

By: Haggerty

H.B. No. 1552

A BILL TO BE ENTITLED

AN ACT

relating to collateral protection insurance.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 307.051(e), Finance Code, is amended to read as follows:

(e) A premium for collateral protection insurance may not be based on an amount that exceeds:

(1) for insurance covering real property, the insurable value of the improvements on the real property; or

(2) for insurance covering collateral other than real property, the actual amount of unpaid indebtedness of the debtor as of the effective date of the policy, regardless of ~~[- This condition applies without regard to]~~

whether the coverage under the policy limits the insurer's liability to:

(A) ~~[(1)]~~ the amount of unpaid debt;

(B) ~~[(2)]~~ the cash value of the collateral; or

(C) ~~[(3)]~~ the cost of repair of the collateral.

SECTION 2. Section 307.052(a), Finance Code, is amended to read as follows:

(a) A creditor who requires collateral protection insurance that is paid for directly or indirectly by a debtor may place collateral protection insurance if:

(1) the debtor has entered into a credit transaction with the creditor for which a credit agreement exists;

1 (2) the credit agreement requires the debtor to
2 maintain insurance on the collateral; and

3 (3) a notice has been included in the credit agreement
4 or a separate document provided to the debtor at the time the credit
5 agreement is executed that states that:

6 (A) the debtor is required to:

7 (i) keep the collateral insured against
8 damage according to the terms of the credit agreement [~~in the amount~~
9 ~~equal to the debtor's indebtedness to the creditor~~];

10 (ii) purchase the insurance from an insurer
11 that is authorized to do business in this state or an eligible
12 surplus lines insurer; and

13 (iii) name the creditor as the primary
14 beneficiary [~~person to be paid~~] under the policy [~~in the event of a~~
15 ~~loss~~];

16 (B) the debtor must, if required by the creditor,
17 deliver to the creditor a copy of the policy and proof of the
18 payment of premiums; and

19 (C) if the debtor fails to meet any requirement
20 listed in Paragraph (A) or (B), the creditor may obtain collateral
21 protection insurance on behalf of the debtor at the debtor's
22 expense.

23 SECTION 3. The change in law made by this Act applies only
24 to a credit agreement entered into on or after the effective date
25 of this Act. A credit agreement entered into before the effective
26 date of this Act is governed by the law in effect when the credit
27 agreement was entered into, and the former law is continued in

1 effect for that purpose.

2 SECTION 4. This Act takes effect immediately if it receives
3 a vote of two-thirds of all the members elected to each house, as
4 provided by Section 39, Article III, Texas Constitution. If this
5 Act does not receive the vote necessary for immediate effect, this
6 Act takes effect September 1, 2003.