

## **BILL ANALYSIS**

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

### **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.