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TO: ALL COMPANIES WRITING PROPERTY AND CASUALTY INSURANCE
IN THE STATE OF MISSOURI

FROM: C. DONALD AINSWORTH, DIRECTOR *CD*

RE: 1985 MISSOURI LEGISLATION

DATE: SEPTEMBER 16, 1985

Please be advised that House Bill 388 and Senate Bill 345, both effective September 28, 1985, directly affect insurance coverage in Missouri.

RESCINDED AND INOPERATIVE

House Bill 388 states as follows: "Every motor vehicle liability insurance policy insuring a motor vehicle licensed in this state must extend its liability coverage to include any other motor vehicle operated by the insured individual if the other motor vehicle is loaned, with or without consideration, to the insured individual for demonstration purposes or as a replacement vehicle while the insured's vehicle is out of use because of breakdown, repair or servicing and if the other motor vehicle is loaned by a person, firm or corporation engaged in the business of selling, repairing or servicing motor vehicles. Such extension of liability coverage must include coverage for damage to the loaned vehicle."

This language means that private passenger automobile insurers will be required to extend coverage when their insureds are test driving dealers' automobiles or when their insureds are driving "loaner cars" from repair shops. Any automobile policy not in conformity with these requirements must be revised accordingly.

Senate Bill 345 negates the effect of recent court decisions holding "dram shops" liable for injuries to third parties that are inflicted by intoxicated patrons. The bill dictates that the law in this matter be returned to its prior position that the proximate cause of such injuries is "the consumption of alcoholic beverages, rather than the furnishing of alcoholic beverages."

An exception is made, however, for persons "licensed to sell intoxicating liquor by the drink for consumption on the premises" who are convicted (this includes a suspended imposition of sentence) of selling liquor to a minor or obviously intoxicated person. In such circumstances, the "dram shop" may be held liable for injuries to third parties if the sale was the proximate cause of the third parties' injuries. This limitation of liability should result in decreases of liability insurance rates for dispensers of alcohol.