

BILL ANALYSIS

Senate Research Center

H.B. 3515
By: Marchant (Sibley)
Economic Development
5/10/1999
Engrossed

DIGEST

Historically, a service contract sold by the retail seller of a motor vehicle has not been considered insurance and is not subject to regulation by the Texas Department of Insurance. Buyers and sellers have long relied on this interpretation of the law. H.B. 3515 would establish conditions regarding the nature of certain contracts included in the cash price of motor vehicles sold at retail.

PURPOSE

As proposed, H.B. 3515 establishes conditions regarding the nature of certain contracts included in the cash price of motor vehicles sold at retail.

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 Section 345.005, Finance Code, to provide that an amount charged to a retail buyer in a retail installment contract or retail charge agreement is an itemized charge if the amount is not included in the cash price and is certain amounts, including premiums and other charges for insurance or debt cancellation contracts or waivers authorized by Subchapter E.

SECTION 2. Amends Chapter 345, Finance Code, by adding Section 345.216, as follows:

Sec. 345.216. CHARGE FOR DEBT CANCELLATION PROVISION INCLUDED IN RETAIL INSTALLMENT CONTRACT. Authorizes a buyer or seller to agree to include in a retail installment contract for the sale of goods a separate charge for a debt cancellation contract or waiver by which the seller or holder agrees that, if the goods are rendered a total loss because of theft or collision, the seller or holder will waive the difference between the actual cash value of the goods and the amount owed on the goods. Authorizes a seller or holder to agree to waive the deductible amount, in addition to any other liability incurred under a debt cancellation contract or waiver included in the contract, and if any, the buyer is required to pay the policy. Provides that a debt cancellation contract or waiver included in a contract is not insurance or an insurance product or service and is not subject to regulation by the commissioner of insurance or the Texas Department of Insurance.

SECTION 3. Amends Section 348.005, Finance Code, to make conforming changes.

SECTION 4. Amends Section 348.202(b), Finance Code, to authorize a seller to offer involuntary unemployment insurance to the buyer at the time the contract is executed, for additional protection in the contract. Makes a conforming change.

SECTION 5. Amends Section 348.208, Finance Code, by adding Subsections (c), (d), and (e), to provide that a warranty or service contract sold by the retail seller of a motor vehicle to a retail buyer is not insurance. Authorizes a buyer and seller to agree to include in a retail installment contract for the sale of a motor vehicle a separate charge for a debt cancellation contract or waiver by which the seller or holder will waive the difference between the actual cash value of the vehicle immediately before the loss and the amount owed on the vehicle. Authorizes a seller or holder to agree to waive the deductible amount.

SECTION 6. Emergency clause.

Effective date: upon passage.