
**Insurance, Financial Services &
Consumer Protection Committee**

HB 1206

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

Sponsors: Representatives Chase, Kirby, Green, Wallace, Dickerson, Haigh, Ormsby, Darneille, Moeller, Santos and Wood.

Brief Summary of Bill

- Creates an auto insurance pool that will sell policies with lower minimum limits of liability for qualified low-income drivers.
- Provides the Insurance Commissioner with the authority to review rates and forms and to adopt rules.

Hearing Date: 1/25/07

Staff: Jon Hedegard (786-7127).

Background:

Washington requires automobile drivers to meet financial responsibility requirements. Drivers must have liability insurance with limits of at least:

- \$25,000 of bodily injury or death of one person in any one accident.
- \$50,000 of bodily injury or death of any two persons in any one accident.
- \$10,000 of injury to or destruction of property of others in any one accident.

Drivers or entities may qualify to self-insure their vehicles if they have 26 or more vehicles. Drivers may also choose to be covered by a certificate of deposit or a liability bond for at least \$60,000. A deposit of collateral can be made with the State Treasurer's office or in a bank account set up for the state of Washington. A bond can be purchased from a surety bond company authorized to do business in Washington.

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 Office of the Insurance Commissioner (OIC) oversees the insurance industry in Washington. Insurance policies and rates are submitted to the OIC for approval. The OIC reviews financial issues to ensure solvency of insurers. The OIC reviews market conduct activity to ensure compliance with marketing and claims related issues.

The OIC also oversees the activities of the Washington Automobile Insurance Plan (Plan), a pool which provides insurance to drivers that can't find insurance in the market. These drivers are generally viewed as higher risks and policies are generally more expensive. The risk is shared among insurers writing auto coverage in Washington. The Plan is authorized by statute. The operation details are submitted for approval to the OIC. The Plan is administered by a national management organization and service provider to the insurance industry.

Summary of Bill:

A low-income auto policy is created for qualifying drivers. The policy has lower limits than the standard minimums. The liability limits of the low-income policy are liability insurance with limits of at least:

- \$10,000 of bodily injury or death of one person in any one accident.
- \$20,000 of bodily injury or death of any two persons in any one accident.
- \$3,000 of injury to or destruction of property of others in any one accident.

Policies will have a term of one year and can only be renewed if the policyholder meets eligibility requirements and has made timely payments.

To be eligible, a person must not have a household income in excess of one hundred fifty percent of the federal poverty level. A person must also qualify under risk standards for eligibility that must be adopted by the OIC by rule. The rules must preclude drivers that are an excessive risk due to fraud, accident history, or felony or misdemeanor convictions under Title 46 RCW. The eligibility criteria should not look back more than three years.

The OIC must approve rates and policy forms. Rates must be sufficient to cover losses and reasonable administration. The OIC may appoint a manager or committee to administer the low-income policy plan.

The OIC has authority to adopt any rules necessary to implement the program.

Appropriation: None.

Fiscal Note: Requested on 1/22/2007.

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