

By: Lucio III

H.B. No. 4120

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the financial security requirement for providers
3 obligated under certain service contracts.

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

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

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

23 (b-1) The amount of the security deposit required under
24 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.