

BILL ANALYSIS

Senate Research Center
80R10905 JMM-F

H.B. 2261
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Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

A service contract (also known as an extended warranty) is an agreement under which a provider agrees to repair, replace, or maintain a product or provide indemnification for the product, for operational or structural failure caused by a defect or by normal wear. Service contracts are regulated under the Service Contract Regulatory Act (Act) by the Texas Department of Licensing and Regulation (TDLR). Service contract providers are required to maintain financial security, provide financial and corporate information to TDLR, and include certain information in the contracts.

Both consumers and businesses in the state are interested in the sale of service contracts that would provide for the repair of a motor vehicle's components that are damaged by "normal wear." This normal wear could include small dents and dings in vehicles, small windshield chips and cracks, worn tire tread, worn interior fabric, and tire and wheel damage from ordinary road hazards.

H.B. 2261 defines the term "normal wear" found in the Act and redefines the term "service contract."

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1304.003, Occupations Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Redefines "service contract."

(c) Provides that normal wear for a motor vehicle includes minor and reasonable wear and tear that a vehicle sustains in everyday ordinary operation including certain criteria for purposes of Subsection (a).

SECTION 2. Makes application of this Act prospective..

SECTION 3. Effective date: September 1, 2007.