

CHAPTER 95.

[Substitute House Bill No. 532.]

INSURANCE.

AN ACT relating to insurance; amending section .12.19, chapter 79, Laws of 1947 and RCW 48.12.190; amending section .13.02, chapter 79, Laws of 1947 and RCW 48.13.020; amending section .13.14, chapter 79, Laws of 1947, as amended by section 3, chapter 303, Laws of 1955 and RCW 48.13.140; amending section .13.16, chapter 79, Laws of 1947, as amended by section 17, chapter 190, Laws of 1949 and RCW 48.13.160; amending section .13.17, chapter 79, Laws of 1947 and RCW 48.13.170; adding new sections to chapter 79, Laws of 1947 and to chapter 48.18 RCW; adding new sections to chapter 79, Laws of 1947 and to chapter 48.22 RCW; adding a new section to chapter 79, Laws of 1947 and to chapter 48.24 RCW; adding a new chapter to chapter 79, Laws of 1947 and to Title 48 RCW; and providing an effective date.

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

New section.

Section 1. There is added to chapter 79, Laws of 1947 and to chapter 48.18 RCW a new section to read as follows:

Motor vehicle insurance—Cancellation—Notice—Grounds.

(1) No contract of insurance predicated upon the use of a private passenger automobile, or the renewal thereof, shall be terminated by cancellation or refusal to renew by the insurer until at least fifteen days after mailing written notice of termination by certified mail with return receipt to the named insured at the latest address filed with the insurer by or on behalf of the named insured. Time of the effective date and hour of termination stated in the notice shall become the end of the policy period.

(2) In addition, no such contract of insurance which has been in effect sixty days may be terminated by cancellation by the insurer unless:

(a) The named insured fails to discharge when due any of his obligations in connection with the

payment of premium for the policy or any installment thereof; or

(b) The insurance was obtained through fraudulent misrepresentation; or

(c) The named insured violates any of the terms and conditions of the policy not in conflict with the provisions of this subsection; or

(d) The named insured or any other operator, who customarily operates an automobile insured under the policy;

(i) Has had his driver's license suspended or revoked during the policy period, or

(ii) Has experienced and is likely to experience epilepsy or heart attacks, and such individual cannot produce a certificate from a physician testifying to his unqualified ability to operate a motor vehicle, or

(iii) Is or has been convicted of or forfeits bail, during the thirty-six months immediately preceding the effective date of the policy or during the policy period, for:

(A) Any felony, or

(B) Criminal negligence resulting in death, homicide or assault, arising out of the operation of a motor vehicle, or

(C) Operating a motor vehicle while in an intoxicated condition or while under the influence of drugs, or

(D) Leaving the scene of an accident without stopping to report, or

(E) Theft of a motor vehicle, or

(F) A third violation for any one operator within a period of eighteen months of any moving traffic offense.

After the aforesaid sixty-day period, a notice of cancellation from the insurer to the insured shall give the statutory reason for which such cancellation is made.

Motor vehicle
insurance—
Cancellation—
Notice—
Grounds.

(3) No contract of insurance subject to the provisions of subsection (1) of this section which has been in effect for sixty days shall be terminated by refusal to renew by the insurer unless:

(a) The insurer gives the named insured notice in writing as provided for in subsection (1) of this section, that:

(i) It proposes to terminate or refuse to renew the insurance contract upon such date; and

(ii) Upon receipt of a written request from the named insured, it will forthwith mail to the named insured a written explanation of its actual reason or reasons for terminating or refusing to renew; and

(iii) The named insured, within five days after receipt of such notice, may at his option, request the insurer to furnish such written explanation; and

(b) If the named insured exercises his option, the insurer shall forthwith, but, in any event, prior to the proposed termination or failure to renew, mail to the named insured by certified mail with return receipt a written explanation giving the actual reason or reasons for its refusal to renew the contract.

(4) Any notice or written explanation given pursuant to the provisions of this section shall be privileged and shall not constitute grounds for any cause of action against the insurer or its representative or any firm, person or corporation who in good faith furnishes to the insurer the information upon which the reasons are based.

(5) The provisions of this section shall not apply to:

(a) Contracts of insurance issued under the assigned risk plan; and

(b) Contracts of insurance providing principally general casualty insurance in addition to vehicle insurance; and

(c) Contracts of insurance insuring more than four motor vehicles; and

(d) Any cancellation or refusal to renew for failure of the named insured to pay a premium when due.

(6) (a) Any contract of insurance which specifies either no definite policy period or a policy period of six months or less shall, for the purposes of this section, be considered to have successive policy periods ending each six months following its original date of issue.

(b) Each contract of insurance subject to this enactment must set forth the substance of subsection (2), which may be in form of an attached endorsement.

(c) The provisions of the above section shall take effect on July 1, 1968.

Sec. 2. There is added to chapter 79, Laws of 1947 and to chapter 48.18 RCW a new section to read as follows: New section.

Nothing in section 1 of this act shall be construed to prevent the cancellation or nonrenewal of any such insurance where: Exceptions.

(1) Such cancellation or nonrenewal is ordered by the commissioner under a statutory delinquency proceeding commenced under the provisions of chapter 48.31 RCW, or

(2) Permission for such cancellation or nonrenewal has been given by the commissioner on a showing that the continuation of such coverage can reasonably be expected to create a condition in the company hazardous to its policyholder, or to its creditors, or to its members, subscribers, or stockholders, or to the public.

Sec. 3. There is added to chapter 79, Laws of 1947 and to chapter 48.22 RCW a new section to read as follows: New section.

Motor vehicle
insurance—
Uninsured
motorists
coverage.

(1) The term “uninsured motor vehicles” with reference to coverage offered under any insurance policy regulated under this chapter shall, subject to the terms and conditions of such coverage, be deemed to include an insured motor vehicle where the liability insurer thereof is unable to make payment with respect to the legal liability of its insured within the limits specified therein because of insolvency.

(2) An insurer’s insolvency protection shall be applicable only to accidents occurring during a policy period in which its insured’s uninsured motorist coverage is in effect where the liability insurer of the tort-feasor becomes insolvent within three years after such an accident. Nothing herein contained shall be construed to prevent any insurer from affording insolvency protection under terms and conditions more favorable to its insureds than is provided hereunder.

(3) In the event of payment to an insured under the coverage required by this chapter and subject to the terms and conditions of such coverage, the insurer making such payment shall, to the extent thereof, be entitled to the proceeds of any settlement or judgment resulting from the exercise of any rights of recovery of such insured against any person or organization legally responsible for the bodily injury for which such payment is made, including the proceeds recoverable from the assets of the insolvent insurer. Whenever an insurer shall make payment under the coverage required by this section and which payment is occasioned by an insolvency, such insurer’s right of recovery or reimbursement shall not include any rights against the insured of said insolvent insurer, but such paying insurer shall have the right to proceed directly against the insolvent insurer or its receiver, and in pursuance of such right such paying insurer

shall possess any rights which the insured of the insolvent company might otherwise have had, if the insured of the insolvent insurer had personally made the payment.

Sec. 4. There is added to chapter 79, Laws of 1947 and to Title 48 RCW a new chapter as set forth in sections 5 through 9 of this amendatory act. New chapter.

Sec. 5. As used in sections 5 through 9 of this amendatory act: Life insurance
—Profit-sharing,
charter and founder's
policies.
Definitions.

(1) "Profit-sharing policy" means:

(a) A life insurance policy which by its terms expressly provides that the policy-holder will participate in the distribution of earnings or surplus other than earnings or surplus attributable, by reasonable and nondiscriminatory standards, to the participating policies of the company and allocated to the policyholder on reasonable and nondiscriminatory standards; or

(b) A life insurance policy the provisions of which, through sales material or oral presentations, are interpreted by the company to prospective policyholders as entitling the policyholder to the benefits described in subsection (a) of this section.

(2) "Charter policy" or "founders policy" means:

(a) A life insurance policy which by its terms expressly provides that the policyholder will receive some preferential or discriminatory advantage or benefit not available to persons who purchase insurance from the company at future dates or under other circumstances; or

(b) A life insurance policy the provisions of which, through sales material or oral presentations, are interpreted by the company to prospective policyholders as entitling the policyholder to the benefits described in subsection (a) of this section.

Life insurance
—Profit-sharing, charter
and founder's
policies.
Definitions.

(3) "Coupon policy" means a life insurance policy which provides a series of pure endowments maturing periodically in amounts not exceeding the gross annual policy premiums. The term "pure endowment" or "endowment" is used in its accepted actuarial sense, meaning a benefit becoming payable at a specific future date if the insured person is then living.

Prohibited.

Sec. 6. No profit-sharing, charter, or founders policy shall be issued or delivered in this state after September 1, 1967.

Coupon policy
—Approval.

Sec. 7. No coupon policy shall be issued or delivered in this state until the form of the same has been filed with and approved by the commissioner.

Coupon poli-
cies—Provi-
sions applica-
ble.

Sec. 8. Coupon policies issued or delivered in this state shall be subject to the following provisions:

(1) No detachable coupons or certificates or passbooks may be used. No other device may be used which tends to emphasize the periodic endowment benefits or which tends to create the impression that the endowments represent interest earnings or anything other than benefits which have been purchased by part of the policyholder's premium payments.

(2) Each endowment benefit must have a fixed maturity date and payment of the endowment benefit shall not be contingent upon the payment of any premium becoming due on or after such maturity date.

(3) The endowment benefits must be expressed in dollar amounts rather than as percentages of other quantities or in other ways, both in the policy itself and in the sale thereof.

(4) A separate premium for the periodic endowment benefits must be shown in the policy adjacent to the rest of the policy premium

information and must be given the same emphasis in the policy and in the sale thereof as that given the rest of the policy premium information. This premium shall be calculated with mortality, interest and expense factors which are consistent with those for the basic policy premium.

Sec. 9. The commissioner may revoke all certificates of authority and licenses granted to any insurance company, its officers or agents violating any provision of sections 5 through 9 of this amendatory act. Penalty.

Sec. 10. Section .12.19, chapter 79, Laws of 1947 and RCW 48.12.190 are each amended to read as follows: RCW 48.12.190 amended.

(1) Real property acquired pursuant to a mortgage loan or a contract for a deed, in the absence of a recent appraisal deemed by the commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan or contract at the date of such acquisition, together with any taxes and expenses paid or incurred in connection with such acquisition, and the cost of improvements thereafter made by the insurer and any amounts thereafter paid by the insurer on assessments levied for improvements in connection with the property. Life insurers—
Assets—
Valuation of
property.

(2) Other real property held by an insurer shall not be valued at any amount in excess of fair value, less reasonable depreciation based on the estimated life of the improvements.

(3) Personal property acquired pursuant to chattel mortgages made under RCW 48.13.150 shall not be valued at an amount greater than the unpaid balance of principal on the defaulted loan at date of acquisition together with taxes and expenses incurred in connection with such acquisition, or the

fair value of such property, whichever amount is the lesser.

RCW 48.13.020 amended.

Sec. 11. Section .13.02, chapter 79, Laws of 1947 and RCW 48.13.020 are each amended to read as follows:

Life insurers—
Investments—
General qual-
ifications.

(1) No security or other investment shall be eligible for purchase or acquisition under this chapter unless it is interest bearing or interest accruing or dividend or income paying, is not then in default in any respect, and the insurer is entitled to receive for its exclusive account and benefit, the interest or income accruing thereon; except,

(a) that an insurer may acquire real property as provided in RCW 48.13.160, and

(b) that this section shall not prevent participation by an insurer in a mortgage loan if the insurer holds a senior participation in such mortgage or deed of trust giving it substantially the rights of a first mortgagee as to its interest in that loan.

(2) No security shall be eligible for purchase at a price above its market value.

(3) No provision of this chapter shall prohibit the acquisition by an insurer of other or additional securities or property if received as a dividend or as a lawful distribution of assets, or if acquired pursuant to a lawful and bona fide agreement of bulk reinsurance or consolidation. Any investments so acquired through bulk reinsurance or consolidation, which are not otherwise eligible under this chapter, shall be disposed of pursuant to RCW 48.13.290 if personal property or securities, or pursuant to RCW 48.13.170 if real property.

RCW 48.13.140 amended.

Sec. 12. Section .13.14, chapter 79, Laws of 1947, as amended by section 3, chapter 303, Laws of 1955 and RCW 48.13.140 are each amended to read as follows:

(1) The fair value of property shall be determined by appraisal by a competent appraiser at the time of the acquisition of real property or of the making or acquiring of a mortgage loan or investing in a contract for the deed thereon; except, that as to bonds or notes secured by mortgage or trust deed guaranteed or insured by the Federal Housing Administration, or guaranteed or insured as to principal in full or in part by the Administrator of Veterans' Affairs, or guaranteed or insured by the Farmers Home Administration, the valuation made by such administration or administrator shall be deemed to have been made by a competent appraiser for the purposes of this subsection.

Life insurers—
Investments—
Appraisal of
property—
Limit of loan.

(2) Buildings and other improvements located on mortgaged premises shall be kept insured for the benefit of the mortgagee against loss or damage from fire in an amount not less than the unpaid balance of the obligation, or the insurable value of the property, whichever is the lesser.

(3) An insurer shall not make or acquire a loan or loans upon the security of any one parcel of real property in aggregate amount in excess of twenty-five thousand dollars or more than the amount permissible under RCW 48.13.030, whichever is the greater.

Sec. 13. Section .13.16, chapter 79, Laws of 1947, as amended by section 17, chapter 190, Laws of 1949 and RCW 48.13.160 are each amended to read as follows:

RCW 48.13.160
amended.

(1) An insurer may own and invest or have invested in its home office and branch office buildings any of its funds in aggregate amount not to exceed ten percent of its assets unless approved by the commissioner, or if a mutual or reciprocal insurer not to exceed ten percent of its assets nor

Life insurers—
Investments—
Real property
owned—Home
office building.

Life insurers—
Investments—
Real property
owned—Home
office building.

such amount as would reduce its surplus, exclusive of such investment, below fifty thousand dollars unless approved by the commissioner.

(2) An insurer may own real property acquired in satisfaction or on account of loans, mortgages, liens, judgments, or other debts previously owing to the insurer in the course of its business.

(3) An insurer may invest or have invested in aggregate amount not exceeding three percent of its assets in the following real property, and in the repair, alteration, furnishing, or improvement thereof:

(a) Real property requisite for its accommodation in the convenient transaction of its business if approved by the commissioner.

(b) Real property acquired by gift or devise.

(c) Real property acquired in exchange for real property owned by it. If necessary in order to consummate such an exchange, the insurer may put up cash in amount not to exceed twenty percent of the fair value of its real property to be so exchanged, in addition to such property.

(d) Real property acquired through a lawful merger or consolidation with it of another insurer and not required for the purposes specified in subsection (1) and in paragraph (a) of subsection (2) of this section.

(e) Upon approval of the commissioner, in real property and equipment incident to real property, requisite or desirable for the protection or enhancement of the value of other real property owned by the insurer.

(4) A domestic life insurer with assets of at least twenty-five million dollars and at least ten million dollars in capital and surplus, may, in addition to the real property included in subsections (1), (2) and (3) of this section, own such real property other than property to be used primarily for

agricultural, horticultural, ranch, mining, recreational, amusement, or club purposes, as may be acquired as an investment for the production of income, or as may be acquired to be improved or developed for such investment purpose pursuant to an existing program therefore, subject to the following limitations and conditions:

(a) The cost of each parcel of real property so acquired under this subsection (4), including the estimated cost to the insurer of the improvement or development thereof, when added to the book value of all other real property, together with the admitted value of all common stock, then held by it, shall not exceed twenty percent of its admitted assets as of the thirty-first day of December next preceding; and

(b) The cost of each parcel of real property so acquired, including the estimated cost to the insurer of the improvement or development thereof, shall not exceed as of the thirty-first day of December next preceding, one percent of its admitted assets.

(c) Indirect or proportionate interests in real estate held by a domestic life insurer through any subsidiary shall be included in proportion to such insurer's interest in the subsidiary in applying the limits provided in subsection (4).

Sec. 14. Section .13.17, chapter 79, Laws of 1947 and RCW 48.13.170 are each amended to read as follows:

RCW 48.13.170
amended.

(1) Real property acquired by an insurer pursuant to paragraph (a) of subsection (3) of RCW 48.13.160 shall be disposed of within five years after it has ceased being necessary for the use of the insurer in the transaction of its business. Real property acquired by an insurer pursuant to loans, mortgages, liens, judgments, or other debts, or pursuant to paragraphs (b), (c), (d), and (e) of subsection (3) of RCW 48.13.160 shall be disposed of

Life insurers—
Investments—
Disposal of
real property
—Time limit.

Life insurers—
Investments—
Disposal of
real property
—Time limit.

within five years after date of acquisition. The time for any such disposal may be extended by the commissioner for a definite additional period or periods upon application and proof that forced sale of the property, otherwise necessary, would be against the best interests of the insurer.

(2) Any such real property held by the insurer without the commissioner's consent beyond the time permitted for its disposal shall not be carried or allowed as an asset.

New section.

Sec. 15. There is added to chapter 79, Laws of 1947 and to chapter 48.24 RCW a new section to read as follows:

Group life
insurance—
Creditor
groups—
Depositors in
banks, etc.

The lives of a group of individuals may be insured under a policy issued to a state or federally regulated financial institution, which financial institution shall be deemed the policyholder. The purpose of the policy shall be to insure the depositors or depositor members of the financial institution for the benefit of persons other than the financial institution or its officers. The issuance of the policy shall be subject to the following requirements:

(1) The persons eligible for insurance under the policy shall be the depositors or deposit members of such financial institution, except any as to whom evidence of individual insurability is not satisfactory to the insurer, or any class or classes thereof determined by conditions of age.

(2) The policy must cover at least one hundred persons at the date of issue.

(3) The amount of insurance under the policy shall not exceed the amount of the deposit account of the insured person or five thousand dollars whichever is less.

(4) Financial institutions referred to herein must be authorized to do business in the state of

Washington and have their depositors' or members' deposit accounts insured against loss to the amount of at least fifteen thousand dollars by a corporate agency of the federal government.

Sec. 16. If any provision of this 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 and circumstances is not affected. Severability.

Passed the House April 18, 1967.

Passed the Senate April 17, 1967.

Approved by the Governor April 28, 1967.

CHAPTER 96.

[Substitute House Bill No. 572.]

TIDELANDS—TRANSFER TO PARKS AND RECREATION COMMISSION.

AN ACT relating to the management of certain tidelands owned by the state of Washington; transferring certain powers and duties to the parks and recreation commission and prescribing powers and duties in relation thereto.

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

Section 1. The powers, functions, and duties heretofore exercised by the department of fisheries, or its director, respecting the management, control, and operation of the following enumerated tidelands, which are presently suitable for public recreational use, are hereby transferred to the parks and recreation commission which shall also have respecting such tidelands all the powers conferred by chapter 43.51 RCW, as now or hereafter amended, respecting parks and parkways:

Tidelands—
Transfer of
management
etc. to parks
and recreation.

Parcel No. 1. (Toandos Peninsula) The tidelands of the second class, owned by the state of Washing-