HOUSE RESEARCH ORGANIZATION bill analysis 5/19/95

SB 1232
Armbrister, Ratliff
(Stiles)

SUBJECT: Vehicle self-insurance programs for volunteer fire departments

COMMITTEE: Insurance — favorable, with amendment

VOTE: 6 ayes — Smithee, Duncan, Averitt, De La Garza, G. Lewis, Shields

0 nays

3 absent — Counts, Driver, Dutton

SENATE VOTE: On final passage, May 4 — voice vote

WITNESSES: None

DIGEST: SB 1232 would establish a volunteer fire department (VFD) motor vehicle self-insurance program to be administered by the Texas Forest Service of the Texas A&M University System. A VFD would be defined as a fire department operated by its members on a not-for-profit basis.

The program would identify and evaluate risks arising from the use of vehicles by VFDs; maintain a loss-prevention and loss-control program to reduce risks arising from the use of vehicles by VFDs; consolidate and administer VFD risk management and self-insurance programs and promote vehicle self-insurance coverage, including the establishment of a self-insurance pool for VFD vehicles.

The program's self-insurance pool could indemnify an official, employee, member or volunteer of a VFD for liability arising from their use of a covered motor vehicle in the performance of firefighting duties.
The coverage would be subject to a limit of $100,000 for damages for bodily injury, death or property damage arising out of a single occurrence.

To participate in the self-insurance pool coverage, a VFD would submit a written request to the program. The director of the program would approve the request if each vehicle to be covered met the eligibility, equipment and safety standards established by the director.

The VFD fund — an account in the general revenue fund — would be composed of money collected from a self-insurance fee collected from participating VFDs and interest accruing on money in the fund. VFD fund money could be expended only for funding and administrating the self-insurance program. Self-insurance coverage could only be funded from money available from the VFD fund.

Coverage limits of self-insurance would be based on the liquidity of the fund after deduction of the cost of administration of the self-insurance program.

The state's liability for a loss covered by self-insurance would be limited to the assets of the insurance fund, and the state would not otherwise be liable for the loss.

The Texas Forest Service could employ attorneys — except for attorneys in the Attorney General's Office — to represent VFDs or VFD members in liability actions covered by the self-insurance program.

The VFD self-insurance fund could include amounts appropriated to the fund up until August 31, 1997. Refunds to the general revenue fund of any appropriation made to the VFD self-insurance fund could be made up until August 31, 1997.

SUPPORTERS SAY:

Volunteer fire departments (VFDs) serve the state's rural and suburban areas. Most VFDs remain underfunded since few programs exist to help them. Their precarious financial position makes it difficult for them to acquire vehicle liability insurance at current market prices even though VFD vehicles have very few accidents.

SB 1232 — by establishing a self-insurance program for VFDs — would allow VFDs to use most of their hard-earned fund-raising project money for equipment and operating expenses rather than for liability insurance.

Any initial appropriation used as start-up funding would have to repaid from fees by the end of the fiscal biennium, avoiding any net loss of certifiable general revenue for the next budget.

OPPONENTS SAY: Some private insurance companies in the state offer special affordable insurance coverage for VFDs, which renders this legislation unnecessary. By some calculations the self-insurance program could wind up being costlier than other options.

NOTES: SB 1332 was amended to replace September 1, 1998, with August 31, 1997 as the date on which money appropriated to the VFD self-insurance fund could include amounts appropriated to the fund and as the date on which refunds to the general revenue fund of any appropriation made to the VFD self-insurance fund could be made.

SB 1332's self-insurance program would require a five-member staff to be responsible for setting safety requirements for member departments, inspecting applicants and investigating claims.

The program would require an initial appropriation of about $1.5 million a year, but would be self-supporting after the first biennium, according to the LBB fiscal note. The initial appropriation in addition to any other cost incurred would be returned to the general revenue fund by August 31, 1997.