

## **BILL ANALYSIS**

Senate Research Center

S.B. 126  
By: Fraser  
Business and Commerce  
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### **DIGEST AND PURPOSE**

Currently, Texas law allows a person who applies for a residential property insurance policy to be declined such insurance coverage on the sole basis of a single previous claim for water damage either on the covered property or by the applicant. Because residential property insurance is required for a home loan, a declination of such insurance coverage may disenable or hinder persons selling their property from purchasing other property. As proposed, S.B. 126 provides as an unfair underwriting guideline in the business of insurance the use of an underwriting guideline based solely on a single previous claim for water damage either on the covered property or by the applicant in determining whether to decline to write a residential property insurance policy.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 4, Article 21.21, Insurance Code, as follows:

Sec. 4. New heading: UNFAIR METHODS OF COMPETITION AND UNFAIR OR DECEPTIVE ACTS OR PRACTICES DEFINED. Adds Subdivision (12) to a list of items defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

(12) Unfair Underwriting Guideline. (a) Provides that using an underwriting guideline based solely on a single previous claim for water damage either by the applicant or on the covered property in determining whether to decline to write a residential property insurance policy is an unfair underwriting guideline.

(b) Authorizes an insurer to cancel, during the first 90 days that the policy is in effect, a residential property insurance policy written by the insurer under Paragraph (a) of this clause if, during the first 90 days that the policy is in effect, a water damage claim is filed that is paid or is payable under the residential property insurance policy.

(c) Defines "residential property insurance" and "underwriting guideline."

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: June 1, 2003, or September 1, 2003.