

**Fiscal:** Has minimal fiscal impact

**Revenue:** No Revenue Impact

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**Action Date:** 04/02/15

**Action:** Do Pass As Amended And Be Printed Engrossed.

**Meeting Dates:** 03/19, 04/02

**Vote:**

Yeas: 7 - Buehler, Fagan, Holvey, McLain, Nearman, Rayfield, Stark

**Prepared By:** Wendy Simons, Committee Administrator

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**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 waiver with reimbursement insurance policy. Provides conditions for reimbursement insurance. Makes violation subject to private right of action under the Unlawful Trade Practices Act.

**ISSUES DISCUSSED:**

- Availability of similar product for consumers who finance vehicle purchase through credit union or bank
- Classification of similar product in some states as insurance, in others as waiver

**EFFECT OF COMMITTEE AMENDMENT:**

Replaces original measure.

**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-A establishes conditions for selling GAP waivers, including disclosures that the seller must make to the purchaser regarding: price of the waiver, methodology for determining the amount waived, address for submitting claims for benefits, and conditions under which the 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 the terms and conditions of credit obtained. House Bill 2845-A requires that a person who sells a GAP waiver in connection with the retail sale 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.