

BILL ANALYSIS

Senate Research Center
88R13880 PRL-F

H.B. 4142
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Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, a lienholder has a lien on proceeds for a claim when a loss is attributable to the negligence of a person other than the debtor. However, some insurance companies may exclude lienholders on settlement checks on smaller claims when the costs of litigation exceed the recoverable amount, often because it is not in the interest of the injured party to file suit. For example, if a loss is only \$2,000, filing a claim is not financially feasible as attorney fees and court costs would exceed the amount of the claim. This may result in insurance companies ignoring their obligations and lienholders suffering losses, which causes higher costs of borrowing for everyone.

H.B. 4142 seeks to address this issue by entitling the prevailing party in an action to enforce a motor vehicle mortgagee's lien to recover reasonable attorney's fees. This change would incentivize insurers to meet their obligations under current law, and insurers who do not meet their obligations would make the injured party whole for the harm they caused.

H.B. 4142 amends current law relating to the award of attorney's fees in an action to enforce a motor vehicle mortgagee's lien.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 61, Property Code, by adding Section 61.006, as follows:

Sec. 61.006. ATTORNEY'S FEES. Entitles the prevailing party in an action to enforce Chapter 61 (Motor Vehicle Mortgagee's Lien) to recover reasonable attorney's fees.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.