

CHAPTER 70.

[Senate Bill No. 292.]

INSURANCE.

AN ACT relating to insurance; amending section .03.04, chapter 79, Laws of 1947 and RCW 48.03.040; amending section .05.23, chapter 79, Laws of 1947 and RCW 48.05.230; amending section .07.04, chapter 79, Laws of 1947 and RCW 48.07.040; amending section .10.08, chapter 79, Laws of 1947 and RCW 48.10.080; amending section .17.11, chapter 79, Laws of 1947 as last amended by section 17, chapter 195, Laws of 1963 and RCW 48.17.110; amending section .17.50, chapter 79, Laws of 1947 as last amended by section 9, chapter 193, Laws of 1957 and RCW 48.17.500; amending section .24.03, chapter 79, Laws of 1947 as last amended by section 1, chapter 192, Laws of 1963 and RCW 48.24.030; amending section .30.01, chapter 79, Laws of 1947 and RCW 48.30.010; amending section .30.22, chapter 79, Laws of 1947 and RCW 48.30.220; adding a new section to chapter 79, Laws of 1947 and to chapter 48.05 RCW; adding nine new sections to chapter 79, Laws of 1947 and to chapter 48.08 RCW; adding five new sections to chapter 79, Laws of 1947 and to chapter 48.13 RCW; adding a new section to chapter 79, Laws of 1947 and to chapter 48.23 RCW; adding a new chapter to chapter 79, Laws of 1947 and to Title 48 RCW; and repealing section 19, chapter 195, Laws of 1963 and RCW 48.20.400; prescribing penalties.

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

RCW 48.03.040 amended.

SECTION 1. Section .03.04, chapter 79, Laws of 1947 and RCW 48.03.040 are each amended to read as follows:

Insurance. Examination reports.

(1) The commissioner shall make a full written report of each examination made by him containing only facts ascertained from the accounts, records, and documents examined and from the sworn testimony of individuals, and such conclusions and recommendations as may reasonably be warranted from such facts.

(2) The report shall be certified by the commissioner or by his examiner in charge of the examination, and shall be filed in the commissioner's office subject to subsection (3) of this section.

(3) The commissioner shall furnish a copy of the examination report to the person examined not less than ten days prior to the filing of the report for public inspection in the commissioner's office. If such person so requests in writing within such ten-day period, the commissioner shall hold a hearing to consider objections of such person to the report as proposed, and shall not so file the report until after such hearing and until after any modifications in the report deemed necessary by the commissioner have been made.

SEC. 2. Section .05.23, chapter 79, Laws of 1947 and RCW 48.05.230 are each amended to read as follows:

RCW 48.05.230 amended.

(1) No insurer shall issue an insurance contract covering a subject of insurance resident, located, or to be performed in this state unless the insurance contract or countersignature endorsement is countersigned by its licensed agent, or manager or general agent, resident in this state, except as provided in RCW 48.05.240. The commissioner may suspend or revoke the certificate of authority of any insurer violating this provision.

Countersignature of policies — Fee, when.

(2) An agent, general agent, or manager shall not sign or countersign any insurance contract or countersignature endorsement in blank. The commissioner may suspend or revoke the license of any agent or general agent violating this provision.

(3) If pursuant to the laws of any other state or country a fee or charge is required to be made by a resident insurance agent of such state or country for countersigning policies of insurance written on risks in such state or country by nonresident licensees of such state or country, no resident of this state shall countersign a policy of insurance on like risks in this state written by a nonresident licensee resident in such state or coun-

try unless a fee or charge in the same amount as is provided under the laws of such other state or country is collected.

(4) Such violations shall not invalidate any insurance contract.

New section.

SEC. 3. There is added to chapter 79, Laws of 1947 and to chapter 48.05 RCW a new section to read as follows:

Insurance.
Fines—
Authorized—
Civil action to
recover—
Disposition.

After hearing and in addition to or in lieu of the suspension, revocation or refusal to renew any certificate of authority the commissioner may levy a fine upon the insurer in an amount not less than two hundred fifty dollars and not more than one thousand dollars. The order levying such fine shall specify the period within which the fine shall be fully paid and which period shall not be less than fifteen nor more than thirty days from the date of such order. Upon failure to pay any such fine when due the commissioner shall revoke the certificate of authority of the insurer if not already revoked, and the fine shall be recovered in a civil action brought in behalf of the commissioner by the attorney general. Any fine so collected shall be paid by the commissioner to the state treasurer for the account of the general fund.

RCW 48.07.040
amended.

SEC. 4. Section .07.04, chapter 79, Laws of 1947 and RCW 48.07.040 are each amended to read as follows:

Domestic
insurers,
powers.
Annual
meeting.

Each incorporated domestic insurer shall, in the month of January, or February, or March, or April, hold the annual meeting of its shareholders or members for the purpose of receiving reports of its affairs and to elect directors.

New section.

SEC. 5. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows:

(1) This section shall apply to all domestic stock insurers except:

(a) A domestic stock insurer having less than one hundred stockholders; except, that if ninety-five percent or more of the insurer's stock is owned or controlled by a parent or affiliated insurer, this section shall not apply to such insurer unless its remaining shares are held by five hundred or more stockholders.

(b) Domestic stock insurers which file with the Securities and Exchange Commission forms of proxies, consents and authorizations pursuant to the Securities and Exchange Act of 1934, as amended.

(2) Every such insurer shall seasonably furnish its stockholders in advance of stockholder meetings, information in writing reasonably adequate to inform them relative to all matters to be presented by the insurer's management for consideration of stockholders at such meeting.

(3) No person shall solicit a proxy, consent, or authorization in respect of any stock of such an insurer unless he furnishes the person so solicited with written information reasonably adequate as to

(a) the material matters in regard to which the powers so solicited are proposed to be used, and

(b) the person or persons on whose behalf the solicitation is made, and the interest of such person or persons in relation to such matters.

(4) No person shall so furnish to another, information which the informer knows or has reason to believe, is false or misleading as to any material fact, or which fails to state any material fact reasonably necessary to prevent any other statement made from being misleading.

(5) The form of all such proxies shall:

Domestic stock insurers.
Stockholder meetings—
Duty to inform stockholders of matters to be presented—
Proxies.

Insurance.
Domestic
stock insurers.
Stockholder
meetings—
Duty to inform
stockholders of
matters to be
presented—
Proxies.

- (a) Conspicuously state on whose behalf the proxy is solicited;
- (b) Provide for dating the proxy;
- (c) Impartially identify each matter or group of related matters intended to be acted upon;
- (d) Provide means for the principal to instruct the vote of his shares as to approval or disapproval of each matter or group, other than election to office; and
- (e) Be legibly printed, with context suitably organized.

Except, that a proxy may confer discretionary authority as to matters as to which choice is not specified pursuant to item (d), above, if the form conspicuously states how it is intended to vote the proxy or authorization in each such case; and may confer discretionary authority as to other matters which may come before the meeting but unknown for a reasonable time prior to the solicitation by the persons on whose behalf the solicitation is made.

(6) No proxy shall confer authority (a) to vote for election of any person to any office for which a bona fide nominee is not named in the proxy statement, or (b) to vote at any annual meeting (or adjournment thereof) other than the annual meeting next following the date on which the proxy statement and form were furnished stockholders.

(7) The commissioner shall have authority to make and promulgate reasonable rules and regulations for the effectuation of this section, and in so doing shall give due consideration to rules and regulations promulgated for similar purposes by the insurance supervisory officials of other states.

New section.

SEC. 6. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows:

Equity
security. Duty
to file state-
ment of
ownership of.

Every person who is directly or indirectly the beneficial owner of more than ten percent of any

class of any equity security of a domestic stock insurer, or who is a director or an officer of such insurer, shall file with the commissioner on or before the 30th day of September, 1965, or within ten days after he becomes such beneficial owner, director or officer, a statement, in such form as the commissioner may prescribe, of the amount of all equity securities of such insurer of which he is the beneficial owner, and within ten days after the close of each calendar month thereafter, if there has been a change in such ownership during such month, shall file with the commissioner a statement, in such form as the commissioner may prescribe, indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month.

SEC. 7. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows:

For the purpose of preventing the unfair use of information which may have been obtained by such beneficial owner, director or officer by reason of his relationship to such insurer, any profit realized by him from any purchase and sale, or any sale and purchase, of any equity security of such insurer within any period of less than six months, unless such security was acquired in good faith in connection with a debt previously contracted, shall inure to and be recoverable by the insurer, irrespective of any intention on the part of such beneficial owner, director or officer in entering into such transaction of holding the security purchased or of not repurchasing the security sold for a period exceeding six months. Suit to recover such profit may be instituted at law or in equity in any court of competent jurisdiction by the insurer, or by the owner of any security of the insurer in the name and in behalf of the insurer if the insurer shall fail or re-

New section

—Profits
from short
term trans-
actions—
Remedies—
Limitation of
actions.

Insurance.
Equity secu-
rity.—
Profits from
short term
transactions—
Remedies—
Limitation of
actions.

fuse to bring such suit within sixty days after re-
quest or shall fail diligently to prosecute the same
thereafter: *Provided*, That no such suit shall be
brought more than two years after the date such
profit was realized. This section shall not be con-
strued to cover any transaction where such bene-
ficial owner was not such both at the time of the
purchase and sale, or the sale and purchase, of the
security involved, or any transaction or transac-
tions which the commissioner by rules and regula-
tions may exempt as not comprehended within the
purpose of this section.

New section.

SEC. 8. There is added to chapter 79, Laws of
1947 and to chapter 48.08 RCW a new section to
read as follows:

—Sales,
unlawful
practices.

It shall be unlawful for any such beneficial
owner, director or officer, directly or indirectly, to
sell any equity security of such insurer if the per-
son selling the security or his principal (1) does
not own the security sold, or (2) if owning the secur-
ity, does not deliver it against such sale within
twenty days thereafter, or does not within five days
after such sale deposit it in the mails or other usual
channels of transportation: *Provided*, That no per-
son shall be deemed to have violated this section
if he proves that notwithstanding the exercise of
good faith he was unable to make such delivery or
deposit within such time, or that to do so would
cause undue inconvenience or expense.

New section.

SEC. 9. There is added to chapter 79, Laws of
1947 and to chapter 48.08 RCW a new section to
read as follows:

—Ex-
emptions—
Sales by dealer.

The provisions of section 7 of this 1965 amenda-
tory act shall not apply to any purchase and sale,
or sale and purchase, and the provisions of sec-
tion 8 of this 1965 amendatory act shall not apply
to any sale of an equity security of a domestic stock

insurer not then or theretofore held by him in an investment account, by a dealer in the ordinary course of his business and incident to the establishment or maintenance by him of a primary or secondary market (otherwise than on an exchange as defined in the Securities Exchange Act of 1934) for such security. The commissioner may, by such rules and regulations as he deems necessary or appropriate in the public interest, define and prescribe terms and conditions with respect to securities held in an investment account and transactions made in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market.

SEC. 10. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows: New section.

The provisions of sections 6, 7, and 8 of this 1965 amendatory act shall not apply to foreign or domestic arbitrage transactions unless made in contravention of such rules and regulations as the commissioner may adopt in order to carry out the purposes of sections 6 through 12, inclusive, of this 1965 amendatory act. —Ex-
emptions—
Foreign or
domestic
arbitrage
transactions.

SEC. 11. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows: New section.

The term "equity security" when used in sections 6 through 12, inclusive, of this 1965 amendatory act means any stock or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security which the commissioner shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as he may Equity
security
defined.

prescribe in the public interest or for the protection of investors, to treat as an equity security.

New section.

SEC. 12. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows:

Insurance.
Domestic stock
insurers.
Equity
security.
Exemptions
from otherwise
unlawful
practices.

The provisions of sections 6, 7, and 8 of this 1965 amendatory act shall not apply to equity securities of a domestic stock insurer if (1) such securities shall be registered, or shall be required to be registered, pursuant to section 12 of the Securities Exchange Act of 1934, as amended, or if (2) such domestic stock insurer shall not have any class of its equity securities held of record by one hundred or more persons on the last business day of the year next preceding the year in which equity securities of the insurer would be subject to the provisions of sections 6, 7, and 8 of this 1965 amendatory act except for the provisions of this subsection (2).

New section.

SEC. 13. There is added to chapter 79, Laws of 1947 and to chapter 48.08 RCW a new section to read as follows:

—Rules
and regula-
tions.

The commissioner shall have the power to make such rules and regulations as may be necessary for the execution of the functions vested in him by sections 6 through 12 of this 1965 amendatory act, and may for such purpose classify domestic stock insurers, securities, and other persons or matters within his jurisdiction. No provision of sections 6, 7, and 8 of this 1965 amendatory act imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the commissioner, notwithstanding that such rule or regulation may, after such act or omission, be amended or rescinded or determined by judicial or other authority to be invalid for any reason.

SEC. 14. There is added to chapter 79, Laws of 1947 and to chapter 48.13 RCW a new section to read as follows:

Any domestic life insurer may, after adoption of a resolution by its board of directors and certification thereof to the commissioner, allocate to one or more separate accounts, pursuant to the terms of a written agreement, any amounts which are paid to such insurer in connection with a pension, retirement, or profit-sharing plan or annuity issued pursuant to chapter 48.24 RCW, which are to be used to provide annuities or retirement benefits under such insurer's policies or contracts and to provide other benefits incidental thereto. The income, if any, and gains or losses, realized or unrealized, on each separate account shall be credited to or charged against the amount allocated to the account in accordance with the agreement, without regard to the other income, gains or losses of such insurer. Amounts allocated to such separate accounts shall be owned by such insurer, who shall not be, or hold itself out to be, a trustee in respect to these amounts.

New section.

Investments.
Separate
accounts in
connection
with a pension,
retirement or
profit sharing
annuity.
Establishment
—Credits and
charges—
Ownership.

SEC. 15. There is added to chapter 79, Laws of 1947 and to chapter 48.13 RCW a new section to read as follows:

The amounts allocated to such separate accounts and the accumulations and earnings thereon shall be invested and reinvested as specified in the agreement, but only in such investments eligible for domestic insurers under chapter 48.13 RCW: *Provided*, That the restrictions and limitations imposed by RCW 48.13.080, 48.13.210 and 48.13.220 shall not apply: *Provided further*, That in applying the quantitative investment limitation of RCW 48.13.030, a ten percent limitation in lieu of the four percent limitation specified in said section shall be applicable to each separate account, computed on the basis

New section.

——Invest-
ments and
reinvestments.

of the assets allocated to such separate account. Such investments shall not be included in determining the propriety of other investments of the insurer.

New section.

SEC. 16. There is added to chapter 79, Laws of 1947 and to chapter 48.13 RCW a new section to read as follows:

Insurance.
Domestic stock
insurers.
Investments.
Separate
accounts in
connection
with a pension,
retirement or
profit sharing
annuity.
Transfers.

No investment in the separate account or in the general investment account of a life insurer shall be transferred by sale, exchange, substitution or otherwise from one account to another: *Provided*, That the commissioner may by regulation authorize transfers in circumstances where such transfers would not be inequitable. As used herein, "general investment account" shall mean all of the funds, assets, and investments of a company which are not allocated in a separate account established in connection with a pension, retirement, or profit-sharing plan or annuity.

New section.

SEC. 17. There is added to chapter 79, Laws of 1947 and to chapter 48.13 RCW a new section to read as follows:

—Amounts
contributed by
beneficiary
participant.

The provisions of sections 1 through 5 of this 1965 amendatory act shall not apply to amounts contributed by a participant who is entitled to retirement or other incidental benefits under a pension, retirement, or profit-sharing plan or annuity. This section shall not be construed to prevent contribution by an employee to the purchase of retirement benefits under pension, retirement and profit-sharing plans established pursuant to the Self-Employed Individuals Tax Retirement Act of 1962 nor shall it be construed to prevent contribution or application of amounts to the purchase of retirement benefits under pension or retirement plans established pursuant to the provision of section 403(b) of the Internal Revenue Code of 1954, as amended.

SEC. 18. There is added to chapter 79, Laws of 1947 and to chapter 48.13 RCW a new section to read as follows:

Any policy or contract, or certificate evidencing such a policy or contract, delivered or issued for delivery in this state, the benefits, risks or features of which are limited or subject to any separate account, shall clearly state this fact in a caption in a prominent position on the face of the policy, contract or certificate.

New section.

—Caption regarding separate accounts to appear on face of policy, contract or certificate.

SEC. 19. Section .17.11, chapter 79, Laws of 1947 as last amended by section 17, chapter 195, Laws of 1963 and RCW 48.17.110 are each amended to read as follows:

RCW 48.17.110 amended.

(1) Each applicant for license as agent, broker, solicitor, or adjuster shall prior to the issuance of any such license, personally take and pass to the satisfaction of the commissioner an examination given by the commissioner as a test of his qualifications and competence; but this requirement shall not apply to:

Agents, brokers, solicitors and adjusters. Examination of applicants.

(a) Applicants for limited licenses, as travel insurance agents only, under RCW 48.17.190, nor, at the discretion of the commissioner, to applicants for licenses as disability insurance agents for the purpose of handling limited coverages pertaining to sports and recreation.

(b) Applicants who within the five-year period next preceding date of application have been licensed in this state under a license requiring qualifications similar to qualifications required by the license applied for and who are deemed by the commissioner to be fully qualified and competent.

(c) Applicants for license as nonresident agent or as nonresident broker or as nonresident adjuster who have fulfilled qualification requirements in their state of residence and who are deemed by the commissioner to be fully qualified and competent.

Insurance.
Agents,
brokers,
solicitors and
adjusters.
Examination of
applicants.

(d) Applicants for an agent's or solicitor's license covering the same kinds of insurance as an agent's or solicitor's license then held by them.

(e) Applicants for an adjuster's license who for a period of one year next preceding the date of application have been a full time salaried employee of an insurer or of a general agent to adjust, investigate, or report claims arising under insurance contracts.

(2) Applicants for the renewal of licenses in force on October 1, 1947, or issued thereafter shall not be required to take an examination except as provided in subsection (3) of this section.

(3) The commissioner may at any time require any licensed agent, broker, solicitor, or adjuster to take and successfully pass an examination testing his competence and qualifications as a condition to the continuance or renewal of his license, if the licensee has been guilty of violation of this code, or has so conducted his affairs under his license as to cause the commissioner reasonably to desire further evidence of his qualifications.

RCW 48.17.500
amended.

SEC. 20. Section .17.50, chapter 79, Laws of 1947 as last amended by section 9, chapter 193, Laws of 1957 and RCW 48.17.500 are each amended to read as follows:

Expiration and
renewal of
licenses.

(1) Agents' license for life, or life and disability, or disability insurances only shall expire as at 12:01 a.m. o'clock on the first day of October next following date of issuance.

(2) All brokers', solicitors', and adjusters' licenses shall expire as at 12:01 a.m. o'clock on the first day of April next following date of issuance.

(3) Agents' licenses for all other kinds of insurance or combinations thereof shall expire as at 12:01 a.m. o'clock on the first day of April three years after the first day of April nearest to the date of issuance of the license.

(4) Subject to the right of the commissioner to suspend, revoke, or refuse to renew any license as provided in this code, any such license may be renewed into another like period by filing with the commissioner on or before the expiration date a written request, by or on behalf of the licensee, for such renewal accompanied by payment of the renewal fee as specified in RCW 48.14.010. An agent or broker shall make and file renewal requests on behalf of his solicitors.

(5) If request and fee for renewal of license is filed with the commissioner prior to expiration of the existing license, the licensee may continue to act under such license, unless sooner revoked or suspended, until the issuance of renewal license or until the expiration of fifteen days after the commissioner has refused to renew the license and has mailed order of such refusal to the licensee. Any request for renewal not so filed until after date of expiration may be considered by the commissioner as an application for a new license.

(6) As to all licenses, if request for renewal of license or payment of the license fee is not received by the commissioner prior to expiration date as required under subsection (4) the applicant for renewal of license shall pay to the commissioner and the commissioner shall collect, in addition to the regular license fee, a surcharge for such license as follows: For the first thirty days or part thereof of delinquency the surcharge shall be fifty percent of the license fee; for all delinquencies extending more than thirty days, the surcharge shall be one hundred percent of the license fee. This subsection shall not be deemed to exempt any person from any penalty provided by law for transacting business without a valid and subsisting license, or affect the commissioner's right, at his discretion, to con-

sider such delinquent application as one for a new license.

Repeal.

SEC. 21. Section 19, chapter 195, Laws of 1963 and RCW 48.20.400 are each repealed.

New section.

SEC. 22. There is added to chapter 79, Laws of 1947 and to chapter 48.23 RCW a new section to read as follows:

Life insurance and annuities. Duties of insurer issuing both participating and nonparticipating policies.

(1) A life insurer issuing both participating and nonparticipating policies shall maintain records which segregate the participating from the nonparticipating business and clearly show the profits and losses upon each such category of business.

(2) For the purposes of such accounting the insurer shall make a reasonable allocation as between the respective such categories of the expenses of such general operations or functions as are jointly shared. Any allocation of expense as between the respective categories shall be made upon a reasonable basis, to the end that each category shall bear a just portion of joint expense involved in the administration of the business of such category.

(3) No policy hereafter delivered or issued for delivery in this state shall provide for, and no life insurer or representative shall hereafter knowingly offer or promise payment, credit or distribution of participating "dividends," "earnings," "profits," or "savings," by whatever name called, to participating policies out of such profits, earnings or savings on nonparticipating policies.

RCW 48.24.030 amended.

SEC. 23. Section .24.03, chapter 79, Laws of 1947 as last amended by section 1, chapter 192, Laws of 1963 and RCW 48.24.030 are each amended to read as follows:

Group life insurance and annuities. Dependents of employees or members of certain groups.

(1) Insurance under any group life insurance policy issued pursuant to RCW 48.24.020, or 48.24.050, or 48.24.060, or 48.24.070 or 48.24.090 may, if seventy-five percent of the then insured employees

or labor union members or public employee association members or members of the Washington state patrol elect, be extended to insure the spouse and minor children, or any class or classes thereof, of each such insured employee or member who so elects, in amounts in accordance with a plan which precludes individual selection by the employees or members or by the employer or labor union or trustee, and which insurance on the life of any one family member other than a spouse shall not be in excess of fifty percent of the insurance on the life of the insured employee or member or the amount shown in the schedule below, whichever is less:

Age of family member at death	Maximum insurance
Under 6 months	\$100
6 months and under 2 years	\$200
2 years and under 3 years	\$400
3 years and under 4 years	\$600
4 years and under 5 years	\$800
5 years and over	\$1,000

Insurance on the life of a spouse of an insured employee or member shall not exceed one thousand dollars or the amount of insurance on the life of the insured employee or member, whichever is less.

Premiums for the insurance on such family members shall be paid by the policyholder, either from the employer's funds or funds contributed by him, trustee's funds, or labor union funds, and/or from funds contributed by the insured employees or members, or from both.

(2) Such a spouse insured pursuant to this section shall have the same conversion right as to the insurance on his or her life as is vested in the employee or member under this chapter.

RCW 48.30.010 amended.

SEC. 24. Section .30.01, chapter 79, Laws of 1947 and RCW 48.30.010 are each amended to read as follows:

Insurance—
Unlawful
practices and
frauds. Un-
lawful
practices in
general.

(1) No person engaged in the business of insurance shall engage in unfair methods of competition or in unfair or deceptive acts or practices in the conduct of such business as such methods, acts, or practices are defined pursuant to subsection (2) of this section.

(2) In addition to such unfair methods and unfair or deceptive acts or practices as are expressly defined and prohibited by this code, the commissioner may from time to time by regulations promulgated only after a hearing thereon, define other methods of competition and other acts and practices in the conduct of such business reasonably found by him to be unfair or deceptive.

(3) No such regulation shall be made effective prior to the expiration of thirty days after the date of the order on hearing by which it is promulgated.

(4) If the commissioner has cause to believe that any person is violating any such regulation he shall order such person to cease and desist therefrom. The commissioner shall deliver such order to such person direct or mail it to the person by registered mail with return receipt requested. If the person fails to comply therewith before expiration of ten days after the cease and desist order has been received by him, he shall forfeit to the people of this state a sum not to exceed two hundred and fifty dollars for each violation committed thereafter, such penalty to be recovered by an action prosecuted by the commissioner.

RCW 48.30.220 amended.

SEC. 25. Section .30.22, chapter 79, Laws of 1947 and RCW 48.30.220 are each amended to read as follows:

Unlawful
destruction,
secretion, etc.,
of property.

Any person, who, with intent to defraud or prejudice the insurer thereof, wilfully burns or in any

manner injures, destroys, secretes, abandons, or disposes of any property which is insured at the time against loss or damage by fire, theft, or embezzlement, or by any other casualty, whether the same be the property of or in the possession of such person or any other person, under such circumstances not making the offense arson, is guilty of a felony.

SEC. 26. There is added to chapter 79, Laws of 1947 and to Title 48 RCW a new chapter to read as set forth in sections 27 through 34, inclusive, of this 1965 amendatory act.

New chapter.

SEC. 27. It is the purpose of this chapter to provide a means of more adequately meeting the needs of persons who are sixty-five years of age or older and their spouses for insurance coverage against financial loss from accident or disease through the combined resources and experience of a number of insurers; to make possible the fullest extension of such coverage by encouraging insurers to combine their resources and experience and to exercise their collective efforts in the development and offering of policies of such insurance to all applicants; and to regulate the joint activities herein authorized in accordance with the intent of Congress as expressed in the Act of Congress of March 9, 1945 (Public Law 15, 79th Congress), as amended.

Disability insurance—
Extended health—
Persons 65 or over.
Legislative declaration.

SEC. 28. Wherever used in this chapter, the following terms shall have the meanings hereinafter set forth or indicated, unless the context otherwise requires:

Definitions.

(a) "Association" means a voluntary unincorporated association of insurers formed for the purpose of enabling cooperative action to provide disability insurance in accordance with this chapter in this or any other state having legislation enabling

Insurance.
Disability
insurance—
Extended
health—
Persons 65 or
over. Defini-
tions.

the issuance of insurance of the type provided in this chapter.

(b) "Insurer" means any insurance company which is authorized to transact disability insurance in this state.

(c) "Extended health insurance" means hospital, surgical and medical expense insurance provided by a policy issued as provided by this chapter.

Insurers may
join—Policy
holder—
Reduced bene-
fit provision—
Master group
policy—
Offering—
Cancellation.

SEC. 29. Notwithstanding any other provision of this code or any other law which may be inconsistent herewith, any insurer may join with one or more other insurers, to plan, develop, underwrite, and offer and provide to any person who is sixty-five years of age or older and to the spouse of such person, extended health insurance against financial loss from accident or disease, or both. Such insurance may be offered, issued and administered jointly by two or more insurers by a group policy issued to a policyholder through an association formed for the purpose of offering, selling, issuing and administering such insurance. The policy holder may be an association, a trustee, or any other person. Any such policy may provide, among other things, that the benefits payable thereunder are subject to reduction if the individual insured has any other coverage providing hospital, surgical or medical benefits whether on an indemnity basis or a provision of service basis resulting in such insured being eligible for more than one hundred percent of covered expenses which he is required to pay, and any insurer issuing individual policies providing extended hospital, surgical or medical benefits to persons sixty-five years of age and older and their spouses may also use such a policy provision. A master group policy issued to an association or to a trustee or any person appointed by an association for the purpose of providing the insurances described in this

section shall be another form of group disability insurance.

Any form of policy approved by the commissioner for an association shall be offered throughout Washington to all persons sixty-five and older and their spouses, and the coverage of any person insured under such a form of policy shall not be cancellable except for nonpayment of premiums unless the coverage of all persons insured under such form of policy is also canceled.

SEC. 30. Notwithstanding the provisions of RCW 48.17.200, any person licensed to transact disability insurance as an agent, broker or solicitor may transact extended health insurance and may be paid a commission thereon.

Agents,
brokers and
solicitors.

SEC. 31. Any association formed for the purposes of this chapter may hold title to property, may enter into contracts, and may limit the liability of its members to their respective pro rata shares of the liability of such association. Any such association may sue and be sued in its associate name and for such purpose only shall be treated as a domestic corporation. Service of process against such association, made upon a managing agent, any member thereof or any agent authorized by appointment to receive service of process, shall have the same force and effect as if such service had been made upon all members of the association. Such association's books and records shall also be subject to examination under the provisions of sections 48.03.010 through 48.03.080, inclusive, either separately or concurrently with examination of any of its member insurers.

Powers and
duties of
associations.

SEC. 32. The forms of the policies, applications, certificates or other evidence of insurance coverage and applicable premium rates relating thereto shall be filed with the commissioner. No such policy, contract, or other evidence of insurance, application or

Commission-
er's powers—
Forms—Rates
—Standard
provisions—
Withdrawal of
approval.

Insurance—
 Disability
 insurance—
 Extended
 health—
 Persons 65 or
 over. Com-
 missioner's
 powers—
 Forms—Rates
 —Standard
 provisions—
 Withdrawal of
 approval—
 Federal, state
 benefits—An-
 nual reports.

other form shall be sold, issued or used and no endorsement shall be attached to or printed or stamped thereon unless the form thereof shall have been approved by the commissioner or thirty days shall have expired after such filing without written notice from the commissioner of disapproval thereof. The commissioner shall disapprove the forms of such insurance if he finds that they are unjust, unfair, inequitable, misleading or deceptive or that the rates are by reasonable assumption excessive in relation to the benefits provided. In determining whether such rates by reasonable assumptions are excessive in relation to the benefits provided, the commissioner shall give due consideration to past and prospective claim experience, within and outside this state, and to fluctuations in such claim experience, to a reasonable risk charge, to contribution to surplus and contingency funds, to past and prospective expenses, both within and outside this state, and to all other relevant factors within and outside this state including any differing operating methods of the insurers joining in the issue of the policy. In exercising the powers conferred upon him by this chapter, the commissioner shall not be bound by any other requirement of this code with respect to standard provisions to be included in disability policies or forms.

The commissioner may, after hearing upon written notice, withdraw an approval previously given, upon such grounds as in his opinion would authorize disapproval upon original submission thereof. Any such withdrawal of approval after hearing shall be by notice in writing specifying the ground thereof and shall be effective at the expiration of such period, not less than ninety days after the giving of notice of withdrawal, as the commissioner shall in such notice prescribe.

If and when a program of hospital, surgical and medical benefits is enacted by the federal government or the state of Washington, the extended health insurance benefits provided by policies issued under this chapter shall be adjusted to avoid any duplication of benefits offered by the federal or state programs and the premium rates applicable thereto shall be adjusted to conform with the adjusted benefits.

The association shall submit an annual report to the insurance commissioner which shall become public information and shall provide information as to the number of persons insured, the names of the insurers participating in the association with respect to insurance offered under this chapter and the calendar year experience applicable to such insurance offered under this chapter, including premiums earned, claims paid during the calendar year, the amount of claims reserve established, administrative expenses, commissions, promotional expenses, taxes, contingency reserve, other expenses, and profit and loss for the year. The commissioner shall require the association to provide any and all information concerning the operations of the association deemed relevant by him for inclusion in the report.

SEC. 33. The articles of association of any association formed in accordance with this chapter, all amendments and supplements thereto, a designation in writing of a resident of this state as agent for the service of process, and a list of insurers who are members of the association and all supplements thereto shall be filed with the commissioner.

Documents to
be filed—
Descriptive
name or
advertising.

The name of any association or any advertising or promotional material used in connection with extended health insurance to be sold, offered, or issued, pursuant to this article shall not be such as to mislead or deceive the public.

Insurance—
Disability
insurance—
Extended
health—
Persons 65 or
over. Remedies.

SEC. 34. No act done, action taken or agreement made pursuant to the authority conferred by this chapter shall constitute a violation of or grounds for prosecution or civil proceedings under any other law of this state heretofore or hereafter enacted which does not specifically refer to insurance.

RCW 48.10.080
amended.

SEC. 35. Section .10.08, chapter 79, Laws of 1947 and RCW 48.10.080 are each amended to read as follows:

Reciprocal
insurers.
"Attorney"
defined.

(1) "Attorney" as used in this chapter refers to the attorney in fact of a reciprocal insurer. The attorney may be an individual, firm, or corporation.

(2) The attorney of a foreign or alien reciprocal insurer, which insurer is duly authorized to transact insurance in this state, shall not, by virtue of discharge if its duties as such attorney with respect to the insurer's transactions in this state, be thereby deemed to be doing business in this state within the meaning of any laws of this state applying to foreign persons, firms, or corporations.

(3) The subscribers and the attorney in fact comprise a reciprocal insurer and a single entity for the purposes of chapter 48.14 RCW as to all operations under the insurer's certificate of authority.

Passed the Senate March 18, 1965.

Passed the House March 25, 1965.

Approved by the Governor April 2, 1965.