

## **BILL ANALYSIS**

Senate Research Center

S.B. 1568  
By: Harris  
Business & Commerce  
4/23/2001  
As Filed

### **DIGEST AND PURPOSE**

Currently, banks sell debt cancellation agreements and debt suspension agreements as principal and there is no state regulation of those contracts. As proposed, S.B. 1568 prohibits banks from selling either as principal or agent a debt cancellation agreement or a debt suspension agreement or contracting for, charging, or receiving any amount in connection with the offering or sale of such agreements, unless the bank first obtains a certificate of authority from the commissioner of insurance.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 3, Article 21.82, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 21F, Texas Insurance Code, by adding Article 21.82, as follows:

**Art. 21.82. CERTIFICATIONS OF AUTHORITY FOR NATIONAL AND STATE BANKS**

**Sec. 1. DEFINITIONS.** Defines “bank,” “authorized product,” “debt cancellation agreement,” and “debt suspension agreement.”

**Sec. 2. CERTIFICATE OF AUTHORITY TO UNDERWRITE DEBT CANCELLATION AND DEBT SUSPENSION AGREEMENT.** (a) Prohibits a bank, without first obtaining a certificate of authority, from selling either as principal or agent debt cancellation agreements or a debt suspension agreements or contracting for, charging, or receiving any amount in connection with the offering or sale of such agreements.

(b) Provides that a bank is entitled to receive a certificate of authority on notification to the commissioner of insurance (commissioner) of its intentions to operate under this subchapter. Requires the commissioner, upon receipt, to immediately issue a certificate of authority.

(c) Provides that the holder of a certificate of authority is subject to disciplinary action as provided by Chapter 81, Texas Insurance Code, for violations exclusively relating to conduct in the underwriting, pricing, marketing and claims handling of authorized products.

(d) Provides that the holder of a certificate of authority is not subject to any visitorial power granted to the department by the Texas Insurance Code, save and except that a holder is required to submit information and data that relate exclusively to certain criteria.

**Sec. 3. DEBT CANCELLATION AND DEBT SUSPENSION AGREEMENTS TO BE**

REGULATED AS INSURANCE. (a) Requires debt cancellation and debt suspension agreements to be regulated with respect to certain criteria. Requires debt cancellation agreements that provide for the cancellation of indebtedness upon death to be regulated as credit life insurance.

(b) Requires the commissioner by rule to classify debt cancellation and debt suspension agreements according to their functional insurance equivalent and identify these articles or sections of the Texas Insurance Code which apply. Provides that rulemaking authority is restricted to certain conditions.

SECTION 3. Effective date: September 1, 2001.