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ASSEMBLY, No. 2450



STATE OF NEW JERSEY

217th LEGISLATURE



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SYNOPSIS

Establishes notification standards for certain service contracts with automatic renewal.

CURRENT VERSION OF TEXT

As amended by the General Assembly on June 16, 2016.



An Act concerning service contracts and supplementing P.L.1960, c.39 (C.56:8-1 et seq.).

Be It Enacted by the Senate and General Assembly of the State of New Jersey:

1. As used in this act:

“Automatic renewal provision” means a provision under which a service contract is renewed for a specified period of more than one month if: (1) the renewal causes the service contract to be in effect more than six months after the day of the initiation of the service contract; and (2) the renewal is effective unless the consumer gives notice to the seller of the consumer’s intention to terminate the service contract.

“Consumer” means a natural person who buys other than for purposes of trade any tangible personal property that is distributed in commerce and that is normally used for personal, family, or household purposes and not for business or research purposes.

**1**“Propane gas marketer” means a person engaged primarily in the sale of odorized liquefied petroleum gas to the ultimate consumer or to a retail liquefied petroleum gas dispenser, and includes the owner or operator of a bulk plant.**1**

“Seller” means any natural person, firm, partnership, company, corporation, association, or other similar legal entity engaged in commerce that sells, leases, or offers to sell or lease any service to a **2[**customer**]** consumer**2** pursuant to a service contract.

“Service contract” means a written contract for the performance of service, maintenance, or repair over a fixed period of time or for a specified duration in connection with any real property or that provides a benefit to any real property.

“Warranty” means a warranty made solely by the manufacturer, importer, or seller of property or services without consideration, that is incidental to, and not negotiated or separated from, the sale of the property or services, that guarantees indemnity for defective materials, parts, mechanical or electrical breakdown, labor, or workmanship, or provides other remedial measures, including repair or replacement of the property or repetition of services.

2. a. Any seller that sells, leases or offers to sell or lease any service to a consumer pursuant to a service contract that has an automatic renewal provision shall disclose the automatic renewal provision clearly and conspicuously in the contract or contract offer.

b. Any seller that sells or offers to sell any service to a consumer pursuant to a service contract the term of which is a specified period of 12 months or more and that automatically renews for a specified period of more than one month, unless the consumer cancels the contract, shall provide the consumer with written or electronic notification of the automatic renewal provision. Notification shall be provided to the consumer not less than 30 days nor more than 60 days before the cancellation deadline pursuant to the automatic renewal provision. This notification shall disclose clearly and conspicuously:

(1) That unless the consumer cancels the contract the contract will automatically renew; and

(2) Methods by which the consumer may obtain details of the automatic renewal provision and cancellation procedure, whether by contacting the seller at a specified telephone number or address, by referring to the contract, or by any other method.

c. As part of the seller’s routine business practice, where an error has caused the failure to comply with the provisions of this section, the unearned portion of the contract subject to the automatic renewal provision shall be refunded as of the date on which the seller is notified of the error.

d. The seller shall provide written or electronic notification to the consumer not less than 30 days nor more than 60 days before any change in the procedures required of the consumer to cancel the automatic renewal provision.

3. The following shall be exempt from the provisions of this act:

a. warranties;

b. service contracts on tangible property if the tangible property for which the service contract is sold has a purchase price of $250 or less, excluding sales tax;

c. service contracts with a bank, trust company, savings bank, savings and loan association, credit union, insurance company, or health maintenance organization organized under the laws of any state or the United States; and

d. service contracts issued, offered, or sold:

(1) by a cable, electric, gas, telecommunication, or water public utility regulated by the Board of Public Utilities, **1**by a propane gas marketer,**1** or by a person providing central heating and air conditioning services; or

(2) to any person other than a consumer.

4. a. This act shall not limit rights or remedies available to a consumer under any other law.

b. If a seller does not comply with the provisions of this act, the automatic renewal provision shall be void and unenforceable **2**and the seller shall refund the consumer for the unearned portion of the automatically renewed service contract**2**.

5. **2[**A**]** a. Except as provided in subsection b. of this section, a**2** violation of **2[**any of the provisions**]** section 2**2** of this act shall be an unlawful practice and a violation of P.L.1960, c.39 (C.56:8-1 et seq.).

**2**b. A seller of a service contract with an automatic renewal provision that allows a consumer to cancel the service contract at any time during the contract and provides proper notification to a consumer pursuant to subsections a., b., and d. of section 2 of this act shall not be subject to the penalties set forth in subsection a. of this section if the seller refunds the consumer the unearned portion of the contract subject to the automatic renewal provision.**2**

6. This act shall take effect on the first day of the third month next following the date of enactment, and shall apply to service contracts entered into on or after that date.