

SENATE BILL REPORT

SB 5193

AS OF FEBRUARY 4, 1993

Brief Description: Establishing state operated auto insurance.

SPONSORS: Senators Moore and Pelz

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Benson Porter (786-7470)

Hearing Dates: February 5, 1993

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. Under Washington's mandatory auto insurance law, a person must be able to show proof of financial responsibility upon the request of a law enforcement officer. Auto insurance is offered in Washington only through private companies authorized to operate in this state by the Insurance Commissioner's office. Both domestic and out-of-state insurance companies may write policies. The Insurance Commissioner approves the rates filed 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 commissioner rules, statutes, and case law. If an auto insurer becomes insolvent, the state's Insurance Guaranty Association provides policyholders with the coverage they purchased.

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 nonprofit Washington Automobile Insurance Corporation (WAIC) is created to operate a plan of universal compulsory automobile insurance. 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 WAIC. 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 certain state insurance laws. The corporation is empowered to perform all necessary functions related to administering a program of auto insurance. 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.

WAIC fixes rates without regard to age, marital status, or sex of applicants. 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, 2005 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