

BILL ANALYSIS

Senate Research Center

S.B. 382
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State Affairs
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Credit insurance is insurance on a debtor's obligation that pays the debt in case of the debtor's death or disability. When a consumer pays off a loan early, the debtor is entitled to a refund of any unearned premium, as required by state law. However, under current law, the insurer is not required to receive any notice when a loan is paid off early.

S.B. 382 requires each credit insurance policy to include a statement regarding the consumer's entitlement to a refund of unearned premium if the underlying debt is paid off early. This bill also requires the current holder of the loan to notify the insurer of an early payment of any debt covered by credit insurance.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1153.202, Insurance Code, by amending Subsection (a) and adding Subsections (a-1) and (a-2), as follows:

(a) Requires each individual policy or group policy and group certificate for credit life insurance and credit accident and health insurance (insurance) to include a written notice that the debtor is entitled to a refund of unearned premium if the underlying debt or the insurance terminates before the originally scheduled termination date of the insurance, including the termination of a debt by renewing or refinancing the debt, and that the person holding the underlying debt instrument on the date the debt terminates is to provide notice to the insurer of the termination of the debt, not later than 60 days after the termination of the insurance, that includes the name and address of the insured and the payoff date of the underlying debt in the event that the underlying debt or the insurance terminates before the originally scheduled termination date of the insurance, including the termination of a debt by renewing or refinancing the debt.

(a-1) Requires the insurer to promptly pay or credit the refund of any amount of unearned premium paid by or charged to the debtor to the person entitled to the refund not later than 30 days after receipt of the notice required to be sent to the insurer under Subsection (a)(2).

(a-2) Entitles an insurer, in any claim or action asserted by an insured against the insurer for failure to refund any unearned premium in accordance with this section, to indemnify from a holder who failed to provide the notice required under Subsection (a)(2).

SECTION 2. Makes application of this Act prospective to January 1, 2008.

SECTION 3. Effective date: September 1, 2007.