

BILL ANALYSIS

Senate Research Center
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S.B. 72
By: Ellis
Business & Commerce
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 72 prohibits insurance companies from using credit scores as a way to set a policyholder's rates or determine discount rates. Many low-income residents and people with low credit scores are forced to pay higher insurance rates than other people with higher credit scores. Current law outlines both permissible and prohibited uses of credit scores when setting rates or determining discounts on rates.

As proposed, S.B. 72 amends current law relating to prohibition of the use of credit scoring in underwriting and rating certain personal lines of insurance coverage.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 3 (Section 559.004, Insurance Code) of this bill.

Rulemaking authority previously granted to the commissioner of insurance is rescinded in SECTION 3 (Section 559.004, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 559.001, Insurance Code, by amending Subdivision (10) to redefine "insurer" and adding Subdivision (12) to define "underwriting."

SECTION 2. Amends Section 559.002, Insurance Code, to provide that this chapter applies to an insurer that writes personal insurance coverage, rather than to an insurer that writes personal insurance coverage and uses credit information or credit reports for the underwriting or rating of that coverage.

SECTION 3. Amends Section 559.004, Insurance Code, to authorize the commissioner of insurance (commissioner) to adopt rules in the manner prescribed by Subchapter A (General Provisions), Chapter 36 (Department Rules and Procedures), as necessary to implement this chapter. Deletes existing Subsection (a) designation and existing Subsection (b) requiring the commissioner to adopt rules that prescribe the allowable differences in rates charged by insurers due solely to the difference in credit scores.

SECTION 4. Amends the heading to Subchapter B, Chapter 559, Insurance Code, to read as follows:

SUBCHAPTER B. PROHIBITED USE OF CREDIT SCORING AND CREDIT INFORMATION

SECTION 5. Amends Section 559.051, Insurance Code, as follows:

Sec. 559.051. New heading: PROHIBITION ON CERTAIN USE OF CREDIT SCORING BY INSURERS. Prohibits an insurer that writes a line of insurance subject to this chapter from:

(1) refusing to underwrite, canceling, or refusing to renew a risk based wholly or partly on the credit report or credit score of an insured or applicant for insurance coverage; or

(2) rating a risk based wholly or partly on the credit report or credit score of an insured or an applicant for insurance coverage in any manner, including provision or removal of a discount, assignment to a rating tier, or placement with an affiliate.

Deletes existing text authorizing an insurer to use credit scoring, except for factors that constitute unfair discrimination, to develop rates, rating classifications, or underwriting criteria regarding lines of insurance subject to this chapter.

SECTION 6. Repealers: Sections 559.001(1) (defining "adverse effect") and (2) (defining "agent"), Insurance Code.

Repealer: Section 559.003 (Information Provided to Public), Insurance Code.

Repealers: Sections 559.052 (Prohibited Use of Credit Information), 559.053 (Disclosure to Consumer Regarding Use of Credit Scoring), 559.054 (Notice of Action Resulting in Adverse Effect), 559.055 (Dispute Resolution; Error Correction), 559.056 (Indemnification of Agent), and 559.057 (Sale of Policy Term Information by Consumer Agency), Insurance Code.

Repealers: Subchapters C (Computing Credit Score; Evaluating Credit Information) and D (Filing of Credit Scoring Models), Chapter 559, Insurance Code.

SECTION 7. (a) Provides that Chapter 559, Insurance Code, as amended by this Act, applies only to a personal insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2014, or the application for which is submitted on or after January 1, 2014.

(b) Provides that a personal insurance policy delivered, issued for delivery, or renewed before January 1, 2014, or the application for which is submitted before January 1, 2014, is governed by the law as it existed immediately before January 1, 2014, and that law is continued in effect for that purpose.

SECTION 8. Effective date: September 1, 2013.