

By: Castro

H.B. No. 1662

A BILL TO BE ENTITLED

AN ACT

relating to requiring certain coverage under motor vehicle liability insurance policies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 5, Insurance Code, is amended by adding Article 5.07-2 to read as follows:

Art. 5.07-2. COVERAGE FOR COST OF CERTAIN RENTAL VEHICLES

Sec. 1. DEFINITIONS. In this article:

(1) "Insurer" means an insurance company, reciprocal or interinsurance exchange, mutual, capital stock company, fraternal benefit society, local mutual aid association, county mutual, association, Lloyd's plan, or other entity writing motor vehicle insurance in this state. The term includes a company affiliated with an insurer.

(2) "Third-party claimant" means any person who makes a claim on a motor vehicle liability insurance policy who is not the policyholder of the motor vehicle liability insurance on which the claim is made.

Sec. 2. COVERAGE REQUIRED. (a) An insurer that delivers or issues for delivery a liability insurance policy on a motor vehicle shall indemnify a third-party claimant who requests a substitute motor vehicle equivalent to the third-party claimant's damaged motor vehicle in size and quality for reasonable rental costs for the requested substitute motor vehicle if the third-party

1 claimant's motor vehicle:

2 (1) sustains damage for which the third-party claimant
3 may recover under the policy; and

4 (2) cannot be operated because of the damage
5 sustained.

6 (b) An insurer is liable under Subsection (a) of this
7 section for rental costs incurred by a third-party claimant
8 beginning on the date on which the motor vehicle is damaged and
9 ending on:

10 (1) the date on which the insurer could reasonably
11 expect the third-party claimant's motor vehicle to be fully
12 repaired and operable; or

13 (2) if the third-party claimant's motor vehicle is a
14 total loss, the earlier of:

15 (A) the date on which the third-party claimant
16 obtains a replacement vehicle for the damaged vehicle; or

17 (B) the date on which the insurer indemnifies the
18 third-party claimant for the total loss of the damaged vehicle.

19 (c) On receipt of a claim from a third party, an insurer
20 shall notify the third-party claimant in writing that, on request,
21 the insurer will indemnify the third-party claimant for reasonable
22 rental costs for a substitute motor vehicle equivalent to the
23 third-party claimant's damaged motor vehicle in size and quality as
24 required by this section.

25 SECTION 2. This Act takes effect September 1, 2003, and
26 applies only to a motor vehicle liability insurance policy that is
27 delivered, issued for delivery, or renewed after January 1, 2004. A

1 motor vehicle liability insurance policy that is delivered, issued
2 for delivery, or renewed before January 1, 2004, is governed by the
3 law as it existed immediately before the effective date of this Act,
4 and the former law is continued in effect for that purpose.