

BILL ANALYSIS

Senate Research Center
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S.B. 878
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Named driver policies offer many Texans, including low-income families, the ability to purchase limited liability insurance coverage at an affordable price and still comply with mandatory state insurance requirements. Currently, these policies must provide oral disclosure at renewal and prior to processing any payment of premium. Because these policies are short-term and premiums may be paid monthly, every three months, or bi-annually, oral disclosure is very difficult and unrealistic for the insurer, the insured, and the agent. As a result, many insurers have been forced to stop writing these limited liability policies.

S.B. 878 will allow for insurers to have the option to provide the disclosure in written, oral, or electronic form.

As proposed, S.B. 878 amends current law relating to limited driver personal automobile insurance policies.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 1952, Insurance Code, by adding Section 1952.060, as follows:

Sec. 1952.060. LIMITED DRIVER POLICIES. (a) Defines "household," "named driver only policy," and "named household member policy."

(b) Provides that in addition to the insurers to whom this chapter applies under Section 1952.001 (Applicability of Chapter), this section applies to a county mutual insurance company.

(c) Prohibits an insurer from delivering, issuing for delivery, or renewing a named driver only policy.

(d) Requires an agent or insurer, before the issuance or renewal of a named household member policy or an endorsement to a policy that converts the policy to a named household member policy, to make a written disclosure to the applicant or insured and sets forth the text of the disclosure.

(e) Provides that the exclusion of coverage for an unnamed household member in a named household member policy is effective on the date that a named insured signs a copy of the disclosure described by Subsection (d).

(f) Requires a signature required by this section to be an original signature or an electronic signature that complies with Chapter 322 (Uniform Electronic Transactions Act), Business & Commerce Code, and Chapter 35 (Electronic Transactions) of this code. Provides that for purposes of this section, the signature

of any named insured is binding on all named insureds and drivers listed on the policy.

SECTION 2. Amends Section 601.076, Transportation Code, as follows.

Sec. 601.076. REQUIRED TERMS: OWNER'S POLICY. (a) Creates this subsection from existing text. Makes no further changes to this subsection.

(b) Provides that a named household member policy as defined by Section 1452.060, Insurance Code, does not fail to meet the requirements of this section solely because the policy or an endorsement to the policy excludes coverage for unnamed household members of the named insured.

SECTION 3. Amends Section 601.081, Transportation Code, as follows:

Sec. 601.081. STANDARD PROOF OF MOTOR VEHICLE LIABILITY INSURANCE FORM. (a) Redefines "named household member policy."

(b) Includes the required disclosure under Section 1952.060, Insurance Code, rather than Section 1952.0545, Insurance Code, and the make and model of each vehicle owned by the named insured among certain required contents of a standard proof of motor vehicle liability insurance form for a named household member policy.

SECTION 4. Repealer: Section 1952.0545 (Required Disclosure Regarding Named Driver Policies; Persons in Insured's Household), Insurance Code.

SECTION 5. Makes application of this Act prospective to January 1, 2018.

SECTION 6. Effective date: September 1, 2017.