

By: Goldman

H.B. No. 2279

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of a residential service contract.

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

SECTION 1. Section 1303.004, Occupations Code, is amended to read as follows:

Sec. 1303.004. NONAPPLICABILITY TO CERTAIN PERSONS. (a)

This chapter does not apply to a person who:

(1) manufactures or sells a product or part of a product; and

(2) sells, offers to sell, or issues a service or maintenance agreement that provides for the maintenance, repair, replacement, or performance of the product or part of the product.

(b) A person described by Subsection (a) or an employee or agent of a person described by Subsection (a) is not required to be licensed or regulated under this chapter.

(c) This chapter does not apply to a person who engages in the business of structural pest control in compliance with Chapter 1951.

(d) This chapter does not apply to a person who sells a service contract as defined by Section 1304.003, Occupations Code, but only to the extent the service contract does not provide benefits with respect to a structural component, or an electrical or plumbing system of a residential property. However, a residential service contract providing benefits only with respect

1 to an appliance or a heating, cooling, or air-conditioning system  
2 of a residential property may be offered pursuant to this Chapter  
3 without having to also comply with Chapter 1304, Occupations Code.

4 SECTION 2. Section 1303.103, Occupations Code, is amended  
5 to add subsection (d) as follows:

6 (d) Any financial information submitted to the commission  
7 in connection with an application shall be considered confidential  
8 and for the exclusive use of the commission.

9 SECTION 3. Section 1303.153, Occupations Code, is amended  
10 to read as follows:

11 Sec. 1303.153. SECURITY REQUIRED. (a) As a guarantee that  
12 a residential service company will meet its obligations to its  
13 contract holders, the company shall maintain with the commission a  
14 bond or other security accepted by the commission.

15 (b) A bond posted as security must:

16 (1) be issued by a carrier admitted in this state;

17 (2) be continuous;

18 (3) be cancellable by the surety only after not less  
19 than 90 days' notice to the commission; and

20 (4) recognize that the obligation continues for the  
21 terms of the residential service contracts written by the  
22 residential service company while the bond is in force.

23 (c) Any security provided under this section in a form other  
24 than a bond must be convertible to cash by the commission for the  
25 benefit of contract holders in this state, without resort to the  
26 courts, if the commission determines that the residential service  
27 company is in default of its financial obligations to the contract

1 holders. Any amount remaining after all contract holders' claims  
2 are paid must be returned to the residential service company not  
3 later than the 120th day after the date the last outstanding  
4 residential service contract expires.

5 (d) This section shall not be applicable to a residential  
6 service company that reinsures one hundred percent of its  
7 outstanding risk under residential service contracts issued and  
8 outstanding in this state in accordance with subsection (c) of  
9 Section 1303.152.

10 SECTION 4. The change in law made by this Act applies only  
11 to a contract entered into or renewed on or after the effective date  
12 of this Act. A contract entered into or renewed before that date is  
13 governed by the law in effect immediately before the effective date  
14 of this Act, and that law is continued in effect for that purpose.

15 SECTION 5. This Act takes effect September 1, 2017.