

HCS HB 521 -- MOTOR VEHICLE FINANCIAL PROTECTION (Henderson)

COMMITTEE OF ORIGIN: Standing Committee on Financial Institutions

The following is a summary of the House Committee Substitute for HB 521.

The provisions of this bill set parameters on how motor vehicle financial protection products, including debt waivers and vehicle value protection agreements, are offered, sold, or otherwise provided in this state.

This bill defines "motor vehicle financial protection product" as an agreement that protects a consumer's financial interest in his or her current or future motor vehicle. The term "motor vehicle financial product" includes any debt waiver and any vehicle value protection agreement: a "debt waiver" is any guaranteed asset protection waiver or excess wear and use waiver, and a "vehicle value protection agreement" is a contractual agreement that provides a benefit toward the reduction of some or all of the contract holder's current finance agreement deficiency balance or toward the purchase or lease of a replacement motor vehicle or motor vehicle services upon the occurrence of an adverse event to the motor vehicle including, but not limited to loss, theft, damage, obsolescence, diminished value, or depreciation. "Excess wear and use waiver" and "guaranteed asset protection waiver" are defined in the bill.

Under the provisions of this bill, a consumer cannot be forced to purchase a motor vehicle financial protection plan as a condition of any extension of credit, terms or credit, or terms of sale of a vehicle. Any amount charged or financed for a motor vehicle financial protection product is an authorized charge that must be separately stated and cannot be considered a finance charge or interest.

A retail seller shall insure its debt waiver obligations under a contractual liability or other insurance policy issued by an insurer.

The bill specifies what debt waiver agreements must disclose in writing, including that the debt waiver can be canceled by the borrower after a free-look period. The bill contains provisions that explain when a borrower is entitled to a refund of the amount the borrower paid for the finance agreement, depending upon when the cancellation occurred.

This bill specifies that a consumer can also purchase a contract called a "vehicle value protection agreement" that include certain

disclosures in writing as specified in the bill, such as, the name and address of the provider, contract holder and administrator; the terms of the agreement; a statement stating that the agreement may be canceled within a free-look period; the procedure to follow to obtain a benefit under the agreement; cancellation requirements before the termination or expiration date of the agreement by either the provider or the contract holder; and a statement that the agreement is not an insurance contract. If no benefits are provided during the "free-look period" a contract holder that cancels during such period shall be entitled to a full refund.

Vehicle value protection agreements do not include debt waivers but may include trade-in-credit agreements, diminished value agreements, depreciation benefits agreements, or other similarly named agreements.

A provider shall, as further specified in the bill, insure all its vehicle value protection agreements under an insurance policy that pays or reimburses in the event the provider fails to perform its obligations, and which policy is issued by an insurer licensed to do business in Missouri, and who maintains surplus as to policyholders and paid-in capital of at least \$15 million or maintains surplus as to policyholders and paid-in capital of at least equal to \$10 million and ratio of net written premiums to surplus of not greater than three to one; or maintains a net worth or stockholder's equity of \$100 million.

All motor vehicle financial protection products issued before and on or after August 28, 2023, shall not be considered insurance.

The Missouri Attorney General may take action that is necessary or appropriate to enforce the provisions of this bill and to protect motor vehicle financial protection product consumers in this state.

After proper notice and opportunity for hearing, the Attorney General may:

(1) Order the creditor, provider, administrator, or any other person not in compliance with the provisions of the bill to cease and desist from product-related operations that are in violation of the provisions of the bill; and

(2) Impose a penalty of not more than \$500 for each violation and not more than \$10,000 in the aggregate for all violations of a similar nature.

The provisions of this bill apply to all motor vehicle financial protection products that are effective after February 23, 2024.