

SUBJECT: Prohibiting named-driver auto insurance policies

COMMITTEE: Insurance — committee substitute recommended

VOTE: 5 ayes — Smithee, Eiland, G. Bonnen, Muñoz, C. Turner
3 nays — Creighton, Sheets, Taylor
1 absent — Morrison

WITNESSES: For — Brent Rhodes; (*Registered, but did not testify:* Robert Blankenship; Nathan Castro, Bill Chapman Auto Sales; Greg Chapman; Steve Chapman; Wendy Chapman; Mark Fish; Bonnie Keller; Kanton Labaj, Third Coast Auto Group; Jeff Martin, Texas Independent Automobile Dealers Association; Brad Parker, Texas Trial Lawyers Association; Margie Villela, Kyle Chapman Motor Sales; Ware Wendell, Texas Watch)

Against — Lee Loftis, Independent Insurance Agents of Texas; Jay Thompson, Association of Fire and Casualty Companies in Texas; Joe Woods, Property Casualty Insurers Association of America; (*Registered, but did not testify:* Greg Hooser, Texas Surplus Lines Association)

On — Leslie Hurley, Texas Department of Insurance

BACKGROUND: Since 2004, the Texas Department of Insurance (TDI) has approved “named-driver” personal automobile insurance policies that cover drivers who are not members of the policyholder’s household but have permission to drive the insured vehicle.

TDI also approves a comparable type of automobile policy known as a “named-driver exclusion” policy, which generally provides coverage to all drivers except those specifically excluded by name on the policy.

DIGEST: CSHB 1773 would prohibit an insurer from issuing or renewing a named-driver policy. An insurer would be permitted to issue a named-driver exclusion policy if each excluded driver were specifically named.

The bill would apply to any insurer writing automobile insurance in Texas, including a county mutual insurance company.

CSHB 1773 would take effect September 1, 2013. It would apply only to insurance policies delivered or renewed on or after January 1, 2014.

**SUPPORTERS
SAY:**

CSHB 1773 would protect public safety by prohibiting a faulty insurance product. Named-driver policies allow for uninsured household members of a policyholder to knowingly or unknowingly drive without coverage, putting other drivers as well as a vehicle's creditors at risk. TDI has noted the confusion these policies produce because they create coverage gaps for household members whom drivers often assume are covered.

The bill would increase personal responsibility and transparency in the marketplace. By eliminating an ambiguous coverage option, consumers would know more clearly the policy they were buying and whether certain drivers had coverage or not.

Concerns that the bill would increase the number of uninsured drivers are overstated. Named-driver policies make up less than 7 percent of the auto insurance market, and while they may increase access to insurance for some, they create a much larger cost to citizens involved in accidents with uninsured drivers and to insured drivers who pay higher premiums through uninsured and underinsured motorist coverage. Personal automobile insurance should be meaningful to other drivers on the road, and those who cannot afford it should use other means of transportation.

CSHB 1773 would not require that everyone purchase a standard auto policy. Insurance carriers still would be able to offer customized coverage as long as they excluded specific drivers and not a broad class of drivers. Excluding specific drivers puts policyholders on better notice and improves safety on Texas roads.

**OPPONENTS
SAY:**

CSHB 1773 would increase the number of uninsured motorists, making our roads less safe and imposing heavier financial costs on all Texans.

Named-driver auto insurance serves a market for low-income households who need minimum auto liability coverage. While these policies may not be ideal, eliminating them would price low-income individuals out of the auto insurance market altogether. In 2012, 1.2 million vehicles were insured by named-driver policies. CSHB 1773 would get rid of a part of the insurance industry and lead most of those with named-driver policies to become uninsured.