

BILL ANALYSIS

Senate Research Center
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S.B. 517
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DIGEST

Currently, under Texas law, the Automobile Club Services Act regulates services automobile clubs provide to their members. Although the Act specifically allows for the reimbursement of legal fees incurred in the defense of traffic offenses, automobile clubs routinely have reimbursed members for a variety of expenses, including towing, emergency roadside service, and trip interruption. However, in 1997, the Attorney General of Texas issued an opinion holding that reimbursements for expenses, other than legal fees, constituted engaging in the business of insurance. This bill authorizes automobile clubs to reimburse members for certain services, adds consumer safeguards for automobile club members, and sets forth the circumstances under which an automobile club could provide insurance services.

PURPOSE

As proposed, S.B. 517 authorizes automobile clubs to reimburse members for certain services, adds consumer safeguards for automobile club members, and sets forth the circumstances under which an automobile club could provide insurance services.

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 722.002, Transportation Code, by amending Subdivision (2) and adding Subdivisions (3)-(5), redefine "automobile club" and to define "emergency road service," "immediate destination service," and "trip interruption service."

SECTION 2. Amends Chapter 722, Transportation Code, by adding Sections 722.0021 and 722.0022, as follows:

Sec. 722.0021. **INSURANCE SERVICE.** Authorizes an automobile club to provide insurance service only as provided by this section. Authorizes an automobile club to provide a member accidental injury and death benefit insurance coverage through purchase of a group policy of insurance issued to the automobile club for the benefit of its members. Requires the coverage to be purchased from an insurance company authorized to sell that type of coverage in this state. Requires the automobile club to provide each member covered by the insurance a certificate of participation. Requires the certificate of participation to state on its face in certain type that the certificate is only a certificate of participation in a group accidental injury and death policy and is not motor vehicle liability insurance coverage. Authorizes an automobile club to endorse insurance products and refer members to agents or insurers authorized to provide the insurance products in this state. Prohibits an automobile club or an agent of the automobile club from receiving remuneration for the referral. Provides that an automobile club performing services permitted by this chapter is not engaged in the insurance business and is not subject to regulation under this state's insurance laws, except as provided by Subsection (e). Authorizes an automobile club to sell insurance products to a member for consideration separate from the amount paid as membership in the automobile club if the automobile club is properly licensed as an agent under the Insurance Code.

Sec. 722.0022. **REIMBURSEMENT SERVICE.** Authorizes an automobile club to reimburse expenditures by a member for only certain services.

SECTION 3. Amends Section 722.005(a), Transportation Code, to authorize an applicant for an automobile club certificate of authority to provide the required security for that certificate by depositing with the state or pledging in the form prescribed by the secretary of state (secretary) \$50,000 in securities approved by the secretary, cash, or a bond in the form prescribed by the secretary that meets certain conditions.

SECTION 4. Amends Section 722.008(a), Transportation Code, to require the secretary to revoke or suspend an automobile club's certificate of authority if the secretary determines, after a public hearing, for good cause shown, that the club has engaged in certain actions.

SECTION 5. Amends Section 722.009, Transportation Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Requires each automobile club operating under this chapter to furnish each member, rather than the membership, a service contract or membership card and a list of services and benefits to which the member is entitled. Requires the contract, card, or list to include certain information.

(c) Requires the service contract, membership card, and list of services and benefits to be furnished at a certain time.

SECTION 6. Amends Section 722.012, Transportation Code, to prohibit an automobile club to advertise or describe its service contract, rather than its services, in a manner that would lead the public to believe that the service contract includes automobile liability or collision insurance. Makes conforming changes.

SECTION 7. Repealer: Section 722.013, Transportation Code (Exemption from Certain Insurance Laws; Group Policy Requirements).

SECTION 8. Makes application of this Act prospective.

SECTION 9. Effective date: September 1, 1999.

SECTION 10. Emergency clause.