

BILL ANALYSIS

Senate Research Center

S.B. 130
By: Fraser
Business & Commerce
3/7/2003
As Filed

DIGEST AND PURPOSE

Currently, 75 percent of the insurers that offer residential property coverage use credit information, as do nine of the top 10 automobile insurers. Many insurance companies doing business in Texas are not subject to rate regulations. There has been a steady increase in the number of consumer complaints about the use of credit information in homeowners and automobile insurance in the past three years. As proposed, S.B. 130 establishes requirements to guide insurers in their use of credit information in residential property and automobile coverage and requires companies to file their credit scoring models with the commissioner of insurance. The bill also mandates an appeal process and requires insurers to consider extenuating circumstances that may affect a consumer's credit score.

RULEMAKING AUTHORITY

Rulemaking Authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 21.21-10, Chapter 21B, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 21B, Insurance Code, by adding Article 21.21-10, as follows:

Article 21.21-10. CREDIT SCORING BY INSURERS OF RESIDENTIAL PROPERTY AND PERSONAL AUTOMOBILES; SANCTIONS

Sec. 1. DEFINITIONS. Defines "adverse action," "insurance credit score," "insurance credit score system," "insurer," "personal automobile insurance," and "residential property insurance."

Sec. 2. USERS OF CREDIT INFORMATION. Specifies that an insurer that uses credit information in whole or in part to determine whether to issue a policy, the amount and terms of coverage in the policy, the duration of the policy, the rates and fees to be charged in the policy, whether to cancel the policy, or whether to renew the policy must comply with the requirements of this article.

Sec. 3. LIMITATION ON THE RELIANCE ON CREDIT SCORES. Prohibits an insurer from rejecting, canceling, or refusing to renew a personal automobile insurance policy or residential property insurance policy based solely on a credit score.

Sec. 4. DISPUTED OR INACCURATE CREDIT INFORMATION. Prohibits an insurer from using disputed credit information in determining a credit score and specifies when an insurer is required to rerun a credit check and recalculate credit scores.

Sec. 5. LIMITED CREDIT HISTORY. Prohibits an insurer from using a person's lack of or limited credit history as a sole determining factor in determining whether to issue a policy.

Sec. 6. MEDICAL COLLECTION INFORMATION. Prohibits an insurer from using medical collection information in determining a credit score.

Sec. 7. IMPROPER USES OF CREDIT INFORMATION AND SCORING. Specifies improper uses of credit information and scoring that an insurer is prohibited from using.

Sec. 8. DISCLOSURE REQUIREMENTS. Requires an insurer to follow specified disclosure requirements in relation to the insurance credit scoring process as it relates to the insurer's customers.

Sec. 9. FILING OF CREDIT SCORING MODELS. Requires an insurer that uses insurance credit scoring to file the insurer's insurance credit scoring models or methodologies for residential property insurance and personal automobile insurance with the commissioner of insurance (commissioner).

Sec. 10. CONFIDENTIALITY OF CREDIT SCORING MODEL. Specifies that credit scoring models filed with the commissioner of insurance for purposes of compliance with this article are not subject to disclosure.

Sec. 11. RIGHT TO APPEAL. (a) Requires an insurer to reconsider an adverse action that has been appealed by the insured or applicant for insurance.

(b) Sets forth circumstances under which an appeal may be filed, including catastrophic illness or injury, temporary loss of employment, death of an immediate family member, or other grounds determined by the commissioner.

(c) Requires an insurer in considering an appeal to make reasonable exceptions for credit scores adversely affected by any factors specified in Subsection (b) of this section.

(d) Requires an insurer to implement a procedure for appeals that conforms with rules adopted by the commissioner.

Sec. 12. RULES. (a) Requires the commissioner to adopt rules governing the procedure for appeals, including time periods to file, means of notification, grounds for appeal, provisions for review, determination of appeal, time frames for decision, means of notification of decision, and other reasonable and necessary rules as determined by the commissioner to implement the appeals process under this section and Section 11 of this article.

Sec. 13. SANCTIONS. Requires that an insurer be subject to penalties if the commissioner determines insurer has violated any provision of this article.

SECTION 2. Requires the commissioner to adopt rules governing the procedures for appeal and any other rules as necessary to implement the provisions of this Act by the 120th day after the effective date of this act.

SECTION 3. Provides time frames for insurers using an insurance credit score system to file insurance credit scoring models with the commissioner.

SECTION 4. Makes application of this Act prospective to the 120th day after the effective date of this Act.

SECTION 5. Effective date: June 1, 2003 or September 1, 2003.