



Southwestern Insurance Information Service

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# FACT SHEET

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## Municipal Fees and Insurance

A new trend is emerging in many municipalities across the country. Cities and towns are seeking to force insurance companies to pay for the cost of police or fire response to vehicle accidents. While this trend seems to be more common in the Midwest, some cities and towns in Texas are considering ordinances allowing the collection of these fees.

Currently, 18 states across the country are billing insurance companies for police or fire department response to accidents. The amounts vary from \$100 to \$300 per response, but some charges are much higher.

Perhaps more troubling is that municipalities are being encouraged to adopt this practice by third party collection companies, who typically receive 10 percent of the amount billed. This amount is usually taken up-front, meaning the municipality receives nothing unless and until the collection company gets its full share.

Reports reveal that some of these collection companies engage in questionable practices, including helping municipalities draft the ordinances that authorize the collection of the fees and employing aggressive methods to enforce payment. If insurers do not pay the fees, the collection company will seek payment directly from the policyholder.

Some municipalities have been falsely convinced that insurance companies should pay these fees because insurers are the primary users of police reports. That is false. Police reports are utilized by a number of different entities, including state and local law enforcement officials for statistical reporting, hospitals providing medical services to accident victims, personal injury attorneys and some medical providers.

*For Additional Information:*

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**The typical auto insurance policy pays for actual medical expenses associated with the treatment of injuries sustained in an auto accident. Auto insurance policies typically do *not* cover fees charged for police or fire department response to accidents, and these costs are not contemplated in auto insurance premiums.**

**If insurance companies are ultimately forced to pay these fees, they will have no choice but to pass on the cost of this additional expense to their customers.**

**This inequitable system is clearly a form of double-taxation where residents will ultimately be forced to pay higher auto insurance premiums for a service already included in their taxes.**

**There have been some new developments relative to what other states have done to address the matter.**

## **2010**

### **AL passes legislation to ban fees**

• **Alabama** became the 10th state to outlaw accident fees. Governor Bob Riley signed HB 306 into law on April 29th.

## **2009**

### **3 states pass legislation; LA passes a statewide resolution**

- **Louisiana's** Senate and House unanimously passed HCR 147, directing local governing authorities and emergency service providers to cease the practice of imposing accident response fees. It was filed with the Secretary of State in June '09.
- **Oklahoma** Governor Brad Henry signed HB 2013 into law on May 28 '09 effective immediately, banning law enforcement fees for accident response or investigation.
- **Florida's** bill SB 2282 became effective July 1 '09.
- **Arkansas** passed HB 1895 prohibiting accident response fees. The bill was signed by Gov. Beebe on April 6 '09 and is now Arkansas Act 973.

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**2008**

## **5 states pass bills to ban fees**

- **Georgia** (SB 348) was signed on May 16 '08 effective immediately
  - **Tennessee** (HB 2547- Public Chapter No. 651) effective March 28 '09
  - **Missouri** (SB 66) effective Jan. 1 '08
  - **Pennsylvania** (HB 131) effective Feb. 18 '08
  - **Indiana's** (SB 81) bill banning police fees became law on July 1 '08
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