

By: Burnam

H.B. No. 115

A BILL TO BE ENTITLED

AN ACT

relating to the use of credit scoring in underwriting certain lines of insurance coverage; providing a penalty.

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

SECTION 1. Subchapter E, Chapter 21, Insurance Code, is amended by adding Article 21.49-2M to read as follows:

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

Sec. 1. DEFINITIONS. In this article:

(1) "Applicant for insurance coverage" includes an applicant for new coverage and a policyholder renewing coverage.

(2) "Credit report" means a written or electronic communication of any information by a consumer reporting agency that:

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

(B) is used or collected in whole or in part to serve as a factor in determining eligibility for insurance coverage.

(3) "Insurance credit score" means a numerical representation of the insurance risk presented by an individual that uses attributes of the individual derived from a credit report or credit information in a formula to assess insurance risk on an actuarial or statistical basis.

1 (4) "Insurer" means an insurer authorized to write
2 property and casualty insurance in this state. The term includes:

3 (A) a county mutual insurance company, farm
4 mutual insurance company, Lloyd's plan, and a reciprocal or
5 interinsurance exchange; and

6 (B) the affiliate of such an insurer, as
7 described by Section 823.003 of this code.

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

12 Sec. 2. APPLICATION. This article applies only to an
13 insurer that writes:

14 (1) a personal automobile insurance policy;

15 (2) a homeowners or farm and ranch owners insurance
16 policy; or

17 (3) a fire and allied lines or a farm and ranch
18 insurance policy.

19 Sec. 3. PROHIBITION; EXEMPTION. (a) An insurer may not use
20 an underwriting guideline that is based in whole or in part on the
21 credit report or insurance credit score of an applicant for
22 insurance coverage or any person other than the named applicant who
23 would be insured under the policy.

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

1 Sec. 4. RULES. The commissioner may adopt rules as
2 necessary to implement this article.

3 Sec. 5. PENALTY. An insurer who violates this article
4 commits an unfair practice in violation of Article 21.21 of this
5 code.

6 SECTION 2. Article 21.49-2M, Insurance Code, as added by
7 this Act, applies only to an insurance policy delivered, issued for
8 delivery, or renewed on or after January 1, 2004. A policy
9 delivered, issued for delivery, or renewed before January 1, 2004,
10 is governed by the law as it existed immediately before the
11 effective date of this Act, and that law is continued in effect for
12 that purpose.

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