
SENATE BILL 5730

State of Washington

62nd Legislature

2011 Regular Session

By Senator Rockefeller

Read first time 02/09/11. Referred to Committee on Financial Institutions, Housing & Insurance.

1 AN ACT Relating to mileage-based automobile insurance; amending RCW
2 48.18.140, 48.18.180, and 46.29.490; adding a new section to chapter
3 48.19 RCW; and creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that among the choices
6 of automobile insurance policies that are available to drivers in this
7 state should be policies whose premiums are priced primarily based upon
8 the mileage driven. Pricing insurance per mile is more equitable
9 because low-mileage drivers would no longer subsidize high-mileage
10 drivers. Having such "pay as you drive" policies available will
11 provide people an opportunity to save money in the costs of insuring
12 their vehicles, and would provide an incentive for reducing driving
13 that will reduce costs for fuel and vehicle maintenance, reduce
14 accidents, and decrease driving-related pollution and congestion.

15 Therefore, it is the purpose of this legislation to eliminate
16 existing regulatory barriers to offering mileage-based automobile
17 insurance policies, to expressly authorize the insurance commissioner
18 to approve the offering of such policies, and to ensure that all
19 insurers, at a minimum, offer a discount for low-mileage drivers.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.19 RCW
2 to read as follows:

3 (1) Any insurance policy that grants coverage required for a motor
4 vehicle liability policy may also grant coverage based on mileage-based
5 factors.

6 (2) The commissioner may adopt rules establishing standards for
7 mileage-based premium rate structures that may be used by insurers to
8 develop mileage-based policies. The rules must allow a variety of
9 pricing methods, including premium rates on a per-mile basis or rates
10 determined by increments of mileage driven.

11 (3) By July 1, 2012, any insurer not offering a mileage-based
12 policy shall submit to the commissioner for approval a discount for all
13 motor vehicle liability policies offered in the state for vehicles
14 driven less than five thousand miles per year. The commissioner shall
15 approve the filing where the discount is substantial and the filing
16 meets all other applicable standards under this chapter. Insurers may
17 offer both mileage-based policies as well as policies providing a low-
18 mileage discount.

19 (4) Nothing in this section or in rules adopted by the commissioner
20 precludes an insurer from continuing to use other rating factors, such
21 as the age of the driver, gender, driving location, vehicle type, and
22 driving record.

23 **Sec. 3.** RCW 48.18.140 and 2002 c 344 s 1 are each amended to read
24 as follows:

25 (1) The written instrument, in which a contract of insurance is set
26 forth, is the policy.

27 (2) A policy shall specify:

28 (a) The names of the parties to the contract. The insurer's name
29 shall be clearly shown in the policy.

30 (b) The subject of the insurance.

31 (c) The risk insured against.

32 (d) The time at which the insurance thereunder takes effect and the
33 period during which the insurance is to continue.

34 (e) A statement of the premium, and if other than life, disability,
35 or title insurance, the premium rate where applicable. In the case of
36 mileage-based automobile insurance policies, the premium may be stated
37 as a rate per increment of mileage.

1 (f) The conditions pertaining to the insurance.

2 (3) If under the contract the exact amount of premiums is
3 determinable only at termination of the contract, a statement of the
4 basis and rates upon which the final premium is to be determined and
5 paid shall be specified in the policy.

6 (4)(a) Periodic payment plans for private passenger automobile
7 insurance shall allow a specific day of the month for a due date for
8 payment of premiums. A late charge may not be required if payment is
9 received within five days of the date payment is due.

10 (b) The commissioner shall adopt rules to implement this subsection
11 and shall take no disciplinary action against an insurer until ninety
12 days after the effective date of the rule.

13 (5) This section shall not apply to surety insurance contracts.

14 **Sec. 4.** RCW 48.18.180 and 2008 c 217 s 13 are each amended to read
15 as follows:

16 (1) The premium stated in the policy shall be inclusive of all
17 fees, charges, premiums, or other consideration charged for the
18 insurance or for the procurement thereof. In the case of mileage-based
19 automobile insurance policies, the premium may be stated as a rate per
20 increment of mileage.

21 (2) No insurer or its officer, employee, appointed insurance
22 producer, or other representative shall charge or receive any fee,
23 compensation, or consideration for insurance which is not included in
24 the premium specified in the policy.

25 (3) Each violation of this section is a gross misdemeanor.

26 (4) This section does not apply to:

27 (a) A fee paid to an insurance producer by an insured as provided
28 in RCW 48.17.270; or

29 (b) A regulatory surcharge imposed by RCW 48.02.190.

30 **Sec. 5.** RCW 46.29.490 and 2010 c 8 s 9043 are each amended to read
31 as follows:

32 (1) Certification. A "motor vehicle liability policy" as said term
33 is used in this chapter means an "owner's policy" or an "operator's
34 policy" of liability insurance, certified as provided in RCW 46.29.460
35 or 46.29.470 as proof of financial responsibility for the future, and

1 issued, except as otherwise provided in RCW 46.29.470, by an insurance
2 carrier duly authorized to transact business in this state, to or for
3 the benefit of the person named in the policy as insured.

4 (2) Owner's policy. Such owner's policy of liability insurance:

5 (a) Shall designate by explicit description or by appropriate
6 reference all vehicles with respect to which coverage is to be granted
7 by the policy; and

8 (b) Shall insure the person named therein and any other person, as
9 insured, using any such vehicle or vehicles with the express or implied
10 permission of such named insured, against loss from the liability
11 imposed by law for damages arising out of the ownership, maintenance,
12 or use of such vehicle or vehicles within the United States of America
13 or the Dominion of Canada, subject to limits exclusive of interest and
14 costs, with respect to each such vehicle as follows: Twenty-five
15 thousand dollars because of bodily injury to or death of one person in
16 any one accident and, subject to said limit for one person, fifty
17 thousand dollars because of bodily injury to or death of two or more
18 persons in any one accident, and ten thousand dollars because of injury
19 to or destruction of property of others in any one accident.

20 (3) Operator's policy. Such operator's policy of liability
21 insurance shall insure the person named as insured therein against loss
22 from the liability imposed upon him or her by law for damages arising
23 out of the use by him or her of any motor vehicle not owned by him or
24 her, within the same territorial limits and subject to the same limits
25 of liability as are set forth above with respect to an owner's policy
26 of liability insurance.

27 (4) Required statements in policies. Such motor vehicle liability
28 policy shall state the name and address of the named insured, the
29 coverage afforded by the policy, the premium charged therefor or the
30 vehicle mileage increment in the case of a mileage-based policy, the
31 policy period, and the limits of liability, and shall contain an
32 agreement or be endorsed that insurance is provided under the policy in
33 accordance with the coverage defined in this chapter as respects bodily
34 injury and death or property damage, or both, and is subject to all the
35 provisions of this chapter.

36 (5) Policy need not insure workers' compensation, etc. Such motor
37 vehicle liability policy need not insure any liability under any
38 workers' compensation law nor any liability on account of bodily injury

1 or death of an employee of the insured while engaged in the employment,
2 other than domestic, of the insured, or while engaged in the operation,
3 maintenance, or repair of any such vehicle nor any liability for damage
4 to property owned by, rented to, in charge of, or transported by the
5 insured.

6 (6) Provisions incorporated in policy. Every motor vehicle
7 liability policy is subject to the following provisions which need not
8 be contained therein:

9 (a) The liability of the insurance carrier with respect to the
10 insurance required by this chapter becomes absolute whenever injury or
11 damage covered by said motor vehicle liability policy occurs; said
12 policy may not be canceled or annulled as to such liability by any
13 agreement between the insurance carrier and the insured after the
14 occurrence of the injury or damage; no statement made by the insured or
15 on his or her behalf and no violation of said policy defeats or voids
16 said policy.

17 (b) The satisfaction by the insured of a judgment for such injury
18 or damage shall not be a condition precedent to the right or duty of
19 the insurance carrier to make payment on account of such injury or
20 damage.

21 (c) The insurance carrier may settle any claim covered by the
22 policy, and if such settlement is made in good faith, the amount
23 thereof is deductible from the limits of liability specified in
24 subsection (2)(b) of this section.

25 (d) The policy, the written application therefor, if any, and any
26 rider or endorsement which does not conflict with the provisions of
27 this chapter constitutes the entire contract between the parties.

28 (7) Excess or additional coverage. Any policy which grants the
29 coverage required for a motor vehicle liability policy may also grant
30 any lawful coverage in excess of or in addition to the coverage
31 specified for a motor vehicle liability policy, and such excess or
32 additional coverage is not subject to the provisions of this chapter.
33 With respect to a policy which grants such excess or additional
34 coverage the term "motor vehicle liability policy" applies only to that
35 part of the coverage which is required by this section.

36 (8) Reimbursement provision permitted. Any motor vehicle liability
37 policy may provide that the insured shall reimburse the insurance

1 carrier for any payment the insurance carrier would not have been
2 obligated to make under the terms of the policy except for the
3 provisions of this chapter.

4 (9) Proration of insurance permitted. Any motor vehicle liability
5 policy may provide for the prorating of the insurance thereunder with
6 other valid and collectible insurance.

7 (10) Multiple policies. The requirements for a motor vehicle
8 liability policy may be fulfilled by the policies of one or more
9 insurance carrier which policies together meet such requirements.

10 (11) Binders. Any binder issued pending the issuance of a motor
11 vehicle liability policy is deemed to fulfill the requirements for such
12 a policy.

13 NEW SECTION. **Sec. 6.** (1) The insurance commissioner, in
14 consultation with the department of transportation, may develop and
15 implement a mileage-based insurance demonstration project. The project
16 should be designed to gain experience with a variety of approaches that
17 offer consumers reduced premiums based upon mileage factors. The
18 commissioner and the secretary of transportation should work closely
19 with the insurance industry as well as consumer and environmental
20 advocacy interests in developing the project.

21 (2) The project should also include gaining experience with
22 different methods by which mileage and other factors affecting the
23 premium amount may be confirmed, including methods that protect
24 consumer privacy regarding where and when the vehicle is driven.

25 (3) The insurance commissioner shall investigate opportunities for
26 funding the demonstration project from nonstate sources including, but
27 not limited to, federal grants, foundation or other nongovernmental
28 funding, or funding through participation by insurance companies.

29 (4) By December 31, 2014, the insurance commissioner shall submit
30 a report to the appropriate committees of the senate and house of
31 representatives that includes:

32 (a) A review of all mileage-based automobile insurance policies and
33 other mileage discounts offered in the state and the experience with
34 each policy type;

35 (b) A review of any mileage-based policy filings that were denied
36 by the commissioner and the reasons for the denial; and

1 (c) Recommendations for additional information needed to support
2 mileage-based policies and additional incentives for insurance
3 companies to offer mileage-based policies in the state.

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