

By: Reyna

H.B. No. 2229

A BILL TO BE ENTITLED

AN ACT

relating to the automatic renewal of contracts for security services.

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

SECTION 1. Title 4, Business & Commerce Code, is amended by adding Chapter 49 to read as follows:

CHAPTER 49. AUTOMATIC RENEWAL OF CONTRACTS

Sec. 49.001. APPLICABILITY. This chapter applies only to a contract that:

(1) is for a security service;

(2) specifies a term during which the service will be provided; and

(3) automatically renews for a period of more than one month.

Sec. 49.002. DEFINITIONS. In this chapter:

(1) "Automatic renewal clause" means a provision of a contract that provides that the contract's term is considered renewed for a specified additional period if the consumer does not give notice of the consumer's intention to terminate the contract at the expiration of the term.

(2) "Consumer" means a person to whom a security service is provided.

(3) "Security service" means the service of providing, monitoring, or maintaining an alarm system, as that term is defined

1 by Section 1702.002, Occupations Code.

2 Sec. 49.003. NOTICE OF AUTOMATIC RENEWAL. (a) If a
3 contract for a security service contains an automatic renewal
4 clause, the service provider shall give the consumer notice as
5 provided by this section during the initial and each renewal term.

6 (b) A service provider must give notice not earlier than the
7 30th day and not later than the 15th day before the date before
8 which the consumer must notify the service provider of the
9 consumer's intention to terminate the contract at the expiration of
10 the term.

11 (c) Notice given by a service provider under this section
12 must state:

13 (1) that the contract contains an automatic renewal
14 clause;

15 (2) the date on which the term of the contract expires;

16 (3) the date specified by the contract, before which
17 the consumer must notify the service provider of the consumer's
18 intention to terminate the contract at the expiration of the term;
19 and

20 (4) the consumer's right to prevent the automatic
21 renewal by notifying the service provider of the consumer's
22 intention to terminate the contract at the expiration of the term
23 before the date specified by the contract.

24 (d) A service provider may notify a consumer under this
25 section by certified mail or personal service. A notice that is
26 mailed is considered given on the date the notice is received.

27 Sec. 49.004. ENFORCEMENT OF CONTRACT AGAINST CONSUMER. If

1 a service provider does not notify a consumer as required by Section
2 49.003 and the contract is renewed under the automatic renewal
3 clause, the contract is unenforceable against the consumer during
4 that renewal term.

5 SECTION 2. The change in law made by Chapter 49, Business &
6 Commerce Code, as added by this Act, applies only to a contract
7 executed on or after September 1, 2005. A contract executed before
8 September 1, 2005, is governed by the law as it existed on the date
9 the contract was executed, and the former law is continued in effect
10 for that purpose.

11 SECTION 3. This Act takes effect September 1, 2005.