

SB 338 -1 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Prepared By: Channa Newell, Counsel

Meeting Dates: 2/20

WHAT THE MEASURE DOES:

Exempts licensed consumer finance companies from requirements placed on persons who sell guaranteed asset protection waivers.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Limits exemption to finance agreements sold or assigned to consumer finance companies.

BACKGROUND:

In 2015, the Legislative Assembly enacted HB 2845, which removed guaranteed asset protection waivers from the Insurance Code. 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. Entities offering GAP waivers must follow specific requirements, such as disclosure of the waiver cost, notice on how to cancel a waiver, and the method used to determine the amount of the waiver. Banks and credit unions offering GAP waivers are exempt from the requirements of HB 2845.

Senate Bill 338 extends the exemption given to banks and credit unions on the GAP waiver sale requirements to consumer finance companies.