

BILL ANALYSIS

Senate Research Center
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S.B. 382
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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.

As proposed, S.B. 382 requires the debtor to notify the insurer of an early payment of any debt covered by credit insurance, and requires insurers to include a statement with the credit insurance policy certificate notifying the debtor that the debtor may be entitled to a refund of unearned premium and that it is the debtor's responsibility to notify the insurer of any early payment of the debt covered by the 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 Subsection (a-1), 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 may be entitled to a refund of unearned premium if the underlying debt or the insurance terminates before the scheduled maturity date of the debt, including termination by renewing or refinancing the debt, and that the debtor has an obligation to notify the insurer of any early payment in full of the debt covered by the insurance (early payment).

(a-1) Requires the debtor to notify the insurer of early payment no later than the 60th day after the effective date of the payment to be entitled to a refund of unearned premium. 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 on receipt of the notice of early payment.

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

SECTION 3. Effective date: September 1, 2007.