

BILL ANALYSIS

Senate Research Center

S.B. 1290
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Economic Development
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As Filed

DIGEST

Currently, the Consumer Credit Code allows for the sale of collateral insurance to cover any difference, or "gap," between an outstanding auto loan balance and the actual cash value of a car that is totaled in an accident. The approval of "Group II" agents, licensed under Article 21.07, Insurance Code, to sell this "gap" insurance would most likely increase the availability of this product. This bill would allow agents licensed under Article 21.07, Insurance Code, to sell "gap" insurance.

PURPOSE

As proposed, S.B. 1290 allows insurance agents licensed under Article 21.07, Insurance Code, to sell collateral insurance that covers any difference, or "gap," between an outstanding auto loan balance and the actual cash value of a car that is totaled in an accident.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 15, Article 21.07, Insurance Code, as follows:

Sec. 15. New heading: **AUTHORITY OF AGENT**. Authorizes a person who is licensed as an agent under this article to sell or offer for sale a policy of insurance covering the difference between the actual market value of a motor vehicle that is the security for a loan or lease contract, and the outstanding loan or lease balance owed against the motor vehicle if, and when, the vehicle is rendered an actual or constructive total loss while the debt for which the motor vehicle serves as security exceeds the actual market value of the vehicle. Makes a conforming change.

SECTION 2. Amends Section 18(b), Article 21.07, Insurance Code, to authorize an employee, officer, director, or shareholder of a dealer who holds a valid dealer's general distinguishing number issued by the Department of Transportation, who is licensed as an agent under this article and who enters into a contract with an insurer to act as the insurer's agent in soliciting or writing policies or certificates of credit life insurance, credit accident and health insurance, or both, or policies or certificates written as provided by Section 21.07(b), Insurance Code, to assign and transfer to the dealer or any affiliate of the dealer, any commissions, fees, or other compensation to be paid to the agent under the agent's contract with the insurer. Makes a standard recodification change.

SECTION 3. Effective date: September 1, 1997.

SECTION 4. Emergency clause.