

BILL ANALYSIS

C.S.H.B. 207
By: McClendon
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current provisions of the Transportation Code, a person must establish proof of motor vehicle liability insurance or other acceptable forms of proof of financial responsibility to legally operate a motor vehicle in Texas. However, it is reported that approximately one out of every five drivers in Texas currently is driving an uninsured vehicle.

Generally, the cost of vehicle liability insurance coverage is commonly based on underwriting criteria including the owner's claims history, the vehicle's value, and other factors, but mileage driven during a policy period is not usually a factor. Because insurers estimate that the likelihood of a collision tends to increase with the total number of miles driven, mile-based automobile insurance could serve as a lower-cost alternative to time-based rating plans for lower-mileage drivers, would satisfy the state's requirement for minimum liability coverage at a less expensive cost for low-mileage drivers, and could potentially contribute to a greater number of motorists meeting the financial responsibility requirement under state law.

C.S.H.B. 207 seeks to make mile-based automobile insurance available to help provide an alternative insurance product for persons who travel fewer miles during a policy coverage period and to reduce the number of uninsured drivers in Texas by authorizing providers of automobile insurance coverage to offer a choice between a lower-cost, mile-based rating plan and a time-based rating plan for automobile insurance coverage.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 207 amends the Insurance Code to authorize an insurer authorized to write personal automobile insurance in Texas to write mile-based automobile insurance in Texas. The bill defines "mile-based automobile insurance" as personal automobile insurance that is rated using a rating plan for which a unit of exposure is one mile driven by the insured. The bill applies to mile-based automobile insurance provisions of law relating to insurance rates generally, rate standards, rate filings, and prior approval of rates under certain circumstances, and requires an insurer to make separate filings for mile-based automobile insurance written under the bill's provisions and other automobile insurance written in Texas.

C.S.H.B. 207 authorizes an insurer that writes mile-based automobile insurance in Texas to also write personal automobile insurance in Texas using a rating plan for which a unit of exposure is a unit other than the number of miles driven by the insured and that complies with provisions of law relating to insurance rates. The bill authorizes an insurer to require a person purchasing personal automobile insurance to use the same type of rating plan for all vehicles covered under the person's personal automobile insurance policy.

C.S.H.B. 207 requires the commissioner of insurance to compile information regarding the number of insurers writing mile-based automobile insurance in Texas, the geographic areas of Texas in which mile-based insurance is written, and the premium rates for mile-based automobile insurance compared to personal automobile insurance rated on another basis. The bill includes the compiled information among the information required to be included on the website maintained by the Texas Department of Insurance and the office of public insurance counsel that provides information to enable residential property insurance and personal automobile insurance customers to make informed decisions.

C.S.H.B. 207 requires the commissioner to adopt rules as necessary or appropriate to govern the use of mile-based automobile insurance, including rules regarding prepayment arrangements, proof of financial responsibility, and auditing of the odometer of a vehicle for the purpose of determining coverage and number of miles driven.

C.S.H.B. 207 adds a mile-based automobile insurance policy that is written for fewer than 1,000 miles to the short-term policies that are prohibited from being used to obtain an original or renewal driver's license, an automobile registration or license plates, or a motor vehicle inspection certificate and for which an agent or insurer must make a disclosure to the applicant or insured to that effect. The bill makes conforming changes to general rulemaking provisions. The bill makes its provisions applicable only to a personal automobile insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2012.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 207 contains a specification not included in the original making provisions relating to prior approval for rates under certain circumstances applicable to mile-based automobile insurance, in addition to provisions relating to insurance rates, rate standards, and rate filings, as in the original.

C.S.H.B. 207 differs from the original by authorizing an insurer that writes mile-based automobile insurance in Texas to also write personal automobile insurance in Texas using a rating plan for which the unit of exposure is a unit other than the number of miles driven, whereas the original requires such an insurer to also write such personal automobile insurance in Texas.

C.S.H.B. 207 omits a provision included in the original requiring the commissioner of insurance to analyze the effect of mile-based rating on premium rates offered for automobile insurance in Texas and the number of uninsured motorists in Texas.

C.S.H.B. 207 omits a provision included in the original listing rules regarding policy forms among the rules the commissioner is required to adopt for purposes of governing the use of mile-based automobile insurance.

C.S.H.B. 207 differs from the original by requiring the inclusion of information compiled by the commissioner concerning mile-based automobile insurance policies among the information posted on the website maintained by the Texas Department of Insurance and the office of public insurance counsel, whereas the original requires the commissioner to include information compiled and analyzed by the commissioner in the commissioner's quarterly report to the governor, lieutenant governor, speaker of the house of representatives, the legislature, and the public.