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S.B. No. 110

A BILL TO BE ENTITLED

1 AN ACT

2 relating to prohibition of the use of credit scoring in
3 underwriting and rating certain personal lines of insurance
4 coverage.

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

6 SECTION 1. Section 559.001, Insurance Code, is amended by
7 amending Subdivision (10) and adding Subdivision (12) to read as
8 follows:

9 (10) "Insurer" means an insurer authorized to write
10 property and casualty insurance in this state, including an
11 insurance company, reciprocal or interinsurance exchange, mutual
12 insurance company, capital stock company, county mutual insurance
13 company, farm mutual insurance company, association, Lloyd's plan,
14 or other entity writing personal insurance in this state. The term
15 includes an affiliate, as described by this code, if that affiliate
16 is authorized to write personal insurance in this state. The term
17 does not include [~~a farm mutual insurance company or~~] an eligible
18 surplus lines insurer under this code.

19 (12) "Underwriting" means the selection of the risk
20 that will be assumed by an insurer, and specifically the decision
21 whether to accept, deny, renew, nonrenew, reduce, or increase the
22 amount of benefits payable under an insurance policy or the types of
23 coverages available under an insurance policy.

24 SECTION 2. Section 559.002, Insurance Code, is amended to

1 read as follows:

2 Sec. 559.002. APPLICABILITY OF CHAPTER. This chapter
3 applies to an insurer that writes personal insurance coverage [~~and~~
4 ~~uses credit information or credit reports for the underwriting or~~
5 ~~rating of that coverage~~].

6 SECTION 3. Section 559.004, Insurance Code, is amended to
7 read as follows:

8 Sec. 559.004. RULES. [~~(a)~~] The commissioner may adopt
9 rules in the manner prescribed by Subchapter A, Chapter 36, as
10 necessary to implement this chapter.

11 [~~(b) The commissioner shall adopt rules that prescribe the~~
12 ~~allowable differences in rates charged by insurers due solely to~~
13 ~~the difference in credit scores.~~]

14 SECTION 4. The heading to Subchapter B, Chapter 559,
15 Insurance Code, is amended to read as follows:

16 SUBCHAPTER B. PROHIBITED USE OF CREDIT SCORING AND
17 CREDIT INFORMATION

18 SECTION 5. Section 559.051, Insurance Code, is amended to
19 read as follows:

20 Sec. 559.051. PROHIBITION ON CERTAIN [~~PERMISSIBLE~~] USE OF
21 CREDIT SCORING BY INSURERS. With respect to a line of insurance
22 subject to this chapter, an [~~An~~] insurer may not:

23 (1) refuse to underwrite, cancel, or refuse to renew a
24 risk based, in whole or in part, on the credit report or credit
25 score of an insured or an applicant for insurance coverage; or

26 (2) rate a risk based, in whole or in part, on the
27 credit report or credit score of an insured or an applicant for

1 insurance coverage in any manner, including:

2 (A) the provision or removal of a discount;

3 (B) assignment of an insured or an applicant for
4 insurance coverage to a rating tier; or

5 (C) placement of an insured or an applicant for
6 insurance coverage with an affiliate [~~use credit scoring, except~~
7 ~~for factors that constitute unfair discrimination, to develop~~
8 ~~rates, rating classifications, or underwriting criteria regarding~~
9 ~~lines of insurance subject to this chapter].~~

10 SECTION 6. The following laws are repealed:

11 (1) Sections 559.001(1) and (2), Insurance Code;

12 (2) Section 559.003, Insurance Code;

13 (3) Sections 559.052, 559.053, 559.054, 559.055,
14 559.056, and 559.057, Insurance Code; and

15 (4) Subchapters C and D, Chapter 559, Insurance Code.

16 SECTION 7. (a) Chapter 559, Insurance Code, as amended by
17 this Act, applies only to a personal insurance policy:

18 (1) that is delivered, issued for delivery, or renewed
19 on or after January 1, 2010; or

20 (2) the application for which is submitted on or after
21 January 1, 2010.

22 (b) A personal insurance policy delivered, issued for
23 delivery, or renewed before January 1, 2010, or the application for
24 which is submitted before January 1, 2010, is governed by the law as
25 it existed immediately before January 1, 2010, and that law is
26 continued in effect for that purpose.

27 SECTION 8. This Act takes effect September 1, 2009.