

BILL ANALYSIS

C.S.H.B. 1773
By: Thompson, Ed
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

A named driver policy provides coverage only for the drivers specifically named on the policy and for drivers not residing in the household with permission. Interested parties note that a member of the policyholder's household who is not named on the policy is not covered by the policy, even if the person has permission from the policyholder to drive the vehicle. Such parties report that some policyholders and drivers do not understand, or some choose to ignore, the coverage restrictions of a named driver policy, which could result in an injured third party having limited recourse to recover damages. C.S.H.B. 1773 seeks to remedy this situation by prohibiting named driver policies but allowing insurers to add an endorsement to a policy that excludes coverage for a driver specifically named in the endorsement.

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. 1773 amends the Insurance Code to prohibit an insurer writing automobile insurance in Texas from delivering, issuing for delivery, or renewing an automobile insurance policy that provides coverage only for drivers specifically named on the policy and not for all individuals residing in a named insured's household and that may or may not provide coverage for drivers using a vehicle covered by the policy with permission and not residing in the insured's household. The bill authorizes an insurer to use a provision or endorsement of an automobile insurance policy that excludes specified drivers from coverage under the policy if the exclusion specifically names each excluded driver and does not exclude a class of drivers. The bill authorizes the commissioner of insurance to adopt rules necessary to implement the bill's provisions. The bill applies only to an insurance policy that is 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. 1773 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	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Chapter 1952, Insurance	SECTION 1. Chapter 1952, Insurance

Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. NAMED DRIVER POLICIES

Sec. 1952.351. DEFINITIONS. In this subchapter:

(1) "Named driver exclusion" means a provision or endorsement of an automobile insurance policy that excludes **named** drivers from coverage under the policy.

(2) "Named driver policy" means an automobile insurance policy that provides coverage only for drivers specifically named on the policy and not for individuals residing in a named insured's household.

The term includes an automobile insurance policy that has been endorsed to provide coverage only for drivers specifically named on the policy.

Sec. 1952.352. APPLICABILITY.

Sec. 1952.353. NAMED DRIVER POLICIES PROHIBITED.

SECTION 2. Section 912.152(a), Insurance Code, is amended to read as follows:

(a) A county mutual insurance company is subject to:

- (1) Sections 1952.051-1952.055;
- (2) Subchapter H, Chapter 1952;
- (3) [~~2~~] Subchapter B, Chapter 2002;
- (4) [~~3~~] Chapter 2301; and
- (5) [~~4~~] Articles 5.06 and 5.35.

SECTION 3. Section 1952.001, Insurance Code, is amended to read as follows:

Sec. 1952.001. APPLICABILITY OF CHAPTER. Except as provided by Sections [~~Section~~] 1952.201 and 1952.352, this chapter applies to an insurer writing automobile insurance in this state, including an insurance company, corporation, reciprocal or interinsurance exchange, mutual insurance company, association,

Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. NAMED DRIVER POLICIES

Sec. 1952.351. DEFINITIONS. In this subchapter:

(1) "Named driver exclusion" means a provision or endorsement of an automobile insurance policy that excludes **specified** drivers from coverage under the policy.

(2) "Named driver policy" means an automobile insurance policy that provides coverage only for drivers specifically named on the policy and not for **all** individuals residing in a named insured's household, **and that may or may not provide coverage for drivers using a vehicle covered by the policy with permission and not residing in the insured's household.**

The term includes an automobile insurance policy that has been endorsed to provide coverage only for drivers specifically named on the policy.

Sec. 1952.352. APPLICABILITY.

Sec. 1952.353. NAMED DRIVER POLICIES PROHIBITED.

Sec. 1952.354. RULES. The commissioner may adopt rules necessary to implement this subchapter.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.

Lloyd's plan, or other insurer.

SECTION 4. The change in law made by this Act applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2014. A policy delivered, issued for delivery, or renewed before January 1, 2014, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 5. This Act takes effect September 1, 2013.

SECTION 4. Same as introduced version.

SECTION 5. Same as introduced version.