

By: Gutierrez

S.B. No. 1246

A BILL TO BE ENTITLED

AN ACT

relating to auto insurance regulation, including the creation of the Texas Automobile Insurance Public Option.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

SUBCHAPTER I. Texas Automobile Insurance Public Option

Sec. 1952.401. SHORT TITLE. This Act may be cited as the "Texas Automobile Insurance Public Option Act."

Sec. 1952.402. PURPOSE. The purpose of this Act is to establish a publicly administered auto insurance option in Texas to ensure affordability, accessibility, and competition in the auto insurance market while maintaining financial stability and consumer protections.

Sec.1952.403. ESTABLISHMENT OF PUBLIC AUTO INSURANCE OPTION.

(a) The Texas Department of Insurance, in consultation with the Texas Comptroller and the Texas Transportation Commission, shall establish and administer a public auto insurance option (hereinafter referred to as "Texas Public Auto Option") to provide mandatory liability coverage and optional comprehensive and collision coverage to eligible drivers.

(b) The Texas Public Auto Option shall be administered through the Texas Department of Insurance, subject to state guidelines and funding support.

1 Sec. 1952.404. ELIGIBILITY AND ENROLLMENT. (a) All
2 individuals required by Texas law to carry auto insurance shall be
3 eligible to enroll in the Texas Public Auto Option, provided they
4 meet residency and vehicle registration requirements.

5 (b) The Commissioner shall establish an annual enrollment
6 period, with special enrollment periods for qualifying life events
7 such as vehicle purchase, change of residence, or loss of private
8 coverage.

9 Sec. 1952.405. COVERAGE AND PREMIUMS.(a) The Texas Public
10 Auto Option shall provide coverage at levels meeting or exceeding
11 Texas minimum liability requirements and offer additional coverage
12 options, including uninsured/underinsured motorist coverage and
13 personal injury protection.

14 (b) Premiums shall be set using actuarial principles to
15 ensure fiscal solvency, affordability, and market competitiveness.
16 The Texas Department of Insurance shall implement a sliding scale
17 for low-income policyholders and explore risk-based adjustments.

18 Sec. 1952.406. FUNDING AND FINANCIAL MANAGEMENT.(a) The
19 Texas Public Auto Option shall be funded through policyholder
20 premiums, supplemented by state funding to ensure affordability and
21 solvency.

22 (b) State grants shall be available to assist in launching
23 and administering the Texas Public Auto Option.

24 (c) A reserve fund shall be established to ensure long-term
25 financial sustainability and claims-paying capacity.

26 Sec. 1952.407. CONSUMER PROTECTIONS AND FRAUD PREVENTION.

27 (a) The Texas Public Auto Option shall establish transparent

1 claims handling processes and an independent appeals system for
2 disputed claims.

3 (b) The Texas Department of Insurance shall implement fraud
4 detection and prevention programs, including data analytics and
5 interagency coordination.

6 Sec. 1952.408. COMPETITION AND MARKET EFFECTS. (a) The
7 Texas Public Auto Option shall operate alongside private insurers
8 to foster competition, stabilize rates, and provide consumer
9 choice.

10 (b) A biennial study shall assess the impact of the Texas
11 Public Auto Option on the auto insurance market, premium rates,
12 consumer satisfaction, and uninsured motorist rates.

13 Sec. 1952.409. RULEMAKING AUTHORITY. The Texas Department
14 of Insurance, in coordination with relevant state agencies, shall
15 issue regulations necessary to implement this Act.

16 SECTION 2. The change in law made by this Act applies only
17 to an insurance policy that is delivered, issued for delivery, or
18 renewed on or after January 1, 2026.

19 SECTION 3. This Act takes effect September 1, 2025.