

By: McClendon

H.B. No. 1327

A BILL TO BE ENTITLED

AN ACT

relating to a mile-based rating plan for personal automobile insurance.

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

SECTION 1. Chapter 2251, Insurance Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. MILE-BASED AUTOMOBILE INSURANCE RATING PLANS

Sec. 2251.301. DEFINITION. In this subchapter, "mile-based automobile insurance" means personal automobile insurance that is rated using a rating plan for which a unit of exposure is one mile driven by the insured.

Sec. 2251.302. APPLICABILITY OF OTHER LAW. (a) Subchapters A, B, and C apply to mile-based automobile insurance written under this subchapter.

(b) An insurer shall make separate filings under Subchapter B for mile-based automobile insurance written under this subchapter and other automobile insurance written in this state.

Sec. 2251.303. MILE-BASED AUTOMOBILE INSURANCE AUTHORIZED.

(a) An insurer authorized to write personal automobile insurance in this state may write mile-based automobile insurance in this state.

(b) An insurer that writes mile-based automobile insurance in this state must also write personal automobile insurance in this state using a rating plan for which a unit of exposure is a unit

1 other than the number of miles driven by the insured and that
2 complies with this chapter.

3 (c) An insurer may require a person purchasing personal
4 automobile insurance to use the same type of rating plan for all
5 vehicles covered under the person's personal automobile insurance
6 policy.

7 Sec. 2251.304. COMMISSIONER POWERS AND DUTIES; RULES.

8 (a) The commissioner shall:

9 (1) compile information regarding:

10 (A) the number of insurers writing mile-based
11 automobile insurance in this state;

12 (B) the geographic areas of this state in which
13 mile-based automobile insurance is written; and

14 (C) the premium rates for mile-based automobile
15 insurance compared to personal automobile insurance rated on
16 another basis; and

17 (2) analyze the effect of mile-based rating on:

18 (A) premium rates offered for automobile
19 insurance in this state; and

20 (B) the number of uninsured motorists in this
21 state.

22 (b) The commissioner shall adopt rules as necessary or
23 appropriate to govern the use of mile-based automobile insurance
24 under this subchapter, including rules regarding:

25 (1) prepayment arrangements;

26 (2) proof of financial responsibility;

27 (3) auditing of the odometer of a vehicle for the

1 purpose of determining coverage and number of miles driven; and
2 (4) policy forms.

3 SECTION 2. Section 1952.054, Insurance Code, is amended to
4 read as follows:

5 Sec. 1952.054. REQUIRED DISCLOSURES REGARDING SHORT-TERM
6 POLICIES. (a) An insurance policy or other document evidencing
7 proof of purchase of a personal automobile insurance policy, other
8 than a mile-based automobile insurance policy written under
9 Subchapter G, Chapter 2251, that is written for a term of less than
10 30 days or a mile-based automobile insurance policy written under
11 Subchapter G, Chapter 2251, that is written for fewer than 1,000
12 miles may not be used to obtain an original or renewal driver's
13 license, an automobile registration or license plates, or a motor
14 vehicle inspection certificate. An insurance policy or other
15 document described by this subsection must contain the following
16 statement:

17 TEXAS LAW PROHIBITS USE OF THIS DOCUMENT TO OBTAIN A
18 MOTOR VEHICLE INSPECTION CERTIFICATE, AN ORIGINAL OR
19 RENEWAL DRIVER'S LICENSE, OR AN AUTOMOBILE
20 REGISTRATION OR LICENSE PLATES.

21 (b) Before accepting any premium or fee for a personal
22 automobile insurance policy or binder for a term of less than 30
23 days, other than a policy or binder for a mile-based automobile
24 insurance policy written under Subchapter G, Chapter 2251, or any
25 premium or fee for a mile-based automobile insurance policy written
26 under Subchapter G, Chapter 2251, that is written for fewer than
27 1,000 miles, an agent or insurer must make the following written

1 disclosure to the applicant or insured:

2 TEXAS LAW PROHIBITS USE OF THIS POLICY OR BINDER TO
3 OBTAIN A MOTOR VEHICLE INSPECTION CERTIFICATE, AN
4 ORIGINAL OR RENEWAL DRIVER'S LICENSE, OR AN AUTOMOBILE
5 REGISTRATION OR LICENSE PLATES.

6 SECTION 3. Section 2251.001, Insurance Code, is amended to
7 read as follows:

8 Sec. 2251.001. PURPOSE. The purposes of this subchapter
9 and Subchapters B, C, D, ~~and~~ E, and G are to:

10 (1) promote the public welfare by regulating insurance
11 rates to prohibit excessive, inadequate, or unfairly
12 discriminatory rates;

13 (2) promote the availability of insurance;

14 (3) promote price competition among insurers to
15 provide rates and premiums that are responsive to competitive
16 market conditions;

17 (4) prohibit price-fixing agreements and other
18 anticompetitive behavior by insurers; and

19 (5) provide regulatory procedures for the maintenance
20 of appropriate information reporting systems.

21 SECTION 4. Sections 2251.003(a) and (b), Insurance Code,
22 are amended to read as follows:

23 (a) This subchapter and Subchapters B, C, D, ~~and~~ E, and G
24 apply to:

25 (1) an insurer to which Article 5.13 applies, other
26 than the Texas Windstorm Insurance Association, the FAIR Plan
27 Association, and the Texas Automobile Insurance Plan Association;

1 and

2 (2) except as provided by Subsection (c), a Lloyd's
3 plan, reciprocal or interinsurance exchange, and county mutual
4 insurance company with respect to the lines of insurance described
5 by Subsection (b).

6 (b) This subchapter and Subchapters B, C, D, ~~and~~ E, and G
7 apply to all lines of the following kinds of insurance written under
8 an insurance policy or contract issued by an insurer authorized to
9 engage in the business of insurance in this state:

10 (1) general liability insurance;

11 (2) residential and commercial property insurance,
12 including farm and ranch insurance and farm and ranch owners
13 insurance;

14 (3) personal and commercial casualty insurance,
15 except as provided by Section 2251.004;

16 (4) medical professional liability insurance;

17 (5) fidelity, guaranty, and surety bonds other than
18 criminal court appearance bonds;

19 (6) personal umbrella insurance;

20 (7) personal liability insurance;

21 (8) guaranteed auto protection (GAP) insurance;

22 (9) involuntary unemployment insurance;

23 (10) financial guaranty insurance;

24 (11) inland marine insurance;

25 (12) rain insurance;

26 (13) hail insurance on farm crops;

27 (14) personal and commercial automobile insurance;

- 1 (15) multi-peril insurance; and
2 (16) identity theft insurance issued under Chapter
3 706.

4 SECTION 5. Section 2251.008, Insurance Code, is amended by
5 adding Subsection (f) to read as follows:

6 (f) The commissioner shall include in the report described
7 by Subsection (b) information compiled and analyzed by the
8 commissioner under Section 2251.304 concerning mile-based
9 automobile insurance policies written under Subchapter G.

10 SECTION 6. The change in law made by this Act applies only
11 to a personal automobile insurance policy that is delivered, issued
12 for delivery, or renewed on or after January 1, 2010. An insurance
13 policy that is delivered, issued for delivery, or renewed before
14 January 1, 2010, is covered by the law in effect at the time the
15 policy was delivered, issued for delivery, or renewed, and that law
16 is continued in effect for that purpose.

17 SECTION 7. This Act takes effect September 1, 2009.