

BILL ANALYSIS

Senate Research Center

C.S.S.B. 382

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State Affairs

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Committee Report (Substituted)

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.

C.S.S.B. 382 requires each credit insurance policy to include a statement regarding the consumer's potential entitlement to a refund of unearned premium if the underlying debt is paid off early. This bill also requires the current holder of the loan to notify the insurer of an early payment of any debt covered by credit 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 originally scheduled expiration date of the insurance, including termination by renewing or refinancing the debt, and that the insurer is obligated to refund any unearned premium upon receipt of a notice sent to the insurer, within 90 days after the insurance's original expiration date, by the person holding the underlying debt instrument as of the date the debt terminates that includes the name of the insured and the policy number.

(a-1) 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 required to be sent to the insurer under Subsection (a)(2).

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

SECTION 3. Effective date: September 1, 2007.