

BILL ANALYSIS

Senate Research Center
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S.B. 491
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The cost of vehicle insurance is one of the highest expenditure categories associated with owning a vehicle. Automobile insurance makes up a disproportionate share of a low-income family's disposable income. In 2011, the poorest one-fifth of households spent an average of \$522, or 5.2 percent, of their disposable income on vehicle premiums. This amount was more than five times the income share of the highest-income families. This bill requires the Texas Department of Insurance to establish a low-income automobile insurance program that would provide an affordable option for low-income Texans to purchase minimum liability insurance and help reduce the number of uninsured drivers in the state.

As proposed, S.B. 491 amends current law relating to establishing a personal automobile insurance program for certain low-income individuals, and authorizes a fee.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Sections 2155.002, 2155.007, and 2155.009, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle G, Title 10, Insurance Code, by adding Chapter 2155, as follows:

CHAPTER 2155. PERSONAL AUTOMOBILE INSURANCE FOR LOW-INCOME INDIVIDUALS

Sec. 2155.001. DEFINITION. Defines "motor vehicle" in this chapter.

Sec. 2155.002. ESTABLISHMENT OF PROGRAM. (a) Requires the commissioner of insurance (commissioner) by rule to establish a program under this chapter to provide to low-income individuals financial responsibility coverage required by Subchapter D (Establishment of Financial Responsibility Through Motor Vehicle Liability Insurance), Chapter 601 (Privacy), Transportation Code.

(b) Requires an insurer writing automobile insurance in this state, including an insurance company, reciprocal or interinsurance exchange, mutual insurance company, capital stock company, county mutual insurance company, Lloyd's plan insurer, or other entity, to provide coverage under the program as required by rules adopted by the commissioner.

Sec. 2155.003. COVERAGE PROVIDED. Authorizes the program established under this chapter to only provide personal automobile insurance in the minimum coverage amounts required by Subchapter D, Chapter 601, Transportation Code.

Sec. 2155.004. COVERED INDIVIDUALS. (a) Authorizes coverage under this chapter, subject to Subsection (b), to be made available only to an individual who is a licensed driver with not less than three years of driving experience, and qualifies as a good driver as defined by rules adopted by the commissioner based on factors the commissioner considers appropriate.

(b) Authorizes coverage to be made available only to an individual described by Subsection (a) who has a household income that is less than or equal to 250 percent of the federal poverty guidelines as determined by the United States Department of Health and Human Services, or after diligent efforts, obtained from an insurer writing automobile insurance in this state not fewer than two offers of coverage for a premium amount that is more than 10 percent of the applicant's gross income.

(c) Provides that an applicant, notwithstanding Subsection (b), is not eligible for coverage if the applicant is claimed during the coverage period as a dependent for federal income tax purposes unless the person who claims the applicant as a dependent has a household income that is less than or equal to 250 percent of the federal poverty guidelines as determined by the United States Department of Health and Human Services, or the applicant, after diligent efforts, obtained from an insurer writing automobile insurance in this state not fewer than two offers of coverage for the applicant for a premium amount that is more than 10 percent of the gross income of the person who claims the applicant as a dependent.

Sec. 2155.005. COVERED MOTOR VEHICLES. (a) Requires coverage, except as provided by Subsection (b), to be available only for an insurable motor vehicle registered in this state and valued at not more than \$20,000.

(b) Authorizes coverage to be made available for an insurable motor vehicle not registered in this state and valued at not more than \$20,000 if the motor vehicle is registered in this state not later than the 30th day after the date coverage is issued. Provides that the coverage terminates on the 31st day after the date coverage is issued if the motor vehicle is not registered in this state before that date.

Sec. 2155.006. RATE STANDARDS. (a) Requires rates for insurance provided under this chapter to be just, reasonable, not excessive, not confiscatory, and not unfairly discriminatory for the risks to which the rates apply.

(b) Requires the program to offer premiums on a sliding scale, based on financial need determined by the applicant's household income and living expenses, or based on past and prospective experience and other factors the commissioner considers relevant, including the varying conditions and hazards and the cost of living, in the county in which the motor vehicle is registered.

(c) Prohibits the program offering coverage without requiring payment of premium.

Sec. 2155.007. APPEALS PROCESS. Requires the commissioner to establish by rule a process by which an applicant is authorized to appeal the denial of an application for coverage under this chapter.

Sec. 2155.008. TRAINING AND PUBLIC EDUCATION. (a) Requires the commissioner to establish a voluntary training program about the program established under this chapter for insurers writing automobile insurance in this state. Authorizes the commissioner to charge each insurer participating in the training program a fee for expenses incurred by the Texas Department of Insurance in implementing the training program.

(b) Requires an insurer writing automobile insurance in this state to inform a prospective policy holder who seeks coverage under Subchapter D, Chapter 601, Transportation Code, of the program established under this chapter.

Sec. 2155.009. RULES. Requires the commissioner to adopt rules necessary to implement and enforce this chapter.

SECTION 2. Requires the commissioner to ensure that the program established under Chapter 2155, Insurance Code, as added by this Act, is fully operational in a manner that requires insurers writing automobile insurance in this state to provide coverage under the program not later than January 1, 2014.

SECTION 3. Effective date: September 1, 2013.