

BILL ANALYSIS

C.S.H.B. 1662
By: Castro
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law stipulates that the automobile insurer of an at-fault party must pay the third-party claimant for vehicle damages as well as “loss of use” of the third-party claimant’s vehicle due to an accident. “Loss of use” can be interpreted in different ways by automobile insurers. Some insurers interpret it to mean transportation only, instead of loss of use of a comparable vehicle. Many times, a claimant who owns a large vehicle will only be offered a smaller vehicle by an insurer. Some insurers provide comparable vehicles, but only after third-party claimants make numerous requests. C.S.H.B. 1662 requires coverage under motor vehicle liability insurance policies for substitute motor vehicles that are comparable to the damaged motor vehicles of third-party claimants.

RULEMAKING AUTHORITY

It is the committee’s opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1662 amends the Insurance Code to require an insurer that delivers or issues for delivery a liability insurance policy on a motor vehicle to indemnify for reasonable rental costs a third-party claimant who requests a substitute vehicle comparable to a damaged vehicle, if the third-party claimant’s vehicle sustains damage and is inoperable, unsafe to drive, or out of service for repairs. The bill requires an insurer to pay for rental costs beginning on the date on which the vehicle is unable to be used and ending on the date on which the insurer could reasonably expect the vehicle to be fully repaired and operable. The bill requires an insurer to notify the third-party claimant that, on request, the insurer will indemnify the claimant for reasonable rental costs for a substitute vehicle comparable to the damaged vehicle and that the indemnification may be reduced based on the percentage of responsibility of the third-party claimant.

The bill authorizes an insurer to indemnify a third-party claimant for the entire cost of a requested substitute vehicle or that percentage of the cost of a substitute vehicle that is equal to the insureds percentage of responsibility for the damage sustained.

EFFECTIVE DATE

September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1662 modifies the original by authorizing proportionate indemnification and providing that a notice to a third-party claimant must include information regarding proportionate indemnification. The substitute removes the provision that held an insurer liable for rental costs if the third-party claimant’s motor vehicle is a total loss. The substitute provides for indemnification for a comparable substitute vehicle, rather than a substitute vehicle that is equivalent in size and quality, and specifies the damage that must be sustained to the vehicle for indemnification to be authorized.