

BILL ANALYSIS

C.S.H.B. 1810
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Automobile insurance providers currently are allowed to exclude from liability coverage drivers who are given permission to drive an insured vehicle by the policyholder, an exclusion commonly referred to as a "permissive driver exclusion." Interested parties contend that, in addition to being inconvenient, permissive driver exclusions effectively lead to the practice of driving a motor vehicle without financial responsibility. C.S.H.B. 1810 seeks to ameliorate the state's uninsured driver problem by amending state law relating to permissive driver exclusions and specifically named driver exclusions.

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. 1810 amends the Insurance Code to prohibit an insurer writing personal automobile liability insurance in Texas from using a permissive driver exclusion for a personal automobile liability insurance policy delivered, issued for delivery, or renewed in Texas. The bill requires an agent or insurer, before accepting any premium or fee for a policy with a specifically named driver exclusion, to make a written disclosure to the applicant or insured specifying that the policy does not provide coverage for individuals specifically named as excluded from coverage. The bill requires an agent or insurer that delivers or issues for delivery a policy in Texas with a specifically named driver exclusion to specifically include the required disclosure in the policy and to conspicuously identify that disclosure on the front of any proof of insurance document issued to the insured. The bill defines "permissive driver exclusion" as a provision or endorsement of a personal automobile liability insurance policy that excludes from coverage under the policy drivers who do not reside in the insured's household and who receive permission from the insured to drive the insured's vehicle. The bill does not include in that term a provision or endorsement of a personal automobile liability insurance policy that excludes from coverage specific named persons or family members and residents of the insured's household who are not listed as authorized drivers in a provision or endorsement of the policy. The bill defines "specifically named driver exclusion" as a provision or endorsement of a personal automobile liability insurance policy that excludes specific named persons from coverage under the policy.

C.S.H.B. 1810 amends the Transportation Code to make conforming changes.

C.S.H.B. 1810 applies only to a personal automobile liability 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. 1810 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. Chapter 1952, Insurance Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. PERMISSIVE DRIVER POLICIES

Sec. 1952.351. DEFINITION. In this subchapter,

"permissive driver exclusion" means a provision or endorsement of an automobile insurance policy that excludes drivers who receive permission from the insured to drive the insured's vehicle from coverage under the policy.

Sec. 1952.352. APPLICABILITY. This subchapter applies to an insurer writing automobile insurance in this state, including an insurance company, corporation, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, association, county mutual insurance company, Lloyd's plan, and other insurer.

Sec. 1952.353. PERMISSIVE DRIVER EXCLUSIONS PROHIBITED. An insurer may not use a permissive driver exclusion for an automobile insurance policy delivered, issued for delivery, or renewed in this state.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Chapter 1952, Insurance Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. PERMISSIVE DRIVER AND SPECIFICALLY NAMED DRIVER EXCLUSIONS

Sec. 1952.351. DEFINITIONS. In this subchapter:

(1) "Permissive driver exclusion" means a provision or endorsement of a personal automobile liability insurance policy that excludes drivers who do not reside in the insured's household and who receive permission from the insured to drive the insured's vehicle from coverage under the policy. The term does not include a provision or endorsement of a personal automobile liability insurance policy that excludes from coverage:

(A) specific named persons; or

(B) family members and residents of the insured's household who are not listed as authorized drivers in a provision or endorsement of the policy.

(2) "Specifically named driver exclusion" means a provision or endorsement of a personal automobile liability insurance policy that excludes specific named persons from coverage under the policy.

Sec. 1952.352. APPLICABILITY. This subchapter applies to an insurer writing personal automobile liability insurance in this state, including an insurance company, corporation, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, association, county mutual insurance company, Lloyd's plan, and other insurer.

Sec. 1952.353. PERMISSIVE DRIVER EXCLUSIONS PROHIBITED. An insurer may not use a permissive driver exclusion for a personal automobile liability insurance policy delivered, issued for delivery, or renewed in this state.

Sec. 1952.354. REQUIRED DISCLOSURE REGARDING SPECIFICALLY NAMED

DRIVER EXCLUSIONS. (a) Before accepting any premium or fee for a policy with a specifically named driver exclusion, an agent or insurer must make the following written disclosure to the applicant or insured:

WARNING: THIS POLICY DOES NOT PROVIDE COVERAGE FOR INDIVIDUALS SPECIFICALLY NAMED AS EXCLUDED FROM COVERAGE.

(b) An agent or insurer that delivers or issues for delivery a policy in this state with a specifically named driver exclusion shall specifically include in the policy and conspicuously identify on the front of any proof of insurance document issued to the insured the required disclosure under Subsection (a).

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.

No equivalent provision.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.

SECTION 4. Section 601.081, Transportation Code, is amended to read as follows:

Sec. 601.081. STANDARD PROOF OF MOTOR VEHICLE LIABILITY INSURANCE FORM. (a) In this section, "specifically named driver exclusion" has the meaning assigned by Section 1952.351, Insurance Code.

(b) A standard proof of motor vehicle liability insurance form prescribed by the Texas Department of Insurance must include:

- (1) the name of the insurer;
- (2) the insurance policy number;
- (3) the policy period;
- (4) the name and address of each insured;
- (5) the policy limits or a statement that the coverage of the policy complies with the minimum amounts of motor vehicle liability

insurance required by this chapter; ~~and~~
(6) the make and model of each covered vehicle; and
(7) for a policy with a specifically named driver exclusion, the required disclosure under Section 1952.354, Insurance Code.

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 5. The changes in law made by this Act apply only to a **personal automobile liability** 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 6. Same as introduced version.