

BILL ANALYSIS

Senate Research Center
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H.B. 1404
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Engrossed

DIGEST AND PURPOSE

Credit card companies market life, disability, and unemployment insurance to consumers by enclosing information in monthly billing statements. This insurance covers all or a portion of a cardholder's debt in the event of the cardholder's death, disability, or involuntary unemployment. A cardholder authorizes coverage by checking a box on a monthly billing statement, the monthly premium is then charged to the consumer's credit card and paid to the insurance company. This informal application process may make consumers vulnerable to abuses such as unauthorized coverage or overcharging. Current law does not require these insurance companies or credit card issuers to keep consumer applications or policy information on file, which may make proving an unauthorized charge difficult. H.B. 1404 requires providers of credit insurance to retain applications and policy information for one year after coverage ends and authorizes an insured to inspect records maintained by insurance companies or credit card issuers.

RULEMAKING AUTHORITY

Rulemaking authority is expressly delegated the commissioner of insurance SECTION 1 (Section 6, Article 21.79A, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

C.S.H.B. 1404 amends the Insurance Code to require an insurer or credit card issuer to maintain complete records of the documents obtained in connection with a policy or group certificate of specified credit insurance issued by the insurer or credit card issuer that is marketed in connection with credit cards. The bill specifies the information the records must include, how the records are to be maintained, and the inspection of the records. The bill provides that the insurer is responsible for ensuring compliance with the record retention provisions.

If a copy of an application for a policy or certificate is not properly maintained in accordance with records retention provisions, the bill prohibits a credit card issuer from charging and an insurer from collecting or accepting any premium or other charge with respect to a policy or certificate and requires an insurer or credit card issuer to refund to the insured specified charges plus interest. The bill provides that these provisions do not affect an insurer's obligation to pay a claim or issue an original policy under certain conditions.

The bill authorizes the commissioner of insurance to adopt rules as necessary to implement these provisions.

EFFECTIVE DATE: September 1, 2001.