

SENATE BILL REPORT

SSB 5708

As Passed Senate, March 11, 2009

Title: An act relating to authorizing usage-based rating factors for motor vehicle insurance.

Brief Description: Authorizing usage-based rating factors for motor vehicle insurance.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Eide, Franklin and Kline).

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/17/09, 2/24/09 [DPS, DNP, w/oRec].

Passed Senate: 3/11/09, 32-15.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5708 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin and McDermott.

Minority Report: Do not pass.

Signed by Senator Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senator Parlette.

Staff: Philip Brady (786-7460)

Background: The Insurance Commissioner (Commissioner) regulates insurance in Washington, including motor vehicle liability insurance. This oversight includes regulation of rates, forms, financial conditions, claims practices, and other matters related to the business of insurance.

All drivers of vehicles registered in Washington are required to have motor vehicle liability insurance, or show other financial coverage, of a specified type and amount. In determining rates, motor vehicle insurance companies must give due consideration to the impacts of safety and anti-theft devices. Insurance companies are required to file their rate plans with

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the Commissioner, and these rate plans must not be excessive, inadequate, or unfairly discriminatory.

There are no provisions in the motor vehicle liability code specifically addressing mileage-based liability insurance products.

Summary of Substitute Bill: Insurers are permitted to develop and sell usage-based insurance if the insurance is approved by the Commissioner. Usage-based insurance can be based on either a usage-based algorithm or other information reflecting the vehicle's use during the period of coverage. Usage-based algorithms must be based on data collected by an electronic recording system that retains the data. Algorithms must be filed with and approved by the Commissioner. If included with other insurance rate filings, the algorithm is subject to normal disclosure requirements. If filed separately, usage-based algorithms are considered trade secrets and exempt from disclosure. Usage-based insurance that does not use a usage-based algorithm is subject to normal disclosure requirements.

Appropriation: None.

Fiscal Note: Requested on February 14, 2009.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This type of insurance offers a new option for consumers. These products are offered in ten other states. It would reduce the cost of insurance for those who don't drive much, would encourage others to drive less, and would increase high-occupancy vehicle usage through a voluntary program that won't hurt consumers. This would implement part of the Climate Action Team's recommendations. There are good incentives for users, but incentives should be included for insurers. Shifting to a file-and-use system would encourage these kinds of policies. Time to fully vet the bill would also be appreciated. It is important that algorithms are protected. This bill doesn't address cancellation when mileage expires, but would help maintain a dynamic and competitive market.

CON: Privacy is important, so the law shouldn't require a tracking device. A tracking device requirement also rules out older vehicles. Washington's seasoning law should be changed so companies can come here and compete.

Persons Testifying: PRO: Senator Eide, prime sponsor; Carrie Tellefson, Progressive Insurance; Mel Sorensen, Property Casualty Insurers Association; Gary Stannigan, Safeco; Bill LaBorde, Transportation Choices Coalition; Drew Bouton, Office of the Insurance Commissioner.

CON: Eric Kuester, Chris Gay, MileMeter.