

SUBJECT: Requiring primary insurance for courtesy vehicles

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Lucio, Oliverson, S. Davis, Julie Johnson, Lambert, Paul, C.  
Turner, Vo

0 nays

1 absent — G. Bonnen

WITNESSES: For — Steven Wolf, Texas Automobile Dealers Association; (*Registered, but did not testify*: Jenna Courtney, Dallas Fort Worth New Car Dealers Association; Jacob Smith, Doctors for Texans; Mike Sullivan, Group 1 Automotive; Wyatt Wainwright, Houston Automobile Dealers Association; Lee Loftis, Independent Insurance Agents of Texas; Pamela Crail, San Antonio Auto Dealers; Robert Braziel, Texas Automobile Dealers Association; Ware Wendell, Texas Watch; Laird Doran, The Friedkin Group; Lori McMahan, Toyota Motor North America)

Against — Joe Woods, American Property Casualty Insurance Association; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; (*Registered, but did not testify*: Jay Thompson, Afact; John Marlow, Chubb; Paul Martin, National Association of Mutual Insurance Companies)

On — (*Registered, but did not testify*: Marianne Baker, Texas Department of Insurance)

DIGEST: CSHB 3420 would require personal automobile insurance policies to include primary liability coverage for a temporary vehicle.

The bill would define "temporary vehicle" to include a vehicle that was loaned or provided to the insured by an automobile repair facility and that was in the lawful possession of and operated by the insured or a resident relative of the insured until the vehicle was returned to the repair facility.

Coverage would be required only for a private passenger automobile or certain pickups, utility vehicles, or vans as specified in the bill.

Coverage required by the bill would have to provide primary coverage for the insured's legal liability for bodily injury and property damage and for damage to the temporary vehicle, not excess coverage. The coverage would have to insure the person named in the personal automobile insurance policy and any resident relative of the insured and licensed operator residing in the household, except for individuals not covered in a "named driver policy."

The policy limits of a personal automobile insurance policy would have to be available for the coverage required by the bill.

The bill would take effect September 1, 2019, and would apply only to a personal automobile insurance policy delivered, issued for delivery, or renewed on or after January 1, 2020.

**SUPPORTERS  
SAY:**

CSHB 3420 would require personal automobile insurance policies to cover certain courtesy loaner vehicles. This would prevent a situation from arising in which both a repair shop's insurer and a driver's personal insurer provide only excess coverage for a borrowed courtesy vehicle and a driver could be held personally liable for any damage to the vehicle.

Policies that provide only excess coverage for loaner vehicles are detrimental to customers and can be confusing. Since automobile insurance typically follows a policy-holder from vehicle to vehicle regardless of whether the vehicle is owned, leased, rented, or loaned, customers often are not aware of the risk they run when driving a courtesy vehicle. By mandating personal automobile insurance policies provide primary coverage in such circumstances, the bill would create greater consistency in the law, eliminate confusion in the marketplace, and protect customers from being unfairly denied liability coverage.

**OPPONENTS**

CSHB 3420 would address an issue that would be better left to market

SAY: forces to decide. The loaner vehicles addressed by the bill are covered by a dealership or repair facility's insurance, so an individual driver could be covered by the facility's insurance if not by the driver's.

Insurance companies should be able to decide whether to provide primary coverage for loaner vehicles instead of being subjected to a mandate. By requiring additional coverage to be included in personal insurance policies, the state would force a subsidization of car repair facilities' business by insurers.