

PRELIMINARY STAFF MEASURE SUMMARY**CARRIER:**

House Committee on Consumer Protection and Government Effectiveness

REVENUE: No revenue impact**FISCAL: May have fiscal impact, statement not yet issued****SUBSEQUENT REFERRAL TO: None****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Wendy Simons, Administrator**Meeting Dates:**

WHAT THE MEASURE DOES: Establishes conditions under which person may sell guaranteed asset protection waiver in connection with sale or lease of motor vehicle. Specifies conditions under which purchaser may cancel or creditor may terminate guaranteed asset protection waiver. Requires person who sells guaranteed asset protection waiver in connection with retail sale of motor vehicle to insure guaranteed asset protection waiver with reimbursement insurance policy. Provides conditions for reimbursement insurance.

ISSUES DISCUSSED:**EFFECT OF COMMITTEE AMENDMENT:**

Proposed -5 amendment: Replaces introduced version. Changes violation from being subject to action by district attorney or attorney general, to being subject to private action under the Unlawful Trade Practices Act.

BACKGROUND: When a consumer buys or leases a new vehicle and the vehicle is subsequently destroyed or stolen, the consumer may be left owing a greater amount to a lender or the leasing entity than the consumer will receive from an auto insurance policy. A guaranteed asset protection (GAP) waiver is a product a consumer may purchase in conjunction with a motor vehicle lease or sale that is intended to pay for the difference between the amount owed under a finance agreement and either the amount covered by auto insurance or the value of the vehicle immediately before the loss or theft, according to a published guide to motor vehicle values.

House Bill 2845 establishes conditions for selling GAP waivers, including disclosures that seller must make to purchaser regarding price of waiver, methodology for determining amount waived, address for submitting claims for benefits, and conditions under which purchaser may cancel the waiver and obtain a partial refund. The seller must also state and provide in writing that purchase of a GAP waiver is not required in order to obtain financing or to complete a sale or lease of a vehicle, and that purchasing a GAP waiver does not affect terms and conditions of credit obtained. House Bill 2845 requires that a person who sells a GAP waiver in connection with retail sales of a motor vehicle must obtain reimbursement insurance for the GAP waiver, but that a person who sells a GAP waiver in conjunction with the lease of a vehicle is not required to obtain such insurance.