
SENATE BILL 5159

State of Washington

52nd Legislature

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By Senators Moore, Vognild, Rinehart, Wojahn, Rasmussen and Bauer

Read first time 01/22/91. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to motor vehicle insurance; adding a new chapter to
2 Title 46 RCW; and making an appropriation.

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

4 NEW SECTION. **Sec. 1.** INTENT. The legislature finds that greater
5 cost savings can be realized by the automobile insurance purchasers of
6 the state of Washington through the establishment of a universal auto
7 insurance program. By creation of the Washington automobile insurance
8 corporation the legislature intends that all registered vehicles not
9 specifically exempted be required to carry automobile liability
10 insurance provided through the Washington automobile insurance
11 corporation. It is also the intent of the legislature that insurance
12 issued by the corporation be provided without consideration of age,
13 marital status, or sex, which have commonly been the basis for
14 establishing rates for automobile insurance.

1 NEW SECTION. **Sec. 2.** DEFINITIONS. As used in this chapter, the
2 following terms have the meanings indicated unless the context clearly
3 requires otherwise.

4 (1) "Adjuster" has the meaning given in RCW 48.17.050.

5 (2) "Additional premium" means an additional premium charged
6 against an insured under section 21 of this act.

7 (3) "Agent" has the meaning given in RCW 48.17.010.

8 (4) "Applicant" means a person who applies for insurance.

9 (5) "Automobile" means a motor vehicle as defined in this chapter.

10 (6) "Automobile insurance" means any policy or contract providing
11 protection against loss from the liability imposed by law arising out
12 of the ownership, maintenance, or use of a motor vehicle or vehicles
13 within the United States or Canada.

14 (7) "Basic premium" means that portion of the premium that is based
15 on criteria or classifications established under the rules, but does
16 not include an additional premium.

17 (8) "Benefits" means benefits prescribed in the rules.

18 (9) "Board" means the board of directors of the corporation.

19 (10) "Certificate" means a certificate of automobile insurance
20 issued under this chapter.

21 (11) "Contract" means a contract of insurance and includes a
22 policy, certificate, interim receipt, renewal receipt, or writing
23 evidencing the contract, whether sealed or not, and also includes a
24 binding oral agreement.

25 (12) "Contract of insurance" means insurance provided by the
26 insurance corporation of Washington and evidenced by a certificate.

27 (13) "Commissioner" means the insurance commissioner.

28 (14) "Corporation" means the Washington automobile insurance
29 corporation.

1 (15) "Coverage" means the right conferred on a person by this
2 chapter or rules to be indemnified against liability for, or
3 compensated for, death, injury, loss, or damages.

4 (16) "Director" means the director of licensing.

5 (17) "Driver's certificate" means a certificate issued under this
6 chapter to a person who may obtain a driver's license under Title 46
7 RCW, and such certificate may be part of the driver's license or a
8 separate document.

9 (18) "Extension insurance" means automobile insurance that may be
10 made available by the corporation under the rules that is in excess of
11 the limits, or reduces the deductible amount or otherwise supplements
12 one or more of the coverages, in a universal compulsory automobile
13 insurance plan prescribed by the rules.

14 (19) "Insured" means an insured as defined in the rules.

15 (20) "License," when referring to a driver or operator of a motor
16 vehicle, means a license or permit issued under Title 46 RCW
17 authorizing the holder of a license of a designated class to drive or
18 operate a motor vehicle of the category designated for that class, and
19 includes a learner's license; and, when referring to a motor vehicle or
20 trailer, means a license or permit issued in respect to a motor vehicle
21 or trailer under Title 46 RCW or a license or permit for a motor
22 vehicle issued under any other law.

23 (21) "Motor vehicle" means every device capable of being moved upon
24 a public highway and in, upon, or by which any person or property is or
25 may be transported or drawn upon a public highway, except for devices
26 moved by human or animal power or used exclusively upon stationary
27 rails or tracks.

28 (22) "Motor vehicle liability policy" means a certificate issued
29 under this chapter evidencing a contract of automobile insurance in the

1 form, and providing insurance against perils and for amounts, that are
2 prescribed.

3 (23) "Owner" means the person in whose name a motor vehicle or
4 trailer is registered and licensed under Title 46 RCW.

5 (24) "Owner's certificate" means a certificate issued under this
6 chapter to an owner.

7 (25) "Plan" means a plan of universal compulsory automobile
8 insurance established by the corporation under this chapter, and
9 includes extension insurance.

10 (26) "Point penalties" means point penalties that may be recorded
11 against the driving record of a driver under either Title 46 RCW or
12 this chapter.

13 (27) "Policy" means the document evidencing a contract and includes
14 a certificate of membership relating in any way to insurance.

15 (28) "Premium" means money paid or to be paid by an insured or by
16 an applicant for insurance to the corporation for the issue to him or
17 her of a certificate of insurance under a plan or for extension
18 insurance.

19 (29) "President" means the president of the corporation.

20 (30) "Registration and license" means a registration, license, or
21 permit issued under Title 46 RCW in respect to a motor vehicle or
22 trailer registered and licensed under and in accordance with this
23 chapter.

24 (31) "Trailer" means a trailer as defined in RCW 46.04.620.

25 (32) "Universal compulsory automobile insurance" means universal
26 compulsory automobile insurance as defined by the rules.

27 The director may by rule include any kind or class of vehicle, as
28 defined in Title 46 RCW, within the definition of motor vehicle, and
29 thereby subject it to this chapter.

1 NEW SECTION. **Sec. 3.** CORPORATION CREATED. A public nonprofit
2 corporation to be known as the Washington automobile insurance
3 corporation is created. The public corporation is an instrumentality
4 of the state and has all the powers and is subject to the same
5 restrictions that are permitted or ascribed to private nonprofit
6 corporations but shall exercise those powers only for carrying out the
7 purpose of this chapter and those purposes necessarily implied from
8 this chapter.

9 NEW SECTION. **Sec. 4.** BOARD OF DIRECTORS. The governor shall
10 appoint a board of eight directors for the corporation who shall serve
11 terms of six years, except that two of the original directors shall
12 serve for two years, and two of the original directors shall serve for
13 four years. Additional members of the board of directors shall include
14 the chairman of the state investment board as well as two nonvoting
15 members to include the insurance commissioner and the president of the
16 Washington automobile insurance corporation. The members of the board
17 of directors appointed by the governor shall be individuals that
18 possess adequate knowledge of business so as to make them appropriate
19 board members as for any insurance corporation and must be so possessed
20 of such knowledge, experience, and integrity to insure the respect of
21 the people and the business and financial community of the state of
22 Washington. The board shall designate one director as chairman. Board
23 members, other than the president, may be paid and accept as
24 remuneration for the directors' services, the daily or periodic amounts
25 fixed by the board's bylaws and shall be reimbursed for travel expenses
26 as provided in RCW 43.03.050 and 43.03.060. A majority of the voting
27 members constitutes a quorum of the board of directors.

1 NEW SECTION. **Sec. 5.** PRESIDENT AND STAFF. (1) The board shall
2 appoint a president to hold office at its pleasure and shall fix the
3 salary of the president.

4 (2) The board shall define the duties of the president.

5 (3) The board or, if authorized by the board, the president, may
6 appoint such officers and employees as are necessary to carry on the
7 corporation's business and determine their duties and remuneration and
8 may provide a system of organization to fix responsibility and promote
9 efficiency.

10 (4) Chapter 41.06 RCW does not apply to the officers and employees
11 of the corporation. The governor may, by order, direct that the public
12 employees retirement system applies to the officers and employees.

13 (5) The corporation may, alone or in cooperation with other
14 corporations, commissions, or other agents of the state, establish,
15 support, or participate in one or more pension or group insurance plans
16 for the benefit of its officers and employees and their dependents.
17 The establishment or support of, or participation in, a pension plan
18 under this subsection shall not be the subject of a collective
19 bargaining agreement between the corporation and its employees.

20 (6) The corporation may require a bond from the officers and
21 employees it may designate.

22 NEW SECTION. **Sec. 6.** HEAD OFFICE. The corporation's head office
23 shall be in Olympia, Washington. The corporation may establish branch
24 offices at places designated by the board.

25 NEW SECTION. **Sec. 7.** CORPORATION TO ENGAGE IN AUTOMOBILE
26 INSURANCE. The corporation shall engage in automobile insurance in all
27 its classes and operate a plan of universal compulsory automobile

1 insurance set out in this chapter and, in addition, shall provide any
2 plan of extension insurance prescribed by rule.

3 NEW SECTION. **Sec. 8.** POWERS AND DUTIES. The corporation has the
4 following powers and duties:

5 (1) Engage in and carry on, inside and outside the state, the
6 business of automobile insurance and reinsurance in all its classes;

7 (2) Operate and administer plans of automobile insurance authorized
8 under any other law;

9 (3) Engage in and carry on the business of repairing insured
10 property and of salvaging and disposing by public or private sale
11 property insured and acquired under a contract by which the corporation
12 may be liable as an insurer, or make agreements with other persons for
13 those purposes;

14 (4) For its own use and benefit, acquire or expropriate, and hold
15 or take options on land required for its business, conveyed, mortgaged,
16 or hypothecated to it by way of security, acquired as an investment, or
17 conveyed to it in satisfaction in whole or in part for debts and
18 judgments, and may dispose of the whole or part of the land; and

19 (5) Acquire some or all of the shares or business and property of
20 an automobile insurer, agent, adjuster, or motor vehicle repairperson,
21 or make an agreement to carry on jointly a class of automobile
22 insurance with another insurer, within or without the state, and Title
23 48 RCW does not apply to the agreement.

24 NEW SECTION. **Sec. 9.** ADDITIONAL POWERS. The corporation may do
25 all acts and things necessary for the purpose of carrying out its
26 powers and duties, including but not limited to:

1 (1) Conducting surveys and research programs and obtaining
2 statistics for its purposes and to establish and administer any
3 automobile insurance plan;

4 (2) Entering into an agreement with or retaining agents or
5 adjusters to solicit and receive applications for automobile insurance,
6 to collect premiums, adjust claims, and do other things on its behalf
7 it considers necessary;

8 (3) Prescribing forms for application, contracts, policies, and
9 other matters it considers necessary;

10 (4) Evaluating damages and losses and paying claims under a contract by
11 which the corporation may be liable as an insurer;

12 (5) Reinsuring the whole or part of a contract of another
13 automobile insurer, and reinsuring its risks under the whole or part of
14 a contract with another insurer, whether or not the other insurer is in
15 or out of the state, or is licensed under Title 48 RCW;

16 (6) Doing anything necessary to settle, adjust, investigate,
17 defend, and otherwise deal with claims made on contracts by which the
18 corporation may be liable as insurer or on a plan established under
19 section 8 of this act.

20 NEW SECTION. **Sec. 10.** CORPORATION TO MAINTAIN ACCOUNTS. The
21 corporation shall keep and maintain separate and distinct accounts in
22 which it shall record:

23 (1) All money paid to the corporation for premiums and all other
24 money, including investment income, paid to the corporation for the
25 purposes of this chapter; and

26 (2) All payments by the corporation of benefits, insurance money,
27 damages, compensation, costs, capital expenditures, and operating
28 expenses for the purposes of this chapter.

1 The accounts of the corporation are not subject to chapter 48.88
2 RCW. No appropriation is required for expenditures from the accounts
3 of the corporation. The earnings on any surplus balances in the
4 accounts of the corporation shall be credited to the corporation's
5 accounts notwithstanding RCW 43.84.090.

6 NEW SECTION. **Sec. 11.** MONEY IN SAFE KEEPING. The corporation's
7 uninvested money and securities held by it shall be kept for safe
8 keeping in financial institutions determined by the board.

9 NEW SECTION. **Sec. 12.** BORROWING POWER. (1) Subject to subsection
10 (2) of this section, the corporation, as agent of the state, may, for
11 its purposes, raise money by way of loan on the credit of the
12 corporation.

13 (2) Through the state treasurer as its agent for the purpose of
14 this section the corporation may:

15 (a) Issue notes, bonds, debentures or other securities of the
16 corporation;

17 (b) Dispose of the securities so issued at the prices considered
18 advisable;

19 (c) Mortgage or pledge its property; and

20 (d) Raise money by way of loan on the securities.

21 NEW SECTION. **Sec. 13.** DIRECTORS TO ACCOUNT FOR INCOME AND
22 EXPENDITURES. Where income, including investment income, is received
23 by the corporation or an expenditure is made by the corporation partly
24 for the purpose of this chapter and partly for another business or
25 purpose of the corporation, the directors shall apportion and account
26 for that income and expenditure accordingly.

1 NEW SECTION. **Sec. 14.** SURPLUS. Any surplus generated by the
2 operation of the corporation shall be applied so as to limit
3 fluctuations in automobile insurance premiums charged by the
4 corporation with the primary goal of keeping the cost of the insurance
5 products provided by the corporation as low as is fiscally advisable.

6 NEW SECTION. **Sec. 15.** PLAN. (1) Pursuant to section 7 of this
7 act and compliance with this chapter, the corporation shall administer
8 a plan of universal compulsory automobile insurance providing coverage
9 under a motor vehicle liability policy of at least the amount
10 prescribed by the rules under this chapter, to all persons:

11 (a) Whether named in a certificate or not, to whom, or in respect
12 of whom, or to whose dependents, benefits are payable if bodily injury
13 is sustained or death results;

14 (b) Whether named in a certificate or not, to whom or on whose
15 behalf insurance money is payable, if bodily injury to, or death of
16 another or others, or damage to property, for which he or she is
17 legally liable, results; or

18 (c) To whom insurance money is payable, if loss or damage to a
19 motor vehicle results;

20 from one of the perils mentioned in the rules caused by a motor
21 vehicle or trailer or their use or operation, or any other risk arising
22 out of their use or operation.

23 (2) The corporation shall not make a contract for extension
24 insurance unless the insured:

25 (a) Is, or is entitled to be, insured under a certificate of
26 universal compulsory automobile insurance;

27 (b) Is a resident of the state, or, if a corporation, is
28 incorporated or registered to do business in this state; and

29 (c) Pays the prescribed premium.

1 (3) A contract providing for extension insurance shall provide
2 insurance in excess of the limits of a plan of universal compulsory
3 automobile insurance, or otherwise supplement the coverage in the plan,
4 and the provisions of this chapter respecting universal compulsory
5 automobile insurance apply to extension insurance.

6 (4) A plan issued under this chapter shall not be canceled before
7 the anniversary date of the policy other than for nonpayment of
8 premium. Nothing in this section prohibits the corporation from
9 receiving an additional premium as provided by the rules adopted under
10 this chapter.

11 NEW SECTION. **Sec. 16.** APPLICATION OF OTHER STATUTES. The
12 activities and operation of the insurance corporation are exempt from
13 the provisions and requirements of Title 48 RCW except for: (1) Chapter
14 48.03 RCW pertaining to examinations; (2) RCW 48.05.250 pertaining to
15 annual reports; and (3) chapter 48.13 RCW pertaining to investments.

16 NEW SECTION. **Sec. 17.** COMBINED FORMS AND INFORMATION. (1) The
17 corporation may require an applicant for insurance or an insured person
18 to furnish prescribed information, statements, and reports relating to,
19 or affecting, the operation of a plan.

20 (2) The corporation may require an insured to furnish prescribed
21 notices, proofs of claim, proofs of loss, reports, and statements and
22 to comply with any other prescribed methods of making and proving
23 claims.

24 NEW SECTION. **Sec. 18.** APPOINTMENT OF AGENTS. (1) The corporation
25 may in writing appoint agents it considers necessary.

1 (2) The corporation shall not appoint an agent unless he or she
2 holds or has applied for a license under Title 48 RCW as an insurance
3 agent for the place specified in the appointment.

4 (3) No agent's appointment may be terminated without just cause.

5 (4) The corporation, after consultation with an agent, may fix
6 annually the commission and other remuneration to be paid to the agent.

7 (5) For the purpose of licensing agents appointed under this
8 section, the corporation is deemed to be licensed as an insurer under
9 Title 48 RCW.

10 NEW SECTION. **Sec. 19.** APPLICATION FOR INSURANCE. (1) At the time
11 of or prior to applying for any class or kind of license or permit for
12 a motor vehicle or trailer or their use or operation under Title 46 RCW
13 or transfer of ownership under chapter 46.12 RCW, the applicant shall
14 apply for the corresponding owner's certificate or driver's
15 certificate, and, at the same time, shall pay to the person receiving
16 the application the basic premium for that class of certificate and any
17 additional premium that, having been assessed against the applicant, is
18 due and owing.

19 (2) The application for a certificate under subsection (1) of this
20 section may be made:

21 (a) To a person appointed as agent of the corporation under this
22 chapter; or

23 (b) At the head office or a branch office of the corporation.

24 NEW SECTION. **Sec. 20.** CLASSIFICATION OF MOTOR VEHICLES AND BASIC
25 PREMIUM. (1) The corporation shall, by rule, establish classes and
26 subclasses of motor vehicles, trailers, and drivers of motor vehicles.

1 (2) The basic premium payable for an owner's certificate shall be
2 that fixed for the class or subclass of motor vehicle or trailer to
3 which that owner's certificate is appropriate.

4 (3) The basic premium payable for a driver's certificate shall be
5 that fixed for the class or subclass of driver to which that driver's
6 certificate is appropriate.

7 (4) Basic premiums for universal compulsory automobile insurance
8 shall be fixed by rule of the corporation before the commencement of
9 the period for which they are effective.

10 (5) The basic premium payable for universal compulsory automobile
11 insurance shall not include any consideration of age, sex, or marital
12 status.

13 (6) Basic premiums for extension insurance shall be fixed by the
14 corporation before the commencement of the period for which they are
15 effective, and for this purpose the corporation may establish classes
16 and subclasses of motor vehicles, trailers, and drivers of motor
17 vehicles.

18 NEW SECTION. **Sec. 21.** ADDITIONAL PREMIUMS. The corporation may
19 adopt rules respecting additional premiums to be paid by owners or
20 drivers based on any one or more of the following:

21 (1) The accident record of the owner or driver;

22 (2) The degree of fault of the owner or driver in respect to an
23 accident;

24 (3) The type or class of vehicle to be operated, the use to which
25 it will be put, or any other basis prescribed in the rules, but no
26 additional premium may be based upon the age, marital status, or sex of
27 the owner or driver.

1 NEW SECTION. **Sec. 22.** INSURANCE CONDITION PRECEDENT TO

2 LICENSE. (1) Except for a motor vehicle or trailer exempted by the
3 rules, no permit of any kind and no license, license plate, or decal
4 for a motor vehicle or trailer or for their use or operation may be
5 granted, issued, or renewed under Title 46 RCW, unless at or before the
6 time of application the applicant has applied to the corporation or its
7 agent for and is entitled to an owner's certificate under this chapter
8 in respect to the motor vehicle or trailer for the term of the permit
9 or license, or part of that term as may be prescribed, and the
10 applicant has paid:

11 (a) The premium prescribed for that owner's certificate; and

12 (b) Any additional premium assessed by the corporation.

13 (2) No driver's license, permit, or other authority to drive or
14 operate a motor vehicle may be issued or renewed under Title 46 RCW,
15 unless:

16 (a) At or before the time of application the applicant has applied
17 to the corporation or its agent for and is entitled to a driver's
18 certificate under this chapter for the term of that license or permit
19 or part of that term as may be prescribed; and

20 (b) The applicant has paid the premium prescribed for that driver's
21 certificate and any additional premium assessed by the corporation.

22 (3) Where the director receives an application for transfer of
23 ownership of a motor vehicle or trailer under chapter 46.12 RCW, the
24 director shall refuse registration unless:

25 (a) The transferee has paid the corporation the premium or fee the
26 rules prescribe for the transfer; and

27 (b) The transferee has paid the corporation all money due under
28 this chapter for every motor vehicle and trailer owned by him or her
29 and every owner's certificate issued to him or her under this chapter.

1 NEW SECTION. **Sec. 23.** NOTIFICATION. (1) The director shall
2 notify the corporation of every violation report or conviction under
3 any law regulating vehicular traffic, or in respect to the use or
4 operation of a motor vehicle by a driver of a motor vehicle who is a
5 resident of the state.

6 (2) The director shall notify the corporation of every suspension
7 or cancellation of a license or permit for a motor vehicle or trailer,
8 or of a license or permit to drive.

9 (3) The corporation may notify the director of the default of a
10 person in paying a premium or an additional premium due to the
11 corporation for a certificate of insurance, or of suspension or
12 cancellation of a certificate.

13 NEW SECTION. **Sec. 24.** EXEMPTION OF GOVERNMENT MOTOR
14 VEHICLES. (1) This chapter does not apply to motor vehicles owned or
15 operated by the United States or the government of another state or
16 territory, but applies to motor vehicles owned and operated by the
17 government of Washington and their drivers.

18 (2) Notwithstanding subsection (1) of this section, the corporation
19 may negotiate and conclude an agreement with a government excluded
20 under that subsection to bring any or all motor vehicles belonging to
21 or operated by that government in the state within the operation of
22 this chapter.

23 NEW SECTION. **Sec. 25.** RULES. The corporation may adopt rules to
24 carry out the purposes of this chapter.

25 NEW SECTION. **Sec. 26.** MONEY OF CORPORATION. Money required by
26 law to be paid to the corporation, premiums and other consideration
27 payable for insurance provided by the corporation, and any other money

1 that may be due and payable to the corporation shall be paid to the
2 corporation, and may be retained by it to be used and dealt with only
3 to carry out the powers of the corporation.

4 NEW SECTION. **Sec. 27.** REPORTS. (1) The corporation shall
5 provide to the legislature annually by March 1st for the preceding
6 fiscal year:

7 (a) A report of the corporation on its operations; and

8 (b) A financial statement showing the corporation's operations, as
9 well as its assets and liabilities at the end of the year, in the form
10 that may be required by the state treasurer.

11 (2) The books and accounts of the corporation shall be audited at
12 least once in every year by the state auditor, or by an auditor
13 appointed by the governor, who shall report to the director on the
14 annual financial statement.

15 (3) The financial statement referred to in subsection (1) of this
16 section shall be prepared in accordance with generally accepted
17 accounting principles.

18 NEW SECTION. **Sec. 28.** INSPECTION BY STATE AUDITOR. (1) The
19 state auditor shall, as often as the auditor considers advisable,
20 inspect the records of the corporation to satisfy himself or herself
21 that revenues collected by the corporation on behalf of the state have
22 been accurately recorded and remitted promptly to the state treasurer.

23 (2) The state treasurer may at any time direct the state auditor to
24 examine and report to the office of the treasurer on the financial or
25 accounting operations of the corporation.

1 NEW SECTION. **Sec. 29.** ADDITIONAL REPORTS. The governor or the
2 legislature may, at any time, require additional reports from the
3 corporation as the governor or the legislature may consider necessary.

4 NEW SECTION. **Sec. 30.** AGREEMENTS. The corporation may enter into
5 agreements with the United States or another state on:

6 (1) Uniformity of contracts and statutory conditions;

7 (2) Deposit, security, and undertaking required to carry on
8 business in other states; or

9 (3) Any other matter for carrying on business, or settlement of
10 claims in other states.

11 NEW SECTION. **Sec. 31.** CORPORATION SELF-SUSTAINING. The
12 corporation created by this chapter must pay all claims and any other
13 debts, or obligations of any type out of the funds generated by the
14 premiums or investment income earned by the corporation, and the
15 general fund is not liable in any way for any of the debts or
16 obligations or other responsibilities of the corporation.

17 NEW SECTION. **Sec. 32.** LEGISLATIVE POWER. The legislature
18 reserves the right to amend or repeal all or any part of this chapter
19 at any time, and there is no vested right of any kind against such
20 amendment or repeal. All the rights, privileges, or immunities
21 conferred by this chapter or any acts done under it exists subject to
22 the power of the legislature to amend or repeal this chapter at any
23 time.

24 NEW SECTION. **Sec. 33.** SEVERABILITY. If any provision of this
25 act or its application to any person or circumstance is held invalid,

1 the remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 34.** CAPTIONS. As used in this chapter,
4 captions constitute no part of the law.

5 NEW SECTION. **Sec. 35.** The sum of three hundred million
6 dollars, or as much thereof as may be necessary, is appropriated for
7 the biennium ending June 30, 1992, from the general fund to the account
8 of the Washington auto insurance corporation for the purposes of this
9 act. Sums appropriated by this section shall be repaid by the
10 corporation no later than June 1, 2000, including interest at the
11 statutory rate.

12 NEW SECTION. **Sec. 36.** Sections 1 through 34 of this act shall
13 constitute a new chapter in Title 46 RCW.