

BILL ANALYSIS

S.B. 1567
By: Davis
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Named driver policies are automobile insurance policies that do not provide coverage for an individual residing in a named insured's household specifically unless the individual is named on the policy. An issue can arise when a member of the policyholder's household who is not named on the policy drives the insured vehicle. When this situation occurs, the driver is not covered by the policy, regardless of whether the driver has permission from the policyholder to drive the automobile. However, there is concern that many policyholders and drivers do not understand these coverage restrictions, which can lead to situations of unknowingly uninsured drivers on Texas roads.

S.B. 1567 seeks to address this issue by requiring oral and written disclosure for any named driver policy to inform the insured that individuals who reside in the insured's household are not provided coverage if they are not named on the policy.

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

S.B. 1567 amends the Insurance Code to prohibit an agent or insurer, including a county mutual insurance company, from delivering or issuing for delivery in Texas a personal automobile insurance policy unless the policy provides at least the minimum coverage specified by provisions of the Texas Motor Vehicle Safety Responsibility Act relating to the establishment of financial responsibility through motor vehicle liability insurance. The bill requires an agent or insurer, before accepting any premium or fee for a named driver policy, defined by the bill as an automobile insurance policy that does not provide coverage for an individual residing in a named insured's household specifically unless the individual is named on the policy, to disclose to the applicant or insured, orally and in writing, that a named driver policy does not provide coverage for individuals residing in the insured's household that are not named on the policy. The bill requires the agent or insurer to receive a copy of the disclosure that is signed by the applicant or insured before accepting the premium or fee and requires the agent or insurer to require the applicant or insured to confirm contemporaneously in writing the provision of the required oral disclosure. The bill requires an agent or insurer that delivers or issues for delivery a named driver policy in Texas to specifically include the required disclosure in the policy and conspicuously identify the required disclosure on the front of any proof of insurance document issued to the insured. The bill clarifies that a "named driver policy" includes an automobile insurance policy that has been endorsed to provide coverage for drivers specifically named on the policy.

S.B. 1567 amends the Transportation Code to add the required disclosure for a named driver policy to the contents of a standard proof of motor vehicle liability insurance form prescribed by the Texas Department of Insurance.

S.B. 1567 applies its provisions to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2014.

EFFECTIVE DATE

September 1, 2013.