

BILL ANALYSIS

Senate Research Center
78R1520 PB-D

S.B. 99
By: Van de Putte
Business & Commerce
3/7/2003
As Filed

DIGEST AND PURPOSE

Currently, insurance companies use credit information to determine whether to write a homeowners or personal automobile policy upon initial application, whether to renew an existing policy, and what rate to charge. Insurance companies use credit information to derive this score, which varies significantly by company. As a result, some consumers pay higher premiums than they would have paid with another company, while others pay less. As proposed, S.B. 99 bans the use of credit scoring in underwriting policies.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 21.49-2Q, Section 4, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 21E, Insurance Code, by adding Article 21.49-2Q, as follows:

Art. 21.49-2Q. PROHIBITION ON USE OF CERTAIN UNDERWRITING GUIDELINES BASED ON CREDIT SCORING

Sec. 1. DEFINITIONS. Defines “applicant for insurance coverage,” “consumer reporting agency,” “credit report,” “credit score,” “insurer,” and “underwriting guideline.”

Sec. 2. APPLICATION. Provides that this article applies only to an insurer that writes certain policy types.

Sec. 3. PROHIBITION; EXEMPTION. (a) Prohibits an insurer from using an underwriting guideline that is based in whole or in part on the credit report or credit score of an applicant for insurance coverage or any person other than the named applicant who would be insured under the policy.

(b) Provides that this section does not apply to the use of a credit report or credit score by an insurer solely to determine whether the insurer will offer an installment payment plan for the payment of premiums to an applicant for insurance coverage.

Sec. 4. RULES. Authorizes the commissioner of insurance to adopt necessary rules to implement this article.

Sec. 5. PENALTY. Provides that an insurer who violates this article commits an unfair practice in violation of Article 21.21 (Unfair Competition and Unfair Practices) of this code.

SECTION 2. Makes application of this Act prospective to January 1, 2004.

SECTION 3. Effective date: September 1, 2003.