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HOUSE BILL NO. 629

Offered January 8, 2014

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A BILL to amend and reenact § 38.2-2206 of the Code of Virginia, relating to motor vehicle insurance; underinsured coverage.

Patron—Kilgore

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:**1. That § 38.2-2206 of the Code of Virginia is amended and reenacted as follows:****§ 38.2-2206. Uninsured motorist insurance coverage.**

A. Except as provided in subsection J of this section, no policy or contract of bodily injury or property damage liability insurance relating to the ownership, maintenance, or use of a motor vehicle shall be issued or delivered in this Commonwealth to the owner of such vehicle or shall be issued or delivered by any insurer licensed in this Commonwealth upon any motor vehicle principally garaged or used in this Commonwealth unless it contains an endorsement or provisions undertaking to pay the insured all sums that he is legally entitled to recover as damages from the owner or operator of an uninsured motor vehicle, within limits not less than the requirements of § 46.2-472. Those limits shall equal but not exceed the limits of the liability insurance provided by the policy, unless any one named insured rejects the additional uninsured motorist insurance coverage by notifying the insurer as provided in subsection B of § 38.2-2202. This rejection of the additional uninsured motorist insurance coverage by any one named insured shall be binding upon all insureds under such policy as defined in subsection B of this section. The endorsement or provisions shall also obligate the insurer to make payment for bodily injury or property damage caused by the operation or use of an underinsured motor vehicle to the extent the vehicle is underinsured, as defined in subsection B of this section. The endorsement or provisions shall also provide for at least \$20,000 coverage for damage or destruction of the property of the insured in any one accident but may provide an exclusion of the first \$200 of the loss or damage where the loss or damage is a result of any one accident involving an unidentifiable owner or operator of an uninsured motor vehicle.

B. As used in this section, the term "bodily injury" includes death resulting from bodily injury.

"Insured" as used in subsections A, D, G, and H of this section means the named insured and, while resident of the same household, the spouse of the named insured, and relatives, wards or foster children of either, while in a motor vehicle or otherwise, and any person who uses the motor vehicle to which the policy applies, with the expressed or implied consent of the named insured, and a guest in the motor vehicle to which the policy applies or the personal representative of any of the above.

"Uninsured motor vehicle" means a motor vehicle for which (i) there is no bodily injury liability insurance and property damage liability insurance in the amounts specified by § 46.2-472, (ii) there is such insurance but the insurer writing the insurance denies coverage for any reason whatsoever, including failure or refusal of the insured to cooperate with the insurer, (iii) there is no bond or deposit of money or securities in lieu of such insurance, (iv) the owner of the motor vehicle has not qualified as a self-insurer under the provisions of § 46.2-368, or (v) the owner or operator of the motor vehicle is immune from liability for negligence under the laws of the Commonwealth or the United States, in which case the provisions of subsection F shall apply and the action shall continue against the insurer. A motor vehicle shall be deemed uninsured if its owner or operator is unknown.

A motor vehicle is "underinsured" when, and to the extent that, the total amount of bodily injury and property damage coverage applicable to the operation or use of the motor vehicle and available for payment for such bodily injury or property damage, including all bonds or deposits of money or securities made pursuant to Article 15 (§ 46.2-435 et seq.) of Chapter 3 of Title 46.2, is less than the total amount of uninsured motorist coverage afforded any person injured as a result of the operation or use of the vehicle.

"Available for payment" means the amount of liability insurance coverage applicable to the claim of the injured person for bodily injury or property damage reduced by the payment of any other claims arising out of the same occurrence.

If an injured person is entitled to underinsured motorist coverage under more than one policy, the following order of priority of policies applies and any amount available for payment shall be credited against such policies in the following order of priority:

1. The policy covering a motor vehicle occupied by the injured person at the time of the accident;

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59 2. The policy covering a motor vehicle not involved in the accident under which the injured person
60 is a named insured;

61 3. The policy covering a motor vehicle not involved in the accident under which the injured person
62 is an insured other than a named insured.

63 Where there is more than one insurer providing coverage under one of the payment priorities set
64 forth, their liability shall be proportioned as to their respective underinsured motorist coverages.

65 Recovery under the endorsement or provisions shall be subject to the conditions set forth in this
66 section.

67 C. There shall be a rebuttable presumption that a motor vehicle is uninsured if the Commissioner of
68 the Department of Motor Vehicles certifies that, from the records of the Department of Motor Vehicles,
69 it appears that: (i) there is no bodily injury liability insurance and property damage liability insurance in
70 the amounts specified by § 46.2-472 covering the owner or operator of the motor vehicle; or (ii) no
71 bond has been given or cash or securities delivered in lieu of the insurance; or (iii) the owner or
72 operator of the motor vehicle has not qualified as a self-insurer in accordance with the provisions of
73 § 46.2-368.

74 D. If the owner or operator of any motor vehicle that causes bodily injury or property damage to the
75 insured is unknown, and if the damage or injury results from an accident where there has been no
76 contact between that motor vehicle and the motor vehicle occupied by the insured, or where there has
77 been no contact with the person of the insured if the insured was not occupying a motor vehicle, then
78 for the insured to recover under the endorsement required by subsection A of this section, the accident
79 shall be reported promptly to either (i) the insurer or (ii) a law-enforcement officer having jurisdiction in
80 the county or city in which the accident occurred. If it is not reasonably practicable to make the report
81 promptly, the report shall be made as soon as reasonably practicable under the circumstances.

82 E. If the owner or operator of any vehicle causing injury or damages is unknown, an action may be
83 instituted against the unknown defendant as "John Doe" and service of process may be made by
84 delivering a copy of the motion for judgment or other pleadings to the clerk of the court in which the
85 action is brought. Service upon the insurer issuing the policy shall be made as prescribed by law as
86 though the insurer were a party defendant. The provisions of § 8.01-288 shall not be applicable to the
87 service of process required in this subsection. The insurer shall have the right to file pleadings and take
88 other action allowable by law in the name of John Doe.

89 F. If any action is instituted against the owner or operator of an uninsured or underinsured motor
90 vehicle by any insured intending to rely on the uninsured or underinsured coverage provision or
91 endorsement of this policy under which the insured is making a claim, then the insured shall serve a
92 copy of the process upon this insurer in the manner prescribed by law, as though the insurer were a
93 party defendant. The provisions of § 8.01-288 shall not be applicable to the service of process required
94 in this subsection. The insurer shall then have the right to file pleadings and take other action allowable
95 by law in the name of the owner or operator of the uninsured or underinsured motor vehicle or in its
96 own name. Notwithstanding the provisions of subsection A, the immunity from liability for negligence
97 of the owner or operator of a motor vehicle shall not be a bar to the insured obtaining a judgment
98 enforceable against the insurer for the negligence of the immune owner or operator, and shall not be a
99 defense available to the insurer to the action brought by the insured, which shall proceed against the
100 named defendant although any judgment obtained against an immune defendant shall be entered in the
101 name of "Immune Defendant" and shall be enforceable against the insurer and any other nonimmune
102 defendant as though it were entered in the actual name of the named immune defendant. Nothing in this
103 subsection shall prevent the owner or operator of the uninsured motor vehicle from employing counsel
104 of his own choice and taking any action in his own interest in connection with the proceeding.

105 G. ~~Any~~ Except as provided in subsection K, any insurer paying a claim under the endorsement or
106 provisions required by subsection A of this section shall be subrogated to the rights of the insured to
107 whom the claim was paid against the person causing the injury, death, or damage and that person's
108 insurer, although it may deny coverage for any reason, to the extent that payment was made. The
109 bringing of an action against the unknown owner or operator as John Doe or the conclusion of such an
110 action shall not bar the insured from bringing an action against the owner or operator proceeded against
111 as John Doe, or against the owner's or operator's insurer denying coverage for any reason, if the identity
112 of the owner or operator who caused the injury or damages becomes known. The bringing of an action
113 against an unknown owner or operator as John Doe shall toll the statute of limitations for purposes of
114 bringing an action against the owner or operator who caused the injury or damages until his identity
115 becomes known. In no event shall an action be brought against an owner or operator who caused the
116 injury or damages, previously filed against as John Doe, more than three years from the commencement
117 of the action against the unknown owner or operator as John Doe in a court of competent jurisdiction.
118 Any recovery against the owner or operator, or the insurer of the owner or operator shall be paid to the
119 insurer of the injured party to the extent that the insurer paid the named insured in the action brought
120 against the owner or operator as John Doe. However, the insurer shall pay its proportionate part of all

reasonable costs and expenses incurred in connection with the action, including reasonable attorney's fees. Nothing in an endorsement or provisions made under this subsection nor any other provision of law shall prevent the joining in an action against John Doe of the owner or operator of the motor vehicle causing the injury as a party defendant, and the joinder is hereby specifically authorized. No action, verdict or release arising out of a suit brought under this subsection shall give rise to any defenses in any other action brought in the subrogated party's name, including res judicata and collateral estoppel.

H. No endorsement or provisions providing the coverage required by subsection A of this section shall require arbitration of any claim arising under the endorsement or provisions, nor may anything be required of the insured except the establishment of legal liability, nor shall the insured be restricted or prevented in any manner from employing legal counsel or instituting legal proceedings.

I. Except as provided in § 65.2-309.1, the provisions of subsections A and B of § 38.2-2204 and the provisions of subsection A of this section shall not apply to any policy of insurance to the extent that it covers the liability of an employer under any workers' compensation law, or to the extent that it covers liability to which the Federal Tort Claims Act applies. No provision or application of this section shall limit the liability of an insurer of motor vehicles to an employee or other insured under this section who is injured by an uninsured motor vehicle; provided that in the event an employee of a self-insured employer receives a workers' compensation award for injuries resulting from an accident with an uninsured motor vehicle, such award shall be set off against any judgment for damages awarded pursuant to this section for personal injuries resulting from such accident.

J. Policies of insurance whose primary purpose is to provide coverage in excess of other valid and collectible insurance or qualified self-insurance may include uninsured motorist coverage as provided in subsection A of this section. Insurers issuing or providing liability policies that are of an excess or umbrella type or which provide liability coverage incidental to a policy and not related to a specifically insured motor vehicle, shall not be required to offer, provide or make available to those policies uninsured or underinsured motor vehicle coverage as defined in subsection A of this section.

K. A liability insurance carrier providing coverage under a policy issued or renewed on or after July 1, 1988, may pay the entire amount of its available coverage without obtaining a release of a claim if the claimant has underinsured insurance coverage in excess of the amount so paid. Any liability insurer making a payment pursuant to this section shall promptly give notice to its insured and to the insurer which provides the underinsured coverage that it has paid the full amount of its available coverage.

L. If the liability insurer or insurers providing coverage to an underinsured motor vehicle owner or operator make an irrevocable offer in writing, which may be contingent upon waiver of subrogation, to pay the total amount of liability coverage available for payment with reference to a claim for property damage or bodily injury, 60 days following written notice of the offer to any insurer or insurers providing underinsured coverage that have been served pursuant to this section, the insurer or insurers providing liability coverage shall be relieved of the cost of defending the owner or operator incurred thereafter, including expenses as well as reasonable and necessary attorney fees, and the insurer or insurers providing the underinsured motorist coverage shall reimburse the liability insurer or insurers for the costs to defend the underinsured motor vehicle owner or operator to the date of the underinsured motorist insurer's offer of its limit of coverage. The liability insurer or insurers shall nonetheless retain the duty to defend their insured. If underinsured motorist coverage is provided by more than one insurer, the cost to defend shall be assumed in the same order of priority as set forth in subsection B with regard to the payment of underinsured benefits upon the offer of each underinsured motorist insurer's limit of coverage. This subsection, including the liability insurer's irrevocable offer and the underinsured insurer's liability for defense costs, shall not apply in the event of either a jury verdict being returned in an amount equal to or less than the total liability coverage available for payment or a dispositive ruling dismissing the plaintiff's complaint, including but not limited to the plaintiff taking a voluntary nonsuit. This subsection shall not apply to costs incurred in connection with an appeal. 1. An injured person or, in the case of death, his personal representative may settle a claim with a liability insurer or insurers, which shall include any insurer providing liability coverage through an excess or umbrella insurance policy or contract, and its or their insured for the limits of the liability insurer's coverage. If such settlement would not fully satisfy the claim for personal injuries or wrongful death, the injured person or personal representative may thereafter pursue a claim against any insurer providing underinsured motorist coverage applicable to the claim. Upon settlement with the liability insurer or insurers, the injured party or personal representative may proceed to execute a full release in favor of the underinsured motorist's liability insurer and its insured and finalize the proposed settlement without prejudice to any underinsured motorist claim. Upon payment of the liability insurer's limits to the injured person or personal representative or their attorney, the liability insurer shall thereafter have no further duties to its insured, including the duty to defend its insured if an action has been, or is, brought against the liability insurer's insured, and the insurer providing applicable underinsured motorist

182 coverage shall have no right of subrogation or claim against the underinsured motorist.

183 2. Any action brought by the injured person or personal representative to recover underinsured
184 motorist benefits after payment of the liability insurer's limits pursuant to this section may be brought
185 against the individual causing injury or death or against the insurer or insurers providing underinsured
186 motorist coverage. If an action is pending at the time the liability insurer's limits were paid to the
187 injured person or personal representative or his attorney, then the insurer or insurers providing
188 underinsured motorist coverage may be substituted as the party defendant in place of the tortfeasor at
189 the election of the injured person or personal representative. Judgment in any such action shall only be
190 entered against the underinsured motorist insurer or insurers, whether suit was brought against such
191 insurer or against the tortfeasor. If more than one insurer provides underinsured motorist coverage
192 applicable to an action, then any judgment shall be entered against the insurers based on the order of
193 priority set forth in subsection B. A verdict in any action pursuant to this subsection in excess of the
194 total of all available underinsured motorist coverage shall be reduced by the court to the total amount
195 of available underinsured motorist limits from all insurers prior to entry of judgment against the
196 insurers.

197 3. Any proposed settlement between a liability insurer and a person under a disability or a personal
198 representative as permitted in this subsection that compromises in part a claim for personal injuries by
199 the person under a disability or for death by wrongful act pursuant to § 8.01-50 may be, but is not
200 required to be, approved pursuant to § 8.01-424 or 8.01-55, as applicable. If the personal representative
201 elects not to have the settlement with the liability insurer approved pursuant to § 8.01-55, then any
202 payment made to the personal representative by the liability insurer shall be made payable to the
203 personal representative's attorney, to be held in trust, or paid into the court pursuant to § 8.01-600 if
204 the personal representative is not represented by an attorney, with no disbursements made therefrom
205 until the compromise is approved by the court pursuant to § 8.01-55. Approval by the court of a
206 settlement between the liability insurer and a person under a disability or the personal representative
207 pursuant to this subsection shall not prejudice the person's or personal representative's claim for
208 underinsured motorist benefits.