
Business & Financial Services Committee

ESB 5730

Brief Description: Concerning usage-based automobile insurance.

Sponsors: Senator Rockefeller.

Brief Summary of Engrossed Bill

- Exempts certain insurer automobile rate information from public inspection.

Hearing Date: 3/15/11

Staff: Jon Hedegard (786-7127).

Background:

Every person in this state who operates a motor vehicle must be insured under an insurance liability policy, a liability bond, a certificate of deposit, or be self-insured. There are minimum amounts of liability coverage required by the financial responsibility statutes.

The Insurance Commissioner (Commissioner) oversees the business of insurance in this state. This includes the regulation of insurance rates and policies. Automobile insurance rates and forms are filed with the Commissioner and must be approved by the Commissioner prior to use by an insurer. If the Commissioner determines that filed rates are not excessive, inadequate, or unfairly discriminatory, then the Commissioner must approve them.

Automobile rates may be adjusted for any factor that is not prohibited by law. Rates are often adjusted according to factors including the driver's age, sex, marital status, miles driven, claims history, geographical area, credit history, and the make, model, and year of a vehicle. The Insurance Code requires that certain safety features and anti-theft devices must receive due consideration in a rate filing by an insurer. A senior who takes a motor vehicle accident prevention course must receive a premium reduction in a rate filing by an insurer.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Insurance Code has provisions exempting certain information, including information filed in support of rate filings from public inspection. Other provisions of the Insurance Code provide an exception to the exemption from public inspection for supporting information for automobile insurance rate filings. The supporting information is available for public inspection after a rate is approved and the filing becomes effective.

One area where the information does not become public is when an "insurance score" or "credit score" model is used. A model that utilizes credit history as a rating factor must be filed for approval of the Commissioner but, by law, is not subject to public disclosure. There are specific disclosure requirements for actions taken by an insurer based on credit history.

"Mileage-based insurance" is not defined in the Insurance Code. The phrase is sometimes used to describe a policy where the insurance is sold as a block of miles driven rather than for a period of time. For example, a driver might purchase 5000-miles of insurance instead of six months of insurance.

"Usage-based insurance" is not defined in the Insurance Code. The phrase is sometimes used to refer to a product where an insurer rates a policyholder based on how a vehicle was driven. This may include the amount of miles, location of the driving, time the miles are driven, speed, and other driving characteristics. Generally some type of recorder is required to supply the insurer with the information used in rating. The insurer may apply penalties or rewards based on that information which can lead to a higher or lower rate.

There are provisions for certain trade secrets under the state Uniform Trade Secrets Act (UTSA). A "trade secret" is information, including a formula, pattern, compilation, program, device, method, technique, or process that:

- derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and
- is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Summary of Bill:

Information is exempt from public inspection if it is:

- filed in support of a mileage-based or usage-based automobile insurance rate filing; and
- a trade secret, as defined in the UTSA.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.