

BILL ANALYSIS

Senate Research Center

C.S.S.B. 736
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Business & Commerce
3/20/2013
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Section 551.113 (Declination Prohibited; Consideration of Certain Claims), Insurance Code, prohibits an insurer from considering a customer inquiry as a basis for declination of insurance but does not address the use of that information in rating and other underwriting decisions. Concern has been raised that information collected by an insurance company when one of its policyholders makes an inquiry relating to the policyholder's policy may be used against the policyholder in setting rates, premiums, or deductibles.

C.S.S.B. 736 prohibits underwriting and rating decisions to be based solely on consumer inquiries for standard fire, homeowners, or farm and ranch owners insurance policies.

C.S.S.B. 736 amends current law relating to insurance rating and underwriting practices and declinations based on certain consumer inquiries.

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 Chapter 544, Insurance Code, by adding Subchapter L, as follows:

SUBCHAPTER L. CONSUMER INQUIRY

Sec. 544.551. DEFINITION. Defines, in this subchapter, "consumer inquiry."

Sec. 544.552. APPLICABILITY. Provides that this subchapter applies only to a standard fire, homeowners, or farm or ranch owners insurance policy.

Sec. 544.553. PROHIBITION OF UNDERWRITING AND RATING DECISIONS BASED ON CONSUMER INQUIRY. Prohibits an insurer from using an underwriting guideline based solely on whether a consumer inquiry has been made by or on behalf of the applicant or insured, or charging a rate that is different from the rate charged to other individuals for the same coverage or increasing a rate charged to an insured based solely on whether a consumer inquiry has been made by or on behalf of the applicant or insured.

SECTION 2. Amends the heading to Section 551.113, Insurance Code, to read as follows:

Sec. 551.113. DECLINATION, NONRENEWAL, OR CANCELLATION PROHIBITED; CONSIDERATION OF CONSUMER INQUIRY.

SECTION 3. Amends Section 551.113, Insurance Code, by adding Subsection (b-1), to prohibit an insurer from considering a customer inquiry as a basis for nonrenewal or cancellation of an insurance policy.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: September 1, 2013.