

SENATE BILL REPORT

ESSB 5326

As Passed Senate, March 1, 2023

Title: An act relating to verification of motor vehicle insurance.

Brief Description: Concerning verification of motor vehicle insurance.

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

Brief History:

Committee Activity: Transportation: 1/23/23, 2/09/23 [DPS, w/oRec].

Floor Activity: Passed Senate: 3/1/23, 37-11.

Brief Summary of Engrossed First Substitute Bill

- Requires the Department of Licensing (DOL) to establish an accessible online verification of motor vehicle insurance system, and requires all motor vehicle liability insurers to provide policy information to the system.
- Prohibits DOL from issuing an original or renewed vehicle registration until proof of liability insurance or other financial responsibility is confirmed through the online verification system or provided in person or by mail.
- Requires DOL to test or pilot the verification system without any enforcement action for twelve months before full statewide implementation.
- Clarifies that failing to provide proof of motor vehicle insurance to law enforcement is a secondary infraction.

SENATE COMMITTEE ON TRANSPORTATION

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.

Majority Report: That Substitute Senate Bill No. 5326 be substituted therefor, and the substitute bill do pass.

Signed by Senators Lias, Chair; Lovick, Vice Chair; Shewmake, Vice Chair; King, Ranking Member; Holy, Assistant Ranking Member; Cleveland, Fortunato, Hawkins, Nobles, Padden, Randall, Valdez, Wilson, C. and Wilson, J..

Minority Report: That it be referred without recommendation.

Signed by Senators Kauffman, Lovelett and MacEwen.

Staff: Brandon Popovac (786-7465)

Background: Proof of Financial Responsibility. 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. The policy or bond 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. In lieu of the liability insurance or bond, a person may be self-insured or be covered by a certificate of deposit. 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 them. To be covered by a certificate of deposit, DOL will issue a certificate of deposit to the person named once that person has deposited \$60,000 in cash or securities that may legally be purchased by savings banks or for trust funds for a market value of \$60,000.

Proof of liability insurance or the equivalent for motor vehicle operation must be provided at the request of a law enforcement officer. Failure to provide such proof upon request is a traffic infraction and subject to a base penalty of \$250 with any additional fees or community restitution.

DOL must notify motor vehicle owners of liability insurance and proof of financial responsibility requirements at the time of issuance of original motor vehicle registration and registration renewal.

Driver Licensing Technology Support Account. The Driver Licensing Technology Support Account is an appropriated account created in the Highway Safety Fund. Four dollars of a \$24 additional penalty on certain traffic infractions are deposited into the account. Account expenditures may be used only for supporting information technology systems used by DOL to communicate with the judicial information system, manage driving records, and implement court orders.

Summary of Engrossed First Substitute Bill: DOL must establish an accessible common-carrier based system for online verification (verification system) of motor vehicle liability insurance or other financial responsibility. The verification system must:

- be accessible, upon request, to authorized DOL personnel, the courts, law enforcement, licensed vehicle dealers, and insurers for compliance purposes;
- be interfaced with existing state data systems where appropriate;
- send requests to insurers for verification of motor vehicle liability insurance through insurer web services, the Internet, or a similar electronic system as required in rule; and
- include information enabling DOL to make requests for proof of financial responsibility to insurers through use of multiple data elements for greater matching accuracy, including the National Association of Insurance Commissioners codes, vehicle identification number, policy number, or as described in rule.

DOL must secure verification system data against unauthorized access and maintain historical records of system data between 6 to 12 months from the date of a request and response. The verification system and an insurer's data system must respond to each request within a time period as established in rule. DOL may offer insurers who write fewer policies another method for reporting insurance policy data.

DOL may contract with a private service provider who has successfully implemented similar verification systems in other states to help establish and maintain the verification system. DOL must consult with insurance industry representatives and private service providers to determine the objectives, details, and deadlines related to the verification system. DOL must also publish for comment, then issue, a detailed guide of its verification system. DOL and its private service provider, if any, must each maintain a contact person for insurers during the establishment, implementation, and operation of the verification system.

All motor vehicle liability insurers must provide policy information to the verification system as required in rule, except for commercial motor vehicle liability insurers who may voluntarily participate in the verification system. If participating, insurers must provide commercial motor vehicle operators with the means to show the vehicle is insured under a commercial motor vehicle liability insurance policy, like an insurance identification card. All insurers required to participate must maintain a historical record of verification system data for no more than six months from the date of a request and response. Such insurers may use a third-party vendor and are immune from civil and administrative liability, to comply with verification system requirements.

DOL may test or pilot the verification system within the first 12 months of the effective date of the act without taking any enforcement action or imposing penalties. By January 1, 2026, the verification system must be installed and fully operational. By January 1, 2025, DOL must adopt rules necessary to implement the verification system and consider:

- guidelines and standards developed by the insurance industry committee on motor

- vehicle administration; and
- equity and environmental justice principles and impacts to overburdened communities.

Beginning January 1, 2026, DOL is no longer required to notify motor vehicle owners of motor vehicle liability insurance requirements at the time of issuance of an original or renewed vehicle registration, but may verify if a vehicle owner has such liability insurance or proof of other financial responsibility at the time of original motor vehicle registration or registration renewal for vehicles subject to proof of financial responsibility requirements through any of the following methods:

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

If the verification system provides that a vehicle owner does not have liability insurance or other financial responsibility, or the vehicle owner fails to provide such proof of financial responsibility, DOL may not issue an original or renewed vehicle registration until it receives verification or proof of financial responsibility. DOL must adopt rules necessary to implement these proof of financial responsibility requirements, and consider equity and environmental justice principles and impacts to overburdened communities.

Authorized expenditures from the driver licensing technology account are expanded to include support for initial and ongoing costs of the verification system.

By October 1, 2027, DOL, after consultation with insurers, must report to the Legislature on verification system costs incurred by DOL, by participating insurers, and by the public, and the effectiveness of the verification system in reducing the number of uninsured motor vehicles.

Failing to provide proof of motor vehicle insurance upon request of a law enforcement officer is clarified as a secondary infraction and may only be accomplished when the driver has been detained for a suspected violation or a separate traffic infraction or equivalent local ordinance.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The bill would reduce the number of uninsured motorists on the road. Uninsured motorists wreak havoc on other insured drivers. The bill is a compilation of insurance industry model legislation. One in every five motorists are driving without insurance. Washington State is fifth worst in the nation in the number of uninsured drivers. Rates of claims involving uninsured motorists have risen in the last few years. It is a high cost for drivers to add uninsured motorist coverage on liability insurance. Nineteen states use an electronic verification system for auto insurance, and states with verification systems show a decrease in uninsured motorist coverage. There is no current authority for DOL to verify insurance coverage.

OTHER: The bill has implementation issues. The \$250 penalty imposed is concerning and would undertake a huge collection effort. Auto insurance is not required if car becomes broken down after registration, and this proposal does not consider such circumstances. There are data quality concerns from the court system providing information to agencies. Additional time is needed for DOL to implement the system. County auditors and subagents are partially responsible for vehicle registration, and there are potential online access issues if customers walk in instead of register online.

Persons Testifying: PRO: Senator John Lovick, Prime Sponsor; Jean Leonard, State Farm Insurance, Nationwide Insurance and WA Insurers; KENTON BRINE, Northwest Insurance Council; Paul Tetrault, APCIA.

OTHER: Beau Perschbacher, WA Dept. of Licensing; Thad Duvall, Washington State Association of County Auditors.

Persons Signed In To Testify But Not Testifying: No one.