

43. RCW (sections 1 through 5, chapter ___ (ESSB 3041), Laws of 1981), shall be subject to the advice and consent of the senate.

***Sec. 22. was vetoed, see message at end of chapter.**

****NEW SECTION. Sec. 23. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.***

***Sec. 23. was vetoed, see message at end of chapter.**

Passed the Senate April 26, 1981.

Passed the House April 26, 1981.

Approved by the Governor May 19, 1981, with the exception of certain items which are vetoed.

Filed in Office of Secretary of State May 19, 1981.

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

"I am returning herewith without my approval as to Sections 5, 8, 18, 22 and 23 Senate Bill No. 3000 entitled:

"AN ACT Relating to gubernatorial appointees."

In my view the requirement of Senate confirmation should be limited to major administrative posts and governing bodies. In light of the 1500 or so gubernatorial appointments to boards and commissions, a routine requirement of Senate confirmation is impractical. For that reason I have vetoed Sections 5 and 8, which require Senate confirmation of the gubernatorial appointments to the Organized Crime Advisory Board and the Data Processing Authority.

I have vetoed Section 18 because it unnecessarily restricts the Governor's control over the membership of the Horse Racing Commission.

Section 22 is vetoed because it is identical in substance to Section 3 of En-grossed Substitute Senate Bill No. 3041, which has been signed into law.

Section 23 is vetoed because, the legislative session having been concluded, no emergency exists with respect to the gubernatorial appointments covered by this bill.

With the exceptions of the aforementioned sections, which I have vetoed, the remainder of Senate Bill No. 3000 is approved."

CHAPTER 339

[Substitute House Bill No. 144]

INSURANCE

AN ACT Relating to insurance; amending section 1, chapter 225, Laws of 1959 as amended by section 70, chapter 75, Laws of 1977 and RCW 48.02.180; amending section .03.06, chapter 79, Laws of 1947 as amended by section 1, chapter 35, Laws of 1979 ex. sess. and RCW 48.03.060; amending section .05.21, chapter 79, Laws of 1947 and RCW 48.05.210; amending section 3, chapter 150, Laws of 1967 and RCW 48.05.215; amending section .07.13, chapter 79, Laws of 1947 and RCW 48.07.130; amending section .13.16, chapter 79, Laws of 1947 as last amended by section 3, chapter 151, Laws of 1973 and RCW 48.13.160; amending section .14.01, chapter 79, Laws of 1947 as last amended by section 1, chapter 269, Laws of 1979 ex. sess. and RCW 48.14.010; amending section .15.07, chapter 79, Laws of 1947 as last amended by section 3, chapter 102, Laws of 1980 and RCW 48.15.070; amending section .17.01, chapter 79, Laws of 1947 and RCW 48.17.010; amending section .17.09, chapter 79, Laws of 1947 as amended by section 15, chapter

150, Laws of 1967 and RCW 48.17.090; amending section .17.12, chapter 79, Laws of 1947 as last amended by section 17, chapter 150, Laws of 1967 and RCW 48.17.120; amending section .17.13, chapter 79, Laws of 1947 as amended by section 18, chapter 150, Laws of 1967 and RCW 48.17.130; amending section .17.27, chapter 79, Laws of 1947 and RCW 48.17.270; amending section .17.34, chapter 79, Laws of 1947 and RCW 48.17.340; amending section .17.38, chapter 79, Laws of 1947 as amended by section 48, chapter 292, Laws of 1971 ex. sess. and RCW 48.17.380; amending section .17.39, chapter 79, Laws of 1947 and RCW 48.17.390; amending section 20, chapter 241, Laws of 1969 ex. sess. as last amended by section 7, chapter 199, Laws of 1979 ex. sess. and RCW 48.18.292; amending section .19.08, chapter 79, Laws of 1947 and RCW 48.19.080; amending section 17, chapter 266, Laws of 1975 1st ex. sess. and RCW 48.20.460; amending section .32.01, chapter 79, Laws of 1947 and RCW 48.36.010; amending section .32.17, chapter 79, Laws of 1947 as amended by section 22, chapter 195, Laws of 1963 and RCW 48.36.170; amending section 3, chapter 268, Laws of 1947 as last amended by section 2, chapter 115, Laws of 1969 and RCW 48.44.030; adding new sections to chapter 48.29 RCW; adding a new section to chapter 48.30 RCW; and repealing section .30.16, chapter 79, Laws of 1947 and RCW 48.30.160.

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

Section 1. Section 1, chapter 225, Laws of 1959 as amended by section 70, chapter 75, Laws of 1977 and RCW 48.02.180 are each amended to read as follows:

(1) In addition to such publications as are otherwise authorized under this code, the commissioner may from time to time prepare and publish:

(a) Booklets containing the insurance code, or supplements thereto, and such related statutes as the commissioner deems suitable and useful for inclusion in an appendix of such booklet or supplement.

(b) Manuals and other material relative to examinations for licensing as provided in chapter 48.17 RCW.

(2) The commissioner may furnish copies of the insurance code, supplements thereto, and related statutes referred to in ~~((subdivision))~~ (1) ~~((above;))~~ of this section free of charge to public offices and officers in this state concerned therewith, to public officials of other states and jurisdictions having supervision of insurance, to the library of congress, and to officers of the armed forces of the United States of America located at military installations in this state who are concerned with insurance transactions at or involving such military installations.

(3) Except as provided in subsection (2) ~~((above))~~ of this section, the commissioner shall sell copies of the insurance code, supplements thereto, examination manuals, and materials as referred to in subsection (1) ~~((above))~~ of this section, at a reasonable price, fixed by the commissioner, in amount not less than the cost of publication, handling, and distribution thereof. The commissioner shall promptly deposit all funds received by him pursuant to this subsection with the state treasurer to the credit of the general fund. For appropriation purposes, such funds received and deposited by the commissioner shall be treated as a recovery of a previous expenditure.

Sec. 2. Section .03.06, chapter 79, Laws of 1947 as amended by section 1, chapter 35, Laws of 1979 ex. sess. and RCW 48.03.060 are each amended to read as follows:

(1) Examinations within this state of any insurer domiciled or having its home offices in this state, other than a title insurer, made by the commissioner or his examiners and employees shall, except as to fees, mileage, and expense incurred as to witnesses, be at the expense of the state.

(2) Every other examination, whatsoever, or any part of the examination of any person domiciled or having its home offices in this state requiring travel and services outside this state, shall be made by the commissioner or by examiners designated by him and shall be at the expense of the person examined; but a domestic insurer shall not be liable for the compensation of examiners employed by the commissioner for such services outside this state.

(3) The person examined and liable therefor shall reimburse the state upon presentation of an itemized statement thereof, for the actual travel expenses of the commissioner's examiners, their reasonable living expense allowance, and their per diem compensation, including salary and the employer's cost of employee benefits, at a reasonable rate approved by the commissioner, incurred on account of the examination. Per diem salary and expenses for employees examining insurers domiciled outside the state of Washington shall be established by the commissioner on the basis of the National Association of Insurance Commissioner's recommended salary and expense schedule for zone examiners, or the salary schedule established by the state personnel board and the expense schedule established by the office of financial management, whichever is higher. Domestic title insurer shall pay the examination expense and costs to the commissioner as itemized and billed by him.

The commissioner or his examiners shall not receive or accept any additional emolument on account of any examination.

Sec. 3. Section .05.21, chapter 79, Laws of 1947 and RCW 48.05.210 are each amended to read as follows:

(1) Duplicate copies of legal process against an insurer for whom the commissioner is attorney shall be served upon him either by a person competent to serve a summons, or by registered mail. At the time of service the plaintiff shall pay to the commissioner ((two)) ten dollars, taxable as costs in the action.

(2) The commissioner shall forthwith send one of the copies of the process, by registered mail with return receipt requested, to the person designated for the purpose by the insurer in its most recent such designation filed with the commissioner.

(3) The commissioner shall keep a record of the day and hour of service upon him of all legal process. No proceedings shall be had against the insurer, and the insurer shall not be required to appear, plead, or answer until the expiration of forty days after the date of service upon the commissioner.

Sec. 4. Section 3, chapter 150, Laws of 1967 and RCW 48.05.215 are each amended to read as follows:

(1) Any foreign or alien insurer not thereunto authorized by the commissioner, whether it be a surplus lines insurer operating under chapter 48-.15 RCW or not, who, by mail or otherwise, solicits insurance business in this state or transacts insurance business in this state as defined by RCW 48.01.060, thereby submits itself to the jurisdiction of the courts of this state in any action, suit or proceeding instituted by or on behalf of an insured, beneficiary or the commissioner arising out of such unauthorized solicitation of insurance business, including, but not limited to, an action for injunctive relief by the commissioner.

(2) In any such action, suit or proceeding instituted by or on behalf of an insured or beneficiary, service of legal process against such unauthorized foreign or alien insurer may be made by service of duplicate copies of legal process on the commissioner by a person competent to serve a summons or by registered mail. At the time of service the plaintiff shall pay to the commissioner ~~((two))~~ ten dollars, taxable as costs in the action. The commissioner shall forthwith mail one of the copies of the process, by registered mail with return receipt requested, to the defendant at its last known principal place of business. The defendant insurer shall have forty days from the date of the service on the commissioner within which to plead, answer or otherwise defend the action.

(3) In any such action, suit or proceeding by the commissioner, service of legal process against such unauthorized foreign or alien insurer may be made by personal service of legal process upon any officer of such insurer at its last known principal place of business outside the state of Washington. The summons upon such unauthorized foreign or alien insurer shall contain the same requisites and be served in like manner as personal summons within the state of Washington; except, the insurer shall have forty days from the date of such personal service within which to plead, answer or otherwise defend the action.

Sec. 5. Section .07.13, chapter 79, Laws of 1947 and RCW 48.07.130 are each amended to read as follows:

(1) No person having any authority in the investment or disposition of the funds of a domestic insurer and no officer or director of an insurer shall accept, except for the insurer, or be the beneficiary of any fee, brokerage, gift, commission, or other emolument because of any sale of insurance or of any investment, loan, deposit, purchase, sale, payment, or exchange made by or for the insurer, or be pecuniarily interested therein in any capacity; except, that such a person may procure a loan from the insurer direct upon approval by two-thirds of its directors and upon the pledge of securities eligible for the investment of the insurer's funds under this code.

(2) This section does not prohibit a life insurer from making a policy loan to such person on a life insurance contract issued by it and in accordance with the terms thereof.

(3) The commissioner may, by regulations from time to time, define and permit additional exceptions to the prohibition contained in subsection (1) of this section solely to enable payment of reasonable compensation to a director who is not otherwise an officer or employee of the insurer, or to a corporation or firm in which the director is interested, for necessary services performed or sales or purchases made to or for the insurer in the ordinary course of the insurer's business and in the usual private professional or business capacity of such director or such corporation or firm.

Sec. 6. Section .13.16, chapter 79, Laws of 1947 as last amended by section 3, chapter 151, Laws of 1973 and RCW 48.13.160 are each amended to read as follows:

(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 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, and a domestic property and casualty insurer with assets of at least seventy-five million dollars and at least thirty million dollars in capital and surplus, or, if a mutual or reciprocal property or casualty insurer, at least thirty million dollars in 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 therefor, 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 under this subsection (4), together with the admitted value of all common stock, then held by it, shall not exceed twenty percent of its admitted assets or fifty percent of its surplus over the minimum required surplus, whichever is greater, 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, four 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. 7. Section .14.01, chapter 79, Laws of 1947 as last amended by section 1, chapter 269, Laws of 1979 ex. sess. and RCW 48.14.010 are each amended to read as follows:**

(1) The commissioner shall collect in advance the following fees:

- (A) FOR FILING CHARTER DOCUMENTS:**
 - (i) Original charter documents, bylaws or record of organization of insurers, or certified copies thereof, required to be filed..... \$250.00**
 - (ii) Amended charter documents, or certified copy thereof, other than amendments of bylaws..... \$ 10.00**
 - (iii) No additional charge or fee shall be required for filing any of such documents in the office of the secretary of state.**
- (B) CERTIFICATE OF AUTHORITY:**
 - (i) Issuance \$ 25.00**
 - (ii) Renewal..... \$ 25.00**
- (C) ANNUAL STATEMENT OF INSURER, FILING \$ 20.00**

(D) ORGANIZATION OR FINANCING OF DOMESTIC INSURERS AND AFFILIATED CORPORATIONS:

- (i) *Application for solicitation permit, filing* \$100.00
- (ii) *Issuance of solicitation permit* \$ 25.00

(E) AGENTS' LICENSES:

- (i) *Agent's qualification licenses each year* \$ 25.00
- (ii) *Filing of appointment of each such agent, each year* \$ 10.00
- (iii) *Limited license issued pursuant to RCW 48.17.190, each year* \$ 10.00

(F) BROKERS' LICENSES:

- (i) ~~((Resident or nonresident broker))~~ *Broker's license, each year* \$ 50.00
- (ii) *Surplus line broker, each year* \$100.00

(G) SOLICITORS' LICENSE, EACH YEAR \$ 10.00

(H) ADJUSTERS' LICENSES:

- (i) *Independent adjuster, each year* \$ 25.00
- (ii) *Public adjuster, each year* \$ 25.00

(I) RESIDENT GENERAL AGENTS LICENSE, EACH YEAR \$ 25.00

(J) EXAMINATION FOR LICENSE, EACH EXAMINATION:

- (i) ~~((Filing))~~ *Application processing fee for first examination for license* \$ 5.00
- (ii) ~~((Resident or nonresident))~~ *Broker's license* \$ 50.00
- (iii) *All other examinations, except examinations administered by an independent testing service, the fees for which are to be approved by the commissioner and collected directly by such independent testing service* \$ 10.00

(K) MISCELLANEOUS SERVICES:

- (i) *Filing other documents* \$ 5.00
- (ii) *Commissioner's certificate under seal* \$ 5.00
- (iii) *Copy of documents filed in the commissioner's office, reasonable charge therefor as determined by the commissioner.*

(2) All fees so collected shall be remitted by the commissioner to the state treasurer not later than the first business day following, and shall be placed to the credit of the general fund: PROVIDED, That fees for examinations administered by an independent testing service which are approved by the

commissioner pursuant to (1)(J)(iii) of this section may be collected directly by such independent testing service.

*Sec. 7. was vetoed, see message at end of chapter.

*Sec. 8. Section .15.07, chapter 79, Laws of 1947 as last amended by section 3, chapter 102, Laws of 1980 and RCW 48.15.070 are each amended to read as follows:

Any ~~((person))~~ resident of this state deemed by the commissioner to be competent and trustworthy, and while maintaining an office at a designated location in this state, may be licensed as a surplus line broker ~~((; as follows:))~~ in accordance with this section.

(1) Application to the commissioner for the license shall be made on forms furnished by the commissioner.

(2) The license fee shall be one hundred dollars for each license year during any part of which the license is in force. The annual renewal date shall be determined by the commissioner. The commissioner shall adopt a rule providing for the proration, on a quarterly basis, of the license fee. The proration shall be applicable only: (a) To applicants who apply for a license after the expiration of the first quarter of any license year, or (b) to licensees whose licenses would exist for less than nine months as a result of the adoption of the annual renewal date.

(3) Prior to issuance of license the applicant shall file with the commissioner a bond in favor of the state of Washington in the penal sum of twenty thousand dollars, with authorized corporate sureties approved by the commissioner, conditioned that he will conduct business under the license in accordance with the provisions of this chapter and that he will promptly remit the taxes provided by RCW 48.15.120. The licensee shall maintain such bond in force for as long as the license remains in effect.

(4) Every applicant for a surplus line broker's license or for the renewal of a surplus line broker's license shall file with the application or request for renewal a bond in favor of the people of the state of Washington, executed by an authorized corporate surety approved by the commissioner, in the amount of fifty thousand dollars and shall be the bonding requirement for new licensees. The licensee shall maintain such bond in force while so licensed. The bond may be continuous in form, and total aggregate liability on the bond may be limited to the amount stated in the bond. The bond shall be contingent on the accounting by the surplus line broker to any person requesting such broker to obtain insurance, for moneys or premiums collected in connection therewith. A bond issued in accordance with RCW 48.17.250 or with this subsection will satisfy the requirements of both RCW 48.17.250 and this subsection if the limit of liability is not less than the greater of the requirement of RCW 48.17.250 or the requirement of this subsection.

(5) Any bond issued pursuant to subsection (3) or (4) of this section shall remain in force until the surety is released from liability by the commissioner, or until the bond is canceled by the surety. Without prejudice to any liability accrued prior to such cancellation, the surety may cancel the bond upon thirty days' advance notice in writing filed with the commissioner.

*Sec. 8. was vetoed, see message at end of chapter.

Sec. 9. Section .17.01, chapter 79, Laws of 1947 and RCW 48.17.010 are each amended to read as follows:

"Agent" means any person appointed by an insurer to solicit applications for insurance on its behalf, and if authorized so to do, to effectuate (~~and countersign~~) insurance contracts (~~except as to life or disability insurances~~), and to collect premiums on insurances so applied for or effectuated.

Sec. 10. Section .17.09, chapter 79, Laws of 1947 as amended by section 15, chapter 150, Laws of 1967 and RCW 48.17.090 are each amended to read as follows:

(1) Application for any such license shall be made to the commissioner upon forms as prescribed and furnished by him. As a part of or in connection with any such application the applicant shall furnish information concerning his identity, including his fingerprints, personal history, experience, business record, purposes, and other pertinent facts, as the commissioner may reasonably require.

(2) (~~If the applicant is a firm or corporation, the application shall show, in addition, the names of all members and officers, and shall designate each individual who is to exercise the powers to be conferred by the license upon such firm or corporation. The commissioner shall require each such individual to furnish information to him as though for an individual license.~~)

(~~3~~)) Any person wilfully misrepresenting any fact required to be disclosed in any such application shall be liable to penalties as provided by this code.

*Sec. 11. Section .17.12, chapter 79, Laws of 1947 as last amended by section 17, chapter 150, Laws of 1967 and RCW 48.17.120 are each amended to read as follows:

(1) Each such examination shall be of sufficient scope reasonably to test the applicant's knowledge relative to the kinds of insurance which may be dealt with under the license applied for, and of the duties and responsibilities of, and laws of this state applicable to, such a licensee.

(2) Examination as to ocean marine and related coverages may be waived by the commissioner as to any applicant deemed by the commissioner to be qualified by past experience to deal in such insurances.

(3) The commissioner shall prepare, or approve, and make available to insurers, general agents, brokers, agents, and applicants a printed manual

specifying in general terms the subjects which may be covered in any examination for a particular license.

**Sec. 11. was vetoed, see message at end of chapter.*

**Sec. 12. Section .17.13, chapter 79, Laws of 1947 as amended by section 18, chapter 150, Laws of 1967 and RCW 48.17.130 are each amended to read as follows:*

(1) The answers of the applicant to any such examination shall be written by the applicant under the examining authority's supervision, and any such written examination may be supplemented by oral examination at the discretion of the examining authority.

(2) Examinations shall be given at such times and places within this state as the examining authority deems necessary reasonably to serve the convenience of both the examining authority and applicants.

(3) The examining authority may require a waiting period of reasonable duration before giving a new examination to an applicant who has failed to pass a previous similar examination.

(4) For each examination taken, the commissioner shall collect in advance the fee provided in RCW 48.14.010. In the event the commissioner contracts with an independent testing service for examination development and administration, the examination fee may be collected directly by such testing service.

**Sec. 12. was vetoed, see message at end of chapter.*

Sec. 13. Section .17.27, chapter 79, Laws of 1947 and RCW 48.17.270 are each amended to read as follows:

A licensed agent may be licensed as a broker and be a broker as to insurers for which he is not then (~~(licensed)~~) appointed as agent. A licensed broker may be licensed as and be an agent as to insurers appointing him as agent. The sole relationship between a broker and an insurer as to which he is (~~(licensed)~~) appointed as an agent shall, as to transactions arising during the existence of such agency appointment, be that of insurer and agent.

Sec. 14. Section .17.34, chapter 79, Laws of 1947 and RCW 48.17.340 are each amended to read as follows:

(1) Each licensed nonresident agent or broker shall appoint the commissioner as his attorney to receive service of legal process issued against the agent or broker in this state upon causes of action arising within this state. Service upon the commissioner as attorney shall constitute effective legal service upon the agent or broker.

(2) The appointment shall be irrevocable for as long as there could be any cause of action against the agent or broker arising out of his insurance transactions in this state.

(3) Duplicate copies of such legal process against such agent or broker shall be served upon the commissioner either by a person competent to serve a summons, or through registered mail. At the time of such service the

plaintiff shall pay to the commissioner ((two)) ten dollars, taxable as costs in the action.

(4) Upon receiving such service, the commissioner shall forthwith send one of the copies of the process, by registered mail with return receipt requested, to the defendant agent or broker at his last address of record with the commissioner.

(5) The commissioner shall keep a record of the day and hour of service upon him of all such legal process. No proceedings shall be had against the defendant agent or broker, and such defendant shall not be required to appear, plead, or answer until the expiration of forty days after the date of service upon the commissioner.

Sec. 15. Section .17.38, chapter 79, Laws of 1947 as amended by section 48, chapter 292, Laws of 1971 ex. sess. and RCW 48.17.380 are each amended to read as follows:

The commissioner shall license as an adjuster only an individual ((who)), firm, or corporation which has otherwise complied with this code therefor and ((who)) the individual or responsible officer of the firm or corporation has furnished evidence satisfactory to the commissioner that he is qualified as follows:

- (1) Is eighteen or more years of age.
- (2) Is a bona fide resident of this state, or is a resident of a state which will permit residents of this state to act as adjusters in such other state.
- (3) Is a trustworthy person.
- (4) Has had experience or special education or training with reference to the handling of loss claims under insurance contracts, of sufficient duration and extent reasonably to make him competent to fulfill the responsibilities of an adjuster.
- (5) Has successfully passed any examination as required under this chapter.
- (6) If for a public adjuster's license, has filed the bond required by RCW 48.17.430.

Sec. 16. Section .17.39, chapter 79, Laws of 1947 and RCW 48.17.390 are each amended to read as follows:

The commissioner may license an individual, firm, or corporation as an independent adjuster or as a public adjuster, and separate licenses shall be required for each type of adjuster. An individual, firm, or corporation may be concurrently licensed under separate licenses as an independent adjuster and as a public adjuster. The full license fee shall be paid for each such license.

Sec. 17. Section 20, chapter 241, Laws of 1969 ex. sess. as last amended by section 7, chapter 199, Laws of 1979 ex. sess. and RCW 48.18.292 are each amended to read as follows:

(1) Each insurer shall be required to renew any contract of insurance subject to RCW 48.18.291 unless one of the following situations exists:

(a) The insurer gives the named insured at least twenty days' notice in writing as provided for in RCW 48.18.291(1), that it proposes to refuse to renew the insurance contract upon its expiration date; and sets forth therein the actual reason for refusing to renew; or

(b) At least twenty days prior to its expiration date, the insurer has communicated its willingness to renew in writing to the named insured, and has included therein a statement of the amount of the premium or portion thereof required to be paid by the insured to renew the policy, including the amount by which the premium or deductibles have changed from the previous policy period, and the date by which such payment must be made, and the insured fails to discharge when due his obligation in connection with the payment of such premium or portion thereof; or

(c) The insured's agent or broker has procured other coverage acceptable to the insured prior to the expiration of the policy period.

(2) Renewal of a policy shall not constitute a waiver or estoppel with respect to grounds for cancellation which existed before the effective date of such renewal.

(3) "Renewal" or "to renew" means the issuance and delivery by an insurer of a contract of insurance replacing at the end of the contract period a contract of insurance previously issued and delivered by the same insurer, or the issuance and delivery of a certificate or notice extending the term of a contract beyond its policy period or term: PROVIDED, HOWEVER, That any contract of insurance with a policy period or term of six months or less whether or not made continuous for successive terms upon the payment of additional premiums shall for the purpose of RCW 48.18.291 through 48.18.297 be considered as if written for a policy period or term of six months: PROVIDED, FURTHER, That any policy written for a term longer than one year or any policy with no fixed expiration date, shall, for the purpose of RCW 48.18.291 through 48.18.297, be considered as if written for successive policy periods or terms of one year.

(4) On and after January 1, 1980, no policy of insurance subject to RCW 48.18.291 shall be issued for a policy period or term of less than six months.

(5) No insurer shall refuse to renew the liability and/or collision coverage of an automobile insurance policy on the basis that an insured covered by the policy of the insurer has submitted one or more claims under the comprehensive, road service, or towing coverage of the policy. Nothing in this subsection shall prohibit the nonrenewal of comprehensive, road service, or towing coverage on the basis of one or more claims submitted by an insured.

Sec. 18. Section .19.08, chapter 79, Laws of 1947 and RCW 48.19.080 are each amended to read as follows:

Under such rules and regulations as he shall adopt the commissioner may, by order, suspend or modify the requirement of filing as to any kind of insurance(~~(, subdivision or combination thereof, or as to classes of risks, the rates for which cannot practicably be filed before they are used)~~). Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The commissioner may make such examination as he may deem advisable to ascertain whether any rates affected by such order meet the standard prescribed in RCW 48.19.020.

Sec. 19. Section 17, chapter 266, Laws of 1975 1st ex. sess. and RCW 48.20.460 are each amended to read as follows:

(1) The commissioner shall issue regulations to establish minimum standards for benefits under each of the following categories of coverage in individual policies, other than conversion policies issued pursuant to a contractual conversion privilege under a group policy, of disability insurance:

- (a) Basic hospital expense coverage;
- (b) Basic medical-surgical expense coverage;
- (c) Hospital confinement indemnity coverage;
- (d) Major medical expense coverage;
- (e) Disability income protection coverage;
- (f) Accident only coverage; ~~((and))~~
- (g) Specified disease or specified accident coverage;
- (h) Medicare supplemental coverage; and
- (i) Limited benefit coverage.

(2) Nothing in this section shall preclude the issuance of any policy which combines two or more of the categories of coverage enumerated in items (a) through (f) of subsection (1) of this section.

(3) No policy shall be delivered or issued for delivery in this state which does not meet the prescribed minimum standards for the categories of coverage listed in items (a) through ~~((g))~~ (i) of subsection (1) of this section, unless the commissioner finds such policy will be in the public interest and such policy meets the requirements set forth in RCW 48.18.110.

(4) The commissioner shall prescribe the method of identification of policies based upon coverages provided.

Sec. 20. Section .32.01, chapter 79, Laws of 1947 and RCW 48.36.010 are each amended to read as follows:

(1) Any corporation, society, order, or voluntary association, without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries, and not for profit, and having a lodge system with ritualistic form of work and representative form of government, and which shall make provision for the payment of benefits in accordance with RCW 48.36.050 hereof, is hereby declared to be a fraternal benefit society.

(2) A new fraternal benefit society or similar association shall not be organized or thereafter licensed, under this chapter or under any other law,

which provides for the payment of benefits to members, unless it has surplus in the minimum amount of total capital and surplus required by RCW 48.05.340.

Sec. 21. Section .32.17, chapter 79, Laws of 1947 as amended by section 22, chapter 195, Laws of 1963 and RCW 48.36.170 are each amended to read as follows:

Every society, whether domestic or foreign, now transacting business in this state shall, within thirty days after this chapter takes effect, and every such society hereafter applying for admission, shall before being licensed, appoint in writing the commissioner and his successors in office to be its true and lawful attorney, upon whom all legal process in any action or proceeding against it shall be served, and in such writing shall agree that any lawful process against it which is served upon such attorney shall be of the same legal force and validity as if served upon the society and that the authority shall continue in force so long as any liability remains outstanding in this state.

Copies of such appointment, certified by said commissioner, shall be deemed sufficient evidence thereof, and shall be admitted in evidence with the same force and effect as the original thereof might be admitted. Service shall only be made upon such attorney, must be made in duplicate upon the commissioner, in his absence upon the person in charge of his office, and shall be deemed sufficient service upon such society. The copies of legal process shall be served upon the commissioner either by a person competent to serve a summons, by registered mail or certified mail with return receipt requested. At the time of service the plaintiff shall pay to the commissioner ~~((two))~~ ten dollars, taxable as costs in the action: PROVIDED, That no such service shall be valid or binding against any such society when it is required thereunder to file its answer, pleading or defense in less than forty days from the date of mailing the copy of such service to such society. When legal process against any such society is served upon said commissioner, he shall forthwith forward by registered mail, one of the duplicate copies prepaid and directed to its secretary or corresponding officer. Legal process shall not be served upon any such society except in the manner provided herein.

Sec. 22. Section 3, chapter 268, Laws of 1947 as last amended by section 2, chapter 115, Laws of 1969 and RCW 48.44.030 are each amended to read as follows:

If any of the health care services which are promised in any such agreement are not to be performed by the health care service contractor, or by a participant, such activity shall not be subject to the laws relating to insurance, but such agreement shall contain provision for reimbursement or indemnity of the persons paying for such services which agreement shall either be underwritten by an insurance company authorized to write accident, health and disability insurance in the state or guaranteed by a surety

company authorized to do business in this state, or guaranteed by a deposit of cash or securities eligible for investment by insurers pursuant to chapter 48.13 RCW, with the insurance commissioner, as hereinafter provided. If the agreement is underwritten by an insurance company, the contract or policy of insurance may designate the health care service contractor as the named insured, but shall be for the benefit of the persons who have paid for or contracted for such health care services. If the agreement is guaranteed by a surety company, the surety bond shall designate the state of Washington as the named obligee, but shall be for the benefit of the persons who have paid for or contracted for such health care services, and shall be in such amount as the insurance commissioner shall direct, but in no event in a sum greater than the amount of one hundred fifty thousand dollars or one-twelfth of the total sum of money received by the health care service contractor during the preceding twelve months as prepayment for health care services, whichever amount is greater. A copy of such insurance policy or surety bond, as the case may be, and any modification thereof, shall be filed with the insurance commissioner. If the agreement is guaranteed by a deposit of cash or securities, such deposit shall be in such amount as the insurance commissioner shall direct, but in no event in a sum greater than the amount of one hundred fifty thousand dollars or one-twelfth of the total sum of money received by the health care service contractor during the preceding twelve months as prepayment for health care services, whichever amount is greater. Such cash or security deposit shall be held in trust by the insurance commissioner and shall be for the benefit of the persons who have paid for or contracted for such health care services.

****NEW SECTION. Sec. 23. There is added to chapter 48.29 RCW a new section to read as follows:***

To be licensed as agent of a title insurer, the applicant must own or lease and maintain a complete set of tract indexes of the county or counties in which such agent will do business.

*Sec. 23. was vetoed, see message at end of chapter.

****NEW SECTION. Sec. 24. There is added to chapter 48.29 RCW a new section to read as follows:***

Title insurance agents shall be exempt from the provisions of RCW 48.17.090(2) and 48.17.180(1) which otherwise require that each individual empowered to exercise the authority of a licensed firm or corporation must be separately licensed.

*Sec. 24. was vetoed, see message at end of chapter.

****NEW SECTION. Sec. 25. There is added to chapter 48.30 RCW a new section to read as follows:***

(1) No licensed insurance agent shall be empowered to participate in the replacement of an existing life insurance policy or policies issued by a company that such agent does not have an appointment pursuant to RCW 48.17-.160 unless and until such agent has been licensed pursuant to this chapter for two consecutive years;

(2) No licensed agent or general agent shall receive directly or indirectly any compensation for the issuance of a policy in violation of subsection (1) of this section; and

(3) No insurer shall directly or indirectly permit issuance of any policy in violation of subsection (1) of this section.

*Sec. 25. was vetoed, see message at end of chapter.

NEW SECTION. Sec. 26. Section .30.16, chapter 79, Laws of 1947 and RCW 48.30.160 are each repealed.

Passed the House April 24, 1981.

Passed the Senate April 21, 1981.

Approved by the Governor May 19, 1981, with the exception of certain items which are vetoed.

Filed in Office of Secretary of State May 19, 1981.

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

"I am returning herewith without my approval as to seven sections Substitute House Bill No. 144 entitled:

"AN ACT Relating to insurance."

This bill contains three bills in their entirety which I have already signed:

Section 7, 11 and 12 — SB3383

Section 8 — SB3250

Section 23 and 24 — SB3834

I have vetoed the duplicative sections in order to avoid codification problems and difficulties for future users of the affected sections of the Revised Code of Washington.

Section 25 of this bill would prohibit an agent from replacing an existing life insurance policy, excepting a policy issued by his own company, during the first two years that the agent is licensed. This provision would be strongly anti-competitive, exacerbating the already very difficult problems that face new agents. While I appreciate the problem being addressed, this is not the remedy.

I feel that the Insurance Commissioner has mechanisms in place (replacement disclosure forms and the law prohibiting "twisting") which, if enforced, can prevent policy replacements detrimental to the insured parties.

With the exceptions of the aforementioned sections I have approved Substitute House Bill No. 144."