

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1569H.011  
Bill No.: HB 521  
Subject: Insurance - Automobile; Motor Vehicles; Consumer Protection  
Type: Original  
Date: February 10, 2023

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Bill Summary: This proposal creates provisions relating to motor vehicle financial protection products.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Insurance Dedicated Fund*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

\*Oversight assumes a fiscal impact, if any, of less than the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**Sections 385.600-385.670 – Motor Vehicle Financial Protection Products**

Officials from the **Department of Commerce and Insurance (DCI)** state this legislation grants the DCI new examination, review, and certain rulemaking authority, but does not appear to create a new type of license or require any filings with the DCI outside of the security deposit, where appropriate. DCI assumes an unknown fiscal impact to the Insurance Dedicated Fund (0566) as it is not clear if DCI will be able to charge fees and establish registration/licensing and/or filing requirements.

For fiscal note purposes, **Oversight** will reflect the fiscal impact to the Insurance Dedicated Fund (0566) as \$0 or an Unknown potential revenue (DCI will be able to charge fees and establish registration/licensing and/or filing requirements).

**Oversight** notes provisions of section 385.660(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. Oversight notes that violations resulting in fines could vary widely from year to year. Civil penalties collected per Article IX, Section 7 of the Missouri Constitution requires fines to be distributed to the school district where the violation occurred; therefore, Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts on the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>INSURANCE DEDICATED FUND (0566)</b>			
<u>Revenue – DCI</u> Potential fees	<u>\$0 or</u> <u>Unknown</u>	<u>\$0 or</u> <u>Unknown</u>	<u>\$0 or</u> <u>Unknown</u>
<b>ESTIMATED NET EFFECT ON THE INSURANCE DEDICATED FUND (0566)</b>	<b><u>\$0 or</u></b> <b><u>Unknown</u></b>	<b><u>\$0 or</u></b> <b><u>Unknown</u></b>	<b><u>\$0 or</u></b> <b><u>Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>LOCAL SCHOOL DISTRICTS</b>			
<u>Revenue</u> - School districts (§385.660(2)) Fines from violations	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT TO LOCAL SCHOOL DISTRICTS</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>

FISCAL IMPACT – Small Business

A direct fiscal impact to companies that offer, sold or provide motor vehicle financial protection products could be expected as a result of this proposal.

FISCAL DESCRIPTION

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, excess wear and use waiver, or other product as approved by the Department of Commerce and Insurance 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. If no benefits are provided during the "free-look period" and result in a full refund of the amount the borrower paid for the agreement. This bill specifies that, a consumer can also purchase a contract called a "vehicle value protection agreement" which

provides a benefit toward the reduction of some or all of the contract holder's current financial agreement deficiency balances or toward the purchase or lease of a replacement motor vehicle upon the occurrence of an adverse event to the motor vehicle including, but not limited to, loss, theft, damage, obsolescence, diminished value, or depreciation. Vehicle value protection agreements include trade-in-credit agreements, diminished value agreements, depreciation benefits agreements, or other similarly named agreements.

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

The Director of the Department of Commerce and Insurance 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 Director of the Department of Commerce and Insurance may:

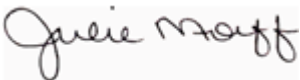
(1) Order the creditor, provider, administrator, or any other person not in compliance with the provisions of the bill to cease and desist from product-related operations that are in violation of the provisions of the bill; and

(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.

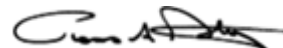
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Commerce and Insurance



Julie Morff  
Director  
February 10, 2023



Ross Strobe  
Assistant Director  
February 10, 2023