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Credit Scoring
Consumer Safeguards
Contact: Beaman Floyd
512-477-7382

Allstate • American Insurance Association • Nationwide • State Farm • USAA • www.tcais.org • bfloyd@tcais.org

Existing Laws Protect Texas Insurance Consumers: Stringent Consumers Safeguards Regarding Credit Already in Place

In 2003, the Texas Legislature passed landmark insurance reforms to modernize the Texas insurance marketplace and encourage insurance competition while enacting some of the nation's most stringent consumer protections with regard to credit information.

Under the existing law:

- Insurers are prohibited from computing a credit score using factors that constitute unfair discrimination.
- Insurers are prohibited from denying, canceling, or declining to renew a personal insurance policy solely on the basis of credit information.
- Insurers are prohibited from taking an action that results in an adverse effect against a consumer solely because the consumer does not have a credit card account.
- Insurers are prohibited from considering an absence of credit information or an inability to determine credit information in underwriting or rating a policy, except under certain circumstances.
- Under the law and upon written request, insurers must provide exceptions to their use of credit information for consumers who experience certain extraordinary life circumstances such as catastrophic injury, death of a spouse or identity theft.

Texans who do not want their credit histories to impact their insurance can choose an insurance company that does not consider credit information. 48% of homeowners insurers in Texas do not consider credit in setting their premiums.

If credit-based insurance scoring was banned, up to **70% of Texans could see their rates increase** as lower risk customers are forced to subsidize higher risk customers. Elected officials have been looking for ways to bring down the cost of insurance, yet some are considering a move that will most certainly increase prices for the majority of Texans.

Competition between insurers is the best way to drive down prices. Reforms passed in 2003 must be allowed to work so that Texans can see the fruits of competition.