

which are required by agencies under the control of the governor, to the end that while the independence of such elective offices and educational agencies except institutions of higher learning be assured, necessary measures of economy shall be shared by all agencies concerned with the functions of government.

Passed the Senate May 9, 1971.

Passed the House May 8, 1971.

Approved by the Governor May 21, 1971.

Filed in Office of Secretary of State May 21, 1971.

CHAPTER 264

[Engrossed Senate Bill No. 659]

PUBLIC EMPLOYEES AND OFFICIALS--
TAX DEFERRED ANNUITY BENEFITS

AN ACT Relating to tax deferred annuity benefits for public employees and officials; providing an effective date; and declaring an emergency.

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

NEW SECTION. Section 1. Any department, division, or separate agency of the state government, and any county, municipality or other political subdivision of the state acting through its principal supervising official or governing body is authorized to enter into an agreement with any life insurance company, bank trustee, or custodian authorized to do business in the state of Washington to provide deferred annuities in lieu of a portion of salary or wages for all officials and employees of said public entities deemed to be eligible by the agency of the United States government having jurisdiction of the matter under the provisions under 26 U.S.C., section 401 (a), as amended by Public Law 87-370, 75 Stat. 796 as now or hereafter amended. Such tax deferred annuity benefits shall be available to those employees who elect to participate in said agreement and who agree to take a reduction in salary in the equivalent amount of the contribution required to be made by the public entity for and on behalf of such employee. The funds derived from such reductions in salary shall be deposited and accounted for in an appropriately designated account maintained by the public employer of such employee and any official authorized to disburse such funds is empowered to remit these designated funds to the insurer, custodian or trustee in accordance with the salary reduction agreement between the public entity and the employee.

NEW SECTION. Sec. 2. This act is necessary for the immediate preservation of the public peace, health and safety, the support of

the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate April 9, 1971.

Passed the House May 9, 1971.

Approved by the Governor May 21, 1971.

Filed in Office of Secretary of State May 21, 1971.

CHAPTER 265

[Engrossed Senate Bill No. 18]

WASHINGTON INSURANCE GUARANTY ASSOCIATION ACT

AN ACT Relating to insurance; creating the Washington Insurance Guaranty Association; providing for a board of directors thereof; setting out certain powers, duties, and functions; providing for certain assessments and funds; providing for the termination of the association and for the disposition of funds thereupon; exempting the association from certain taxes; adding a new chapter to Title 48 RCW; providing penalties; and declaring an emergency.

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

NEW SECTION. Section 1. PURPOSE. The purpose of this chapter is to provide a mechanism for the payment of covered claims under certain insurance policies to avoid excessive delay in payment and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies, and to provide an association to assess the cost of such protection among insurers.

NEW SECTION. Sec. 2. SCOPE. This chapter shall apply to all kinds of direct insurance, except life, title, surety, disability, credit, mortgage guaranty, and ocean marine insurance.

NEW SECTION. Sec. 3. DEFINITIONS. As used in this chapter:

(1) "Account" means any one of the three accounts created in section 4 of this 1971 act.

(2) "Association" means the Washington Insurance Guaranty Association created in section 4 of this 1971 act.

(3) "Commissioner" means the insurance commissioner of this state.

(4) "Covered claim" means an unpaid claim, excluding one for unearned premiums, which arises out of and is within the coverage of an insurance policy to which this chapter applies issued by an insurer, if such insurer becomes an insolvent insurer after the first day of April, 1971 and (a) the claimant or insured is a resident of this state at the time of the insured event; or (b) the property from