

SUBJECT: Extending automobile insurance to vehicles acquired mid-policy

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Eiland, G. Bonnen, Creighton, Morrison, Muñoz, Sheets, Taylor, C. Turner

0 nays

WITNESSES: For — Jeff Martin, Texas Independent Auto Dealers Association; Karen Phillips, Texas Automobile Dealers Association; (*Registered, but did not testify*: Ware Wendell, Texas Watch)

Against — Jay Thompson, Association of Fire and Casualty Companies in Texas

On — Thomas Ratliff, American Insurance Association; (*Registered, but did not testify*: Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; Leslie Hurley, Texas Department of Insurance)

DIGEST: CSHB 949 would extend personal automobile insurance policies to cover vehicles acquired during a policy's term. The bill would require the insurance policy to provide coverage to an acquired vehicle if the policyholder notified his or her insurer within 20 days of becoming the owner of the acquired vehicle, unless the policy specified a later date.

The coverage level for a vehicle acquired *in addition to* a covered vehicle would be set at the broadest coverage for any insured vehicle already on the policy.

A newly acquired vehicle *replacing* a covered vehicle would be insured at the level of the covered vehicle. An insured could notify the insurer within 20 days or a policy's later date to add coverage to the replacement vehicle for damage to the vehicle or, in a policy with existing coverage, notify the insurer after 20 days or the later date to continue it.

CSHB 949 would apply to private passenger vehicles and to pickups, utility vehicles, and vans weighing 30,000 pounds or less that, unless they were used for farming or ranching, were not primarily for the

transportation of goods.

The bill would take effect September 1, 2013 and apply to insurance policies issued or renewed on or after January 1, 2014.

**SUPPORTERS
SAY:**

CSHB 949 would protect vehicle owners, auto dealers, third-party lenders, and the public from newly acquired vehicles unknowingly being without insurance coverage.

Newly acquired vehicle insurance varies by insurer and is often unclear even in declarations pages and insurance policies, and insurance agents are sometimes unreachable, particularly during sales conducted outside regular business hours and on holidays. Without a statutory minimum standard of coverage, this uncertainty has resulted in accidents involving uninsured new and replacement vehicles in which no financial recovery could be made.

The 20-day allowance would balance the time necessary to confirm and update a newly acquired vehicle's policy with the importance of maintaining coverage. CSHB 949 would be a common sense measure to increase the automotive insured rate and reduce financial losses to owners and lenders.

**OPPONENTS
SAY:**

CSHB 949 inappropriately would transfer individual financial responsibility from the consumer to the government and would incentivize consumers to purchase insurance that they did not want or need.

The bill would extend a policyholder's broadest pre-purchase coverage to an additional vehicle instead of the minimum liability coverage required by law. This increases the likelihood the consumer would continue paying for the more expensive policy, even for lower-value vehicles.

Similarly, were a consumer to trade in an automobile for another of lower value, the insurance extended would likely be unnecessarily broad and expensive. Especially during difficult economic times, consumers should have to opt in to more expensive coverage, not opt out.

NOTES:

CSHB 949 differs from the bill as introduced in that it would:

- reduce the notification period from 30 days to 20 days;

- apply to utility vehicles; and
- increase the weight requirement for pickups, utility vehicles, and vans from 10,000 pounds to 30,000 pounds.