

By: Turner of Harris

H.B. No. 45

A BILL TO BE ENTITLED

AN ACT

relating to the use of certain insurance underwriting guidelines based on credit history; providing penalties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 21, Insurance Code, is amended by adding Article 21.21-12 to read as follows:

Art. 21.21-12. PROHIBITION ON USE OF CERTAIN UNDERWRITING GUIDELINES BASED ON CREDIT HISTORY

Sec. 1. DEFINITIONS. In this article:

(1) "Credit history" means information regarding an individual's past history of:

(A) financial responsibility;

(B) payment habits; or

(C) creditworthiness.

(2) "Insurer" means an insurer authorized to write property and casualty insurance in this state, including:

(A) a county mutual insurer;

(B) a farm mutual insurer;

(C) a Lloyd's plan; and

(D) a reciprocal or interinsurance exchange.

(3) "Underwriting guideline" means a rule, standard, marketing decision, or practice that is used by an insurer or an agent of an insurer to examine, bind, accept, reject, cancel, or limit insurance coverage to groups of consumers of insurance.

1 Sec. 2. APPLICATION. This article applies to:

2 (1) a personal automobile insurance policy;

3 (2) a homeowners or farm and ranch owners insurance
4 policy; and

5 (3) a standard fire insurance policy insuring a
6 one-family dwelling, a duplex, or the contents of a one-family
7 dwelling, a duplex, or an apartment.

8 Sec. 3. PROHIBITION; EXEMPTION. (a) An insurer may not use
9 an underwriting guideline that is based in whole or in part on the
10 credit history or credit rating of any person, including the named
11 insured under the insurance policy or the applicant who would be the
12 named insured under the policy.

13 (b) This section does not apply to the use of a credit
14 history or credit rating by an insurer solely to determine whether
15 the insurer will offer an installment payment plan for the payment
16 of premiums to an insured or applicant for insurance.

17 Sec. 4. RULES. The commissioner may adopt rules as
18 necessary to implement this article.

19 Sec. 5. PENALTY. An insurer who violates this article
20 commits an unfair practice in violation of Article 21.21 of this
21 code and is subject to the penalties imposed under that article.

22 SECTION 2. Article 21.21-12, Insurance Code, as added by
23 this Act, applies only to an insurance policy delivered, issued for
24 delivery, or renewed on or after January 1, 2004. A policy
25 delivered, issued for delivery, or renewed before January 1, 2004,
26 is governed by the law as it existed immediately before the
27 effective date of this Act, and that law is continued in effect for

1 that purpose.

2 SECTION 3. This Act takes effect September 1, 2003.