



DOMESTIC/FOREIGN INSURERS BULLETIN NO. 5 (Revised)

TO: ALL DOMESTIC/FOREIGN INSURERS
RE: REGULATION OF SERVICE CONTRACT PROVIDERS
ISSUED: SEPTEMBER 17, 1997
REVISED: JULY 1, 1998
SEPTEMBER 19, 2019

The two prior versions of Domestic/Foreign Insurers Bulletin No. 5 stated that:

In the past, the Department of Insurance has taken the position that most "service contracts," "extended warranties" and other similar products are not insurance for the purpose of regulation.

In recent years, the number and variety of service contracts available to consumers has exploded. With loss ratios often as low as 25%, the profits generated by the sale of these contracts often greatly exceed those allowed for traditional insurers regulated by the Department. I believe that for the protection of Delaware consumers, regulatory oversight of companies providing such products is long overdue.

It is now the position of the Department that many service contracts and similar products are "Insurance" as defined by Section 102(2) of the Insurance Code. At the same time, the Department recognizes that regulating companies as traditional property/casualty insurers may be cumbersome and counterproductive. The Department is therefore contemplating the introduction of legislation based upon the National Association of Insurance Commissioner model Service Contract Act in the upcoming legislative session.

Both prior versions of this Bulletin then stated that, "Until such time as legislation is in place, . . . the Department will not endeavor to regulate providers of service contracts, nor will it find such providers in violation of the Insurance Code."

The purpose of the current version of this Bulletin is to inform insurers of the passage of HB 106 (150th General Assembly). HB 106 codifies the existing legal practice set forth above by making it clear that service contracts and warranties are not regulated as insurance products. Instead, consumers with complaints regarding service contracts or product warranties may file a complaint with the Department of Justice's Consumer Protection Unit at <https://attorneygeneral.delaware.gov/fraud/cpu/complaint/> or by calling the toll-free Consumer Hotline at (800) 220-5424.

Questions regarding this bulletin should be submitted electronically to consumer@delaware.gov. This bulletin shall be effective immediately and shall remain in effect unless withdrawn or superseded by subsequent law, regulation or bulletin.


Trinidad Navarro
Delaware Insurance Commissioner

NOTE: This Bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties, or privileges, nor is it intended to provide legal advice. Readers should consult applicable statutes and rules and contact the Delaware Department of Insurance if additional information is needed.

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