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SENATE BILL 5978

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State of Washington

63rd Legislature

2014 Regular Session

By Senators Hobbs and Fain

Read first time 01/13/14. Referred to Committee on Financial Institutions, Housing & Insurance.

1 AN ACT Relating to the regulation of service contracts and  
2 protection product guarantees; and amending RCW 48.110.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 48.110.030 and 2011 c 47 s 16 are each amended to read  
5 as follows:

6 (1) A person may not act as, or offer to act as, or hold himself or  
7 herself out to be a service contract provider in this state, nor may a  
8 service contract be sold to a consumer in this state, unless the  
9 service contract provider has a valid registration as a service  
10 contract provider issued by the commissioner.

11 (2) Applicants to be a service contract provider must make an  
12 application to the commissioner upon a form to be furnished by the  
13 commissioner. The application must include or be accompanied by the  
14 following information and documents:

15 (a) All basic organizational documents of the service contract  
16 provider, including any articles of incorporation, articles of  
17 association, partnership agreement, trade name certificate, trust  
18 agreement, shareholder agreement, bylaws, and other applicable  
19 documents, and all amendments to those documents;

1 (b) The identities of the service contract provider's executive  
2 officer or officers directly responsible for the service contract  
3 provider's service contract business, and, if more than fifty percent  
4 of the service contract provider's gross revenue is derived from the  
5 sale of service contracts, the identities of the service contract  
6 provider's directors and stockholders having beneficial ownership of  
7 ten percent or more of any class of securities;

8 (c) Audited annual financial statements or other financial reports  
9 acceptable to the commissioner for the two most recent years which  
10 prove that the applicant is solvent and any information the  
11 commissioner may require in order to review the current financial  
12 condition of the applicant. If the service contract provider is  
13 relying on RCW 48.110.050(2)(c) to assure the faithful performance of  
14 its obligations to service contract holders, then the audited financial  
15 statements of the service contract provider's parent company must also  
16 be filed. The requirements of this subsection (2)(c) do not apply to  
17 a service contract provider that is relying on insuring its service  
18 contracts as provided in RCW 48.110.050(2)(a) to assure the faithful  
19 performance of its obligations to service contract holders;

20 (d) An application fee of two hundred fifty dollars, which must be  
21 deposited into the general fund; and

22 (e) Any other pertinent information required by the commissioner.

23 (3) Each registered service contract provider must appoint the  
24 commissioner as the service contract provider's attorney to receive  
25 service of legal process issued against the service contract provider  
26 in this state upon causes of action arising within this state. Service  
27 upon the commissioner as attorney constitutes effective legal service  
28 upon the service contract provider.

29 (a) With the appointment the service contract provider must  
30 designate the person to whom the commissioner must forward legal  
31 process so served upon him or her.

32 (b) The appointment is irrevocable, binds any successor in interest  
33 or to the assets or liabilities of the service contract provider, and  
34 remains in effect for as long as there could be any cause of action  
35 against the service contract provider arising out of any of the service  
36 contract provider's contracts or obligations in this state.

37 (c) The service of process must be accomplished and processed in  
38 the manner prescribed under RCW 48.02.200.

1 (4) The commissioner may refuse to issue a registration if the  
2 commissioner determines that the service contract provider, or any  
3 individual responsible for the conduct of the affairs of the service  
4 contract provider under subsection (2)(b) of this section, is not  
5 competent, trustworthy, financially responsible, or has had a license  
6 as a service contract provider or similar license denied or revoked for  
7 cause by any state.

8 (5) A registration issued under this section is valid, unless  
9 surrendered, suspended, or revoked by the commissioner, or not renewed  
10 for so long as the service contract provider continues in business in  
11 this state and remains in compliance with this chapter. A registration  
12 is subject to renewal annually on the first day of July upon  
13 application of the service contract provider and payment of a fee of  
14 two hundred dollars, which must be deposited into the general fund. If  
15 not so renewed, the registration expires on the June 30th next  
16 preceding.

17 (6) A service contract provider must keep current the information  
18 required to be disclosed in its registration under this section by  
19 reporting all material changes or additions within thirty days after  
20 the end of the month in which the change or addition occurs.

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