

BILL ANALYSIS

Senate Research Center
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S.B. 1843
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Department of Insurance (TDI) approves personal automobile policy forms often referred to as "named driver policies." These policies allow insurance companies to exclude coverage on a personal automobile policy for family members and communal household residents of the insured who are not explicitly named on the application or the policy. Many policy holders purchase these policies without realizing that the policy will exclude everyone unnamed.

These named driver policies, which account for a very small percentage of the total auto insurance market in Texas, eliminate coverage for drivers most likely to be operating a family auto: children, parents, and other relatives who may be residing on the premises.

As proposed, S.B. 1843 requires all policies approved by TDI to cover all permissive users unless specifically excluded in writing by the named insured and attached to the policy, providing standardization of third party liability coverage for unnamed drivers of covered vehicles.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 1952, Insurance Code, by adding Section 1952.059, as follows:

Sec. 1952.059. REQUIRED PROVISION: COVERAGE FOR UNNAMED DRIVERS.

(a) Requires that a personal automobile insurance policy that covers liability arising out of ownership, maintenance, or use of a motor vehicle by a named insured contain a provision to extend liability coverage to each driver who has a reasonable belief that the driver is entitled to use the covered motor vehicle.

(b) Provides that this section does not prohibit the named insured from excluding specific persons from coverage under the policy. Requires that an exclusion under this section be in writing and requires it to include the name of the person excluded from the coverage, be signed by the named insured, and be attached to the policy.

SECTION 2. Makes application of this Act prospective to January 1, 2010.

SECTION 3. Effective date: September 1, 2009.