

BILL ANALYSIS

Senate Research Center
84R31706 GRM-D

C.S.H.B. 3938
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Business & Commerce
5/22/2015
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Interested parties observe that a significant number of states currently authorize the charge of a non-credit, single premium term life insurance policy in connection with a consumer loan. The parties assert that such authorization provides an underinsured segment of the population with an opportunity to protect their families with life insurance. The parties contend that providing Texas lenders with the flexibility to offer the same products offered in other states will give Texas borrowers a chance to provide a safety net for their loved ones. C.S.H.B. 3938 seeks to address this issue.

C.S.H.B. 3938 amends current law relating to single premium term life insurance offered in connection with certain consumer loans.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the finance commission in SECTION 1 (Section 342.4022, Finance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter I, Chapter 342, Finance Code, by adding Section 342.4022, as follows:

Sec. 342.4022. SINGLE PREMIUM TERM LIFE INSURANCE. (a) Provides that, on a loan made under this chapter that is subject to Subchapter E (Interest Charges on Non-Real Property Loans), a lender:

(1) may, through a properly licensed insurance agent, offer a borrower single premium term life insurance;

(2) may not require the borrower to accept the insurance described by Subdivision (1); and

(3) shall provide the borrower with the option to pay the insurance premium from the borrower's own funds or to pay the premium with a portion of the loan proceeds; and

(4) before completing the transaction, shall provide to and review with the borrower a disclosure that specifies:

(A) the total dollar amount of the term life insurance premium, and a comparison between:

(i) the amount of the payment due on the loan with the additional purchase of the term life insurance policy; and

(ii) the amount of the payment due on the loan without the additional purchase of the term life insurance policy; and

(B) if there is any shared interest or ownership, including any common third-party ownership, between the insurance company and the lender, then the lender must disclose the fact of the shared interest or ownership.

(b) Requires the finance commission by rule to prescribe the form and the content of the disclosures required by Subsection (a)(4).

SECTION 2. Amends Section 342.407, Finance Code, as follows:

Sec. 342.407. REQUIREMENTS FOR INCLUDING INSURANCE CHARGE IN CONTRACT. Requires that insurance for which a charge is included in a loan contract be written through an insurance agent licensed in accordance with the Insurance Code, if the included charge is offered under Section 342.4022 of this code.

SECTION 3. Amends Section 342.412, Finance Code, as follows:

Sec. 342.412. ACTION UNDER SUBCHAPTER NOT SALE OF INSURANCE. Provides that, except for the sale of a single premium term life insurance policy to a borrower under Section 342.4022, arranging for insurance or collecting an identifiable charge as authorized by this subchapter is not a sale of insurance.

SECTION 4. Provides that Section 342.4022, Finance Code, as added by this Act, applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2016. Makes application of this Act prospective to January 1, 2016.

SECTION 5. Effective date: January 1, 2016.