

1 **PROHIBITION OF AUTOMATIC RENEWAL OF**
2 **SERVICE CONTRACTS**

3 2003 GENERAL SESSION
4 STATE OF UTAH

5 **Sponsor: Michael G. Waddoups**

6 **This act modifies the title dealing with Contracts and Obligations in General by enacting**
7 **provisions that prohibit the automatic renewal of service contracts unless the seller**
8 **notifies the consumer of the automatic renewal.**

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

10 ENACTS:

11 **15-10-101**, Utah Code Annotated 1953

12 **15-10-102**, Utah Code Annotated 1953

13 **15-10-201**, Utah Code Annotated 1953

14 **15-10-202**, Utah Code Annotated 1953

14a **h 15-10-301, Utah Code Annotated 1953 h**

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

16 Section 1. Section **15-10-101** is enacted to read:

17 **CHAPTER 10. SERVICE CONTRACTS ACT**

18 **Part 1. General Provisions**

19 **15-10-101. Title.**

20 This chapter is known as the "Service Contracts Act."

21 Section 2. Section **15-10-102** is enacted to read:

22 **15-10-102. Definitions.**

23 As used in this chapter:

24 (1) "Automatic renewal provision" means a provision under which a service contract is
25 renewed for a specified period if:

26 (a) the renewal causes the service contract to be in effect more than h [one year] SIX
26a MONTHS h after the
27 day of the initiation of the service contract; and



28 (b) the renewal is effective unless the consumer gives notice to the seller of the
 29 consumer's intention to terminate the service contract.

30 (2) "Consumer" means a person receiving service, maintenance, or repair under a
 31 service contract.

32 (3) "Seller" means a person providing service, maintenance, or repair under a service
 33 contract.

34 (4) ~~h (a) h~~ "Service contract" means any contract for service, maintenance, or repair ~~§ [in~~
 35 ~~connection with any real or personal property] : ~~h [(a)] (i) h~~ IN CONNECTION WITH ANY REAL~~
 35a1 PROPERTY;

35a OR ~~h [(b)] (ii) h~~ THAT PROVIDES A BENEFIT TO ANY REAL PROPERTY § .

35b ~~h (b) "SERVICE CONTRACT" DOES NOT INCLUDE A CONTRACT AFFECTING ANY RIGHT,~~
 35c ~~TITLE, ESTATE, OR INTEREST IN REAL PROPERTY, INCLUDING:~~

35d ~~(i) A FEE TITLE INTEREST;~~

35e ~~(ii) A LEASEHOLD INTEREST;~~

35f ~~(iii) AN OPTION CONTRACT RELATING TO REAL PROPERTY;~~

35g ~~(iv) A REAL ESTATE PURCHASE CONTRACT;~~

35h ~~(v) AN EASEMENT; OR~~

35i ~~(vi) ANY OTHER REAL PROPERTY INTEREST GOVERNED BY TITLE 57, REAL ESTATE. h~~

36 Section 3. Section 15-10-201 is enacted to read:

37 **Part 2. Restrictions on Automatic Renewal Provisions**

38 **15-10-201. Notice requirement.**

39 (1) A service contract may not contain an automatic renewal provision unless the seller
 40 provides the consumer written notice complying with Subsection (2) that informs the consumer
 41 of the automatic renewal provision.

42 (2) The seller shall provide the written notice required under Subsection (1) to the
 43 consumer personally ~~h [or] , h~~ by certified mail ~~h~~ , OR IN A MONTHLY STATEMENT ~~h~~ :

44 (a) at least 30 calendar days prior to the last day on which the consumer may give
 45 notice of the consumer's intention to terminate the contract; ~~§ [and] §~~

46 (b) not more than ~~h [60] 90 h~~ calendar days prior to the last day on which the consumer may
 47 give notice of the consumer's intention to terminate the contract ~~§~~ ; AND (c) WRITTEN IN CLEAR AND
 47a UNDERSTANDABLE LANGUAGE PRINTED IN AN EASY-TO-READ TYPE SIZE AND STYLE § .

48 Section 4. Section 15-10-202 is enacted to read:

49 **15-10-202. Remedy for violation.**

50 § ~~[A service contract is void if the seller does not comply with Section 15-10-201 with~~
51 ~~respect to the service contract.] IF A SELLER DOES NOT COMPLY WITH SECTION 15-10-201 WITH~~
51a ~~RESPECT TO A SERVICE CONTRACT CONTAINING AN AUTOMATIC RENEWAL PROVISION:~~
51b (1) THE AUTOMATIC RENEWAL PROVISION IS VOID AND UNCONSCIONABLE AS A MATTER
51c OF PUBLIC POLICY; AND
51d (2) THE SERVICE CONTRACT SHALL AUTOMATICALLY RENEW ON A MONTH-TO-MONTH
51e BASIS. §
51f ^h Section 5. Section 15-10-301 is enacted to read:
51g Part 3. Exemptions
51h 15-10-301. Exemptions.
51i THIS CHAPTER DOES NOT APPLY TO A CONTRACT MADE PURSUANT TO TITLE 11,
51j CHAPTER 13, INTERLOCAL COOPERATION ACT. ^h

Legislative Review Note
as of 11-21-02 10:41 AM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel

Fiscal Note
Bill Number SB0086

Prohibition of Automatic Renewal of Service Contracts

03-Jan-03

3:04 PM

State Impact

No fiscal impact.

Individual and Business Impact

There may be some savings to consumers who did not intend to renew and some increased costs to businesses and consumers who intended to renew their service contracts.

Office of the Legislative Fiscal Analyst