

BILL ANALYSIS

C.S.H.B. 949
By: Smithee
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, an insurance company is not required to include coverage in a standard personal automobile insurance policy for a vehicle acquired during the policy term, although there are insurers that do include such coverage. The lack of consistency among insurers has the potential to create confusion for a purchaser who acquires a vehicle and is unable to contact the insurance provider immediately after the acquisition to verify coverage of the purchased vehicle. Interested parties assert that it is common for a purchaser to drive a new or replacement vehicle not knowing that the vehicle is not covered, which leaves the purchaser at significant risk. C.S.H.B. 949 seeks to eliminate the possibility of risk and provide an insured certainty of consistent coverage for a motor vehicle assumed to be covered under an existing policy at the time of the vehicle's acquisition.

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. 949 amends the Insurance Code to require a personal automobile insurance policy issued by an insurer authorized to write automobile insurance in Texas to contain a provision defining a covered vehicle in accordance with the bill's provisions for a motor vehicle acquired by the insured during the policy term. The bill limits its coverage requirements to a vehicle that is a private passenger automobile or a pickup, utility vehicle, or van with a gross vehicle weight of 30,000 pounds or less that is not used for the delivery or transportation of goods, materials, or supplies, other than samples, unless the delivery of the goods, materials, or supplies is not the primary use for which the vehicle is employed or unless the vehicle is used for farming or ranching.

C.S.H.B. 949 establishes that coverage under the bill's provisions is required only for a vehicle that is acquired during the policy term and of which the insurer is notified on or before the 20th day after the date on which the insured becomes the owner of the vehicle or a later date specified by the policy. The bill requires coverage for a vehicle that replaces a covered vehicle shown in the declarations for the policy to be the same as the coverage for the vehicle being replaced and requires an insured to notify the insurer of a replacement vehicle during the prescribed notification period only if the insured wishes to add coverage for damage to the vehicle or to continue existing coverage for damage to the vehicle after the prescribed notification period expires. The bill requires coverage for a vehicle that is acquired during the policy term in addition to the covered vehicles shown in the declarations for the policy and of which the insurer is notified during the prescribed notification period to be the broadest coverage provided under the policy for any covered vehicle shown in the declarations. The bill's provisions apply to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2014.

EFFECTIVE DATE

September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 949 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 1952.001, Insurance Code, is amended.

SECTION 2. Subchapter B, Chapter 1952, Insurance Code, is amended by adding Section 1952.059 to read as follows:

Sec. 1952.059. REQUIRED PROVISION: COVERAGE FOR CERTAIN VEHICLES ACQUIRED DURING POLICY TERM.

(a) This section applies to an insurer authorized to write automobile insurance in this state, including an insurance company, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, county mutual insurance company, Lloyd's plan, or other entity.

(b) A personal automobile insurance policy must contain a provision to provide coverage in accordance with this section for a motor vehicle acquired by the insured during the policy term.

(c) Coverage under this section is required only for a vehicle that is:

- (1) a private passenger automobile; or
- (2) a pickup or van with a gross vehicle weight of 10,000 pounds or less that is not used for the delivery or transportation of goods, materials, or supplies, other than samples, unless:

(A) the delivery of the goods, materials, or supplies is not the primary use for which the vehicle is employed; or

(B) the vehicle is used for farming or ranching.

(d) Except as provided by Subsection (e), coverage under this section is required only for a vehicle of which the insurer is notified on or before the 30th day after the date on which the insured becomes the owner of the vehicle.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Same as introduced version.

SECTION 2. Subchapter B, Chapter 1952, Insurance Code, is amended by adding Section 1952.059 to read as follows:

Sec. 1952.059. REQUIRED PROVISION: COVERAGE FOR CERTAIN VEHICLES ACQUIRED DURING POLICY TERM.

(a) This section applies to an insurer authorized to write automobile insurance in this state, including an insurance company, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, county mutual insurance company, Lloyd's plan, or other entity.

(b) A personal automobile insurance policy must contain a provision defining a covered vehicle in accordance with this section for a motor vehicle acquired by the insured during the policy term.

(c) Coverage under this section is required only for a vehicle that is:

- (1) a private passenger automobile; or
- (2) a pickup, utility vehicle, or van with a gross vehicle weight of 30,000 pounds or less that is not used for the delivery or transportation of goods, materials, or supplies, other than samples, unless:

(A) the delivery of the goods, materials, or supplies is not the primary use for which the vehicle is employed; or

(B) the vehicle is used for farming or ranching.

(d) Coverage under this section is required only for a vehicle that is acquired during the policy term and of which the insurer is notified on or before:

(1) the 20th day after the date on which the insured becomes the owner of the vehicle;

or

(2) a later date specified by the policy.

(e) Coverage under this section for a vehicle that replaces a vehicle shown in the declarations for the policy must be the same as the coverage for the vehicle being replaced. An insured must notify the insurer of a replacement vehicle during the time prescribed by Subsection (d) only if the insured wishes to:

(1) add coverage for damage to the vehicle;
or

(2) continue existing coverage for damage to the vehicle after the period prescribed by Subsection (d) expires.

(f) Coverage for a vehicle acquired in addition to the vehicles shown in the declarations for the policy must be the broadest coverage provided under the policy for any vehicle shown in the declarations.

SECTION 3. The change in law made by this Act applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2014. An insurance policy delivered, issued for delivery, or renewed before January 1, 2014, is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4. This Act takes effect September 1, 2013.

(e) Coverage under this section for a vehicle that replaces a covered vehicle shown in the declarations for the policy must be the same as the coverage for the vehicle being replaced. An insured must notify the insurer of a replacement vehicle during the time prescribed by Subsection (d) only if the insured wishes to:

(1) add coverage for damage to the vehicle;
or

(2) continue existing coverage for damage to the vehicle after the period prescribed by Subsection (d) expires.

(f) Coverage under this section for a vehicle that is acquired during the policy term in addition to the covered vehicles shown in the declarations for the policy and of which the insurer is notified as prescribed by Subsection (d) must be the broadest coverage provided under the policy for any covered vehicle shown in the declarations.

SECTION 3. Same as introduced version.

SECTION 4. Same as introduced version.