

AN ACT

relating to service contract providers.

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

SECTION 1. Section 1304.003, Occupations Code, is amended by amending Subsection (a) and adding Subsection (e) to read as follows:

(a) In this chapter:

(1) "Identity recovery" means a process, through a limited power of attorney and the assistance of an identity recovery expert, that returns the identity of an identity theft victim to pre-identity theft event status.

(2) "Service contract" means an agreement that is entered into for a separately stated consideration and for a specified term under which a provider agrees to:

(A) repair, replace, or maintain a product, or provide indemnification for the repair, replacement, or maintenance of a product, for operational or structural failure or damage caused by a defect in materials or workmanship or by normal wear; ~~or~~

(B) provide identity recovery, if the service contract is financed under Chapter 348 or 353, Finance Code; or

(C) provide compensation to the buyer of a vehicle on the total constructive loss under a depreciation benefit optional member program.

1 (3) "Depreciation benefit optional member program"
2 means a service contract financed under Chapter 348 or 353, Finance
3 Code, that pays to the buyer, as a credit toward the purchase of a
4 replacement vehicle at a participating dealer, an amount less than
5 or equal to the difference between the purchase price and actual
6 cash value for a total constructive loss.

7 (e) A service contract described by Subsection (a)(2)(C):

8 (1) may not be required as a condition of approval of a
9 loan for the purchase of a vehicle;

10 (2) may not be offered by a dealer who requires a loan
11 for the purchase of a vehicle to be financed exclusively with the
12 dealer;

13 (3) may be canceled by the buyer not later than the
14 30th day after a buyer enters into the contract, without a penalty;

15 (4) may be canceled by the buyer later than the 30th
16 day after a buyer enters into the contract, with a pro rata refund
17 to be provided to the buyer; and

18 (5) may only charge a fee that is reasonable in
19 relation to the benefit provided by the service contract.

20 SECTION 2. The changes in law made by this Act apply only to
21 a depreciation benefit optional member program service contract
22 entered into or renewed on or after the effective date of this Act.
23 A depreciation benefit optional member program service contract
24 entered into or renewed before the effective date of this Act is
25 governed by the law in effect immediately before the effective date
26 of this Act, and that law is continued in effect for that purpose.

27 SECTION 3. This Act takes effect September 1, 2017.

S.B. No. 1199

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1199 passed the Senate on April 26, 2017, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1199 passed the House on May 19, 2017, by the following vote: Yeas 144, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor