

HOUSE BILL ANALYSIS

ON

HB 1871

Brief Description: *Allowing auto policies to require exhaustion of the at-fault party's coverage.*

BACKGROUND: *The typical automobile insurance policy provides coverage for damages to the policyholder's vehicle and covers the policyholder's liability if he or she causes an accident, up to limits specified in the policy. Underinsured motorist insurance (UIM) is additional coverage that protects the policyholder from being hit by someone who has insufficient insurance to cover the damages. UIM covers both uninsured and underinsured motorists. Insurance companies must offer UIM coverage on all automobile insurance policies; the policyholder must reject UIM in writing if he or she does not want this coverage.*

The UIM policy must provide coverage to insured persons for damages the insured persons legally are entitled to recover from an underinsured motorist. UIM covers bodily injury, death, or property damage, and applies to incidents arising out of the ownership, maintenance, or use of the vehicle. The amount of UIM coverage is equal to the amount of the insured's own liability coverage, unless the insured rejects this amount and agrees to another amount in writing. UIM covers phantom vehicles, provided minimum evidentiary requirements are met, and hit-and-run drivers. A UIM policy generally covers the policyholder(s) and family, and others who sustain injuries while occupying or using the insured vehicle.

Under current law, if a person injured in an accident is not at fault, liability of the person or persons who caused the accident is joint and several (all are totally responsible); if the injured person is at fault, the person or persons that caused the accident are liable only to the degree they were at fault, and the injured person's recovered damages are reduced by the extent he or she was at fault.

SUMMARY: *An underinsured motorist automobile insurance policy may require that, prior to making a claim, the insured person exhaust the available liability insurance coverage of the person or persons who caused the accident (tort-feasors) to the extent that the tort-feasors have liability insurance and are legally liable to the insured person.*

Fiscal Note: Not Requested.

Effective Date: Ninety days after the session in which the bill passes.

Rulemaking: Not addressed.