

BILL ANALYSIS

C.S.H.B. 259
By: Thompson, Ed
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There are concerns that the coverage restrictions in a named driver policy are misunderstood by those insured by the policy. There are additional concerns that these restrictions may leave injured third parties with limited recourse to recover damages. C.S.H.B. 259 seeks to address these concerns by prohibiting 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.

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. 259 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. The bill defines, among other terms, "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 who has permission to use a covered vehicle and who resides in a named insured's household.

C.S.H.B. 259 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, only 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.

C.S.H.B. 259 repeals provisions requiring an agent or insurer, before accepting any premium or fee for a named driver policy, to disclose to the applicant or insured 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 applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2020.

C.S.H.B. 259 amends the Transportation Code to make a conforming change.

C.S.H.B. 259 repeals the following provisions:

- Section 1952.0545, Insurance Code

- Section 601.081(a), Transportation Code

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 259 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute revises the definition of "named driver policy" by changing the type of individuals for whom such a policy does not provide coverage from individuals residing in a named insured's household to individuals who have permission to use a covered vehicle and who reside in a named insured's household.