

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1046  
Economic Matters

(Delegate Bagnall)

Finance

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Mechanical Repair Contracts - Technical Service Bulletins

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This bill prohibits (1) a mechanical repair contract from containing a provision precluding coverage for an issue with a motor vehicle identified in a technical service bulletin and (2) a guarantor or provider from denying a mechanical repair contract claim because the claim was made for a diagnosed issue with the motor vehicle that was identified in a technical service bulletin.

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Fiscal Summary

**State Effect:** The bill does not materially affect State operations or finances.

**Local Effect:** The bill does not materially affect local government operations or finances.

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law:**

*Mechanical Repair Contracts*

“Mechanical repair contract” means any agreement or contract sold by a licensed vehicle dealer, an obligor, or an agent under which the dealer or obligor agrees to perform specified services pertaining to the repair, replacement, or maintenance of a motor vehicle for a specific identifiable price. “Obligor” means the person specified in a mechanical repair contract that is contractually obligated to perform the services set forth in the contract. An

obligor must register with the Insurance Commissioner each year, provide specified information, and pay an annual registration fee.

Only a licensed vehicle dealer, an agent, or a registered obligor or their employees may offer, sell, or negotiate a mechanical repair contract. Violators are subject to imprisonment for up to one year and/or a fine of up to \$5,000 and may be required to pay restitution.

Also, licensed dealers and obligors who sell mechanical repair contracts have the same obligations as a seller of goods under § 2-314 of the Commercial Law Article. In addition, the provisions of the Maryland Service Contracts and Consumer Products Guaranty Act (Title 14, Subtitle 4 of the Commercial Law Article) apply to a mechanical repair contract sold in the State.

A mechanical repair contract, among other things:

- includes extended warranties and extended service contracts;
- does not include warranties under the federal Magnuson-Moss Warranty Act (consumer products warranties); contracts or agreements for regular maintenance only; or an agreement between a motor club, as defined in § 26-101 of the Insurance Article, and a member or subscriber of the motor club;
- must be offered in addition to any express warranty originally included as part of the contract for sale of a new motor vehicle; and
- must clearly and conspicuously set forth the date when the warranty begins, the date or the odometer reading at which the warranty expires, and the name and address of the insurer issuing the policy of insurance required of an obligor for the protection of the purchasing consumer, as specified.

The repair of a malfunction or defect covered under a mechanical repair contract must include the cost of the teardown and diagnosing the malfunction and defect.

#### *Maryland Service Contracts and Consumer Products Guaranty Act*

Under the Maryland Service Contracts and Consumer Products Guaranty Act, a service contract is, among other things, a contract or agreement for a separately stated consideration to perform the repair, replacement, or maintenance of a product, and includes a mechanical repair contract. The Act requires a service contract to include specified information in writing, including the duration of the contract, the purchase price, the services to be provided, requirements for cancellation, and procedures for contract dispute resolution. Additionally, under the Act, a service contract is automatically extended when the provider fails to perform the services under the contract; the contract does not terminate until the services are provided. “Provider” means a person or persons acting in concert who

are contractually obligated under the service contract to provide services to the owner of a product covered by the service contract. If a provider is unable to fulfill the terms of the contract within 10 days after the date specified in the contract, the provider must, on request of the person guaranteed under the service contract, provide a written explanation for the delay.

“Guarantor” means a person who is engaged in the business of making consumer products available to consumers and who makes a guaranty. A guaranty is made at the time of the sale of a consumer product by a guarantor to a person guaranteed and is part of the basis of the bargain between these two individuals. A guaranty includes a warranty and a written undertaking to refund, repair, replace, or take other remedial action with respect to a consumer product if it proves defective in material or workmanship or fails to meet a specified level of performance. A guaranty does not include a service contract. A guarantor must deliver to the first person guaranteed specified written information, including any reasonable and necessary maintenance required as a condition for the performance of the guaranty and a recital of the guarantor’s obligations to the person guaranteed during the guaranty period.

If a guarantor or provider violates the Act, the Office of the Attorney General may obtain a court order to prohibit the guarantor or provider from further violations. A court may also issue an order to restore money or property to a person damaged by a violation.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 17, 2025  
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