

1-1 By: Lucio III (Senate Sponsor - Menéndez) H.B. No. 4120
 1-2 (In the Senate - Received from the House April 26, 2019;
 1-3 April 29, 2019, read first time and referred to Committee on
 1-4 Business & Commerce; May 20, 2019, reported adversely, with
 1-5 favorable Committee Substitute by the following vote: Yeas 7,
 1-6 Nays 0; May 20, 2019, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12			X	
1-13	X			
1-14	X			
1-15	X			
1-16			X	
1-17	X			

1-18 COMMITTEE SUBSTITUTE FOR H.B. No. 4120 By: Menéndez

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to the financial security requirement for providers
 1-22 obligated under certain service contracts.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 1304.151, Occupations Code, is amended
 1-25 by amending Subsection (b) and adding Subsections (b-1), (b-2), and
 1-26 (b-3) to read as follows:

1-27 (b) If the provider ensures its obligations under
 1-28 Subsection (a)(2), the amount maintained in the reserve account may
 1-29 not be less than an amount equal to 40 percent of the gross
 1-30 consideration the provider received from consumers from the sale of
 1-31 all service contracts issued and outstanding in this state, minus
 1-32 any claims paid. The executive director may review and examine the
 1-33 reserve account. Except as provided by Subsection (b-1), the [The]
 1-34 amount of the security deposit may not be less than \$250,000. The
 1-35 provider must submit to the executive director on request a copy of
 1-36 the provider's financial statements that must be prepared in
 1-37 accordance with generally accepted accounting principles, be
 1-38 without qualification as to the going concern status of the
 1-39 provider, and be audited by an independent certified public
 1-40 accountant. The commission by rule may require the provider to
 1-41 submit additional financial reports.

1-42 (b-1) Subject to Subsection (b-2), the amount of the
 1-43 security deposit required under Subsection (b) may not be less than
 1-44 \$25,000 if the provider:

1-45 (1) is a motor vehicle dealer licensed under Chapter
 1-46 2301; and

1-47 (2) offers to sell service contracts only on motor
 1-48 vehicles sold by the provider.

1-49 (b-2) The amount of the security deposit required under
 1-50 Subsection (b-1) is:

1-51 (1) \$25,000 for a motor vehicle dealer that generated
 1-52 \$1,125,000 or less in annual gross revenue in this state from the
 1-53 sale of service contracts in the preceding year;

1-54 (2) \$50,000 for a motor vehicle dealer that generated
 1-55 more than \$1,125,000 and not more than \$2,500,000 in annual gross
 1-56 revenue in this state from the sale of service contracts in the
 1-57 preceding year; and

1-58 (3) \$75,000 for a motor vehicle dealer that generated
 1-59 more than \$2,500,000 in annual gross revenue in this state from the
 1-60 sale of service contracts in the preceding year.

2-1 (b-3) If a motor vehicle dealer described by Subsection
2-2 (b-1) has no gross revenue in this state from the sale of service
2-3 contracts in the preceding year, the security deposit shall be
2-4 \$25,000.

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

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