

SENATE BILL REPORT

SB 5159

AS OF FEBRUARY 11, 1991

Brief Description: Establishing a universal auto insurance program.

SPONSORS: Senators Moore, Vognild, Rinehart, Wojahn, Rasmussen and Bauer.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Meg Jones (786-7416)

Hearing Dates: February 12, 1991

BACKGROUND:

Auto insurance is one of several legally approved ways to meet this state's financial responsibility laws for the operation of a motor vehicle. Auto insurance is offered in Washington only through private companies issued certificates of authority to operate in this state by the Insurance Commissioner's office. Both domestic and out of state insurance companies write policies in Washington. The Insurance Commissioner approves the rates set by the companies, reviews the policies for clarity and otherwise regulates the industry. Insurance companies are subject to the Consumer Protection Act, and their conduct in claims administration is governed by a comprehensive mechanism of commissioner rules, statutes and case law. If an auto insurer becomes insolvent, the state Guaranty Association provides policyholders with the coverage they purchased.

The insurance companies are taxed based on the premiums for policies written in this state. In 1989, premium taxes paid on auto insurance totaled \$31,351,005.

With the passage of mandatory auto insurance in Washington, and the imposition of fines if a motorist cannot provide proof of such insurance, the cost of auto insurance has been mentioned as a hardship on persons with limited income. The cost to drivers injured by uninsured motorists is another societal expense driving a search for ways to encourage the purchase of insurance. Individuals with poor driving records, who belong to certain age, marital or gender based groups, or who fit other underwriting categories can be charged higher premiums or have to resort to assigned risk pools to obtain insurance.

In Canada, several provinces operate government run auto insurance corporations. Such a program does not exist in any of the United States. It has been suggested that Washington's auto insurance purchasers could save on premium costs if the

state administered and underwrote a program of automobile insurance.

SUMMARY:

The Washington Automobile Insurance Corporation (WAIC) is created to operate on a nonprofit basis a plan of universal compulsory automobile insurance without regard to the age, marital status or sex of applicants. The Governor appoints eight qualified individuals to the Board of Directors, who are joined by the Chair of the State Investment Board, and two nonvoting members, the Insurance Commissioner and the President of the Washington Automobile Insurance Corporation. The appointed members serve staggered terms of six years. The WAIC shall be headquartered in Olympia and may establish branch offices.

The business of WAIC is automobile insurance and reinsurance. WAIC is exempt from the state insurance laws. The corporation is empowered to perform all necessary functions related to administering a program of auto insurance, from the setting of rates to claims administration to obtaining reinsurance. Only government vehicles are exempt from its jurisdiction.

The marketing of WAIC must be through appointed agents licensed under the insurance code. If appointed, an agent may not be terminated except for just cause. Commissions are to be fixed annually.

Additional premiums may be assessed based on the owner or driver's accident records, the degree of the insured's fault related to any accident and the class or type of vehicle insured. The Department of Licensing is to notify WAIC of violation reports or convictions related to motor vehicle operation or traffic laws and of any suspension or cancellation of a license. A driver or owner must present a "certificate" as described in the act in order to obtain, renew, or transfer title or licensure. Once issued, if the premiums are paid, policies cannot be cancelled before the anniversary date.

The WAIC must be self-sustaining and pay all claims, debts or other obligations from funds generated by premiums or investments. The WAIC is capitalized by \$300 million from the general fund to be repaid by June 1, 2000 at the statutory rate of interest. The State Treasurer acts as WAIC's agent for issuing securities, mortgaging properties or obtaining loans. The State Auditor shall inspect and audit as the auditor directs, no less than once a year. WAIC must report to the Legislature annually, and include a financial report, an operations report and any other reports required by the Governor or the Legislature.

Appropriation: \$300 million

Revenue: yes

Fiscal Note: requested