

BILL ANALYSIS

C.S.H.B. 3203
By: Sheets
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties maintain that requiring disclosure that a named driver policy does not provide coverage for individuals residing in the insured's household that are not named on the policy at each premium payment is not feasible, especially when some automotive policies renew at frequent intervals, even monthly. The parties also contend that concurrent disclosure and signing of disclosure, which requires the policyholder to be present in the agent's office at each renewal, is not only a burden on the insurer but also the consumer. C.S.H.B. 3203 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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3203 amends the Insurance Code to specify that for the purposes of required disclosure regarding named driver policies, the term "named driver policy" means a personal automobile owner's insurance policy and the term does not include a named non-owner policy or operator's policy or an owner's policy that provides coverage for each individual residing in a named insured's household unless the individual is specifically excluded. The bill defines "household" for such purposes as a unit of individuals living together in the same dwelling, without regard to whether the individuals are related to each other.

C.S.H.B. 3203 specifies that an agent or insurer is required to disclose certain information to an applicant or insured before accepting the initial, instead of any, premium or fee for a named driver policy. The bill specifies that such an agent or insurer is required to make the disclosure to the applicant or insured orally or in writing, instead of both orally and in writing. The bill clarifies that the applicant or insured is not required to confirm the provision of an oral disclosure in writing at the same time as receiving the oral disclosure.

C.S.H.B. 3203 establishes that the agent or insurer is not required to provide the disclosure in or supplemental to a reinstated or renewal policy if the named insured has previously acknowledged receipt of the disclosure in connection with that policy or a personal automobile insurance policy previously issued to the insured by the same insurer or an affiliated insurer. The bill requires a signature required for a disclosure regarding a named driver policy to be an original or electronic signature executed specifically for each new policy. The bill requires an electronic signature to comply with the Uniform Electronic Transactions Act and Insurance Code provisions governing electronic transactions.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3203 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

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 1952.0545, Insurance Code, is amended by amending Subsections (a), (b), (c), and (e) and adding Subsections (f) and (g) to read as follows:

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(a) In this section,

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"named driver policy" means a personal ~~[an]~~ automobile owner's insurance policy that does not provide coverage for an individual residing in a named insured's household ~~[specifically]~~ unless the individual is specifically named on the policy. The term includes a personal ~~[an—automobile]~~ insurance policy that has been endorsed to provide coverage only for drivers specifically named on the policy.

(1) "Household" means a unit of individuals living together in the same dwelling, without regard to whether the individuals are related to each other.

(2) [;]"Named ~~[named]~~ driver policy" means a personal ~~[an]~~ automobile owner's insurance policy that does not provide coverage for an individual residing in a named insured's household ~~[specifically]~~ unless the individual is specifically named on the policy. The term includes a personal ~~[an—automobile]~~ insurance policy that has been endorsed to provide coverage only for drivers specifically named on the policy.

The term does not include:

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(1) a named non-owner policy or operator's policy; or

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(2) an owner's policy that provides coverage for each individual residing in a named insured's household unless the individual is specifically excluded.

(2) an owner's policy that provides coverage for each individual residing in a named insured's household unless the individual is specifically excluded.

(b) Before accepting the initial ~~[any]~~ premium or fee for a named driver policy, an agent or insurer, including a county mutual insurance company, must make the following disclosure, orally or ~~[and]~~ in writing, to the applicant or insured:

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WARNING: A NAMED DRIVER POLICY DOES NOT PROVIDE COVERAGE FOR INDIVIDUALS RESIDING IN THE INSURED'S HOUSEHOLD THAT ARE NOT NAMED ON THE POLICY.

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(c) Before accepting the initial ~~[any]~~ premium or fee for a named driver policy, an agent or insurer, including a county

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mutual insurance company, must receive a copy of the disclosure described by Subsection (b) that is signed by the applicant or insured.

(e) The agent or insurer shall require the applicant or insured to confirm [~~contemporaneously~~] in writing the provision of an oral disclosure pursuant to Subsection (b).

(f) The agent or insurer is not required to provide the disclosure in or supplemental to a reinstated or renewal policy if the named insured has previously acknowledged receipt of the disclosure in connection with that policy or a personal automobile insurance policy previously issued to the insured by the same insurer or an affiliated insurer.

(g) A signature required by this section must be an original or electronic signature executed specifically for each new policy. An electronic signature must comply with Chapter 322, Business & Commerce Code, and Chapter 35 of this code.

SECTION 2. This Act applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after the effective date of this Act. An insurance policy delivered, issued for delivery, or renewed before the effective date of this Act 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 3. This Act takes effect September 1, 2015.

mutual insurance company, must receive a copy of the disclosure described by Subsection (b) that is signed by the applicant or insured.

(e) The agent or insurer shall require the applicant or insured to confirm [~~contemporaneously~~] in writing the provision of an oral disclosure pursuant to Subsection (b).

(f) The agent or insurer is not required to provide the disclosure in or supplemental to a reinstated or renewal policy if the named insured has previously acknowledged receipt of the disclosure in connection with that policy or a personal automobile insurance policy previously issued to the insured by the same insurer or an affiliated insurer.

(g) A signature required by this section must be an original or electronic signature executed specifically for each new policy. An electronic signature must comply with Chapter 322, Business & Commerce Code, and Chapter 35 of this code.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.