

to the same extent as if such services or records were being performed or maintained by the bank on its own premises.

New section.

SEC. 3. There is added to chapter 30.52 RCW a new section to read as follows:

Banks, trust companies—
Collections—
Presentment deemed at proper place.

Where a bank presents for payment an item drawn upon or payable at another bank either (1) through a clearing house, or (2) at a place where such other bank has requested such bank to make presentment of such item for payment, the presentment of such item shall be deemed to have been made at a proper place.

Passed the Senate February 27, 1963.

Passed the House March 12, 1963.

Approved by the Governor March 26, 1963.

CHAPTER 195.

[S. B. 202.]

INSURANCE.

AN ACT relating to insurance; amending section .03.07, chapter 79, Laws of 1947 as last amended by section 2, chapter 190, Laws of 1949 and RCW 48.03.070; section .04.01, chapter 79, Laws of 1947 and RCW 48.04.010; section .09.10, chapter 79, Laws of 1947 and RCW 48.09.100; section .09.27, chapter 79, Laws of 1947 and RCW 48.09.270; section .10.07, chapter 79, Laws of 1947 and RCW 48.10.070; section .12.01, chapter 79, Laws of 1947 and RCW 48.12.010; section .12.02, chapter 79, Laws of 1947 and RCW 48.12.020; section .12.15, chapter 79, Laws of 1947 as last amended by section 3, chapter 194, Laws of 1961 and RCW 48.12.150; section .15.15, chapter 79, Laws of 1947 as last amended by section 8, chapter 303, Laws of 1955 and RCW 48.15.150; section .17.11, chapter 79, Laws of 1947 as last amended by section 10, chapter 303, Laws of 1955 and RCW 48.17.110; section .23.35, chapter 79, Laws of 1947 as last amended by section 7, chapter 194, Laws of 1961 and RCW 48.23.350; section .24.06, chapter 79, Laws of 1947 as last amended by section 20, chapter 303, Laws of 1955 and RCW 48.24.060; section .32.17, chapter 79, Laws of 1947 and RCW 48.36.170; section .32.41, chapter 79, Laws of 1947 as amended by section 32, chapter 190, Laws

of 1949 and RCW 48.36.410; adding four new sections to chapter 79, Laws of 1947 and to chapter 48.05 RCW; five new sections to chapter 79, Laws of 1947 and to chapter 48.07 RCW; two new sections to chapter 79, Laws of 1947 and to chapter 48.14 RCW; a new section to chapter 79, Laws of 1947 and to chapter 48.20 RCW; a new section to chapter 79, Laws of 1947 and to chapter 48.36 RCW; and repealing section .11.01, chapter 79, Laws of 1947 and RCW 48.11.010; section .11.11, chapter 79, Laws of 1947 as amended by section 6, chapter 193, Laws of 1957 and RCW 48.11.110; section .11.12, chapter 79, Laws of 1947 and RCW 48.11.120; section .11.17, chapter 79, Laws of 1947 and RCW 48.11.170; section .11.18, chapter 79, Laws of 1947 and RCW 48.11.180; and section .17.57, chapter 79, Laws of 1947 and RCW 48.17.570.

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

SECTION 1. Section .03.07, chapter 79, Laws of 1947 as last amended by section 2, chapter 190, Laws of 1949 and RCW 48.03.070 are each amended to read as follows:

RCW 48.03.070
amended.

(1) The commissioner may take depositions, may subpoena witnesses or documentary evidence, administer oaths, and examine under oath any individual relative to the affairs of any person being examined, or relative to the subject of any hearing or investigation.

Insurance
commissioner.
Witnesses
before—Sub-
poenas—
Depositions—
Oaths.

(2) The subpoena shall be effective if served within the state of Washington and shall be served in the same manner as if issued from a court of record.

(3) Witness fees and mileage, if claimed, shall be allowed the same as for testimony in a court of record. Witness fees, mileage, and the actual expense necessarily incurred in securing attendance of witnesses and their testimony shall be itemized, and shall be paid by the person as to whom the examination is being made, or by the person if other than the commissioner, at whose request the hearing is held.

(4) If an individual fails to obey the subpoena, or obeys the subpoena but refuses to testify when required concerning any matter under examination or investigation or the subject of the hearing, the commissioner shall file his written report thereof and proof of service of his subpoena, in any court of competent jurisdiction in the county where the examination, hearing, or investigation is being conducted. Thereupon the court shall forthwith cause the individual to be brought before it and shall punish him as if the failure or refusal related to a subpoena from or testimony in that court.

RCW 48.04.010
amended.

SEC. 2. Section .04.01, chapter 79, Laws of 1947 and RCW 48.04.010 are each amended to read as follows:

Insurance
commissioner.
Hearings
before.

(1) The commissioner may hold a hearing for any purpose within the scope of this code as he may deem necessary. He shall hold a hearing

(a) if required by any provision of this code, or

(b) upon written demand for a hearing made by any person aggrieved by any act, threatened act, or failure of the commissioner to act, if such failure is deemed an act under any provision of this code, or by any report, promulgation, or order of the commissioner other than an order on a hearing of which such person was given actual notice or at which such person appeared as a party, or order pursuant to the order on such hearing.

(2) Any such demand for a hearing shall specify in what respects such person is so aggrieved and the grounds to be relied upon as basis for the relief to be demanded at the hearing.

(3) Unless a person aggrieved by an order of the commissioner made pursuant to RCW 48.02.070 demands a hearing thereon within ninety days after receiving notice of such order, the right to such hearing shall conclusively be deemed to have been waived.

(4) The commissioner shall hold such hearing demanded within thirty days after his receipt of the demand, unless postponed by mutual consent.

SEC. 3. Section .09.10, chapter 79, Laws of 1947 and RCW 48.09.100 are each amended to read as follows:

RCW 48.09.100
amended.

A domestic mutual insurer on the cash premium plan shall at all times have and maintain surplus funds, representing the excess of its assets over its liabilities, in amount not less than the aggregate of

Mutual
insurers.
minimum
surplus.

(1) the amount of any surplus funds deposited by it with the commissioner to qualify for its original certificate of authority, and

(2) the amount of any additional surplus required of it pursuant to RCW 48.09.090 for authority to transact additional kinds of insurance.

SEC. 4. Section .09.27, chapter 79, Laws of 1947 and RCW 48.09.270 are each amended to read as follows:

RCW 48.09.270
amended.

(1) A domestic mutual insurer on the cash premium plan, after it has established a surplus not less in amount than the minimum capital funds required of a domestic stock insurer to transact like kinds of insurance, and for so long as it maintains such surplus, may extinguish the contingent liability of its members to assessment and omit provisions imposing contingent liability in all policies currently issued.

Nonassessable
policies.

(2) Any deposit made with the commissioner as a prerequisite to the insurer's certificate of authority may be included as part of the surplus required in this section.

(3) When the surplus has been so established and the commissioner has so ascertained, he shall issue to the insurer, at its request, his certificate authorizing the extinguishment of the contingent liability of its members and the issuance of policies free therefrom.

Mutual
insurers.
Nonassessable
policies.

(4) While it maintains surplus funds in amount not less than the minimum capital required of a domestic stock insurer authorized to transact like kinds of insurance, and subject to the requirements of section 9 of this 1963 amendatory act as to special surplus, a foreign or alien mutual insurer on the cash premium plan may, if consistent with its charter and the laws of its domicile, issue nonassessable policies covering subjects located, resident, or to be performed in this state.

RCW 48.10.070
amended.

SEC. 5. Section .10.07, chapter 79, Laws of 1947 and RCW 48.10.070 are each amended to read as follows:

Reciprocal in-
surers. Surplus
funds re-
quired.

(1) A domestic reciprocal insurer hereafter formed, if it has otherwise complied with the provisions of this code, may be authorized to transact insurance if it deposits and maintains on deposit with the commissioner surplus funds as follows:

(a) To transact property insurance, surplus funds of not less than one hundred thousand dollars.

(b) To transact vehicle insurance, surplus funds of not less than two hundred thousand dollars.

(2) A domestic reciprocal insurer may be authorized to transact other kinds of insurance in addition to that for which it was originally authorized, if it has otherwise complied with the provisions of this code therefor and possesses and maintains surplus funds equal to the paid-in capital stock required under section 7 of this 1963 amendatory act of a stock insurer transacting like kinds of insurance, and the special surplus, if any, required under section 9 of this 1963 amendatory act as to such a stock insurer. The insurer need not deposit such additional surplus funds with the commissioner: *Provided*, That a domestic reciprocal insurer which under prior laws held authority to transact insurance in this state may continue to be so authorized so long as it otherwise qualifies therefor and maintains

Proviso.

surplus funds in amount not less than as required under laws of this state in force at the time such authority to transact insurance in this state was granted.

(3) A domestic reciprocal insurer heretofore formed shall maintain on deposit with the commissioner surplus funds of not less than the sum of one hundred thousand dollars, and shall have additional surplus in the amount of any additional surplus funds required by this code for authority to transact kinds of insurance transacted by it in addition to that authorized by its original certificate of authority. Such additional surplus funds need not be deposited with the commissioner.

SEC. 6. There is added to chapter 79, Laws of 1947 and to chapter 48.05 RCW a new section to read as follows: New section.

An insurer which otherwise qualifies therefor may be authorized to transact any one kind of combinations of kinds of insurance as defined in chapter 48.11 RCW, except: Insurers, generally. Transacting of combinations of kinds of insurance authorized—Exceptions.

(1) A life insurer may grant annuities and may be authorized to transact in addition only disability insurance; except, that the commissioner may, if the insurer otherwise qualifies therefor, continue so to authorize any life insurer which immediately prior to the effective date of this 1963 amendatory act was lawfully authorized to transact in this state a kind or kinds of insurance in addition to life and disability insurances and annuity business.

(2) A reciprocal insurer shall not transact life insurance.

(3) A title insurer shall be a stock insurer and shall not transact any other kind of insurance. This provision shall not prohibit the ceding of reinsurance by a title insurer to insurers other than mutual or reciprocal insurers.

New section.

SEC. 7. There is added to chapter 79, Laws of 1947 and to chapter 48.05 RCW a new section to read as follows:

Insurers, generally. Capital and surplus requirements.

(1) Subject to section 8 and section 9 of this 1963 amendatory act to qualify for authority to transact any one kind of insurance as defined in chapter 48.11 RCW or combination of kinds of insurance as shown below, a foreign or alien insurer, whether stock, mutual, or a reciprocal, or a domestic stock insurer hereafter formed shall possess and thereafter maintain unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus if a foreign mutual insurer or foreign reciprocal insurer, and shall possess when first so authorized additional funds in surplus as follows:

<i>Kind or kinds of insurance</i>	<i>Paid-in capital stock or basic surplus</i>	<i>Additional surplus</i>
Life	\$200,000	\$100,000
Disability	200,000	100,000
Life and disability	300,000	150,000
Property	200,000	100,000
Marine & transportation.....	250,000	150,000
General casualty	300,000	150,000
Vehicle	200,000	100,000
Surety	300,000	150,000
Any two of the following kinds of insurance: Property, marine & transportation, general casualty, vehicle, surety, disability	350,000	175,000
Multiple lines (all insurances except life and title insurance)	450,000	250,000
Title (in accordance with the provisions of chapter 48.29 RCW)		

(2) Capital and surplus requirements are based upon all the kinds of insurance transacted by the insurer wherever it may operate or propose to op-

erate, whether or not only a portion of such kinds are to be transacted in this state.

(3) An insurer holding a certificate of authority to transact insurance in this state immediately prior to the effective date of this amendatory act of 1963 may continue to be authorized to transact the same kinds of insurance as long as it is otherwise qualified for such authority and thereafter maintains unimpaired the amount of paid-in capital stock, if a stock insurer, or basic surplus, if a mutual or reciprocal insurer, and special surplus as required of it under laws in force immediately prior to such effective date.

(4) As to surplus required for qualification to transact one or more kinds of insurance and thereafter to be maintained, domestic mutual insurers are governed by chapter 48.09 RCW, and reciprocal insurers are governed by chapter 48.10 RCW.

SEC. 8. There is added to chapter 79, Laws of 1947 and to chapter 48.05 RCW a new section to read as follows: New section.

An insurer authorized to transact general casualty insurance shall be authorized to transact disability insurance and fidelity insurance without requiring additional financial qualifications. General casualty insurer may transact disability and fidelity.

SEC. 9. There is added to chapter 79, Laws of 1947 and to chapter 48.05 RCW a new section to read as follows: New section.

An insurer shall not be authorized to transact any one of the following insurances,—vehicle, or general casualty, or marine and transportation, or surety,—with any additional kind of insurance unless it maintains at all times special surplus of not less than one hundred thousand dollars in addition to the paid-in capital stock if a stock insurer or basic surplus if a mutual or reciprocal insurer otherwise required. This section does not apply to com- Special surplus requirements for certain insurance combinations.

binations transacted by a general casualty insurer pursuant to section 8 of this 1963 amendatory act.

Repeal.

SEC. 10. Section .11.01, chapter 79, Laws of 1947, and RCW 48.11.010; section .11.11, chapter 79, Laws of 1947 as amended by section 6, chapter 193, Laws of 1957 and RCW 48.11.110; section .11.12, chapter 79, Laws of 1947 and RCW 48.11.120; section .11.17, chapter 79, Laws of 1947 and RCW 48.11.170; section .11.18, chapter 79, Laws of 1947 and RCW 48.11.180 are each repealed.

RCW 48.12.010 amended.

SEC. 11. Section .12.01, chapter 79, Laws of 1947 and RCW 48.12.010 are each amended to read as follows:

Insurance. "Assets" defined.

In any determination of the financial condition of any insurer there shall be allowed as assets only such assets as belong wholly and exclusively to the insurer, which are registered, recorded, or held under the insurer's name, and which consist of:

(1) Cash in the possession of the insurer or in transit under its control, and the true balance of any deposit of the insurer in a solvent bank or trust company;

(2) Investments, securities, properties, and loans acquired or held in accordance with this code, and in connection therewith the following items:

(a) Interest due or accrued on any bond or evidence of indebtedness which is not in default and which is not valued on a basis including accrued interest.

(b) Declared and unpaid dividends on stocks and shares unless such amount has otherwise been allowed as an asset.

(c) Interest due or accrued upon a collateral loan in an amount not to exceed one year's interest thereon.

(d) Interest due or accrued on deposits in solvent banks and trust companies, and interest due or ac-

crued on other assets if such interest is in the judgment of the commissioner a collectible asset.

(e) Interest due or accrued on a mortgage loan, in amount not exceeding in any event the amount, if any, of the difference between the unpaid principal and the value of the property less delinquent taxes thereon; but if any interest on the loan is in default more than eighteen months, or if any interest on the loan is in default and any taxes or any installment thereof on the property are and have been due and unpaid for more than eighteen months, no allowance shall be made for any interest on the loan.

(f) Rent due or accrued on real property if such rent is not in arrears for more than three months.

(3) Premium notes, policy loans, and other policy assets and liens on policies of life insurance, in amount not exceeding the legal reserve and other policy liabilities carried on each individual policy;

(4) The net amount of uncollected and deferred premiums in the case of a life insurer which carries the full annual mean tabular reserve liability;

(5) Premiums in the course of collection, other than for life insurance, not more than ninety days past due, less commissions payable thereon. The foregoing limitation shall not apply to premiums payable directly or indirectly by the United States government or any of its instrumentalities;

(6) Installment premiums other than life insurance premiums, in accordance with regulations prescribed by the commissioner consistent with practice formulated or adopted by the National Association of Insurance Commissioners;

(7) Notes and like written obligations not past due, taken for premiums other than life insurance premiums, on policies permitted to be issued on such basis, to the extent of the unearned premium re-

Insurance.
"Assets"
defined.

serves carried thereon and unless otherwise required by regulation prescribed by the commissioner;

(8) The full amount of reinsurance recoverable by a ceding insurer from a solvent reinsurer not disqualified to take such reinsurance under this code; or, in the case of reinsurers disqualified under this code, so much of reinsurance recoverable from such reinsurer as does not exceed the liabilities carried by the ceding insurer for amounts withheld under a reinsurance treaty with such reinsurer as security for the payment of obligations thereunder if such funds are held subject to withdrawal by, and under the control of, the ceding insurer;

(9) Amounts receivable by an assuming insurer representing funds withheld by a solvent ceding insurer under a reinsurance treaty;

(10) Deposits or equities recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the commissioner available for the payment of losses and claims and at values to be determined by him;

(11) Electronic and mechanical machines constituting a data processing and accounting system if the cost of such system is at least twenty-five thousand dollars, which cost shall be amortized in full over a period not to exceed ten calendar years; and

(12) Other assets, not inconsistent with the foregoing provisions, deemed by the commissioner available for the payment of losses and claims, at values to be determined by him.

RCW 48.12.020
amended.

SEC. 12. Section .12.02, chapter 79, Laws of 1947 and RCW 48.12.020 are each amended to read as follows:

Nonallowable
assets.

In addition to assets impliedly excluded under RCW 48.12.010, the following expressly shall not be allowed as assets in any determination of the financial condition of an insurer:

(1) Goodwill, trade names, agency plants and other like intangible assets.

(2) Prepaid or deferred charges for expenses and commissions paid by the insurer.

(3) Advances to officers (other than policy loans or loans made pursuant to RCW 48.07.130), whether secured or not, and advances to employees, agents and other persons on personal security only.

(4) Stock of such insurer, owned by it, or any equity therein or loans secured thereby, or any proportionate interest in such stock through the ownership by such insurer of an interest in another firm, corporation or business unit.

(5) Furniture, furnishings, fixtures, safes, equipment, vehicles, library, stationary, literature, and supplies; except, electronic and mechanical machines authorized by subsection (11) of section 11 of this 1963 amendatory act, or such personal property as the insurer is permitted to hold pursuant to paragraph (e) of subsection (2) of RCW 48.13.160, or which is acquired through foreclosure of chattel mortgages acquired pursuant to RCW 48.13.150, or which is reasonably necessary for the maintenance and operation of real estate lawfully acquired and held by the insurer other than real estate used by it for home office, branch office, and similar purposes.

(6) The amount, if any, by which the aggregate book value of investments as carried in the ledger assets of the insurer exceeds the aggregate value thereof as determined under this code.

SEC. 13. Section .12.15, chapter 79, Laws of 1947, as last amended by section 3, chapter 194, Laws of 1961, and RCW 48.12.150 are each amended to read as follows:

RCW 48.12.150
amended.

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

Standard valuation law—Life insurance.

(2) Annual valuation: The commissioner shall annually value, or cause to be valued, the reserve

Standard valuation law.—Life insurance.

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.

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 Annuity-tants, 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) 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 Com-

Standard valuation law—Life insurance.

missioners Reserve Valuation Method defined in subsection (4) of this section, three and one-half percent interest, and the following tables:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) For group life insurance, life insurance issued on the substandard basis and other special benefits,—such tables as may be approved by the commissioner.

(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

Standard valuation law—Life insurance.

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.

(5) Minimum aggregate reserves: In no event shall an insurer's aggregate reserves for all life in-

surance 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.

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Standard valuation law—Life insurance.

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.

New section.

SEC. 14. There is added to chapter 79, Laws of 1947 and to chapter 48.14 RCW a new section to read as follows:

Taxable direct premium in state, determining.

In determining the amount of direct premium taxable in this state, all such premiums written, procured, or received in this state shall be deemed written upon risks or property resident, situated, or to be performed in this state except such premiums as are properly allocated or apportioned and reported as taxable premiums of any other state or states.

New section.

SEC. 15. There is added to chapter 79, Laws of 1947 and to chapter 48.14 RCW a new section to read as follows:

Foreign or alien insurers, continuing liability for taxes.

Any foreign or alien insurer authorized to do business in this state which hereafter either withdraws from the state or has its certificate of authority suspended or revoked shall continue to pay premium taxes pursuant to this chapter as to policies

upon risks or property resident, situated, or to be performed in this state, which policies were issued during the time the insurer was authorized in this state.

SEC. 16. Section .15.15, chapter 79, Laws of 1947 as last amended by section 8, chapter 303, Laws of 1955 and RCW 48.15.150 are each amended to read as follows:

RCW 48.15.150 amended.

(1) An unauthorized insurer shall be sued, upon any cause of action arising in this state under any contract issued by it as a surplus line contract, pursuant to this chapter, in the superior court of the county in which the cause of action arose.

Surplus line insurer, legal process against.

(2) Service of legal process against the insurer may be made in any such action by service upon the commissioner of duplicate copies of such legal process either by a person competent to serve a summons, by registered mail or certified mail with return receipt requested. At the time of such service the plaintiff shall pay to the commissioner two dollars, taxable as costs in the action. The commissioner shall forthwith mail the documents of process served, or a true copy thereof, to the person designated by the insurer in the policy for the purpose by prepaid registered mail with return receipt requested. The insurer shall have forty days from the date of service upon the commissioner within which to plead, answer, or otherwise defend the action. Upon service of process upon the commissioner in accordance with this provision, the court shall be deemed to have jurisdiction in personam of the insurer.

(3) An unauthorized insurer issuing such policy shall be deemed thereby to have authorized service of process against it in the manner and to the effect as provided in this section. Any such policy shall contain a provision stating the substance of this section, and designating the person to whom the com-

missioner shall mail process as provided in subsection (2) of this section.

RCW 48.17.110 amended.

SEC. 17. Section .17.11, chapter 79, Laws of 1947 as amended by section 23, chapter 190, Laws of 1949 as last amended by section 10, chapter 303, Laws of 1955 and RCW 48.17.110 are each amended to read as follows:

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

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

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

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

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

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

(e) Applicants for an adjuster's license who for a period of one year next preceding the date of application have been a full time salaried employee of

an insurer or of a general agent to adjust, investigate, or report claims arising under insurance contracts.

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

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

SEC. 18. Section .17.57, chapter 79, Laws of 1947 and RCW 48.17.570 are each repealed. Repeal.

SEC. 19. There is added to chapter 79, Laws of 1947 and to chapter 48.20 RCW a new section to read as follows: New section.

(1) Any insurer authorized to issue disability insurance in this state may join with one or more other such insurers to offer to any resident of this state who is sixty-five years of age or over and to the spouse of such resident disability insurance against major financial loss from accident or disease. Disability insurance against major financial loss from accident or disease—Older persons.

(2) The forms of applications, certificates and policies of such disability insurance and the applicable premium rate shall be filed with and be subject to the approval of the commissioner as provided in RCW 48.18.100. The commissioner may disapprove any such form of application, certificate or policy or withdraw any previous approval thereof on any ground set forth in RCW 48.18.110 or if the commissioner finds that any such form is not in the public interest.

(3) A financial summary concerning any insurance written under the authority of this section shall

be furnished annually to the commissioner in such form as he may prescribe.

RCW 48.23.350
amended.

SEC. 20. Section .23.35, chapter 79, Laws of 1947, as last amended by section 7, chapter 194, Laws of 1961, and RCW 48.23.350 are each amended to read as follows:

Life insurance
—Standard
nonforfeiture
law.

(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

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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, de-

creased by any indebtedness to the insurer on account of or secured by the policy.

(4) Paid-up nonforfeiture benefit—Life: Any paid-up non-forfeiture 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*, Proviso. 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

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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

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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 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.

Proviso.

Proviso.

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 opera-

tive 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*,^{Proviso.} 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*,^{Proviso.} 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

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—Standard
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law.

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. 21. Section .24.06, chapter 79, Laws of 1947 as last amended by section 20, chapter 303, Laws of 1955 and RCW 48.24.060 are each amended to read as follows:

RCW 48.24.060 amended.

The lives of a group of public employees may be insured under a policy issued to the departmental head or to a trustee, or issued to an association of public employees formed for purposes other than obtaining insurance and having, when the policy is placed in force, a membership in the classes eligible for insurance of not less than seventy-five percent of the number of employees eligible for membership in such classes, which department head or trustee or association shall be deemed the policyholder, to insure such employees for the benefit of persons other than the policyholder or any of its officials, subject to the following requirements:

Group life insurance—
Public employee associations.

Group life
insurance—
Public
employee
associations.

(1) The persons eligible for insurance under the policy shall be all of the employees of the department or members of the association, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the association, or both.

(2) The premium for the policy shall be paid by the policyholder, in whole or in part either from salary deductions authorized by, or charges collected from, the insured employees or members specifically for the insurance, or from the association's own funds, or from both. Any such deductions from salary may be paid by the employer to the association or directly to the insurer. No policy may be placed in force unless and until at least seventy-five percent of the then eligible employees or association members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and have authorized their employer to make any required deductions from salary.

(3) The rate of charges to the insured employees or members specifically for the insurance, and the dues of the association if they include the cost of insurance, shall be determined according to each attained age or in not less than four reasonably spaced attained age groups. In no event shall the rate of such dues or charges be level for all members regardless of attained age.

(4) The policy must cover at least twenty-five persons at date of issue.

(5) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or members or by the association. Such amounts shall in no event exceed five thousand dollars of life insurance in the case of any employee or member, and the amount of life insurance shall not exceed one thousand five

hundred dollars in the case of retired employees or members and persons over age sixty-five.

As used herein, "public employees" means employees of the United States government, or of any state, or of any political subdivision or instrumentality of any of them.

SEC. 22. Section .32.17, chapter 79, Laws of 1947 and RCW 48.36.170 are each amended to read as follows:

RCW 48.36.170 amended.

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.

Fraternal societies. Commissioner as attorney for service of process.

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 dollars, taxable as costs in the action: *Provided*, That no such service shall be valid or

Proviso.

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.

RCW 48.36.410 amended.

SEC. 23. Section .32.41, chapter 79, Laws of 1947 as amended by section 32, chapter 190, Laws of 1949 and RCW 48.36.410 are each amended to read as follows:

Fraternal mutual property insurers.

(1) A domestic mutual property insurer which is affiliated with and is comprised exclusively of members of a specified fraternal society, which society conducts its business and secures its membership on the lodge system, having ritualistic work and ceremonies, is herein designated as a fraternal mutual insurer.

(2) Only fraternal mutual property insurers which were authorized insurers immediately prior to October 1, 1947, may hereafter be so authorized.

(3) Such an insurer shall be subject to the applicable provisions of this code governing domestic mutual insurers except only as to the provisions relative to taxes, fees and licenses. The bylaws of such insurer shall be as adopted or amended by majority vote of its members present at a duly held meeting of its members, and a copy thereof shall be filed with the commissioner. Such an insurer shall pay for its annual license and filing its annual statement, the sum of ten dollars. Such an insurer shall pay the expense of examinations of it by the commissioner, upon statement furnished by the commissioner.

(4) Such an insurer may insure corporations, associations, and firms owned by and affiliated with

such society and operated for the benefit of its members, and may insure corporations and firms a majority of whose shareholders or members are members of such society.

(5) Such an insurer shall participate in and accept its equitable share of insurance to be issued to applicants under any assigned risk plan operating pursuant to RCW 48.22.020, and may participate in and accept its equitable share of insurance to be issued to applicants under any similar plan lawfully existing in any state in which the insurer is authorized to transact insurance, notwithstanding that such applicants are not otherwise qualified for such insurance under subsection (4), above; except that no such applicants who are not qualified by membership or otherwise for acceptance by the insurer shall be so assigned to the insurer except to make up the deficiency, if any, between the number of qualified applicants available for assignment and the maximum quota of applicants to be assigned to the insurer within the current period.

(6) Such an insurer doing business on the assessment premium plan:

(a) Shall be exempt also from the provisions of this code governing financial qualifications.

(b) Shall not be authorized to transact any kind of insurance other than property insurance, nor have authority to accept reinsurance.

(7) Such an insurer doing business on the cash premium plan:

(a) May be authorized to transact additional kinds of insurance, other than life or title insurance, subject to the same requirements as to surplus funds and reserves as apply to domestic mutual insurers on the cash premium plan.

(b) May accept reinsurance only of such kinds of insurance as it is authorized to transact direct and only from insurers likewise affiliated with and com-

posed solely of the members of the same designated fraternal society.

New section.

SEC. 24. There is added to chapter 79, Laws of 1947 and to chapter 48.36 RCW a new section to read as follows:

Insurers—
Fraternal.
Agents.

(1) Any person who is authorized by a fraternal benefit society to act in the solicitation, negotiation or procurement of a life insurance, disability insurance, or annuity contract shall be licensed in accordance with and subject to the applicable provisions of chapter 48.17 RCW: *Provided*, That such persons who are so authorized by a fraternal benefit society for a period of one year immediately prior to the effective date of this 1963 amendatory act shall not be required to take and pass an examination as required by RCW 48.17.110. This provision shall take effect on October 1, 1963.

Proviso.

(2) The following individuals shall not be deemed an agent of a fraternal benefit society within the provisions of subsection (1) of this section:

(a) any regular salaried officer or employee of a licensed society who devotes substantially all of his services to activities other than the solicitation of fraternal insurance contracts from the public, and who receives for the solicitation of such contracts no commission or other compensation directly dependent upon the amount of business obtained; or

(b) any agent or representative of a society who devotes, or intends to devote, less than fifty percent of his time to the solicitation and procurement of insurance contracts for such society: *Provided*, That any person who in the preceding calendar year has solicited and procured life insurance contracts on behalf of any society in an amount of insurance in excess of fifty thousand dollars shall be conclusively presumed to be devoting, or intending to devote, fifty percent of his time to the solici-

Proviso.

tion or procurement of insurance contracts for such society.

SEC. 25. There is added to chapter 79, Laws of 1947 and to chapter 48.07 RCW a new section to read as follows: New section.

It is desirable for the general welfare and in particular for the welfare of insurance beneficiaries, policyholders, claimants and others that the business of domestic insurers be continued notwithstanding the event of a national emergency. The purpose of this section and the following four sections is to facilitate the continued operation of domestic insurers in the event that a national emergency is caused by an attack on the United States which is so disruptive of normal business and commerce in this state as to make it impossible or impracticable for a domestic insurer to conduct its business in accord with applicable provisions of law, its bylaws, or its charter. When used in this section and the following four sections the word "insurer" includes a fraternal benefit society. Insurers, generally. Continued operation when national emergency.

SEC. 26. There is added to chapter 79, Laws of 1947 and to chapter 48.07 RCW a new section to read as follows: New section.

The board of directors of any domestic insurer may at any time adopt emergency bylaws, subject to repeal or change by action of those having power to adopt regular bylaws for such insurer, which shall be operative during such a national emergency and which may, notwithstanding any different provisions of the regular bylaws, or of the applicable statutes, or of such insurer's charter, make any provision that may be reasonably necessary for the operation of such insurer during the period of such emergency. —Emergency bylaws.

New section.

SEC. 27. There is added to chapter 79, Laws of 1947 and to chapter 48.07 RCW a new section to read as follows:

Insurers,
generally—
Continued
operation
when national
emergency.
Directors.

In the event that the board of directors of a domestic insurer has not adopted emergency bylaws, the following provisions shall become effective upon the occurrence of such a national emergency as above described:

(1) Three directors shall constitute a quorum for the transaction of business at all meetings of the board.

(2) Any vacancy in the board may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director.

(3) If there are no surviving directors, but at least three vice-presidents of such insurer survive, the three vice-presidents with the longest term of service shall be the directors and shall possess all of the powers of the previous board of directors and such powers as are granted herein or by subsequently enacted legislation. By majority vote, such emergency board of directors may elect other directors. If there are not at least three surviving vice-presidents, the commissioner or duly designated person exercising the powers of the commissioner shall appoint three persons as directors who shall include any surviving vice-presidents and who shall possess all of the powers of the previous board of directors and such powers as are granted herein or by subsequently enacted legislation, and these persons by majority vote may elect other directors.

New section.

SEC. 28. There is added to chapter 79, Laws of 1947 and to chapter 48.07 RCW a new section to read as follows:

—Officers.

At any time the board of directors of a domestic insurer may, by resolution, provide that in the event of such a national emergency and in the event of the death or incapacity of the president, the secre-

tary, or the treasurer of such insurer, such officers, or any of them, shall be succeeded in the office by the person named or described in a succession list adopted by the board of directors. Such list may be on the basis of named persons or position titles, shall establish the order of priority and may prescribe the conditions under which the powers of the office shall be exercised.

SEC. 29. There is added to chapter 79, Laws of 1947 and to chapter 48.07 RCW a new section to read as follows: New section.

At any time the board of directors of a domestic insurer may, by resolution, provide that in the event of such a national emergency the principal office and place of business of such insurer shall be at such location as is named or described in the resolution. Such resolution may provide for alternate locations and establish an order of preference.

—Principal office and place of business.

Passed the Senate March 2, 1963.

Passed the House March 12, 1963.

Approved by the Governor March 26, 1963.

CHAPTER 196.

[Sub. S. B. 228.]

PUBLIC UTILITY DISTRICTS—POWERS.

AN ACT relating to public utility district water and sewage systems and the acquisition, construction, and disposition thereof; and amending section 19, chapter 390, Laws of 1955 as amended by section 1, chapter 275, Laws of 1959 and RCW 54.16.180.

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

SECTION 1. Section 19, chapter 390, Laws of 1955 as amended by section 1, chapter 275, Laws of 1959 and RCW 54.16.180 are each amended to read as follows:

RCW 54.16.180 amended.