

CHAPTER 180

[Substitute House Bill No. 387]

INSURERS—REINSURANCE—CREDITS

AN ACT Relating to insurance; amending section .05.30, chapter 79, Laws of 1947 and RCW 48.05.300; amending section .12.01, chapter 79, Laws of 1947 as amended by section 11, chapter 195, Laws of 1963 and RCW 48.12.010; and amending section .12.16, chapter 79, Laws of 1947 and RCW 48.12.160.

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

Section 1. Section .05.30, chapter 79, Laws of 1947 and RCW 48.05.300 are each amended to read as follows:

No credit shall be allowed to any insurer, as an asset or as a deduction from liability for reinsurance ceded to an (~~an~~) insurer, other than under a contract of ocean marine insurance(~~, covering a subject of insurance resident, located, or to be performed in this state unless the alien insurer:~~

- ~~(1) Is authorized to transact insurance in a state of the United States, and~~
- ~~(2) Maintains an adequate guaranty deposit in a state of the United States for the protection of its insurance obligees in the United States, or~~
- ~~(3) Has an attorney in fact resident in the United States upon whom service of legal process may be made))~~ except as provided in RCW 48.12.160.

Sec. 2. Section .12.01, chapter 79, Laws of 1947 as amended by section 11, chapter 195, Laws of 1963 and RCW 48.12.010 are each amended to read as follows:

In any determination of the financial condition of any insurer there shall be allowed as assets only ~~the~~ assets as belong wholly and exclusively to the insurer, which are registered ~~in~~, 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 accrued 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 reserves 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))~~ Reinsurance recoverable subject to RCW 48.12.160;

(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.

Sec. 3. Section .12.16, chapter 79, Laws of 1947 and RCW 48.12.160 are each amended to read as follows:

~~((An insurer may take credit for reserves on risks ceded to a reinsurer to the extent reinsured, except that:~~

~~(1) No credit shall be taken on account of reinsurance in an alien reinsurer not qualified under RCW 48.05.300, and~~

~~(2) no credit shall be allowed, as an asset or as a deduction from liability, to any ceding insurer for reinsurance unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer nor unless under the contract of reinsurance the liability for such reinsurance is assumed by the assuming insurer or insurers as of the same effective date:))~~

(1) Any insurance company organized under the laws of this state may take credit as an asset or as a deduction from loss and unearned premium reserves on risks ceded to a reinsurer to the extent reinsured by an insurer or insurers authorized to transact business in this state. The credit on ceded risks reinsured by any insurer which is not authorized to transact business in this state may be taken:

(a) Where the reinsurer maintains sufficient assets in the United States for the protection of policyholders in the United States and operates its business in such manner as to satisfy the commissioner that it maintains a financial condition reasonably comparable to those required of admitted insurers and that it is able to pay losses in the United States; or

(b) In an amount not exceeding:

(i) The amount of deposits by and funds withheld from the assuming insurer pursuant to express provision therefor in the reinsurance contract, as security for the payment of the obligations thereunder, if the deposits or funds are held subject to withdrawal by and under the control of the ceding insurer or if the deposits or funds are placed in trust for these purposes in a bank which is a member of the federal reserve system and withdrawals from the trust cannot be made without the consent of the ceding company; or

(ii) The amount of a clean and irrevocable letter of credit issued by a bank which is a member of the federal reserve system for a term of at least two years if the letter of credit is issued under arrangements satisfactory to the commissioner of insurance as constituting security to the ceding insurer substantially equal to that of a deposit under subparagraph (i) of this subsection.

(2) Any reinsurance ceded by a company organized under the laws of this state or ceded by any company not organized under the laws of this state and transacting business in this state must be payable by the assuming insurer on the basis of liability of the ceding company under the contract or contracts reinsured without diminution because of the insolvency of the ceding company, and any such reinsurance agreement which may be cancelled on less than ninety days notice must provide for a run-off of the reinsurance in force at the date of cancellation.

(3) A reinsurance agreement may provide that the liquidator or receiver or statutory successor of an insolvent ceding insurer shall give written notice of the pendency of a claim against the insolvent ceding insurer on the policy or bond reinsured within a reasonable time after such claim is filed in the insolvency proceeding and that during the pendency of such claim any assuming insurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses which it may deem available to the ceding insurer or its liquidator or receiver or statutory successor.

The expense thus incurred by the assuming insurer shall be chargeable subject to court approval against the insolvent ceding insurer as a part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue

to the ceding insurer solely as a result of the defense undertaken by the assuming insurer.

(4) Where two or more assuming insurers are involved in the same claim and a majority in interest elect to interpose to such claim, the expense shall be apportioned in accordance with the terms of the reinsurance agreement as though such expense had been incurred by the ceding insurer.

Passed the House April 29, 1977.

Passed the Senate May 27, 1977.

Approved by the Governor June 7, 1977.

Filed in Office of Secretary of State June 7, 1977.

CHAPTER 181

[House Bill No. 438]

PROPERTY TAXATION—VALUE CHANGE—NOTICE

AN ACT Relating to property taxation; and amending section 10, chapter 146, Laws of 1967 ex. sess. as last amended by section 8, chapter 187, Laws of 1974 1st ex. sess. and RCW 84.40.045.

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

Section 1. Section 10, chapter 146, Laws of 1967 ex. sess. as last amended by section 8, chapter 187, Laws of 1974 1st ex. sess. and RCW 84.40.045 are each amended to read as follows:

The assessor shall give notice of any change in the true and fair value of real property for the tract or lot of land and any improvements thereon no later than thirty days after appraisal: PROVIDED, That no such notice shall be mailed during the period from January 15 to February 15 of each year: ~~((for appraisals made between December 1st and February 15th notice shall not be sent out prior to March 1st:))~~ PROVIDED FURTHER, That no notice need be sent with respect to changes in valuation of forest land made pursuant to chapter 84.33 RCW.

The notice shall contain a statement of both the prior and the new true and fair value and the ratio of the assessed value to the true and fair value on which the assessment of the property is based, stating separately land and improvement values, and a brief statement of the procedure for appeal to the board of equalization and the time, date, and place of the meetings of the board.

The notice shall be mailed by the assessor to the taxpayer.

If any taxpayer, as shown by the tax rolls, holds solely a security interest in the real property which is the subject of the notice, pursuant to a mortgage, contract of sale, or deed of trust, such taxpayer shall, upon written request of the assessor, supply, within thirty days of receipt of such request, to the assessor the name and address of the person making payments pursuant to the mortgage, contract of sale, or deed of trust, and thereafter such person shall also receive a copy of the notice provided for in this section. Wilful failure to comply with such request within the time limitation provided for herein shall make such taxpayer subject to a civil penalty of five dollars for each parcel of real property within the scope of the request in which it holds the security interest, the aggregate of such penalties in any one year not to exceed five thousand dollars. The penalties provided for herein shall be