

By: Walle

H.B. No. 194

A BILL TO BE ENTITLED

AN ACT

relating to prohibiting the use of credit scoring in certain lines of personal insurance.

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

SECTION 1. Sections 559.001(2), (4), and (7), Insurance Code, are amended to read as follows:

(2) "Agent" means a person licensed or required to be licensed as a ~~general~~ property and casualty insurance agent ~~[or a personal lines property and casualty agent]~~ under Subchapter B, C, D, or E, Chapter 4051.

(4) "Consumer" means an individual whose credit information has been reported to or is in the possession of a consumer reporting agency or an insurer ~~[is used or whose credit score is computed in the underwriting or rating of a personal insurance policy]~~. The term includes an applicant for insurance coverage.

(7) "Credit report" means any written, oral, or other communication of information by a consumer reporting agency that ~~[~~

~~[(A)]~~ bears on a consumer's creditworthiness, credit standing, or credit capacity ~~[, and~~

~~[(B) is used or expected to be used or collected in whole or in part to serve as a factor to determine personal insurance premiums, eligibility for coverage, or tier placement]~~.

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 each ~~[an]~~ insurer that writes personal insurance
4 coverage ~~[and uses credit information or credit reports for the~~
5 ~~underwriting or rating of that coverage]~~.

6 SECTION 3. Section 559.052, Insurance Code, is amended to
7 read as follows:

8 Sec. 559.052. ~~[PROHIBITED]~~ USE OF CREDIT INFORMATION
9 PROHIBITED. (a) An insurer may not:

10 (1) use an underwriting guideline ~~[a credit score]~~
11 that is based wholly or partly on the credit information, credit
12 report, or credit score of an applicant for insurance coverage or
13 any person other than the applicant who would be insured under a
14 policy of personal insurance ~~[computed using factors that~~
15 ~~constitute unfair discrimination]~~;

16 (2) refuse to underwrite or ~~[deny]~~ cancel~~[r]~~ or
17 nonrenew a policy of personal insurance based wholly or partly
18 [solely] on the [basis of] credit information, credit report, or
19 credit score of an applicant for insurance coverage or any person
20 other than the applicant who would be insured under the policy
21 ~~[without considering any other applicable underwriting factor~~
22 ~~independent of credit information]~~; ~~[or]~~

23 (3) take an action that results in an adverse effect
24 against a consumer because the consumer does not have a credit card
25 account;

26 (4) charge an applicant for insurance coverage a
27 higher premium than otherwise would be charged based wholly or

1 partly on the credit information, credit report, or credit score of
2 the applicant or any person other than the applicant who would be
3 insured under a policy of personal insurance;

4 (5) rate a risk based wholly or partly on the credit
5 information, credit report, or credit score of an applicant for
6 insurance coverage or any person other than the applicant who would
7 be insured under a policy of personal insurance, including:

8 (A) providing or removing a discount;

9 (B) assigning the applicant for insurance
10 coverage to a rating tier; or

11 (C) placing an applicant for insurance coverage
12 with an affiliated company; or

13 (6) require a particular payment plan based wholly or
14 partly on the credit information, credit report, or credit score of
15 the applicant for insurance coverage or any person other than the
16 applicant who would be insured under a policy of personal insurance
17 ~~[without considering any other applicable factor independent of~~
18 ~~credit information].~~

19 (b) An insurer may not consider an absence of credit
20 information or an inability to determine credit information for an
21 applicant for insurance coverage or for an insured as a factor in
22 underwriting or rating an insurance policy ~~[unless the insurer:~~

23 ~~[(1) has statistical, actuarial, or reasonable~~
24 ~~underwriting information that:~~

25 ~~[(A) is reasonably related to actual or~~
26 ~~anticipated loss experience; and~~

27 ~~[(B) shows that the absence of credit information~~

1 ~~could result in actual or anticipated loss differences;~~

2 ~~[(2) treats the consumer as if the applicant for~~
3 ~~insurance coverage or insured had neutral credit information, as~~
4 ~~defined by the insurer; or~~

5 ~~[(3) excludes the use of credit information as a~~
6 ~~factor in underwriting and uses only other underwriting criteria].~~

7 SECTION 4. Section 559.055, Insurance Code, is amended by
8 adding Subsection (c) to read as follows:

9 (c) This section expires September 1, 2012.

10 SECTION 5. The following laws are repealed:

11 (1) Section 559.004(b), Insurance Code;

12 (2) Sections 559.003, 559.051, 559.053, 559.054, and
13 559.056, Insurance Code; and

14 (3) Subchapters C and D, Chapter 559, Insurance Code.

15 SECTION 6. (a) The changes in law made by this Act apply
16 only to a personal insurance policy:

17 (1) that is delivered, issued for delivery, or renewed
18 on or after January 1, 2012;

19 (2) the application for which is submitted on or after
20 January 1, 2012; or

21 (3) that is subject to determination of denial,
22 cancellation, or nonrenewal on or after January 1, 2012.

23 (b) A personal insurance policy delivered, issued for
24 delivery, or renewed before January 1, 2012, or the application for
25 which is submitted before January 1, 2012, is governed by the law as
26 it existed immediately before January 1, 2012, and that law is
27 continued in effect for that purpose.

1 SECTION 7. This Act takes effect September 1, 2011.