

SUBJECT: Financial responsibility requirements for uninsured motorists

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise

0 nays

WITNESSES: For — None

Against — None

On — David Durden, Texas Department of Insurance

BACKGROUND : The Department of Public Safety (DPS) may suspend the driver's license and vehicle registration of an uninsured motorist who is involved in and likely to be charged for an accident resulting in death or injury or more than \$1,000 in property damage. If the owner or operator of the vehicle is a nonresident, DPS may suspend the person's operating privileges and the privilege of any motor vehicle use.

DPS may not suspend any such privileges if the person deposits with the department sufficient security or files evidence of financial responsibility, including a certificate of motor vehicle insurance.

DIGEST: CSHB 627 would establish certain requirements for previously uninsured motorists to use a certificate of insurance as evidence of financial responsibility. The policy would have to be for at least six months and the premium paid in full. In addition, policies could not be cancelled unless the person no longer owned the vehicle, died, developed a permanent incapacity and became unable to drive the motor vehicle, or surrendered their driver's license and vehicle registration to DPS.

The bill would take effect on September 1, 1997, and would apply only to certificates of motor vehicle liability insurance filed with DPS on or after January 1, 1998.

SUPPORTERS SAY: CSHB 627 would help law officers deal with the growing problem of uninsured motorists in Texas. Although insurance certificates are required to register a vehicle, all too often the owners either cancel the policy after registering their vehicles or fail to keep current on their premiums.

These situations also occur when uninsured motorists use a certificate of insurance to establish financial responsibility following an accident. CSHB 627 would prevent their recurrence by requiring that the premium be paid in full for six months and that the policy be noncancellable, barring extenuating circumstances clearly provided for by the bill. CSHB 627 would require nothing more of motorists than is already required; it would simply prevent motorists from abrogating their responsibilities under Texas law.

The requirements of the bill are not as harsh as other requirements already in law. When a driver has been twice convicted of failing to have insurance, a judge can require that driver obtain liability insurance coverage for a period of two years. In such cases, the insurer must notify DPS if the coverage lapses before the two-year period, and drivers can lose both their license and vehicle registration. In comparison, CSHB 627 would not place an undue burden upon uninsured motorists but rather set a standard that most drivers should be able to meet, even those with limited resources.

OPPONENTS SAY: The noncancellation provision of CSHB 627 would be extremely difficult to enforce. The customer could still cancel coverage and receive a rebate from the insurer, while DPS would have to rely upon insurer notification to monitor these particular drivers. Such monitoring could make for extra costs to DPS, even though the fiscal note indicates no financial impact.

NOTES: The committee substitute added the reasons for which a policy could be cancelled.