

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1290
By: Cain
Economic Development
4-18-97
Committee Report (Substituted)

DIGEST

Currently, the Consumer Credit Code allows for the sale of collateral insurance to cover any difference, or "gap," between an outstanding auto loan balance and the actual cash value of a car that is totaled in an accident. The approval of "Group II" agents, licensed under Article 21.07, Insurance Code, to sell this "gap" insurance would most likely increase the availability of this product. This bill would allow agents licensed under Article 21.07, Insurance Code, to sell "gap" insurance.

PURPOSE

As proposed, C.S.S.B. 1290 allows insurance agents licensed under Article 21.07, Insurance Code, to sell collateral insurance that covers any difference, or "gap," between an outstanding auto loan balance and the actual cash value of a car that is totaled in an accident.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 21.07, Insurance Code, by adding Section 6A, as follows:

Sec. 6A. COVERAGE FOR VEHICLE USED AS SECURITY. Authorizes a person licensed as an agent under this article to be appointed to act as an agent for an authorized insurer selling and offering for sale an insurance policy that covers the difference between the actual cash value of a motor vehicle used as security for a loan or lease and the outstanding balance of the loan or lease in the event of loss or damage in which the vehicle is rendered an actual or constructive total loss while the debt for which the vehicle serves as security exceeds the actual cash value of the vehicle.

SECTION 2. Effective date: September 1, 1997.

SECTION 3. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

Revises proposed relating clause.

SECTION 1.

Amends Article 21.07, Insurance Code, to add proposed Section 6A. Omits proposed changes to Section 15, Article 21.07, Insurance Code, relating to the authority of an agent. Proposed Section 6A is substantially similar to proposed Section 15(b).

SECTION 2.

Omits revisions to Section 18(b), Article 21.07, Insurance Code. Sets forth the effective date previously in SECTION 3. Redesignates the emergency clause from SECTION 4 to SECTION 3, accordingly.