

**FIRST ENGROSSMENT
with House Amendments**

Fifty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2318

Introduced by

Senators Klein, Tallackson

Representative Kasper

1 A BILL for an Act to provide for property service contracts; to amend and reenact sections
2 26.1-40-18 and 26.1-40-22 of the North Dakota Century Code, relating to automobile
3 warranties; and to repeal sections 26.1-40-19, 26.1-40-20, and 26.1-40-21 of the North Dakota
4 Century Code, relating to automobile warranty insurance.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. Property service contracts - Exemption.**

7 1. The marketing, selling, offering for sale, issuing, making, providing, or proposing to
8 make and the administering of a property service contract is not subject to the
9 provisions of title 26.1.

10 2. A property service contract is a contract or agreement for a separately stated
11 consideration, for a specific duration, to provide for the repair, replacement, or
12 maintenance or for the indemnification for the repair, replacement, or maintenance
13 of new or used property if an operational or structural failure is due to a defect in
14 materials, manufacturing, or normal wear and tear. Property covered under a
15 property service contract may include motor vehicles; residential appliances;
16 residential systems, including plumbing, electrical, heating, cooling, and ventilation;
17 and other residential property. The contract may provide coverage for:

- 18 a. Damage to property resulting from power surges;
- 19 b. Accidental damage to property resulting from handling; and
- 20 c. Payment of indemnity for incidental damages, such as food spoilage, towing,
21 and rental and emergency road service.

22 **SECTION 2. AMENDMENT.** Section 26.1-40-18 of the North Dakota Century Code is
23 amended and reenacted as follows:

1 **26.1-40-18. Automobile warranties construed.** An automobile dealer or a third-party
2 administrator who issues an automobile warranty issued by anyone other than the automobile
3 manufacturer or dealer is a contract of insurance and all warranties must be on a contract form
4 prescribed or approved by the commissioner, automobile mechanical breakdown contract, or
5 automobile service contract shall maintain a policy of insurance which provides coverage for
6 the dealer's or administrator's contractual obligation.

7 **SECTION 3. AMENDMENT.** Section 26.1-40-22 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **26.1-40-22. Penalty.** Any person violating ~~sections~~ section 26.1-40-18 ~~through~~
10 ~~26.1-40-24~~ is guilty of a class A misdemeanor.

11 **SECTION 4. REPEAL.** Sections 26.1-40-19, 26.1-40-20, and 26.1-40-21 of the North
12 Dakota Century Code are repealed.