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Washington Insurance Commissioner Issues Cease & Desist to General Motors Regarding Extended Warranties/Service Contracts

Washington State Office of Commissioner of Insurance (OIC) has issued a Cease & Desist Order against General Motors (GM) in connection with an optional add-on Extended Limited Warranty (ELW) program that is separately purchased for additional consideration and then included in the final vehicle sale price.

GM asserted the ELW falls under the definition of warranty rather than a motor vehicle service contract because “the written terms of GM’s optional ELW are exactly the same as the written terms of the standard bumper-to-bumper warranty. The sole difference is the longer time and mileage period of coverage offered.”

The OIC has cited to RCW 48.02.080, RCW 48.15.020 [solicitation by unauthorized insurer], RCW 48.15.023 [unauthorized activities], and RCW 48.110.030 [unregistered activities] as the basis for the Cease & Desist.

The investigations noted that GM is also offering an Optional Extended Factory Maintenance product (EFM). Similar to the ELW, this product was introduced in 2018 and offers extended maintenance beyond the standard factory maintenance schedule. GM explained the maintenance covered under the ERM is exactly the same as the standard factory schedule, “only the number of visits and time durations are changed.” The EFM is an optional add-on purchase that is included in the final vehicle purchase price. GM provides a suggested MSRP but allows the dealership to determine the final vehicle price. Other than a Customer Acknowledgement Form that is signed by the consumer, there is no separate contract or agreement for the product.

GM was not registered as a service contract provider nor were forms filed with OIC, as GM took the position that the EFM fits the definition of a maintenance agreement rather than a vehicle service

contract and is therefore exempted under RCW 48.10.015(1)(b).

Nothing in the C&D prevents GM from fulfilling the terms of the EFM or ELW contracts that have been written. The C&D is effective immediately from issuance on October 23, 2020 but subject to a request for a hearing.

This is an important order to follow and one which could have significant ramifications to the automotive industry, as well as the manner in which such contracts are offered.

Click [here](#) to read the text of the order.

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