

By: Longoria

H.B. No. 3938

A BILL TO BE ENTITLED

AN ACT

relating to single premium term life insurance offered in connection with certain consumer loans.

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

SECTION 1. Subchapter I, Chapter 342, Finance Code, is amended by adding Section 342.4022 to read as follows:

Sec. 342.4022. SINGLE PREMIUM TERM LIFE INSURANCE. On a loan made under this chapter that is subject to Subchapter E, 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.

SECTION 2. Section 342.407, Finance Code, is amended to read as follows:

Sec. 342.407. REQUIREMENTS FOR INCLUDING INSURANCE CHARGE IN CONTRACT. Insurance for which a charge is included in a loan contract must be written:

(1) at lawful rates;

(2) in accordance with the Insurance Code; ~~and~~

(3) by a company authorized to do business in this

1 state; and

2 (4) through an insurance agent licensed in accordance
3 with the Insurance Code, if the included charge is offered under
4 Section 342.4022 of this code.

5 SECTION 3. Section 342.412, Finance Code, is amended to
6 read as follows:

7 Sec. 342.412. ACTION UNDER SUBCHAPTER NOT SALE OF
8 INSURANCE. Except for the sale of a single premium term life
9 insurance policy to a borrower under Section 342.4022, arranging
10 [~~Arranging~~] for insurance or collecting an identifiable charge as
11 authorized by this subchapter is not a sale of insurance.

12 SECTION 4. Section 342.4022, Finance Code, as added by this
13 Act, applies only to an insurance policy that is delivered, issued
14 for delivery, or renewed on or after January 1, 2016. A policy
15 delivered, issued for delivery, or renewed before January 1, 2016,
16 is governed by the law as it existed immediately before the
17 effective date of this Act, and the former law is continued in
18 effect for that purpose.

19 SECTION 5. This Act takes effect January 1, 2016.