

EQUIPMENT DEALER WARRANTY

REIMBURSEMENT ACT

2003 GENERAL SESSION

STATE OF UTAH

Sponsor: Darin G. Peterson

This act modifies provisions related to Commercial Trade by enacting the Uniform Equipment Dealers Warranty Reimbursement Act. The act defines terms and provides procedures for equipment dealers to submit warranty reimbursement claims to suppliers. The act provides for audits of a dealer's warranty claims records. The act provides civil relief for dealers against suppliers under certain circumstances related to warranty claims.

This act affects sections of Utah Code Annotated 1953 as follows:

ENACTS:

13-14b-101, Utah Code Annotated 1953

13-14b-102, Utah Code Annotated 1953

13-14b-103, Utah Code Annotated 1953

13-14b-104, Utah Code Annotated 1953

13-14b-105, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **13-14b-101** is enacted to read:

**CHAPTER 14b. UNIFORM EQUIPMENT DEALERS WARRANTY
REIMBURSEMENT ACT**

13-14b-101. Title.

This chapter is known as the "Uniform Equipment Dealers Warranty Reimbursement Act."

Section 2. Section **13-14b-102** is enacted to read:

13-14b-102. Definitions.

As used in this chapter:

(1) "Audit" means a review by a supplier of a dealer's warranty claims records.

(2) "Current net price" means the price charged to a dealer for repair parts as listed in the printed price list or catalog or invoice of the supplier in effect at the time a warranty claim is submitted.

(3) "Dealer agreement" means an oral or written contract or an agreement of definite or indefinite duration, between a supplier and an equipment dealer that authorizes or requires the equipment dealer to perform services or supply parts under a warranty, or to do both.

(4) "Equipment dealer" or "dealer" means a person or any other entity having a dealer agreement for selling and retailing:

(a) agricultural equipment;

(b) dairy and farmstead mechanization equipment;

(c) construction, utility, and industrial equipment;

(d) outdoor power equipment;

(e) lawn and garden equipment; or

(f) attachments or repair parts for equipment listed in Subsections (4)(a) through (e).

(5) (a) "Supplier" means a person or any other entity engaged in the manufacturing, assembly, or wholesale distribution of an item listed in Subsections (4)(a) through (f).

(b) "Supplier" includes:

(i) any successor in interest, including a purchaser of assets or stock; and

(ii) a surviving corporation resulting from a merger, liquidation, or reorganization of the original supplier that issued the warranty.

(6) "Warranty claim" means a claim for payment submitted by an equipment dealer to a supplier for service or parts, or both, provided to a customer under a:

(a) warranty issued by the supplier; or

(b) recall or modification order issued by the supplier.

Section 3. Section **13-14b-103** is enacted to read:

13-14b-103. Warranty claims.

(1) An equipment dealer may submit a warranty claim to a supplier if a warranty defect is identified and documented prior to the expiration of a supplier's warranty:

(a) while a dealer agreement is in effect; or

(b) after the termination of a dealer agreement if the claim is for work performed while the dealer agreement was in effect.

(2) (a) A supplier shall accept or reject a warranty claim submitted under Subsection (1) within 30 days of the date the supplier received the claim.

(b) A warranty claim not rejected within 30 days of the date the supplier received the claim is considered to be accepted by the supplier.

(3) No later than 30 days after the date a warranty claim is accepted or rejected under Subsection (2), the supplier shall:

(a) pay an accepted warranty claim; or

(b) send the dealer written notice of the reason the warranty claim was rejected.

(4) (a) (i) A supplier shall compensate the dealer for the warranty claim as follows:

(A) the dealer's established customer hourly retail labor rate multiplied by the reasonable and customary amount of time required to complete such work, including diagnostic time, expressed in hours and fractions of an hour;

(B) the dealer's current net price plus 20% for parts to reimburse the dealer for reasonable costs of doing business in performing the warranty service on the supplier's behalf; and

(C) extraordinary freight and handling costs.

(ii) For purposes of Subsection (4)(a)(i)(C), "extraordinary freight and handling costs" mean costs that are above and beyond the normal reimbursement policy of the supplier for warranty repair work.

(b) (i) The supplier must give due consideration to any extraordinary expenses incurred by the dealer in performing necessary warranty repairs.

(ii) If the repair work is for safety or mandatory modifications ordered by the supplier, the supplier shall reimburse the dealer for transportation costs incurred by the dealer.

(5) After payment of a warranty claim, a supplier may not charge back, off-set, or otherwise attempt to recover from the dealer all or part of the amount of the claim unless:

(a) the warranty claim was fraudulent;

(b) the services for which the warranty claim was made were not properly performed or were unnecessary to comply with the warranty; or

(c) the dealer did not substantiate the warranty claim according to the written requirements of the supplier that were in effect when the equipment was delivered to the dealer by the customer for warranty repairs.

(6) If a supplier denies a warranty claim due to a particular item or part of the claim, the denial shall only affect the items or parts in question and not the complete warranty claim.

(7) A supplier may not pass the cost of covering warranty claims under this chapter on to a dealer through any means including:

(a) surcharges;

(b) reduction of discounts; or

(c) certification standards.

(8) (a) The provisions of this chapter do not apply to a supplier or dealer where a written dealer agreement provides for compensation to a dealer for warranty labor and parts costs either as part of the pricing of the equipment to the dealer or in the form of a lump-sum payment.

(b) The lump-sum payment under Subsection (8)(a) must be at least 5% of the suggested retail price of the equipment.

Section 4. Section **13-14b-104** is enacted to read:

13-14b-104. Audits.

(1) A supplier may not audit a dealer's records concerning any paid warranty claim that was submitted to the supplier more than one year before the day on which the audit begins, except where an audit of records made within the one-year time period shows fraudulent claims, in which case this provision does not apply.

(2) (a) After payment or rejection of a warranty claim under Subsection 13-14b-103(2), a supplier may not audit a warranty claim more than once.

(b) Subsection (2)(a) may not prevent a supplier from requiring additional information from a dealer if an initial audit finds potential errors, fraud, or inconsistencies.

Section 5. Section **13-14b-105** is enacted to read:

13-14b-105. Relief.

(1) A dealer may bring an action in a court of competent jurisdiction to obtain payment of a warranty claim submitted under this chapter to a supplier if a supplier:

(a) fails to make payment in accordance with the provisions of this chapter;

(b) wrongfully rejects the dealer's warranty claim; or

(c) violates any other provision of this chapter.

(2) The court shall award the dealer costs and reasonable attorney's fees if it finds that the supplier has committed a violation under Subsection (1)(a), (b), or (c).