

BILL ANALYSIS

Senate Research Center
77R9744 AJA-D

H.B. 1408
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Business & Commerce
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Engrossed

DIGEST AND PURPOSE

When a person who purchases insurance pays the premium on a quarterly basis, the person runs the risk of paying for coverage that will not be used if the person cancels the policy prior to the end of the prepaid, four-month period. The premium payments made for the months that are not covered are usually not automatically reimbursed by an insurer, as an insurance company has the discretion to either keep those premium payments or reimburse the insured. Presently, the state of Texas does not have any laws that require the insurer to reimburse the insured for unearned premium payments. H.B. 1408 requires all insurance companies to promptly reimburse to the insured all unearned premium payments.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 21.29, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 21E, Insurance Code, by adding Article 21.29, as follows:

Sec. 21.29. REFUND OF UNEARNED PREMIUM REQUIRED. Defines "insurer." Requires an insurer, if the insurer issues a policy of insurance that requires the insurer to maintain an unearned premium reserve for the portion of written policy premium applicable to the unexpired or unused part of the policy period for which the premium has been paid and the policy is canceled or terminated by the insured or insurer before the end of the policy term with a remaining unearned premium reserve on the policy, to promptly refund to the policyholder the appropriate portion of the unearned premium. Requires a guarantee association to promptly refund an unearned premium to the special assigned deputy receiver on receipt of applicable information. Requires the commissioner of insurance to adopt rules necessary to implement this article and provide appropriate guidelines for determining the portion of an unearned premium that must be refunded to a policyholder under this article. Provides that nothing in this article affects the obligations of an insurer to pay an unearned premium to a premium finance company in accordance with Article 24.17(f) of this code.

SECTION 2. (a) Effective date: September 1, 2001.

(b) Makes application of this Act prospective to January 1, 2002.