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| BILL ANALYSIS |

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| S.B. 1199 |
| By: Campbell |
| Licensing & Administrative Procedures |
| Committee Report (Unamended) |

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| **BACKGROUND AND PURPOSE**  Interested parties point to the benefits that a depreciation benefit optional member program can provide consumers when attempting to defray replacement costs following a car accident. S.B. 1199 seeks to provide Texans an opportunity to obtain these benefits by including such a program among the service contracts to which the Service Contract Regulatory Act applies. |
| **CRIMINAL JUSTICE IMPACT**  It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY**  It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS**  S.B. 1199 amends the Occupations Code to make the Service Contract Regulatory Act applicable to a depreciation benefit optional member program, defined by the bill as a service contract financed under Finance Code provisions governing motor vehicle installment sales or commercial motor vehicle installment sales that pays to the buyer, as a credit toward the purchase of a replacement vehicle at a participating dealer, an amount less than or equal to the difference between the purchase price and actual cash value for a total constructive loss. The bill prohibits a service contract that provides compensation to the buyer of a vehicle on the total constructive loss under a depreciation benefit optional member program from being required as a condition of approval of a loan for the purchase of a vehicle and from being offered by a dealer who requires a loan for the purchase of a vehicle to be financed exclusively with the dealer. The bill authorizes such a service contract to be canceled by the buyer without penalty not later than the 30th day after a buyer enters into the contract and to be canceled by the buyer later than the 30th day after a buyer enters into the contract with a pro rata refund to be provided to the buyer. The bill limits the fees charged in such a service contract to a fee that is reasonable in relation to the benefit provided by the contract. |
| **EFFECTIVE DATE**  September 1, 2017. |