

By: Dukes

H.B. No. 596

A BILL TO BE ENTITLED

AN ACT

relating to insurer notice to applicants for insurance coverage regarding coverage tiers used by the insurer.

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

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

Art. 21.49-2W. NOTICE REGARDING COVERAGE TIERS

Sec. 1. DEFINITIONS. In this article:

(1) "Affiliate" means an entity classified as an affiliate of an insurer under Section 823.003 of this code.

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

(3) "Coverage tier" means a classification made by an insurer under which an application for insurance coverage offered by the insurer is assigned for processing by the insurer or an affiliate or subsidiary of the insurer in a manner that may result in various premium levels for the same coverage.

(4) "Credit report" means a collection of data specific to a person's credit history, credit standing, credit capacity, or creditworthiness.

(5) "Credit score" means a numerical representation of the insurance risk presented by an applicant for insurance coverage that uses attributes derived from a credit report on the applicant in a formula designed to assess risk on an actuarial or statistical

1 basis.

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

4 (A) a county mutual insurer;

5 (B) a farm mutual insurer;

6 (C) a Lloyd's plan; and

7 (D) a reciprocal or interinsurance exchange.

8 (7) "Subsidiary" means an entity classified as a
9 subsidiary of an insurer under Section 823.003 of this code.

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

14 Sec. 2. APPLICATION. This article applies only to an
15 insurer in this state that writes:

16 (1) a personal automobile insurance policy;

17 (2) a homeowners or farm and ranch or farm and ranch
18 owners insurance policy; or

19 (3) a residential fire and allied lines insurance
20 policy.

21 Sec. 3. INSURER NOTICE. (a) Each insurer shall provide to
22 an applicant for insurance coverage a written notice, in the form
23 prescribed by the department, that describes:

24 (1) each entity through which the insurer provides the
25 insurance coverage for which the applicant is applying, including
26 an affiliate or subsidiary;

27 (2) each coverage tier provided by the insurer for the

1 insurance coverage for which the applicant is applying, including
2 the premium levels for coverage under various tiers; and

3 (3) the qualifications used by the insurer to assign
4 an applicant for insurance coverage to a specific coverage tier,
5 including:

6 (A) the use of a credit score derived from
7 information relating to the applicant;

8 (B) the applicant's driving record; and

9 (C) any other analogous consumer classification
10 system used by the insurer as an underwriting guideline.

11 (b) The notice must include or accompany written
12 information specific to the applicant for insurance coverage that
13 explains the coverage tier to which the insurer proposes to assign
14 the applicant, and the insurer's reasons for that assignment.

15 Sec. 4. RULES. The commissioner shall adopt rules as
16 necessary to implement this article.

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

20 SECTION 2. Article 21.49-2W, Insurance Code, as added by
21 this Act, applies only to an insurance policy delivered, issued for
22 delivery, or renewed on or after January 1, 2004. A policy
23 delivered, issued for delivery, or renewed before January 1, 2004,
24 is governed by the law as it existed immediately before the
25 effective date of this Act, and that law is continued in effect for
26 that purpose.

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