

BILL ANALYSIS

Senate Research Center

H.B. 671
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Economic Development
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Engrossed

DIGEST

Currently, an insurer may base certain underwriting decisions upon a person's credit history even though one's credit history has no direct connection to one's need for or ability to pay for insurance coverage. This bill sets forth provisions regarding a prohibition of certain underwriting decisions based on credit reports and provides a penalty for certain violations.

PURPOSE

As proposed, H.B. 671 sets forth provisions regarding a prohibition of certain underwriting decisions based on credit reports and provides a penalty for certain violations.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 21B, Insurance Code, by adding Article 21.21-9, as follows:

Art. 21.21-9. PROHIBITION OF CERTAIN UNDERWRITING DECISIONS BASED ON CREDIT REPORTS.

Sec. 1. DEFINITIONS. Defines "credit report" and "insurer."

Sec. 2. APPLICATION. Provides that this article applies to certain types of policies.

Sec. 3. PROHIBITIONS; EXEMPTION. Prohibits an insurer from making an underwriting decision based in whole or in part on a credit report. Provides that this section does not prohibit an insurer from refusing to allow premium payment in installments for a person whose failure to pay premiums for an insurance policy caused a lapse in that policy during the two years preceding the date on which the request to pay premiums in installments is made.

Sec. 4. PENALTY. Provides that an insurer who violates this article commits an unfair practice in violation of Article 21.21 of this code and is subject to the penalties imposed under that article

SECTION 2. Effective date: September 1, 1997, only for an insurance policy delivered, issued for deliver, or renewed on or after January 1, 1998. Makes application of this Act prospective.

SECTION 3. Emergency clause.