

(15) Any person who engages in the activities herein regulated as an employee of a registered contractor with wages as his sole compensation or as an employee with wages as his sole compensation;

(16) Contractors on highway projects who have been prequalified as required by chapter 13 of the Laws of 1961, RCW 47.28.070, with the highway department to perform highway construction, reconstruction or maintenance work.

NEW SECTION. Sec. 2. There is added to chapter 18.27 RCW a new section to read as follows:

It is the purpose of this chapter to afford protection to the public from unreliable, fraudulent, financially irresponsible, or incompetent contractors.

Passed the House March 14, 1973.

Passed the Senate April 10, 1973.

Approved by the Governor April 24, 1973.

Filed in Office of Secretary of State April 25, 1973.

CHAPTER 162

[House Bill No. 485]

INSURANCE

AN ACT Relating to insurance; amending section .12.03, chapter 79, Laws of 1947 and RCW 48.12.030; amending section .12.04, chapter 79, Laws of 1947 and RCW 48.12.040; amending section .12.06, chapter 79, Laws of 1947 and RCW 48.12.060; amending section .12.15, chapter 79, Laws of 1947 as last amended by section 13, chapter 195, Laws of 1963 and RCW 48.12.150; amending section .23.35, chapter 79, Laws of 1947 as last amended by section 20, chapter 195, Laws of 1963 and RCW 48.23.350; and amending section .23.36, chapter 79, Laws of 1947 as amended by section 1, chapter 190, Laws of 1951 and RCW 48.23.360.

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

Section 1. Section .12.03, chapter 79, Laws of 1947 and RCW 48.12.030 are each amended to read as follows:

In any determination of the financial condition of an insurer, liabilities to be charged against its assets shall include:

- (1) The amount of its capital stock outstanding, if any; and
- (2) The amount, estimated consistent with the provisions of this chapter, necessary to pay all of its unpaid losses and claims incurred on or prior to the date of statement, whether reported or unreported, together with the expense of adjustment or settlement thereof; and

(3) With reference to life and disability insurance, and annuity contracts,

(a) the amount of reserves on life insurance policies and annuity contracts in force (including disability benefits for both active and disabled lives, and accidental death benefits, in or supplementary thereto) and disability insurance, valued according to the tables of mortality, tables of morbidity, rates of interest, and methods adopted pursuant to this chapter which are applicable thereto; and

(b) ~~((reserves for disability benefits; for both active and disabled lives;~~

~~(c) reserves for accidental death benefits; and~~

~~(d)) any additional reserves which may be required by the commissioner, consistent with practice formulated or approved by the National Association of Insurance Commissioners, on account of such insurances; and~~

(4) With reference to insurances other than those specified in subdivision (3) of this section, and other than title insurance, the amount of reserves equal to the unearned portions of the gross premiums charged on policies in force, computed in accordance with this chapter; and

(5) Taxes, expenses, and other obligations accrued at the date of the statement; and

(6) Any additional reserve set up by the insurer for a specific liability purpose or required by the commissioner consistent with practices adopted or approved by the National Association of Insurance Commissioners.

Sec. 2. Section .12.04, chapter 79, Laws of 1947 and RCW 48.12.040 are each amended to read as follows:

(1) With reference to insurances against loss or damage to property, except as provided in RCW 48.12.050, and with reference to all general casualty insurances, ~~((disability insurance except as provided in RCW 48.12.060))~~ and surety insurances, every insurer shall maintain an unearned premium reserve on all policies in force.

(2) The commissioner may require that such reserve shall be equal to the unearned portions of the gross premiums in force after deducting authorized reinsurance, as computed on each respective risk from the policy's date of issue. If the commissioner does not so require, the portions of the gross premiums in force, less authorized reinsurance, to be held as a premium reserve, shall be computed according to the following table:

Term for which policy was written	Reserve for unearned premium
One year, or less	1/2
Two years	3/4

	Second year	1/4
Three years	First year	5/6
	Second year	1/2
	Third year	1/6
Four years	First year	7/8
	Second year	5/8
	Third year	3/8
	Fourth year	1/8
Five years	First year	9/10
	Second year	7/10
	Third year	1/2
	Fourth year	3/10
	Fifth year	1/10
Over five years.....	Pro rata	

(3) In lieu of computation according to such table, all of such reserves may be computed, at the insurer's option, on a monthly pro rata basis.

(4) After adopting any one of the methods for computing such reserve an insurer shall not change methods without the commissioner's approval.

Sec. 3. Section .12.06, chapter 79, Laws of 1947 and RCW 48.12.060 are each amended to read as follows:

~~((1) The legal minimum standard for computing the active life reserve; including the unearned premium reserve; of noncancellable disability policies shall be based on Conference Modification of Class III Disability Experience with interest at not to exceed three and one-half percent per annum on the full preliminary term basis:~~

~~{2} For policies with a waiting period of less than three months or providing benefits at ages beyond the limits of Conference Modification of Class III Disability Experience; the tables shall be extended to cover the provisions of such policies on such basis as the commissioner may approve:~~

~~{3} The reserve for losses under noncancellable disability policies shall be based on Conference Modification of Class III Disability Experience; except that for claims of less than twenty-seven months duration the reserve may be taken as equivalent to the prospective claim payments for three and one-half times the elapsed period of disability; but in no case shall the reserve be less than the equivalent of seven weeks claim payments:~~

~~{4} The commissioner shall modify the application of the tables and requirements prescribed in this section to policies or to claims arising under policies in accordance with the waiting period contained in such policies and in accordance with any limitation as to the time for which indemnity is payable:)) For all disability insurance policies the insurer shall maintain an active life reserve~~

which shall place a sound value on its liabilities under such policies and be not less than the reserve according to appropriate standards set forth in regulations issued by the commissioner and, in no event, less in the aggregate than the pro rata gross unearned premiums for such policies.

Sec. 4. Section .12.15, chapter 79, Laws of 1947 as last amended by section 13, chapter 195, Laws of 1963 and RCW 48.12.150 are each amended to read as follows:

(1) This section shall be known as the standard valuation law.

(2) Annual valuation: The commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer doing business in this state, except that in the case of an alien insurer such valuation shall be limited to its insurance transactions in the United States, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or others) used in the calculation of such reserves. In calculating such reserves, the commissioner may use group methods and approximate averages for fractions of a year or otherwise. He may accept, in his discretion, the insurer's calculation of such reserves. In lieu of the valuation of the reserves herein required of any foreign or alien insurer, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

(3) Minimum valuation standard:

(a) The minimum standard for the valuation of all such policies and contracts issued prior to the operative date of RCW 48.23.350 shall be as follows:

For policies issued prior to the operative date no standard of valuation for ordinary policies, whether on the net level premium, preliminary term, or select and ultimate reserve basis, shall be less than that determined upon such basis according to the American Experience Table of Mortality with three and one-half percent interest; except, that when the preliminary term basis is used it shall not exceed one year. The commissioner may vary the standard of valuation in particular cases of invalid lives and other extra hazards, provided, that the interest rate used is not greater than

three and one-half percent.

Except as otherwise provided in subsection (3) (b) (ii) of this section the legal minimum standard for the valuation of annuities issued on or after January 1, 1912, and prior to the operative date of RCW 48.23.350, shall be McClintock's Table of Mortality Among Annuitants, with interest at three and one-half percent per annum, but annuities deferred ten or more years and written in connection with life or term insurance may be valued on the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half percent per annum.

The legal minimum standard for the valuation of industrial policies issued on or after the first day of January, 1912, and prior to the operative date of RCW 48.23.350, shall be the American Experience Table of Mortality with interest at three and one-half percent per annum; except, that any life insurer may voluntarily value such industrial policies according to the Standard Industrial Mortality Table or the Substandard Industrial Mortality Table.

The legal minimum standard for the valuation of group life insurance policies under which premium rates are not guaranteed for a period in excess of five years shall be, at the option of the life insurer issuing such policies, either the American Men Ultimate Table of Mortality, the Commissioners 1941 Standard Ordinary Mortality Table, or any other table approved by the commissioner, with interest at three and one-half percent per annum.

(b) (i) Except as otherwise provided in subsection (3) (b) (ii) of this section the minimum standard for the valuation of all such policies and contracts issued on or after the operative date of RCW 48.23.350 shall be the Commissioners Reserve Valuation Method defined in subsection (4) of this section, three and one-half percent interest or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after the effective date of this 1973 amendatory act, four percent interest, and the following tables:

~~((1))~~ (A) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the Commissioners 1941 Standard Ordinary Mortality Table for such policies issued prior to the operative date of RCW 48.23.350 (5a), and the Commissioners 1958 Standard Ordinary Mortality Table for such policies issued on or after such operative date: PROVIDED, That for any category of such policies issued on female risks on or after July 1, 1957, modified net premiums and present values, referred to in subsection (4) of this section, may be calculated according to an age not more than three years younger than the actual age of the insured.

~~((i+i))~~ (B) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the 1941 Standard Industrial Mortality Table for such policies issued prior to the operative date of RCW 48.23.350(5b), and the Commissioners 1961 Standard Industrial Mortality Table for such policies issued on or after such operative date.

~~((i+i))~~ (C) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the 1937 Standard Annuity Mortality Table or, at the option of the insurer, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the commissioner.

~~((i+v))~~ (D) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the Group Annuity Mortality Table for 1951, any modification of such table approved by the commissioner, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

~~((i+v))~~ (E) For total and permanent disability benefits in or supplementary to ordinary policies or contracts,--for policies or contracts issued on or after January 1, 1966, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit; for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either such tables or, at the option of the insurer, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

~~((i+v))~~ (F) For accidental death benefits in or supplementary to policies,--for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table; for policies issued on or after January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the insurer, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

~~((i+v))~~ (G) For group life insurance, life insurance issued on the substandard basis and other special benefits,--such tables as may be approved by the commissioner.

(ii) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative

date of this subsection and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation method defined in subsection (4) of this section and the following tables and interest rates:

(A) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the commissioner, and six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts.

(B) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such contracts the 1971 Group Mortality Table, or any modification of this table approved by the commissioner, and six percent interest.

After the effective date of this 1973 amendatory act any insurer may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1979, which shall be the operative date of this subsection for such insurer, provided that an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1979.

(4) Commissioners Reserve Valuation Method: Reserves according to the Commissioners Reserve Valuation Method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits (excluding extra premiums on a substandard policy) that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (a) over (b) as follows:

(a) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided,

however, that such net level annual premium shall not exceed the net level annual premium on the nineteen-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy.

(b) A net one-year term premium for such benefits provided for in the first policy year.

Reserves according to the Commissioners Reserve Valuation Method for (1) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (2) annuity and pure endowment contracts, (3) disability and accidental death benefits in all policies and contracts, and (4) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of this ((paragraph)) subsection.

(5) Minimum aggregate reserves: In no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of RCW 48.23.350, be less than the aggregate reserves calculated in accordance with the method set forth in subsection (4) and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(6) Optional reserve bases: Reserves for all policies and contracts issued prior to the operative date of RCW 48.23.350 may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date.

For any category of policies, contracts or benefits specified in subsection (3) of this section, issued on or after the operative date of RCW 48.23.350, reserves may be calculated, at the option of the insurer, according to any standard or standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein: PROVIDED, That reserves for participating life insurance policies issued on or after the operative date of RCW 48.23.350 may, with the consent of the commissioner, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one-half percent the insurer issuing such policies shall file with the commissioner a plan

providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the commissioner shall approve.

Any such insurer which at any time had adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided.

(7) Deficiency reserve: If the gross premium charged by any life insurer on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium-paying period.

Sec. 5. Section .23.35, chapter 79, Laws of 1947 as last amended by section 20, chapter 195, Laws of 1963 and RCW 48.23.350 are each amended to read as follows:

(1) This section shall be known as the standard nonforfeiture law.

(2) Nonforfeiture provisions--Life: In the case of policies issued on or after the operative date of this section as defined in subsection (8), no policy of life insurance, except as stated in subsection (7), shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder:

(a) That, in the event of default in any premium payment, the insurer will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified.

(b) That, upon surrender of the policy within sixty days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

(c) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not

later than sixty days after the due date of the premium in default.

(d) That, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefits which become effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within thirty days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

(e) A statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first twenty policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy.

(f) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of this state; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

The insurer shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

(3) Cash surrender value--Life: Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by subsection (2) of this section, shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the

future guaranteed benefits which would have been provided for by the policy including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the adjusted premiums as defined in subsections (5), (5a) and (5b) of this section corresponding to premiums which would have fallen due on and after such anniversary, and (b) the amount of any indebtedness to the insurer on account of or secured by the policy. Any cash surrender value available within thirty days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefits whether or not required by such subsection (2), shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy including any existing paid-up additions, decreased by any indebtedness to the insurer on account of or secured by the policy.

(4) Paid-up nonforfeiture benefit--Life: Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

(5) The adjusted premium--Life: Except as provided in the third paragraph of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (a) the then present value of the future guaranteed benefits provided for by the policy; (b) two percent of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (c) forty percent of the adjusted premium for the first policy year; (d) twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less: PROVIDED, That in applying the percentages specified in (c) and (d) above, no adjusted premium shall be deemed to exceed four percent of the amount of insurance or uniform amount equivalent thereto. Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the provisions of the policy, the

date of inception of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purpose of the changed policy.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this subsection shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided, however, that in the case of a policy, providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (i) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (ii) the adjusted premiums for such term insurance, the foregoing items (i) and (ii) being calculated separately and as specified in the first two paragraphs of this subsection except that, for the purposes of (b), (c) and (d) of the first such paragraph, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (ii) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (i).

Except as otherwise provided in subsections (5a) and (5b) of this section, all adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table: PROVIDED, That for any category of ordinary insurance issued on female risks on or after July 1, 1957, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured, and such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits: PROVIDED, That in calculating the present

value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred and thirty percent of the rates of mortality according to such applicable table: PROVIDED FURTHER, That for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

(5a) In the case of ordinary policies issued on or after the operative date of this subsection (5a) as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided, that such rate of interest shall not exceed three and one-half percent per annum except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after the effective date of this 1973 amendatory act, and provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table. Provided, further, That for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

On or after June 11, 1959, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this subsection, either as to designated ordinary policies or as to all ordinary policies issued by it, after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this subsection as to such policies for such insurer), this subsection shall become operative with respect to such policies thereafter issued by such insurer. If an insurer makes no such election, or so elects to have this subsection apply as to certain of its ordinary policies only, the operative date of this subsection as to all of the ordinary policies issued by such insurer (other than those policies as to which the insurer has elected an earlier operative date as hereinabove provided) shall be January 1, 1966.

(5b) In the case of industrial policies issued on or after the

operative date of this subsection (5b) as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; PROVIDED, That such rate of interest shall not exceed three and one-half percent per annum except that a rate of interest not exceeding four percent per annum may be used for policies on or after the effective date of this 1973 amendatory act: PROVIDED, That in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table: PROVIDED FURTHER, That for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

After the effective date of this amendatory act of 1963, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of this subsection for such insurer), this subsection shall become operative with respect to the industrial policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1968.

(6) Calculation of values--Life: Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections (3), (4), (5), (5a) and (5b) of this section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of subsection (3) of this section, additional benefits payable (a) in the event of death or dismemberment by accident or accidental means, (b) in the event of total and permanent disability, (c) as reversionary annuity or deferred reversionary annuity benefits, (d) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section

would not apply, (e) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid-up by reason of the death of a parent of the child, and (f) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

(7) Exceptions: This section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount, or renewal thereof, of fifteen years or less expiring before age sixty-six, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in subsections (5), (5a) and (5b) of this section, is less than the adjusted premium so calculated, on such fifteen year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which shall be delivered outside this state through an agent or other representative of the insurer issuing the policy.

(8) Operative date: After the effective date of this section, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before July 1, 1948. After the filing of such notice, then upon such specified date (which shall be the operative date for such insurer), this section shall become operative with respect to the policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such insurer shall be July 1, 1948.

Sec. 6. Section .23.36, chapter 79, Laws of 1947 as amended by section 1, chapter 190, Laws of 1951 and RCW 48.23.360 are each amended to read as follows:

(1) Nonforfeiture benefits: Any paid-up nonforfeiture benefit available under any annuity or pure endowment contract pursuant to RCW 48.23.200, in the event of default in a consideration due on any contract anniversary shall be such that its present value as of such anniversary shall be not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits (excluding any total disability benefits attached to such contracts) which would have been provided for by the contract including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the net consideration defined in

subsection (2) of this section corresponding to considerations which would have fallen due on and after such anniversary, and (b) the amount of any indebtedness to the company on the contract, including interest due or accrued. In determining the benefits referred to in this section and in calculating the net consideration referred to in such subsection (2), in the case of annuity contracts under which an election may be made to have annuity payments commence at optional dates, the annuity payments shall be deemed to commence at the latest date permitted by the contract for the commencement of such payments and the considerations shall be deemed to be payable until such date, which, however, shall not be later than the contract anniversary nearest the annuitant's seventieth birthday.

(2) Net considerations: The net considerations for any annuity or pure endowment contract referred to in subsection (1) of this section shall be calculated on an annual basis, shall be such that the present value thereof at date of issue of the annuity shall equal the then present value of the future benefits thereunder (excluding any total disability benefits attached to such contracts) and shall be not less than the following percentages of the respective considerations specified in the contracts for the respective contract years:

- First yearfifty percent
- Second and subsequent years ninety percent

PROVIDED, That in the case of participating annuity contracts the percentages hereinbefore specified may be decreased by five.

(3) Basis of calculation: All net considerations and present values for such contracts referred to in this section shall be calculated on the basis of the 1937 Standard Annuity Mortality Table ((for such table with reasonable adjustment of the age of the life or lives on which the contract is based)) OR, at the option of the insurer, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the commissioner, and the rate of interest, not exceeding three and one-half percent per annum, specified in the contract for calculating cash surrender values, if any, and paid-up nonforfeiture benefits; except that with respect to annuity and pure endowment contracts issued on or after the operative date of RCW 48.12.150(3)(b)(ii) for such contracts, such rate of interest may be as high as four percent per annum; PROVIDED, That if such rate of interest exceeds three and one-half percent per annum, all net considerations and present values for such contracts referred to in this section shall be calculated on the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the commissioner.

(4) Calculations on default: Any cash surrender value and any paid-up nonforfeiture benefit, available under any such contract in

the event of default in the payment of any consideration due at any time other than on the contract anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional considerations beyond the last preceding contract anniversary. All values herein referred to may be calculated upon the assumption that any death benefit is payable at the end of the contract year of death.

(5) Deferment of payment: If an insurer provides for the payment of a cash surrender value, it shall reserve the right to defer the payment of such value for a period of six months after demand therefor with surrender of the contract.

(6) Lump sum in lieu: Notwithstanding the requirements of this section, any deferred annuity contract may provide that if the annuity allowed under any paid-up nonforfeiture benefit would be less than one hundred twenty dollars annually, the insurer may at its option grant a cash surrender value in lieu of such paid-up nonforfeiture benefit of such amount as may be required by subsection (3) of this section.

(7) Operative date: If no election is made by an insurer for an operative date prior to July 1, 1948, such date shall be the operative date for this section.

Passed the House April 14, 1973.

Passed the Senate April 13, 1973.

Approved by the Governor April 24, 1973.

Filed in Office of Secretary of State April 25, 1973.

 CHAPTER 163

[House Bill No. 531]

ESCROW OFFICER EXAMINEES--INSURANCE

AN ACT Relating to insurance; amending section 10, chapter 245, Laws of 1971 ex. sess. and RCW 18.44.230; amending section .18.02, chapter 79, Laws of 1947 as amended by section 4, chapter 17, Laws of 1970 ex. sess. and RCW 48.18.020; amending section 2, chapter 104, Laws of 1969 and RCW 48.18A.020; amending section 3, chapter 104, Laws of 1969 and RCW 48.18A.030; amending section 5, chapter 104, Laws of 1969 and RCW 48.18A.050; amending section 6, chapter 104, Laws of 1969 and RCW 48.18A.060; amending section .24.06, chapter 79, Laws of 1947 as last amended by section 21, chapter 195, Laws of 1963 and RCW 48.24.060; amending section .24.07, chapter 79, Laws of 1947 as last amended by section 1, chapter 86, Laws of 1963 and RCW 48.24.070; adding a new section to chapter 79, Laws of