

***Financial Institutions &
Insurance Committee***

HB 1641

Brief Description: *Assisting low-income persons to obtain affordable automobile liability insurance.*

Sponsors: *Representatives Santos, Bush, Kenney, Keiser, McDermott and Conway.*

Brief Summary of Bill

- *The State Insurance Commissioner is required to create a liability insurance plan designed to enable low-income, uninsured persons to obtain motor vehicle liability insurance at affordable rates.*

Hearing Date: *2/14/01*

Staff: *Thamas Osborn (786-7129).*

Background:

In 1989, the state legislature enacted the a series of statutes requiring that all motorists maintain motor vehicle liability insurance with specified, minimum policy limits. The law further requires that motorists provide proof of such insurance upon the request of any law enforcement official. A substantial percentage of Washington motorists do not have the required insurance, many of whom are low income persons who are unable to afford the insurance premiums.

The premium charged by insurers for motor vehicle liability insurance varies, depending upon a number of factors, including: (1) The age, sex, and driving record of the insured; (2) the types of coverage, liability limits and the amounts of any deductibles; (3) the age and type of vehicle covered by the policy; (4) the location of the insured's residence; (5) how the vehicle is used (e.g., the number of miles driven each week, etc.); (6) credit history or credit score (used by many insurers); and (7) prior insurance history.

The State Insurance Commissioner (the commissioner) has been granted the authority to

work with insurers to create casualty insurance plans that address certain public needs, as specified by the legislature. Current law requires the commissioner to create a plan, in consultation with insurers, for the purpose of providing motor vehicle liability insurance to those who are "unable to procure insurance through ordinary methods." The plan calls for the equitable apportionment of applicants among the various insurers.

Summary of Bill:

The commissioner is required to create an insurance plan that addresses the problem of uninsured motorists who are without insurance because of an inability to afford the insurance premiums. The plan calls for insurance companies to provide motor vehicle liability insurance coverage to low-income persons and for the participating insurance companies to equitably apportion such coverage among themselves. The primary purpose of the plan is to enable eligible low-income persons to develop a current history of motor vehicle insurance, and thus avoid the typically high premiums paid by those who have been recently uninsured.

To be eligible for coverage under the plan, an applicant must have been uninsured during the year preceding the application and must meet the statutory definition of "low-income person.–

Under the plan, the insurer must set the premium at the same level that the applicant would have been offered had he or she had continuous insurance coverage during the preceding year. The plan also requires that 1) the policy have a term of one year and be renewable for a second year, and 2) that the insured be allowed to pay the premium in monthly installments.

Appropriation: *None.*

Fiscal Note: *Not Requested.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*