

SUBJECT: Restricting named driver auto insurance policies

COMMITTEE: Insurance — committee substitute recommended

VOTE: 7 ayes — Frullo, Muñoz, G. Bonnen, Guerra, Paul, Vo, Workman

2 nays — Meyer, Sheets

WITNESSES: For — Ware Wendell, Texas Watch; Robert Beck; (*Registered, but did not testify*: Deborah Polan, CarMax; Melodie Durst, Credit Union Coalition of Texas; Mark Fish, Dynamic Motors, Inc.; Kyle Chapman, Kyle Chapman Motor Sales and Chapman Motor Sales; Deborah Ingersoll, Texas Association of Consumer Lawyers; Martin Garcia, Texas Auto Center LLC; Daniel Langfield and Jeff Martin, Texas Independent Automobile Dealers Association; Bryan Blevins, Texas Trial Lawyers Association; Lon Craft, TMPA; John Brieden; Karen Easterling; Jessica Morones; Lynn Perry)

Against — Jack Ikenaga, ACCC Insurance Company; Jay Thompson, AFACT; Paul Harrison, Alinsco; Lee Loftis, Independent Insurance Agents of Texas; Paul Martin, National Association of Mutual Insurance Companies; Joe Woods, Property Casualty Insurers Association of America; Christian Duran, S&T Duran, Inc.; (*Registered, but did not testify*: Jonna Kay Hamilton, Nationwide Insurance and Titan Insurance; Patricia Ryan, Old American; Theresa Elliott, Sentry Insurance)

On — Deeia Beck, Office of Public Insurance Counsel; (*Registered, but did not testify*: Debra Knight and Mark Worman, Texas Department of Insurance)

BACKGROUND: The Texas Department of Insurance approves named driver personal automobile insurance policies under Insurance Code, ch. 1952. These policies cover only the individuals listed in the policy — other members of the insured's household are not covered under named driver policies.

Insurance Code, sec. 1952.0545 requires insurance carriers to give

disclosure orally and in writing of the limits of named driver policies. Motorists also must sign written acknowledgements of these limits.

DIGEST:

CSHB 335 would prohibit insurance carriers writing auto insurance in Texas from issuing and renewing named driver policies, except for an operator's policy that covered the named person when operating a vehicle that person did not own. A policy would have to cover each driver in a household unless drivers were specifically excluded by name in a named driver exclusion provision, which could not exclude a class of drivers and would have to be accepted in writing by the named insured.

The bill would define "household" to mean a unit composed of people living together in the same dwelling, whether or not they were related. This could include people living together in a home or mobile home, or a unit in a duplex, apartment, condominium, or multi-unit residential structure.

The insurance commissioner could adopt rules to implement the bill.

CSHB 335 would take effect September 1, 2015 and would apply only to an insurance policy that was delivered, issued for delivery, or renewed on or after January 1, 2016.

**SUPPORTERS
SAY:**

CSHB 335 would ensure that car insurance policies covered all potential drivers of vehicle in a household, unless particular drivers specifically were excluded. Named driver policies tend to be less expensive than traditional auto insurance policies, but consumers can be unaware of the exclusions in their policies. Too often, a person who borrows a vehicle with a named driver policy causes a crash. Because the operator of the vehicle is not covered by the named driver policy, victims of the accident cannot get paid for claims against the vehicle.

If a member of a household is expensive to insure because of past crashes or enforcement actions, CSHB 335 would allow carriers to exclude specific motorists to save the subscriber money. By excluding particular individuals from a policy, subscribers would better know who could and

who could not operate their vehicle.

Auto insurance policies typically have a permissive household use provision, but named driver policies do not. Because they deviate from traditional policies, they confuse subscribers. In some cases, insurance carriers are too liberal in their definition of a household, which CSHB 335 would remedy by providing a specific definition.

According to the Texas Department of Insurance, claims closed without payment due to non-covered drivers on named driver policies have increased significantly over the last few years. Some individuals get named driver policies on a short-term basis to obtain a driver's license and then let the policy lapse once they receive the ID card. CSHB 335 would address these issues by prohibiting named driver policies.

While named driver policies tend to be less expensive than traditional policies, there is no clear connection between the cost of policies and rates of uninsured motorists.

OPPONENTS
SAY:

CSHB 335 would increase the number of uninsured motorists on Texas roads. Named driver policies typically are used by low-income motorists who need basic coverage at the lowest rate possible. Under this bill, these motorists would have to choose between buying a more expensive policy and going without insurance.

A named driver policy subscriber must give written acknowledgement that he or she is the only driver covered each the policy is renewed. For subscribers that are on month-to-month policies, this means that they must visit an insurance office each month to sign this acknowledgement. It is unlikely that subscribers of these policies are unaware of the policies' limitations.