicle service contract business, of any provider, and of any person assisting the provider in the conduct of such business as the commissioner may deem necessary.

(b) The commissioner shall have and may exercise all of the powers conferred by §§ 23-61-103, 23-61-108 — 23-61-110, 23-61-201(a)(1), 23-61-203 — 23-61-206, and 23-61-301 et seq. in the conduct of such investigations and in the enforcement of this subchapter and any rules and regulations promulgated by the commissioner.

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4-90-511

Trade practices

Motor vehicle service contract providers shall be subject to the provisions of the Arkansas Trade Practices Act, § 23-66-201 et seq., to the extent such act may be appropriately applied to motor vehicle service contract providers given the nature of such contracts.

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Service contract forms

No motor vehicle service contract may be issued which:

(1) Is in any respect in violation of or does not comply with this subchapter, any specifically applicable provision of the Arkansas Insurance Code, or any applicable rule of the department;

(2) Contains, or incorporates by reference when such incorporation is otherwise permissible, any inconsistent, ambiguous, illusory, or misleading clauses, or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the service agreement;

(3) Has any title, heading, or other indication of its provisions which is misleading;

(4) Is printed or otherwise reproduced in such manner as to render any material provision of the form substantially illegible;

(5) Contains any provision which is unconscionable or which encourages misrepresentation;

(6) Contains any provision which makes it difficult to determine the actual provider issuing the form; or

(7) Contains any provision for reducing claim payments due to depreciation of parts.

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