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**Business & Financial Services Committee**

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**HB 2445**

**Brief Description:** Regulating mileage-based insurance.

**Sponsors:** Representatives Ryu, Kirby, Upthegrove, Fitzgibbon, Hansen, Roberts, Billig, Stanford, Ormsby and Moscoso.

**Brief Summary of Bill**

- Defines "mileage-based insurance."
- Requires the Insurance Commissioner to adopt rules regarding mileage-based insurance in a number of areas.

**Hearing Date:** 1/20/12

**Staff:** Jon Hedegard (786-7127).

**Background:**

Every person in this state who operates a private passenger motor vehicle must be insured under an insurance liability policy, a liability bond, a certificate of deposit, or be self-insured. There are minimum amounts of liability coverage required by the financial responsibility statutes.

The Insurance Commissioner (Commissioner) oversees the business of insurance in this state. This includes the regulation of insurance rates and policies. Automobile insurance rates and forms are filed with the Commissioner and must be approved by the Commissioner prior to use by an insurer. If the Commissioner determines that filed rates are not excessive, inadequate, or unfairly discriminatory, then the Commissioner must approve them.

Automobile rates may be adjusted for any factor that is not prohibited by law. Rates are often adjusted according to factors including the driver's age, sex, marital status, miles driven, claims history, geographical area, credit history, and the make, model, and year of a vehicle. The Insurance Code requires that certain safety features and anti-theft devices must receive due

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consideration in a rate filing by an insurer. A senior who takes a motor vehicle accident prevention course must receive a premium reduction in a rate filing by an insurer.

An insurance policy must specify:

- the names of the parties to the contract.
- the subject of the insurance;
- the risk insured against;
- when the insurance takes effect and ends; and
- a statement of the premium and the premium rate where applicable.

A private passenger automobile insurance policy may not be cancelled or non-renewed unless there is proper notice to the insured. Notice must be provided that meets minimum statutory time-lines.

The Insurance Code has provisions exempting certain information, including information filed in support of rate filings from public inspection. Other provisions of the Insurance Code provide an exception to the exemption from public inspection for supporting information for automobile insurance rate filings. The supporting information is available for public inspection after a rate is approved and the filing becomes effective.

One area where the information does not become public is when an "insurance score" or "credit score" model is used. A model that utilizes credit history as a rating factor must be filed for approval of the Commissioner but, by law, is not subject to public disclosure. There are specific disclosure requirements for actions taken by an insurer based on credit history.

"Mileage-based insurance" is not defined in the Insurance Code. The phrase is sometimes used to describe a policy where the insurance is sold as a block of miles driven rather than for a period of time. For example, a driver might purchase 5000 miles of insurance instead of six months of insurance.

### **Summary of Bill:**

"Mileage-based insurance" is defined as private passenger automobile insurance that:

- has rates expected to be on average at least 70 percent variable according to actual miles driven and not on estimated miles driven; and
- is available in mileage bands of not more than 1,000 miles each; and
- discloses the variable portion of the premium in a conspicuous manner.

An insurer authorized to sell automobile insurance may offer mileage-based insurance.

### Standard for Policies.

Within 18 months after adoption of the bill the Commissioner must adopt rules establishing standards for mileage-based insurance offerings. The rules must include measures to protect the privacy of drivers including, at a minimum:

- prohibiting the collection of location information without disclosure to the insured and the insured's consent;
- ensuring that individually identifiable usage information is used or retained only for purposes of determining premiums or as required by law; and

- ensuring that individually identifiable usage information is not disclosed to any third party without consent of the insured.

In the case of mileage-based insurance, a policy must specify the distance for which the policy provides coverage. The premium may also be stated as a rate per increment of mileage.

The time frames regarding cancellations and renewals of private passenger automobile insurance do not apply to mileage-based insurance policies that provide coverage only based on distance and not based on time. The Commissioner must adopt rules that apply to cancellations and renewals of mileage-based insurance policies.

Confidentiality of Rate Information.

In a filing of mileage-based insurance, information about the variable portion of the rate based on mileage driven is confidential and is exempt from public inspection.

Consumer Information.

By July 31, 2013, and every two years after 2013, the Commissioner must provide information to the public regarding available options that enable consumers to save money on insurance premiums by driving fewer miles each year.

Recommendations of the Commissioner.

By July 1, 2018 the Commissioner shall evaluate the impact of usage and/or mileage-based policies upon consumer privacy and shall issue recommendations for additional measures to protect the privacy of insured drivers if the commissioner determines additional measures are needed to protect consumer privacy.

**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 2012.

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