

BILL ANALYSIS

C.S.H.B. 335
By: Thompson, Ed
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties observe that a named driver policy provides coverage only for drivers specifically named on the policy and for non-household permissive drivers. However, if a member of the policyholder's household who is not named on the policy drives the insured vehicle, the driver is not covered by the policy, regardless of whether the person has permission from the policyholder to drive the vehicle. The parties contend that some policyholders and drivers either do not understand or choose to ignore the coverage restrictions of a named driver policy. Moreover, the parties assert that named driver policies may leave injured third parties with limited recourse to recover damages through court action or reliance on uninsured motorist coverage, if applicable. C.S.H.B. 335 seeks to address these issues.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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. 335 amends the Insurance Code to prohibit an insurer writing automobile insurance in Texas from delivering, issuing for delivery, or renewing a named driver policy unless the named driver policy is an operator's policy, defined by the bill as an automobile insurance policy that provides coverage for the named insured when operating an automobile the insured does not own. The bill defines "named driver policy" as an automobile insurance policy that provides any type of coverage for individuals named on the policy but that does not provide coverage for every individual residing in a named insured's household.

C.S.H.B. 335 authorizes an insurer to use a named driver exclusion, defined by the bill as 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 and the named insured accepts the exclusion in writing. The bill authorizes the commissioner of insurance to adopt rules necessary to implement those provisions. The bill repeals statutory provisions requiring an agent or insurer to disclose certain information to an applicant or insured before accepting any premium or fee for a named driver policy. The bill applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2016.

C.S.H.B. 335 amends the Transportation Code to make a conforming change.

C.S.H.B. 335 repeals Section 1952.0545, Insurance Code, and Section 601.081(a), Transportation Code.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 335 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted 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. 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.

HOUSE COMMITTEE SUBSTITUTE

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) "Household" means a unit composed of persons living together in the same dwelling, without regard to whether they are related to each other. The term includes a unit composed of persons living together in:
(A) a home or mobile home;
(B) a duplex unit, apartment unit, or condominium unit; or
(C) any dwelling unit in a multiunit residential structure.

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

(3) "Named driver policy" means an automobile insurance policy that provides any type of coverage for individuals named on the policy but that does not provide coverage for every individual residing in a named insured's household.

(4) "Operator's policy" means an automobile insurance policy that, in accordance with Section 601.077, Transportation Code, provides coverage for the named insured when operating an automobile the insured does not own.

Sec. 1952.352. APPLICABILITY.

Sec. 1952.353. NAMED DRIVER POLICIES PROHIBITED. (a) An insurer may not deliver, issue for delivery, or renew a named driver policy.

(b) An insurer may use a named driver exclusion if the exclusion specifically names each excluded driver and does not exclude a class of drivers.

Sec. 1952.354. RULES.

SECTION 2. Section 912.152(a), Insurance Code, is amended.

SECTION 3. Section 601.081(b), Transportation Code, is amended.

SECTION 4. Section 1952.0545, Insurance Code, and Section 601.081(a), Transportation Code, are repealed.

SECTION 5. 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, 2016. A policy delivered, issued for delivery, or renewed before January 1, 2016, 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. This Act takes effect September 1, 2015.

Sec. 1952.352. APPLICABILITY.

Sec. 1952.353. NAMED DRIVER POLICIES PROHIBITED. (a) An insurer may not deliver, issue for delivery, or renew a named driver policy unless the named driver policy is an operator's policy.

(b) An insurer may use a named driver exclusion if the exclusion specifically names each excluded driver and does not exclude a class of drivers and the named insured accepts the exclusion in writing.

Sec. 1952.354. RULES.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.

SECTION 4. Same as introduced version.

SECTION 5. Same as introduced version.

SECTION 6. Same as introduced version.