

By: Gutierrez

H.B. No. 696

A BILL TO BE ENTITLED

AN ACT

relating to the prohibition of the use of credit reports in certain insurance underwriting decisions; providing penalties.

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

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

Art. 21.49-2H. PROHIBITION ON USE OF CERTAIN UNDERWRITING GUIDELINES BASED ON CREDIT REPORT

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 report regarding an individual's past history of:

(A) financial responsibility;

(B) payment habits; or

(C) creditworthiness.

(3) "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.

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

- 1           (1) a personal automobile insurance policy;  
2           (2) a homeowners or farm and ranch owners insurance  
3 policy; or  
4           (3) a standard fire insurance policy insuring a  
5 one-family dwelling, a duplex, or the contents of a one-family  
6 dwelling, a duplex, or an apartment.

7           Sec. 3. PROHIBITION; EXEMPTION. (a) An insurer may not make  
8 an underwriting decision regarding an applicant for insurance  
9 coverage or an insured based in whole or in part on a credit report  
10 relating to that individual.

11           (b) This section does not prohibit an insurer from refusing  
12 to allow an applicant for insurance or an insured to pay premiums  
13 under an installment payment plan if the failure of that individual  
14 to pay premiums for coverage under an insurance policy caused a  
15 lapse in coverage under that policy during the two years preceding  
16 the date on which the request to pay premiums in installments is  
17 made.

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

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

23           SECTION 2. Article 21.49-2H, Insurance Code, as added by  
24 this Act, applies only to an insurance policy delivered, issued for  
25 delivery, or renewed on or after January 1, 2004. A policy  
26 delivered, issued for delivery, or renewed before January 1, 2004,  
27 is governed by the law as it existed immediately before the

1 effective date of this Act, and that law is continued in effect for  
2 that purpose.

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