government and its existing public institutions, and shall take effect March 1, 1976: PROVIDED, That nothing in this 1976 amendatory act shall be deemed to change the beginning or end of that fiscal period or school year that school districts are in upon the effective date of this 1976 amendatory act.

***Sec. 36. was vetoed, see message at end of chapter.**

NEW SECTION. Sec. 37. If any provision of this 1976 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Passed the Senate March 12, 1976.
Passed the House March 17, 1976.
Approved by the Governor March 24, 1976, with the exception of section 36 which is vetoed.
Filed in Office of Secretary of State March 24, 1976.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith without my approval as to one section Substitute Senate Bill No. 3127 entitled:

"AN ACT Relating to education; providing for school district budgets."

This bill establishes new budget procedures for school districts to be used starting with the 1978 fiscal year budget to be developed in 1977.

Section 36 declares an emergency and provides for the bill to go into effect on March 1, 1976. I am advised by the Superintendent of Public Instruction that, inasmuch as the present school district budget act in RCW 28A.65 has been repealed in section 34 of the bill, there will be a period of time when school districts will have no specific guidelines to follow in developing their budgets. In removing the emergency clause, it is hoped that the Superintendent of Public Instruction will be able, during the 90 day period before the bill goes into effect, to develop the necessary rules and regulations to implement this new act. Accordingly, I have determined to veto section 36.

With the exception of section 36, which I have vetoed for the reasons stated, the remainder of the bill is approved."

CHAPTER 119

[Substitute House Bill No. 1544]

INSURANCE

AN ACT Relating to insurance; amending section 1, chapter 166, Laws of 1963 as amended by section 1, chapter 132, Laws of 1974 ex. sess. and RCW 48.14.021; amending section .18.29, chapter 79, Laws of 1947 and RCW 48.18.290; amending section .30.14, chapter 79, Laws of 1947 and RCW 48.30.140; amending section .30.15, chapter 79, Laws of 1947 as amended by section 18, chapter 193, Laws of 1957 and RCW 48.30.150; amending section 8, chapter 259, Laws of 1971 ex. sess. and RCW 48.32A.080; amending section 8, chapter 190, Laws of 1969 ex. sess. and RCW 48.56-.080; adding a new section to chapter 48.30 RCW; repealing section 1, chapter 174, Laws of 1971 ex. sess. and RCW 48.30.280; and repealing section 2, chapter 174, Laws of 1971 ex. sess. and RCW 48.30.290.

Be it enacted by the Legislature of the State of Washington:

Section 1. Section 1, chapter 166, Laws of 1963 as amended by section 1, chapter 132, Laws of 1974 ex. sess. and RCW 48.14.021 are each amended to read as follows:

As to premiums received from policies or contracts issued in connection with a pension, annuity or profit-sharing plan exempt or qualified under sections 401,

403(b), 404, 408(b), or 501(a) of the United States internal revenue code, the rate of tax specified in RCW 48.14.020 shall be reduced twelve and one–half percent with respect to the tax payable in 1964, twenty–five percent with respect to the tax payable in 1965, thirty–seven and one–half percent with respect to the tax payable in 1966, fifty percent with respect to the tax payable in 1967, sixty–two and one–half percent with respect to the tax payable in 1968, seventy–five percent with respect to the tax payable in 1969, eighty–seven and one–half percent with respect to the tax payable in 1970, and one hundred percent with respect to the tax payable in 1971 and annually thereafter.

Sec. 2. Section .18.29, chapter 79, Laws of 1947 and RCW 48.18.290 are each amended to read as follows:

(1) Cancellation by the insurer of any policy which by its terms is cancellable at the option of the insurer, or of any binder based on such policy, may be effected as to any interest only upon compliance with either or both of the following:

(a) Written notice of such cancellation must be actually delivered or mailed to the insured or to his representative in charge of the subject of the insurance not less than ((~~five~~)) twenty days prior to the effective date of the cancellation((:)) except for cancellation of insurance policies for nonpayment of premiums, which notice shall be not less than ten days prior to such date;

(b) Like notice must also be so delivered or mailed to each mortgagee, pledgee, or other person shown by the policy to have an interest in any loss which may occur thereunder.

(2) The mailing of any such notice shall be effected by depositing it in a sealed envelope, directed to the addressee at his last address as known to the insurer or as shown by the insurer's records, with proper prepaid postage affixed, in a letter depository of the United States post office. The insurer shall retain in its records any such item so mailed, together with its envelope, which was returned by the post office upon failure to find, or deliver the mailing to, the addressee.

(3) The affidavit of the individual making or supervising such a mailing, shall constitute prima facie evidence of such facts of the mailing as are therein affirmed.

(4) The portion of any premium paid to the insurer on account of the policy, unearned because of the cancellation and in amount as computed on the pro rata basis, must be actually paid to the insured or other person entitled thereto as shown by the policy or by any endorsement thereon, or be mailed to the insured or such person as soon as practicable following such cancellation. Any such payment may be made by cash, or by check, bank draft, or money order.

(5) This section shall not apply to contracts of life or disability insurance without provision for cancellation prior to the date to which premiums have been paid.

Sec. 3. Section .30.14, chapter 79, Laws of 1947 and RCW 48.30.140 are each amended to read as follows:

(1) Except to the extent provided for in an applicable filing with the commissioner then in effect, no insurer, general agent, agent, broker, or solicitor shall, as an inducement to insurance, or after insurance has been effected, directly or indirectly, offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured, any rebate, discount, abatement, or reduction of premium or any part thereof named in any insurance contract, or any commission thereon, or

earnings, profits, dividends, or other benefit, or any other valuable consideration or inducement whatsoever which is not expressly provided for in the policy.

(2) Subsection (1) of this section shall not apply as to commissions paid to a licensed agent, general agent, broker, or solicitor for insurance placed on his own property or risks, if the aggregate of such commissions does not exceed five percent of the total net commissions received by the agent, general agent, broker, or solicitor during the same twelve month period.

(3) This section shall not apply to the allowance by any marine insurer, or marine insurance agent, general agent, broker, or solicitor, to any insured, in connection with marine insurance, of such discount as is sanctioned by custom among marine insurers as being additional to the agent's or broker's commission.

(4) This section shall not apply to advertising or promotional programs conducted by insurers, agents, or brokers whereby prizes, goods, wares, or merchandise, not exceeding five dollars in value per person in the aggregate in any twelve month period, are given to all insureds or prospective insureds under similar qualifying circumstances.

Sec. 4. Section .30.15, chapter 79, Laws of 1947 as amended by section 18, chapter 193, Laws of 1957 and RCW 48.30.150 are each amended to read as follows:

No insurer, general agent, agent, broker, solicitor, or other person shall, as an inducement to insurance, or in connection with any insurance transaction, provide in any policy for, or offer, or sell, buy, or offer or promise to buy or give, or promise, or allow to the insured or prospective insured or to any other person on his behalf in any manner whatsoever:

(1) Any shares of stock or other securities issued or at any time to be issued on any interest therein or rights thereto; or

(2) Any special advisory board contract, or other contract, agreement, or understanding of any kind, offering, providing for, or promising any profits or special returns or special dividends; or

(3) Any prizes, goods, wares, or merchandise of an aggregate value in excess of ((~~one~~)) five dollars.

This section shall not be deemed to prohibit the sale or purchase of securities as a condition to or in connection with surety insurance insuring the performance of an obligation as part of a plan of financing found by the commissioner to be designed and operated in good faith primarily for the purpose of such financing, nor shall it be deemed to prohibit the sale of redeemable securities of a registered investment company in the same transaction in which life insurance is sold.

Sec. 5. Section 8, chapter 259, Laws of 1971 ex. sess. and RCW 48.32A.080 are each amended to read as follows:

(1) For purposes of administration and assessment, the association shall establish and maintain ((~~three~~)) four guaranty fund accounts: (a) the life insurance account; (b) the disability insurance account; ((~~and~~)) (c) the annuity account; and (d) the general account.

(2) For the purpose of providing the funds necessary to carry out the powers and duties of the association, the board shall assess the member insurers, separately for each account, at such times and for such amounts as the board finds

necessary. The board shall collect the assessment after thirty days written notice to the member insurers before payment is due.

(3) (a) The amount of any assessment for each account shall be determined by the board, and shall be divided among the accounts in the proportion that the premiums received by the liquidating insurer on the policies or contracts covered by each account bears to the premiums received by such insurer on all covered policies and contracts.

(b) Assessments against member insurers for each account shall be in the proportion that the premiums received on business in this state by each assessed member insurer on policies or contracts covered by each account bears to such premiums received on business in this state by all assessed member insurers.

(c) Assessments for funds to meet the requirements of the association with respect to a particular liquidating insurer shall not be made until necessary, in the board's opinion, to implement the purposes of this chapter; and in no event shall such an assessment be made with respect to such insurer until an order of liquidation has been entered against the insurer by a court of competent jurisdiction of the insurer's state or country of domicile. Computation of assessments under this subsection shall be made with a reasonable degree of accuracy, recognizing that exact determination may not always be possible.

(d) The board may make an assessment of up to fifty dollars for each member insurer to be deposited in the general account and used for administrative and general expenses in carrying out the provisions of this chapter.

(4) The association may abate or defer, in whole or in part, the assessment of a member insurer if, in the opinion of the board, payment of the assessment would endanger the ability of the insurer to fulfill its contractual obligations. The total of all assessments upon a member insurer for each account shall not in any one calendar year exceed two percent of such insurer's premiums in this state on the policies or contracts covered by the account.

(5) In the event an assessment against a member insurer is abated or deferred, in whole or in part, because of the limitations set forth in subsection (4) of this section, the amount by which such assessment is abated or deferred may be assessed against the other member insurers in a manner consistent with the basis for assessments set forth in this section. If the maximum assessment, together with the other assets of the association in an account, does not provide in any one year an amount sufficient to carry out the responsibilities of the association with respect to such account, the necessary additional funds shall be assessed as soon thereafter as permitted by this chapter.

(6) The amount in a fund shall be kept at such a sum as in the opinion of the board will enable the association to meet the immediate obligations and liabilities of such fund. Whenever in the opinion of the board the amount in a fund is in excess of such immediate obligations and liabilities, with the approval of the commissioner the association may distribute such excess by retirement of certificates previously issued against the fund. Such distribution shall be made pro rata upon the basis of outstanding certificates, except that by unanimous consent of all directors and with the approval of the commissioner any other reasonable method of retirement of such certificates may be adopted.

(7) As used in this section, "premiums" are those for the calendar year preceding the entry of the order of liquidation as to a particular liquidating insurer, and shall be direct gross insurance premiums and annuity considerations received on policies and contracts to which this chapter applies, less return premiums and considerations and less dividends paid or credited to policyholders.

(8) Upon dissolution of a fund by the repeal of this chapter or otherwise, the fund shall be distributed in the same manner as is provided for the repayment or retirement of certificates. If the amount in the fund at the time of dissolution is in excess of outstanding certificates issued against the fund, such excess shall be distributed among contributing member insurers in such equitable manner as is approved by the commissioner.

Sec. 6. Section 8, chapter 190, Laws of 1969 ex. sess. and RCW 48.56.080 are each amended to read as follows:

(1) A premium finance agreement shall——

(a) be dated, signed by or on behalf of the insured, and the printed portion thereof shall be in at least eight point type;

(b) contain the name and place of business of the insurance agent negotiating the related insurance contract, the name and residence or the place of business of the premium finance company to which payments are to be made, a description of the insurance contracts involved and the amount of the premium therefor; and

(c) set forth the following items where applicable——

(i) the total amount of the premiums,

(ii) the amount of the down payment,

(iii) the principal balance (the difference between items (i) and (ii)),

(iv) the amount of the service charge,

(v) the balance payable by the insured (sum of items (iii) and (iv)), and

(vi) the number of installments required, the amount of each installment expressed in dollars, and the due date or period thereof.

(2) The items set out in paragraph (c) of subsection (1) need not be stated in the sequence or order in which they appear in such paragraph (c), and additional items may be included to explain the computations made in determining the amount to be paid by the insured.

(3) The information required by subsection (1) of this section shall only be required in the initial agreement where the premium finance company and the insured enter into an open end credit transaction, which is defined as follows: A plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(4) A copy of the premium finance agreement shall be given to the insured at the time or within ten days of its execution, except where the application has been signed by the insured and all the finance charges are one dollar or less per payment. In addition, the premium finance company shall deliver or mail a copy of the premium finance agreement or notice identifying policy, insured and producing agent to each insurer that has premiums involved in the transaction, within thirty days of the execution of the premium finance agreement.

(5) It shall be illegal for a premium finance company to offset funds of an agent with funds belonging to an insured. Premiums advanced by a premium finance company are funds belonging to the insured and shall be held in a fiduciary relationship.

NEW SECTION. Sec. 7. There is added to chapter 48.30 RCW a new section to read as follows:

No person or entity engaged in the business of insurance in this state shall refuse to issue any contract of insurance or cancel or decline to renew such contract because of the sex or marital status, or the presence of any sensory, mental, or physical handicap of the insured or prospective insured. The amount of benefits payable, or any term, rate, condition, or type of coverage shall not be restricted, modified, excluded, increased or reduced on the basis of the sex or marital status, or be restricted, modified, excluded or reduced on the basis of the presence of any sensory, mental, or physical handicap of the insured or prospective insured. These provisions shall not prohibit fair discrimination on the basis of sex, or marital status, or the presence of any sensory, mental, or physical handicap when bona fide statistical differences in risk or exposure have been substantiated.

NEW SECTION. Sec. 8. The following acts or parts of acts are each repealed:
(1) Section 1, chapter 174, Laws of 1971 ex. sess. and RCW 48.30.280; and
(2) Section 2, chapter 174, Laws of 1971 ex. sess. and RCW 48.30.290.

Passed the House March 15, 1976.
Passed the Senate March 14, 1976.
Approved by the Governor March 24, 1976.
Filed in Office of Secretary of State March 24, 1976.

CHAPTER 120

[Substitute House Bill No. 77]
NONPARTISAN ELECTIONS

AN ACT Relating to nonpartisan elections; amending section 14, chapter 299, Laws of 1961 and RCW 3.34.050; amending section 29.21.010, chapter 9, Laws of 1965 as amended by section 7, chapter 123, Laws of 1965 and RCW 29.21.010; amending section 29.21.015, chapter 9, Laws of 1965 and RCW 29.21.015; amending section 29.21.060, chapter 9, Laws of 1965 as last amended by section 56, chapter 283, Laws of 1969 ex. sess. and RCW 29.21.060; amending section 29.21-.140, chapter 9, Laws of 1965 and RCW 29.21.140; amending section 1, chapter 10, Laws of 1970 ex. sess. and RCW 29.21.150; amending section 29.21.160, chapter 9, Laws of 1965 and RCW 29-.21.160; amending section 1, chapter 61, Laws of 1972 ex. sess. and RCW 29.21.350; amending section 2, chapter 61, Laws of 1972 ex. sess. and RCW 29.21.360; amending section 3, chapter 61, Laws of 1972 ex. sess. and RCW 29.21.370; amending section 4, chapter 61, Laws of 1972 ex. sess. and RCW 29.21.380; amending section 35.20.150, chapter 7, Laws of 1965 and RCW 35.20.150; adding a new section to chapter 29.01 RCW; adding a new section to chapter 29.21 RCW; repealing section 29.21.170, chapter 9, Laws of 1965 RCW 29.21.170; repealing section 29.21.230, chapter 9, Laws of 1965, section 3, chapter 131, Laws of 1969, section 9, chapter 21, Laws of 1973 2nd ex. sess. and RCW 29.21.230; repealing section 29.24.110, chapter 9, Laws of 1965 and RCW 29.24.110; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Section 1. Section 29.21.010, chapter 9, Laws of 1965 as amended by section 7, chapter 123, Laws of 1965 and RCW 29.21.010 are each amended to read as follows: