

ASSEMBLY CONSUMER AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2462

STATE OF NEW JERSEY

DATED: MARCH 5, 2020

The Assembly Consumer Affairs Committee reports favorably Assembly Bill No. 2462.

As reported by the committee, this bill establishes notification standards regarding service contracts which contain automatic renewal provisions.

A service contract is defined to mean a written contract for the performance of service, maintenance, or repair over a fixed period of time in connection with real property. A service contract does not include a warranty offered by a manufacturer, importer, or seller of property or services that is incidental to the sale of the property or service. Excluded from the bill's provisions are:

- a warranty;
- service contracts on tangible property valued under \$250;
- service contracts offered by certain financial institutions, certain entities regulated by the Board of Public Utilities, propane gas marketers, persons providing central heating and air conditioning services, and New Jersey-licensed burglar alarm or fire alarm businesses which provide integrated security and life safety systems and may be required to maintain alarm system compliance, on an ongoing basis, pursuant to applicable statutory or regulatory requirements or insurance company standards;
- service contracts containing a provision allowing the consumer to cancel the service contract at any time, if the service contract permits the consumer to cancel: (1) by telephone; (2) in writing, by mail; or (3) by email. In order to be exempt under this paragraph, the service contract is to make each method of cancellation available to a consumer and only require a consumer to cancel by one method; and
- news media, to the extent that the news media accept or publish any advertising that falls within the scope of the bill.

Specifically, the bill provides that if a service contract contains an automatic renewal provision for a specified period of more than one month, the seller is required to disclose the automatic renewal provision clearly and conspicuously in the contract or contract offer. Additionally, if the service contract is for 12 months or longer, and the renewal is for a period of one month or longer, the seller is required to provide either written or electronic notification

to the consumer at least 30 days but not more than 60 days prior to the cancellation deadline provided in the contract. This notification would indicate methods by which the consumer may obtain details of the automatic renewal provision and cancellation procedure and also disclose that a contract will automatically renew unless the consumer cancels it.

The bill also requires the seller to notify the consumer of any change in the procedures required to cancel the automatic renewal.

If an error has caused the seller to fail to comply with the provisions of the bill, the unearned portion of the contract subject to the automatic renewal provision would be refunded as of the date on which the seller is notified of the error. An automatic renewal provision would be void and unenforceable if the notification requirements stipulated in the bill are not met. The bill requires a seller to refund a consumer for the unearned portion of the automatically renewed service contract if the service contract is void and unenforceable as a result of the seller not complying with the bill's provisions.

A violation of the bill's provisions constitutes an unlawful practice under the consumer fraud act. An unlawful practice is punishable by a monetary penalty of not more than \$10,000 for a first offense and not more than \$20,000 for any subsequent offense. Additionally, a violation can result in cease and desist orders issued by the Attorney General, the assessment of punitive damages, and the awarding of treble damages and costs to the injured. However, the bill provides that the consumer fraud act penalties would not be imposed if a seller of a service contract with an automatic renewal provision allows a consumer to cancel the service contract at any time during the contract, provides proper notification to the consumer, and refunds the unearned portion of the contract subject to the automatic renewal provision.