

By: Lucio III

H.B. No. 4120

A BILL TO BE ENTITLED

AN ACT

relating to the financial security requirement for providers obligated under certain service contracts.

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

SECTION 1. Section 1304.151, Occupations Code, is amended by amending Subsection (b) and adding Subsection (b-1) to read as follows:

(b) If the provider ensures its obligations under Subsection (a)(2), the amount maintained in the reserve account may not be less than an amount equal to 40 percent of the gross consideration the provider received from consumers from the sale of all service contracts issued and outstanding in this state, minus any claims paid. The executive director may review and examine the reserve account. Except as provided by Subsection (b-1), the ~~[The]~~ amount of the security deposit may not be less than \$250,000. The provider must submit to the executive director on request a copy of the provider's financial statements that must be prepared in accordance with generally accepted accounting principles, be without qualification as to the going concern status of the provider, and be audited by an independent certified public accountant. The commission by rule may require the provider to submit additional financial reports.

(b-1) The amount of the security deposit required under Subsection (b) may not be less than \$25,000 if the provider:

1 (1) is a motor vehicle dealer licensed under Chapter
2 2301; and

3 (2) offers to sell service contracts only on motor
4 vehicles sold by the provider.

5 SECTION 2. This Act takes effect September 1, 2019.