

BILL ANALYSIS

C.S.H.B. 1572
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, a driver involved in an accident has a right to subrogation against the at-fault driver and the insurer of the at-fault driver, if the driver or the insurer of the driver who was not at-fault paid for the repair of damages. This situation often arises when dispute on fault exists or when the at-fault driver was uninsured.

However, the insurer of a driver who was not at-fault does not currently have the right of subrogation against the at-fault party to recover the money paid to the not-at-fault driver under a Personal Injury Protection (PIP) coverage. This situation results in higher claims costs for PIP coverage and thus higher premiums for consumers. C.S.H.B. 1572 provides that an insurer paying benefits under personal injury protection coverage shall have the right of subrogation and a claim against an at-fault driver under certain conditions.

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. 1572 amends the Insurance Code to provide that an insurer paying benefits, including a county mutual insurance company, under personal injury protection coverage shall have a right of subrogation and a claim against a person causing or contributing to an accident, if on the date of loss, financial responsibility has not been established for the motor vehicle involved in the accident or if the motor vehicle was insured by an insurer not authorized to engage in business in this state.

The bill entitles an insurer that brings an action against a responsible third party or that party's insurer for a loss covered under a private passenger automobile insurance policy to recover the costs of bringing the action, including reasonable attorney's fees and court costs, in addition to payments made by the insurer or insured. The bill specifies the insurers to whom the provisions of the Act relating to recovery of costs from a third party apply.

EFFECTIVE DATE

September 1, 2005. The Act applies beginning with January 1, 2006.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1572 amends the filed bill to allow an insurance carrier to subrogate (recover funds) a claim against personal injury protection (PIP) coverage. C.S.H.B. 1572 also amends the filed bill by adding the term "uninsured" driver to clarify that an insurance carrier can subrogate a claim against uninsured motorist who is responsible for the claim.

C.S.H.B. 1572 does not affect an out of state driver driving in Texas with lower insurance limits/coverages than Texas law requires.

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