

Amend CSSB 14 in ARTICLE 2 of the bill by inserting the following appropriately numbered SECTION and renumbering SECTIONS accordingly:

SECTION 2.___. Subchapter E, Chapter 21, Insurance Code, is amended by adding Article 21.49-2W to read as follows:

Art. 21.49-2W. DISCOUNT OR UNDERWRITING REVIEW FOR PERSONAL LINES AUTHORIZED

Sec. 1. DEFINITIONS. In this article:

(1) "Consumer reporting agency" means any person that, for monetary fees or dues or on a cooperative nonprofit basis, regularly engages in the practice of assembling or evaluating consumer credit information or other information for the purpose of furnishing consumer reports to third parties.

(2) "Credit information" means any credit-related information derived from a credit report, found on a credit report itself, or provided in an application for personal insurance. The term does not include information that is not credit-related, regardless of whether that information is contained in a credit report or in an application for insurance coverage or is used to compute a credit score.

(3) "Credit report" means any written, oral, or other communication of information by a consumer reporting agency that:

(A) bears on a individual's creditworthiness, credit standing, or credit capacity; and

(B) is used or expected to be used or collected in whole or in part to serve as a factor to determine personal insurance premiums, eligibility for coverage, or tier placement.

(4) "Credit score" means a number or rating derived from an algorithm, computer application, model, or other process that is based on credit information and used to predict the future insurance loss exposure of an individual.

(5) "Insurer" means an insurer authorized to write property and casualty insurance in this state, including an insurance company, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, county mutual insurance company, association, Lloyd's plan, or other entity writing personal insurance in this state. The term includes an affiliate,

as described by this code, if that affiliate is authorized to write personal insurance in this state.

(6) "Personal insurance" means:

(A) a personal automobile insurance policy; or

(B) a residential property insurance policy, including a residential fire and allied lines insurance policy.

Sec. 2. DISCOUNT AUTHORIZED; RESTRICTIONS. (a) Notwithstanding Article 21.49-2U of this code, an insurer may offer a discount to an insured or an applicant for personal insurance coverage based on the insured's or applicant's credit score.

(b) An insurer may offer a discount under this article only on request initiated by the insured or applicant. If the insured or applicant does not request that a credit score be used to determine a discount under this article, the insurer may not offer or provide the discount.

Sec. 3. AMOUNT OF DISCOUNT. A discount offered under this article may vary among insureds, but must be based on sound actuarial principals. An insurer that offers a discount under this article must file with the department the guidelines the insurer uses to determine the amount of the discount and the manner in which the discount is applied.

Sec. 4. UNDERWRITING REVIEW AUTHORIZED. Notwithstanding Article 21.49-2U of this code, an insurer may offer to an applicant whose application for personal insurance has been rejected or an insured whose personal insurance has been non-renewed an underwriting review based on a positive credit score.

Sec. 5. APPLICATION FOR DISCOUNT OR UNDERWRITING REVIEW; FEE; CORRECTION OF ERRORS. (a) An insurer may charge an insured or applicant a fee, not to exceed \$15, to obtain the insured or applicant's credit score to determine whether the insured or applicant is eligible for a discount or underwriting review offered under this article.

(b) An insurer shall notify the insured or applicant of the result of applying the insured's or applicant's credit score to determine a discount or obtain an underwriting review. The insured or applicant may elect that the credit score be used to obtain the discount or underwriting review or may direct that the insurer may

not use the credit score for any purpose.

(c) If the discount is reduced or eliminated or if an underwriting review is rejected because of a negative credit score, the insurer shall disclose to the insured or applicant each negative factor that influenced that action.

(c) If it is determined that the credit information of an insured or applicant used in accordance with this article was inaccurate or incomplete or could not be verified and the insurer receives notice of that determination from the consumer reporting agency or from the insured or applicant, the insurer shall re-compute the discount or reconsider the underwriting review.

Sec. 6. APPLICATION OF CREDIT SCORE ON RENEWAL. (a) On renewal of personal insurance coverage after application of a credit score to obtain a discount under this article, an insurer may:

- (1) renew the insurance at the discounted rate; or
- (2) compute a new credit score for the insured.

(b) An insurer may discontinue a discount based on a negative credit score obtained under Subsection (a)(2) of this section, but may not, based on the new credit score:

- (1) impose a surcharge on the insurance premium; or
- (2) cancel or non-renew the insurance coverage.

(c) An insurer may not charge a fee to an insured to obtain the insured's credit score under Subsection (a)(2) of this section.

Sec. 7. MINIMUM STANDARDS FOR CREDIT SCORING MODEL; UNFAIR DISCRIMINATION PROHIBITED. (a) The commissioner by rule shall establish minimum standards for a credit scoring model or other credit scoring process used by an insurer under this article. The minimum standards must establish standards for fairness and protection of consumers that are at least as stringent as the Model Act Regarding Use of Credit Information in Personal Insurance adopted by the National Conference of Insurance Legislators.

(b) A credit scoring model or other credit scoring process used by an insurer under this article may not violate Article 21.21-6, Insurance Code, as added by Chapter 415, Acts of the 74th Legislature, Regular Session, 1995.

Sec. 8. REQUIRED FILING. (a) An insurer that uses credit

scores under this article shall file the insurer's credit scoring models or other credit scoring processes with the department. Another entity may file credit scoring models on behalf of an insurer.

(b) The commissioner may reject a filing made under this section or may order that the insurer modify the filing if the commissioner finds that a discount offered under this article or the credit scoring model or other credit scoring process:

(1) is not based on sound actuarial principals;

(2) violates the minimum standards established under Section 7 of this article; or

(3) violates Article 21.21-6, Insurance Code, as added by Chapter 415, Acts of the 74th Legislature, Regular Session, 1995, or is otherwise unfairly discriminatory.

(c) A filing under this section is public information, is not confidential, and is subject to disclosure under Chapter 552, Government Code.

Sec. 9. PROHIBITIONS. An insurer may not:

(1) require an insured or applicant for personal insurance coverage to request the application of a credit score or credit information as a condition of obtaining coverage; or

(2) reject or non-renew an insured or applicant for personal insurance coverage or apply a surcharge to the premium for a personal insurance coverage policy because:

(A) the insured or applicant refused to allow the use of a credit score; or

(B) the insured or applicant has a negative credit score.

Sec. 10. INFORMATION TO APPLICANTS AND INSURED. This article does not prohibit an insured or an agent from informing an insured or applicant for personal insurance coverage of the availability of a discount or underwriting review under this article.

Sec. 11. RULES. The commissioner may adopt rules as necessary to implement this article.