

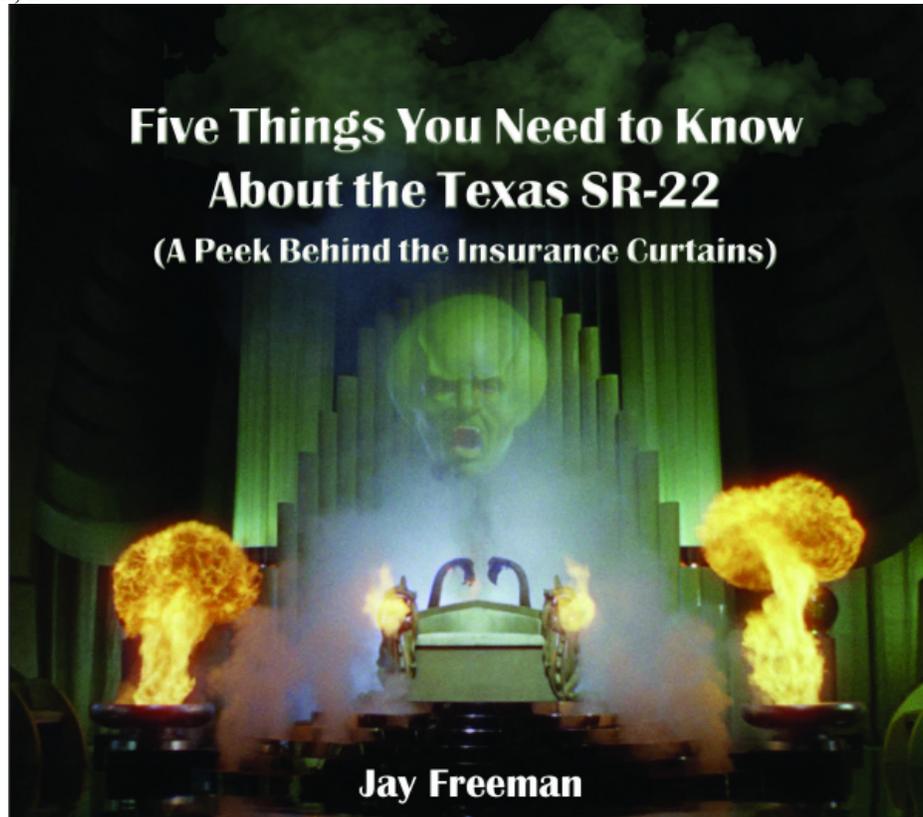


Online

Five Things You Need to Know About the Texas SR-22 (A Peek Behind the Insurance Curtains)

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In addition to being a proud member of Texas Criminal Defense Lawyers Association, I am also a Texas insurance agent who has specialized in the issuance of the Texas SR-22 form for over 30 years. As I speak to groups around the state, it seems I hear the same questions over and over again regarding the impact an SR-22 can have on your clients and their families' automobile insurance. Therefore, I hope you will allow me this opportunity to share some information from an insurance agent's perspective that might be of benefit to you and your clients.

Let me begin by addressing the actual SR-22 form itself. A Texas SR-22 (or Financial Responsibility Form) is actually an endorsement that is attached to an insurance policy; this is why your client cannot just purchase the form by itself—it is actually part of the policy to which it is attached. The way I usually explain the SR-22 to clients is to describe it as a tool used by the Texas Department of Public Safety (DPS) that transfers responsibility of monitoring the policy status to the insurance company that issued the SR-22.

The State of Texas requires that an SR-22 be filed for many different reasons, such as:

- multiple no-insurance tickets,
- an occupational or essential needs driver's license,

- an unpaid judgment for a liability claim,
- convictions for driving under the influence of alcohol or drug-related offenses,
- excessive violations,
- just to name a few . . .

When an SR-22 is issued and filed with DPS, this action obligates the insurance company that issued the SR-22 to constantly monitor the status of the policy to which the SR-22 is attached and notify DPS of any changes in that policy's status. The SR-22 itself has an effective date but no expiration date. It is good until the issuing company notifies DPS that the policy has terminated (however DPS does require that the insuring company submit an updated copy of the SR-22 every two years). When the policy is terminated, the issuing company submits another form called the SR-26, which cancels the SR-22.

(1) Not every insurance company will issue an SR-22

Even though DPS advises people to obtain the SR-22 from their insurance carrier, many insurance companies consider the SR-22 to be “high-risk” and will initially refuse to issue the form. If the client tries to force the issue, this action will usually flag the policy for non-renewal—and seldom results in the client receiving the SR-22 within a timely period. You see, the Texas personal automobile policy contains a provision that allows a company to cancel a policy if the license of a driver is suspended or revoked. Many insurance companies simply delay the SR-22 until the license status shows “suspended” and then cancel the policy. In addition, even the companies that will issue the SR-22 typically move the family's business into their “high-risk” side of companies upon renewal, and it will normally take several years to earn their way back to better rates.

(2) The SR-22 impacts all drivers and vehicles listed on the policy

Although the problem might lie with the child who got into trouble while away at college, the ramifications of the SR-22 affect all drivers and vehicles listed on the policy. Because a single driver cannot be rated using a different set of underwriting guidelines in a single policy, all drivers and vehicles are forced into the “high-risk” policy. Although it is possible to separate a single driver onto another policy, this is often impractical because it restricts who is covered to drive which family vehicles. In addition, most insurance companies offer generous multi-lines discounts, so a problem with a family's automobile insurance can also result in large premium increases in other insurance policies like their homeowners insurance.

(3) If your client elects to obtain the SR-22 from an outside source, the SR-22 must be written on a non-owners/operators policy

This is absolutely the most important advice you can give your client regarding their SR-22. In order to avoid the problems listed above, many clients elect to obtain the SR-22 from a secondary source. This is often a very good idea, but without your guidance they could find themselves making a mistake that could be financially devastating. Most people will just go to the first insurance agency they see advertising SR-22s and ask to purchase one as inexpensively as possible. This agency will typically issue a liability-only policy on whatever vehicle your client happens to be driving that day. The problem is that your client has now automatically terminated his current insurance coverage on that vehicle without even knowing it.

The problem lies in the Texas Personal Auto Policy, specifically in the Termination Section of Part F: General Provision. Under this section, Rule C reads as follows:

AUTOMATIC TERMINATION—“If at any time, you obtain other insurance on your insured auto, any similar insurance provided by this policy will terminate as to that auto on the effective date of the other insurance.”

This dilemma can be easily overcome by simply advising your client to obtain the SR-22 by purchasing an operator's policy (also commonly referred to as a non-owner's policy). This type of policy solves the problem because it insures only the client as a driver and does not provide duplicate coverage on a specific vehicle. Therefore it completely avoids the automatic termination rule in the Texas Personal Auto Policy.

(4) Your client's primary carrier will not necessarily discover the SR-22 or any subsequent conviction

Your client has absolutely no requirement or obligation to notify their insurance company of any changes to their driving record or the need for an SR-22 filing. It is the responsibility of the insurance company to determine if there are any factors that might impact the premium, and as a matter of business, many insurance companies do not normally perform an in-depth underwriting review prior to offering to renew a client's policy. Due to the substantial cost of performing these reviews (consider that a driving record costs a company around \$10 per insured, then multiply that by the number of people insured by any given company and one can imagine the expense), many insurance companies rely on a client's claims history to determine premium changes. It often occurs that many convictions are never discovered.

(5) Advise your client to avoid obtaining the SR-22 thru the Texas Automobile Insurance Plan Association

Because of a lack of experience in dealing with the Texas SR-22, some insurance agents will attempt to provide the form by selling your client a non-owners policy written thru the Texas Automobile Insurance Plan Association (TAIPA)—commonly referred to as the “state pool.” This path creates its own set of problems for both you and your client. First, an SR-22 is not issued by the agent. An application with a request for the SR-22 is submitted to TAIPA in Austin. TAIPA issues an SR-22, which is sent directly to DPS and the policy is assigned to a company admitted to write automobile insurance in Texas. Once that company receives the assignment, they are charged with producing the policy documents (including the SR-22) and mailing those documents to the client. As you can imagine, it might be weeks if not months before your client actually receives the SR-22.

I'm sure you can foresee the problems this can cause in providing an occupational driver's license (ODL). Additionally, it is important to keep in mind that this is not a voluntary relationship as far as the assigned company is concerned. They are being forced to provide this coverage for your client. Therefore, many of these companies are actively looking for a reason to cancel your client's policy, which can easily be found in your client's license status. Even though your client has a valid ODL, his driver's license status at DPS will show as suspended. Since the assigned company is not required to provide insurance for a driver with a suspended license, they can simply cancel the policy and remove themselves from the risk. This can launch the client into a vicious circle of continuously replacing the SR-22 in order to keep the ODL in force.

In closing, thank you for allowing me the opportunity to share, and I hope you will find this information helpful while assisting your clients in solving their driving privilege problems.

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Jay Freeman is a licensed Texas insurance agent with over 30 years experience, specializing in the issuance and placement of the Texas SR-22. He is the owner of ConceptSR22.com and Accurate Concept Insurance in Dallas, Texas. In addition to his insurance career, he is also an accredited State Bar Sponsor and regularly presents CLE courses for Criminal Defense Groups and Bar Associations around the state. Jay is a proud member of TCDLA and DCDLA.