

The Texas Department of Insurance estimates that 17 to 26 percent of Texas drivers do not carry mandatory liability insurance. But increasing penalties against uninsured motorists has had little effect on reducing the number of uninsured drivers—especially for those who are victims of unfair insurance discrimination, a problem often referred to as “redlining.”

If the Legislature is serious about reducing the number of uninsured drivers, Texas must address unfair discrimination. Good drivers, especially those in low-income and high minority areas of the state, are often forced to buy coverage from high-cost, non-rate-regulated auto insurance companies. If these drivers paid the rates they deserve, far more would be able to purchase state-mandated liability insurance.

In an effort to address the uninsured motorist problem, various solutions have been proposed. One proposal would establish a statewide computer database to track the insurance status of every Texan. Another would prevent uninsured drivers from recovering certain damages in an accident even if the other driver was responsible for the accident.

Such a “no-pay, no-play system” would indeed punish an uninsured driver—and perhaps other innocent victims of an accident—and could have many other negative effects. For example, if an uninsured motorist were severely injured due to the irresponsibility of another driver, that motorist might have to rely on state assistance for damages if he or she was unable to recover in a lawsuit against the responsible party. And a statewide database to track every Texas driver’s insurance coverage would be costly, cumbersome, extremely complicated,

Reducing the Number of Uninsured Motorists

Many people are uninsured because they can’t afford the high rates offered to them by county mutual insurance companies. County mutuals, once set up to cover “high risk” drivers, are often a dumping ground for low income and minority drivers. More people will buy insurance if a “good driver” program ensures they pay what their accident risk requires.



and would run the risk of disclosing sensitive personal information.

Such proposals do not address one fundamental flaw in our current auto insurance system—that many drivers, especially those in low-income and high minority communities, are relegated to high-priced “county mutual” companies whose rates are not regulated. Year after year, studies show that consumers who live in lower-income or high-minority zip codes pay much more for basic auto insurance coverage through TAIPA (the state high-risk plan) or through county mutual companies which may charge several hundred percent more than standard rates.

No evidence exists that low-income or minority drivers are involved in more accidents than others. Yet, insurance companies use factors like a person’s occupation, credit history (despite the fact that insurance is pre-paid) or length of residency at the

person’s current address in their underwriting decisions. So motorists who are not professionals, who have a blemish (or an error) on their credit history, or those who have recently moved will likely have difficulty finding low-cost coverage even if they have been accident- and ticket-free for several years.

Recommendations

To reduce the number of uninsured motorists the Legislature should:

- establish a “good-driver program” in Texas that gives people with clean accident and ticket records the right to purchase insurance at the lowest price from the companies they choose;

- assure that TAIPA rates for good drivers are reasonable; and

- avoid measures that punish uninsured motorists without providing a reasonable method for victims of unfair discrimination to comply with Texas’ minimum liability requirements.

In Short

Establish a “good driver program” in Texas that gives people with clean accident and ticket records the right to purchase insurance at the lowest prices from the companies they choose. Don’t further punish uninsured motorist until fairly priced insurance is available to everyone who comes to buy it.