
Transportation Committee

ESSB 5326

Brief Description: Concerning verification of motor vehicle insurance.

Sponsors: Senate Committee on Transportation (originally sponsored by Senators Lovick, King, Mullet and Wilson, C.).

Brief Summary of Engrossed Substitute Bill

- Requires the Department of Licensing (DOL) to establish an accessible system for online verification (online verification system) of liability insurance or other financial responsibility.
- Prohibits the DOL from issuing an original or renewal vehicle registration until the DOL receives verification or proof that the vehicle owner has liability insurance or shows other financial responsibility requirements have been met.
- Modifies the traffic infraction Failure to Provide Proof of Motor Vehicle Insurance to be a secondary infraction that may only be issued when a driver of a motor vehicle has been detained for a suspected violation of a separate traffic infraction.
- Requires the DOL to report to the appropriate committees of the Legislature by October 21, 2027, on the costs related to the online verification system incurred by the DOL, participating insurers, and the public, and on the effectiveness of the online verification system in reducing the number of uninsured motor vehicles.

Hearing Date: 3/13/23

Staff: Jennifer Harris (786-7143).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Vehicle Insurance Requirements.

No person may operate a motor vehicle required to be registered in the state unless the person is insured under a motor vehicle liability policy, self-insured, covered by a certificate of deposit, or covered by a liability bond. A motor vehicle liability policy or bond must be issued by an insurance or surety company authorized to do business in the state and must provide a minimum coverage level of \$25,000 for bodily injury or death of a single person in any one accident, \$50,000 for bodily injury or death of two or more people in any one accident, and \$10,000 for injury to or destruction of property of others in any one accident.

To be self-insured, a person must have more than 25 vehicles registered in that person's name and the Department of Licensing (DOL) must find that the person possesses the ability to pay a judgment obtained against him or her. The DOL will issue a certificate of deposit to the person named in it once that person has deposited \$60,000 in cash or securities.

Failure to Provide Proof of Motor Vehicle Insurance.

Proof of insurance or the equivalent for motor vehicle operation must be provided at the request of a law enforcement officer. When asked to do so by a law enforcement officer, failure to display this proof is a traffic infraction and is subject to a fine of \$250 (\$559, inclusive of additional fees and assessments). If a person is cited for this violation, and later provides written evidence in person or by mail that, at the time the person was cited, he or she was in compliance with this requirement, the infraction will be dismissed and the court may assess administrative costs of \$25 at the time of dismissal.

Driver Licensing Technology Support Account.

Traffic infraction fines include a \$4 assessment deposited in the Driver Licensing Technology Support Account, funds from which must be used to support information technology systems used by the DOL to communicate with the Judicial Information System, manage driving records, and implement court orders.

Summary of Bill:

Insurance Verification System.

The DOL is required to establish an accessible system for online verification (online verification system) of liability insurance or other financial responsibility. The verification must be accessible upon request only to authorized DOL staff or other entities authorized by the DOL, courts, law enforcement, vehicle dealers, and insurers. The online verification system is required to send requests to insurers for verification of liability insurance or other financial responsibility, and must include information that enables the DOL to make requests for proof of financial responsibility to insurers.

The DOL must have its online verification system respond to requests within a time period established by the DOL by rule. Similarly, an insurer's data system must respond to each request

within a time period established by the DOL by rule. The DOL may contract with one or more private service providers to assist in establishing and maintaining the online verification system, and must consult with representatives of the insurance industry and private service providers to determine the objectives, details, and deadlines of the online verification system.

Every insurer licensed to issue motor vehicle liability insurance in the state must comply with liability insurance or other financial responsibility verification requirements, except that the DOL may offer insurers who write fewer policies than the industry average in the state a method for reporting insurance policy data other than through the use of web-based services.

These requirements do not apply to a vehicle insured under a commercial motor vehicle liability insurance policy. However, insurers of these vehicles may participate on a voluntary basis.

By January 1, 2025, the DOL must adopt rules necessary to implement the online verification system. The DOL must consider guidelines and standards for online verification systems developed by the Insurance Industry Committee on Motor Vehicle Administration, as well as equity and environmental justice principles and impacts on overburdened communities.

Within the first 12 months after the effective date of these requirements, the DOL may test or pilot the online verification system without taking enforcement action. The online verification system must be installed and fully operational by January 1, 2026.

Vehicle Registration and Insurance Verification.

Beginning January 1, 2026, the DOL may verify if a vehicle owner has liability insurance or if other financial responsibility requirements have been met at the time of original motor vehicle registration or registration renewal either through:

- the online verification system;
- an in-person presentation of the vehicle owner's insurance identification card or other proof of financial responsibility; or
- the physical or electronic receipt of a copy of proof of financial responsibility accompanying a vehicle registration renewal.

The DOL may not issue an original or renewal vehicle registration until the DOL receives verification or proof that the vehicle owner has liability insurance or that other financial responsibility requirements have been met.

The DOL must adopt rules to implement this requirement, and must consider equity and environmental justice principles and impacts to overburdened communities when it does.

Failure to Provide Proof of Motor Vehicle Insurance.

Failure to Provide Proof of Motor Vehicle Insurance is a secondary infraction that may only be issued when a driver of a motor vehicle has been detained for a suspected violation of a separate traffic infraction.

Driver Licensing Technology Support Account.

The \$4 assessment added to traffic infraction fines that currently is deposited in the Driver Licensing Technology Support Account may also be used to support costs of the online verification system.

Report to the Legislature.

By October 21, 2027, after consulting with insurers, the DOL must report to the appropriate committees of the Legislature on:

1. costs incurred related to the online verification system by the DOL, participating insurers, and the public; and
2. the effectiveness of the online verification system in reducing the number of uninsured motor vehicles.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 12, 2023.

Effective Date: The bill contains multiple effective dates. Please see the bill.