

A BILL TO BE ENTITLED

AN ACT

relating to a prohibition of certain underwriting decisions based on credit reports; providing a penalty.

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

SECTION 1. Subchapter B, Chapter 21, Insurance Code, is amended by adding Article 21.21-11 to read as follows:

Art. 21.21-11. PROHIBITION OF CERTAIN UNDERWRITING DECISIONS BASED ON CREDIT REPORTS

Sec. 1. DEFINITIONS. In this article:

(1) "Credit report" means a report regarding an individual's:

(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 insurance company;

(B) a Lloyd's plan insurer;

(C) a reciprocal or interinsurance exchange; and

(D) a farm mutual company.

Sec. 2. APPLICATION. This article applies to:

(1) a personal automobile insurance policy;

(2) a homeowner's or farm or ranch owner's insurance policy; and

1 (3) a standard fire insurance policy for a one-family
2 dwelling, a duplex, or the contents of a one-family dwelling, a
3 duplex, or an apartment.

4 Sec. 3. PROHIBITION; EXEMPTION. (a) An insurer may not make
5 an underwriting decision based in whole or in part on a credit
6 report.

7 (b) This section does not prohibit an insurer from refusing
8 to allow premium payment in installments for a person whose failure
9 to pay premiums for an insurance policy caused a lapse in that
10 policy during the two years preceding the date on which the request
11 to pay premiums in installments is made.

12 Sec. 4. PENALTY. An insurer who violates this article
13 commits an unfair practice in violation of Article 21.21 of this
14 code and is subject to the penalties imposed under that article.

15 SECTION 2. This Act takes effect September 1, 2003, and
16 applies only to an insurance policy that is delivered, issued for
17 delivery, or renewed on or after January 1, 2002. A policy that is
18 delivered, issued for delivery, or renewed before January 1, 2004,
19 is governed by the law as it existed immediately before the
20 effective date of this Act, and that law is continued in effect for
21 that purpose.