

## CHAPTER 6

[House Bill No. 1423]

## OVER-INSURANCE—MODIFICATIONS

AN ACT Relating to property insurance; amending section .27.01, chapter 79, Laws of 1947 and RCW 48.27.010; and amending section 20, chapter 193, Laws of 1957 as amended by section 1, chapter 61, Laws of 1977 and RCW 48.30.260.

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

Sec. 1. Section .27.01, chapter 79, Laws of 1947 and RCW 48.27.010 are each amended to read as follows:

(1) Over-insurance shall be deemed to exist if property or an insurable interest therein is insured by one or more insurance contracts against the same hazard in any amount in excess of the fair value of the property or of such interest, as determined as of the effective date of the insurance or of any renewal thereof, or in those instances when insured value is for improvements and land.

(2) For the purposes of this section only the term "fair value" means the cost of replacement less such depreciation as is properly applicable to the subject insured.

(3) No person shall knowingly require, request, issue, place, procure, or accept any insurance contract which would result in over-insurance of the property or interest therein proposed to be insured, except as is provided in RCW 48.27.020.

(4) No person shall compel an insured or applicant for insurance to procure property insurance in an amount in excess of the amount which could reasonably be expected to be paid under the policy (or combination of policies) in the event of a loss, whether such insurance is required in connection with a loan or otherwise.

(5) Each violation of this section shall subject the violator to the penalties provided by this code.

Sec. 2. Section 20, chapter 193, Laws of 1957 as amended by section 1, chapter 61, Laws of 1977 and RCW 48.30.260 are each amended to read as follows:

(1) Every debtor or borrower, when property insurance of any kind is required in connection with the debt or loan, shall have reasonable opportunity and choice in the selection of the agent, broker, and insurer through whom such insurance is to be placed; but only if the insurance is properly provided for the protection of the creditor or lender not later than at commencement of risk as to such property as respects such creditor or lender, and in the case of renewal of insurance, only if the renewal policy, or a proper binder therefor containing a brief description of the coverage bound and the identity of the insurer in which the coverage is bound, is delivered to the creditor or lender not later than thirty days prior to the renewal date.

(2) Every person who lends money or extends credit and who solicits insurance on real and personal property must explain to the borrower in prominently displayed writing that the insurance related to such loan or credit extension may be purchased from an insurer or agent of the borrower's choice, subject only to the lender's right to reject a given insurer or agent as provided in subsection (3)(b) of this section.

(3) No person who lends money or extends credit may:

(a) Solicit insurance for the protection of real property, after a person indicates interest in securing a real estate loan or credit extension, until such person has received a commitment from the lender as to a loan or credit extension;

(b) Unreasonably reject a contract of insurance furnished by the borrower for the protection of the property securing the credit or lien. A rejection shall not be deemed unreasonable if it is based on reasonable standards, uniformly applied, relating to the extent of coverage required and the financial soundness and the services of an insurer. Such standards shall not discriminate against any particular type of insurer, nor shall such standards call for rejection of an insurance contract because the contract contains coverage in addition to that required in the credit transaction;

(c) Require that any borrower, mortgagor, purchaser, insurer, broker, or agent pay a separate charge, in connection with the handling of any contract of insurance required as security for a loan on real estate, or pay a separate charge to substitute the insurance policy of one insurer for that of another. This subsection does not include the interest which may be charged on premium loans or premium advancements in accordance with the terms of the loan or credit document;

(d) Use or disclose, without the prior written consent of the borrower, mortgagor, or purchaser taken at a time other than the making of the loan or extension of credit, information relative to a contract of insurance which is required by the credit transaction, for the purpose of replacing such insurance; ((or))

(e) Require any procedures or conditions of duly licensed agents, brokers, or insurers not customarily required of those agents, brokers, or insurers affiliated or in any way connected with the person who lends money or extends credit; or

(f) Require property insurance in an amount in excess of the amount which could reasonably be expected to be paid under the policy, or combination of policies, in the event of a loss.

(4) Nothing contained in this section shall prevent a person who lends money or extends credit from placing insurance on real or personal property in the event the mortgagor, borrower, or purchaser has failed to provide required insurance in accordance with the terms of the loan or credit document.

(5) Nothing contained in this section shall apply to credit life or credit disability insurance.

Passed the House January 30, 1984.

Passed the Senate February 13, 1984.

Approved by the Governor February 20, 1984.

Filed in Office of Secretary of State February 20, 1984.

## CHAPTER 7

[Substitute House Bill No. 1146]

### DEPARTMENT OF TRANSPORTATION—REFERENCE CORRECTIONS

AN ACT Relating to transportation; amending section 4, chapter 240, Laws of 1971 ex. sess. and RCW 8.26.040; amending section 5, chapter 240, Laws of 1971 ex. sess. and RCW 8.26.050; amending section 11, chapter 240, Laws of 1971 ex. sess. and RCW 8.26.110; amending section 6, chapter 182, Laws of 1945 and RCW 14.08.090; amending section 1, chapter 14, Laws of 1957 as last amended by section 2, chapter 74, Laws of 1961 and RCW 14.08.120; amending section 9, chapter 182, Laws of 1945 and RCW 14.08.160; amending section 11, chapter 182, Laws of 1945 as last amended by section 1, chapter 182, Laws of 1967 and RCW 14.08.200; amending section 1, chapter 157, Laws of 1929 as amended by section 1, chapter 205, Laws of 1969 ex. sess. and RCW 14.16.010; amending section 1, chapter 150, Laws of 1955 and RCW 14.20.010; amending section 2, chapter 150, Laws of 1955 as amended by section 1, chapter 135, Laws of 1983 and RCW 14.20.020; amending section 3, chapter 150, Laws of 1955 and RCW 14.20.030; amending section 4, chapter 150, Laws of 1955 and RCW 14.20.040; amending section 5, chapter 150, Laws of 1955 and RCW 14.20.050; amending section 6, chapter 150, Laws of 1955 and RCW 14.20.060; amending section 7, chapter 150, Laws of 1955 as last amended by section 2, chapter 135, Laws of 1983 and RCW 14.20.070; amending section 9, chapter 150, Laws of 1955 as last amended by section 3, chapter 135, Laws of 1983 and RCW 14.20.090; amending section 10, chapter 150, Laws of 1955 and RCW 14.20.100; amending section 8, chapter 125, Laws of 1929 as last amended by section 1, chapter 119, Laws of 1971 ex. sess. and RCW 17.04.180; amending section 35.21.260, chapter 7, Laws of 1965 as amended by section 29, chapter 75, Laws of 1977 and RCW 35.21.260; amending section 35.21.270, chapter 7, Laws of 1965 and RCW 35.21.270; amending section 35.76.040, chapter 7, Laws of 1965 and RCW 35.76.040; amending section 35.76.050, chapter 7, Laws of 1965 and RCW 35.76.050; amending section 35.77.010, chapter 7, Laws of 1965 as last amended by section 7, chapter 317, Laws of 1977 ex. sess. and RCW 35.77.010; amending section 35.78.020, chapter 7, Laws of 1965 and RCW 35.78.020; amending section 35.78.040, chapter 7, Laws of 1965 and RCW 35.78.040; amending section 36.75.010, chapter 4, Laws of 1963 as last amended by section 1, chapter 62, Laws of 1975 and RCW 36.75.010; amending section 36.75.030, chapter 4, Laws of 1963 and RCW 36.75.030; amending section 36.75.090, chapter 4, Laws of 1963 as amended by section 4, chapter 78, Laws of 1977 ex. sess. and RCW 36.75.090; amending section 36.75.100, chapter 4, Laws of 1963 and RCW 36.75.100; amending section 36.75.250, chapter 4, Laws of 1963 and RCW 36.75.250; amending section 36.75.260, chapter 4, Laws of 1963 as amended by section 31, chapter 75, Laws of 1977 and RCW 36.75.260; amending section 36.76.140, chapter 4, Laws of 1963 as last amended by section 3, chapter 76, Laws of 1971 and RCW 36.76.140; amending section 9, chapter 120, Laws of 1965 ex. sess. as amended by section 1, chapter 257, Laws of 1977 ex. sess. and RCW 36.78.090; amending section 36.80.080, chapter 4, Laws of 1963 and RCW 36.80.080; amending section 36.82.150, chapter 4, Laws of 1963 and RCW 36.82.150; amending section 36.82.170, chapter 4, Laws of 1963 and RCW 36.82.170; amending section 36.82.180, chapter 4, Laws of 1963 and RCW 36.82.180; amending section 36.86.020, chapter 4, Laws of 1963 and RCW 36.86.020; amending section 36.86.030, chapter 4, Laws of 1963 and RCW 36.86.030; amending section 36.86.040, chapter 4, Laws of 1963 and RCW 36.86.040; amending section 36.88.015, chapter 4, Laws of 1963 as last amended by section 2, chapter 60, Laws of 1965 and RCW 36.88.015; amending section 3, chapter 109, Laws of 1967 as amended by section 3, chapter 30, Laws of 1970 ex. sess. and RCW 36.89.030; amending section 3, chapter 70, Laws of 1967 and RCW 39.06.010; amending section 3, chapter 166, Laws of 1977