

BILL ANALYSIS

Senate Research Center
78R1449 PB-F

S.B. 91
By: West, Royce
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DIGEST AND PURPOSE

Currently, insurance underwriters can use an individual's credit history to determine whether to approve, renew, deny, and set rates for applicants for risk-based insurance. As proposed, S.B. 91 prohibits insurance underwriters from using credit history as a factor in approving, renewing, denying, or setting the rates of risk-based insurance policies.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 21.49-2R, Section 4, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 21E, Insurance Code, by adding Article 21.49-2R, as follows:

Art. 21.49-2R. PROHIBITION ON USE OF UNDERWRITING BASED ON CREDIT SCORING

Sec. 1. DEFINITIONS. Defines "applicant for insurance coverage," "consumer reporting agency," "credit report," "credit score," "credit scoring entity," "insurer," and "underwriting."

Sec. 2. APPLICATION. Provides that this act applies only to certain policies.

Sec. 3. PROHIBITION ON CERTAIN USE OF CREDIT SCORING BY INSURERS. Prohibits an insurer, with respect to a line of insurance subject to this article, from taking certain actions.

Sec. 4. RULES. Authorizes the commissioner of insurance (commissioner) to adopt rules as necessary to implement this article.

Sec. 5. PENALTY. Provides that an insurer who violates this article commits an unfair practice in violation of Article 21.21 of this code.

SECTION 2. Amends Chapter 21E, Insurance Code, by adding Article 21.79C, as follows:

Art. 21.79C. INTERIM STUDY REGARDING USE OF INSURANCE CREDIT SCORES

Sec. 1. DEFINITIONS. Defines "consumer reporting agency," "credit report," "credit score," "insurer," and "underwriting."

Sec. 2. INTERIM STUDY; REPORT. (a) Requires the Department of Insurance (department) to conduct an interim study regarding the use before January 1, 2004, of credit scores by insurers. Requires the study to analyze whether the use of credit scoring in underwriting insurance coverage had an adverse impact on any demographic group defined by

race or socioeconomic status.

(b) Requires the commissioner to consult with representatives from certain groups and with certain other persons, in conducting the study.

(c) Requires the department to prepare a written report to the legislature regarding the findings of the interim study. Authorizes the report to include any recommendations of the department regarding the use of credit scores by insurers.

(d) Requires the department, not later than September 1, 2004, to deliver copies of the report to certain state officials.

(e) Provides that this article expires September 1, 2005.

SECTION 3. Makes the application of this Act prospective to January 1, 2004.

SECTION 4. Effective date: September 1, 2003.