

1 HB405  
2 181010-1  
3 By Representative Wood  
4 RFD: State Government  
5 First Read: 14-MAR-17

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8 SYNOPSIS: Existing law does not regulate the use of  
9 automatic renewal provisions in service contracts.

10 This bill would provide for notice of  
11 automatic renewal provisions in service contracts.

12 This bill would provide for notice to a  
13 consumer prior to the automatic renewal of a  
14 service contract.

15 This bill would provide for exemptions.

16 This bill would provide that failure to  
17 provide notice shall render the automatic renewal  
18 provision of a contract void and unenforceable.

19  
20 A BILL

21 TO BE ENTITLED

22 AN ACT

23  
24 Relating to service contracts; to provide for notice  
25 of automatic renewal provisions in service contracts; to  
26 provide for notice to a consumer prior to the automatic  
27 renewal of a service contract; to provide for exemptions; and

1 to provide that failure to provide notice shall render the  
2 automatic renewal provision of a contract void and  
3 unenforceable.

4 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

5 Section 1. (a) As used in this section, the  
6 following terms shall have the following meanings,  
7 respectively, unless the context clearly indicates otherwise:

8 (1) AUTOMATIC RENEWAL PROVISION. A provision under  
9 which a service contract is renewed for a specified period of  
10 more than one month if the renewal causes the service contract  
11 to be in effect more than six months after the day of the  
12 initiation of the service contract. The renewal is effective  
13 unless the consumer gives notice to the seller of the  
14 consumer's intention to terminate the service contract.

15 (2) CONSUMER. A natural person or a nonprofit  
16 organization exempt from taxation under Section 501(c)(3) of  
17 the Internal Revenue Code of 1986 receiving service,  
18 maintenance, or repair benefits under a service contract. The  
19 term does not include a natural person engaged in business or  
20 employed by or otherwise acting on behalf of a governmental  
21 entity if the person enters into the service contract as part  
22 of or ancillary to the person's business activities or on  
23 behalf of the business or governmental entity.

24 (3) SELLER. A person, firm, partnership,  
25 association, or corporation engaged in commerce that sells,  
26 leases, or offers to sell or lease any service to a consumer  
27 pursuant to a service contract.

1           (4) SERVICE CONTRACT. A written contract for the  
2 performance of services for a specified period of time.

3           (b) Any seller that sells, leases, or offers to sell  
4 or lease any service to a consumer pursuant to a service  
5 contract that has an automatic renewal provision shall  
6 disclose the automatic renewal provision clearly and  
7 conspicuously in not less than 14-point bold type in the  
8 contract or contract offer.

9           (c) Any seller that sells, leases, or offers to sell  
10 or lease any service to a consumer pursuant to a service  
11 contract for a specified period of 12 months or more and that  
12 automatically renews for a specified period of more than one  
13 month, unless the consumer cancels the contract, shall provide  
14 the consumer with written or electronic notification of the  
15 automatic renewal provision. The notification shall be  
16 provided to the consumer no less than 30 days or no more than  
17 60 days before the cancellation deadline pursuant to the  
18 automatic renewal provision. The notification shall disclose  
19 clearly and conspicuously:

20           (1) That unless the consumer cancels the contract,  
21 the contract shall automatically renew.

22           (2) The methods by which the consumer may obtain  
23 details of the automatic renewal provision and cancellation  
24 procedure, including contacting the seller at a specified  
25 telephone number or address, referring to the contract, or any  
26 other method.

1 (d) This section shall not apply to any of the  
2 following:

3 (1) A financial institution as defined in  
4 subdivision (1) of Section 40-16-3, Code of Alabama 1975, or  
5 any depository institution as defined in 12 U.S.C.  
6 §1813(c) (2).

7 (2) A foreign bank maintaining a branch or agency  
8 licensed under the laws of any state of the United States.

9 (3) Any subsidiary or affiliate of an entity  
10 provided in subdivision (1) or (2) of this subsection.

11 (4) Any utility as provided in Chapter 5, 6, or 7 of  
12 Title 37, Code of Alabama 1975.

13 (5) Any entity regulated pursuant to Chapter 28 of  
14 Title 2, Code of Alabama 1975.

15 (6) Any county, municipal corporation, authority, or  
16 local government or governing body.

17 (e) A violation of this section renders the  
18 automatic renewal provision of a contract void and  
19 unenforceable.

20 Section 2. This act shall become effective on the  
21 first day of the third month following its passage and  
22 approval by the Governor, or its otherwise becoming law.