

## CHAPTER 193.

[ H. B. 333. ]

## INSURANCE.

AN ACT relating to insurance; amending section .05.04, chapter 79, Laws of 1947 and RCW 48.05.040, section .05.12, chapter 79, Laws of 1947 as amended by section 1, chapter 31, Laws of 1955, and RCW 48.05.120, section .07.05, chapter 79, Laws of 1947 and RCW 48.07.050, section .09.09, chapter 79, Laws of 1947 and RCW 48.09.090, section .11.11, chapter 79, Laws of 1947 and RCW 48.11.110, section .12.15, chapter 79, Laws of 1947 and RCW 48.12.150, section .17.50, chapter 79, Laws of 1947 as amended by section 7, chapter 197, Laws of 1953, and RCW 48.17.500, section .18.12, chapter 79, Laws of 1947 and RCW 48.18.120, section .18.14, chapter 79, Laws of 1947 and RCW 48.18.140, section .18.48, chapter 79, Laws of 1947 and RCW 48.18.480, section .19.05, chapter 79, Laws of 1947 and RCW 48.19.050, section .19.28, chapter 79, Laws of 1947 and RCW 48.19.280, section .23.35, chapter 79, Laws of 1947 and RCW 48.23.350, section .29.03, chapter 79, Laws of 1947 and RCW 48.29.030, section .29.04, chapter 79, Laws of 1947 and RCW 48.29.040, section .30.15, chapter 79, Laws of 1947 and RCW 48.30.150; adding a new section to chapter 79, Laws of 1947 and chapter 48.05 RCW; adding a new section to chapter 79, Laws of 1947 and chapter 48.09 RCW; adding a new section to chapter 79, Laws of 1947 and chapter 48.13 RCW; adding two new sections to chapter 79, Laws of 1947 and chapter 48.30 RCW; and repealing section .09.02, chapter 79, Laws of 1947 and RCW 48.09.020, section .09.03, chapter 79, Laws of 1947 and RCW 48.09.030, section .09.04, chapter 79, Laws of 1947 and RCW 48.09.040, section .09.05, chapter 79, Laws of 1947 and RCW 48.09.050, section .09.06, chapter 79, Laws of 1947 and RCW 48.09.060, section .09.07, chapter 79, Laws of 1947 and RCW 48.09.070, and section .09.08, chapter 79, Laws of 1947 and RCW 48.09.080.

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

RCW 48.05.040  
amended.

SECTION 1. Section .05.04, chapter 79, Laws of 1947 and RCW 48.05.040 are each amended to read as follows:

Certificate of  
authority.  
Qualifications.

To qualify for and hold a certificate of authority an insurer must:

(1) Be a stock, mutual, or reciprocal insurer of the same general type as may be formed as a domes-

tic insurer under the provisions of chapter 48.06 of this code, but this requirement shall not apply as to domestic mutual property insurers which, as of January 1, 1957, were lawfully transacting insurance on the assessment plan; and

(2) Have capital funds as required by this code, based upon the type and domicile of the insurer and the kinds of insurance proposed to be transacted; and

(3) Transact or propose to transact in this state insurances authorized by its charter, and only such insurance as meets the standards and requirements of this code; and

(4) Fully comply with, and qualify according to, the other provisions of this code.

SEC. 2. There is added to chapter 79, Laws of 1947 and chapter 48.05 RCW a new section to read as follows:

New section.

No certificate of authority shall be issued to or exist with respect to any insurer which is owned and controlled, in whole or in substantial part, by any government or governmental agency.

No certificate issued to government agency.

SEC. 3. Section .05.12, chapter 79, Laws of 1947 as amended by section 1, chapter 31, Laws of 1955, and RCW 48.05.120 are each amended to read as follows:

RCW 48.05.120 amended.

(1) All certificates of authority shall continue in force until suspended, revoked, or not renewed. A certificate shall be subject to renewal annually on the first day of July upon application of the insurer and payment of the fee therefor. If not so renewed, the certificate shall expire as of the thirtieth day of June next preceding.

Certificate of authority. Expiration, renewal, amendment.

(2) The commissioner may amend a certificate of authority at any time in accordance with changes in the insurer's charter or insuring powers.

New section.

SEC. 4. There is added to chapter 79, Laws of 1947 and chapter 48.09 RCW a new section to read as follows:

Mutual  
insurers.  
Requirements  
—Kinds of  
insurance.

(1) When newly organized a domestic mutual insurer may be authorized to transact any one of the kinds of insurance listed in the schedule contained in subsection (2) of this section.

(2) When applying for an original certificate of authority the insurer must be otherwise qualified therefor under this code, and must have received and accepted bona fide applications as to substantial insurable subjects for insurance coverage of a substantial character of the kind of insurance proposed to be transacted, must have collected in cash the full premium therefor at a rate not less than that usually charged by stock insurers for comparable coverages, must have surplus funds on hand as of the date such insurance coverages are to become effective, or, in lieu of such applications, premiums, and surplus, may deposit surplus, all in accordance with that part of the following schedule which applies to the one kind of insurance the insurer then proposes to transact:

(a) Kind of insurance	(b) Mini- mum no. of appli- cants accep- ted	(c) Mini- mum no. of sub- jects cov- ered	(d) Mini- mum pre- mium col- lected	(e) Mini- mum amt. ins. each subject	(f) Maxi- mum amount of ins. each subject (v)	(g) Mini- mum surplus funds	(h) Depo- sit of sur- plus in lieu (vi)
.....	...	...	.....	.....	.....	.....	.....
Life (i)	500	500	annual	\$1,000	\$2,500	\$25,000	\$50,000
Disability (ii)	500	500	quart.	\$10	\$25	\$25,000	\$50,000
				weekly indem.	weekly indem.		
Property (iii)	100	250	annual	\$1,000	\$3,000	\$25,000	\$50,000
Vehicle (iv)	200	500	annual	\$1,000	\$10,000	\$150,000	\$150,000
Casualty (iv)	250	250	annual	\$1,000	\$10,000	\$150,000	\$200,000

The following provisos are respectively applicable to the foregoing schedule and provisions as indicated by like roman numerals appearing in such schedule:

(i) No group insurance, nor term policies for terms of less than ten years shall be included.

(ii) No group or blanket or family plans of insurance shall be included. In lieu of weekly indemnity a like premium value in medical, surgical, and hospital benefits may be provided. Any accidental death or dismemberment benefit provided shall not exceed two thousand five hundred dollars.

(iii) Only insurance of the owner's interest in real property may be included, and all such coverages must be in compliance with the provisions of subsection (2) of RCW 48.11.140.

(iv) Must include insurance of legal liability for bodily injury and property damage, to which the maximum and minimum insured amounts apply.

(v) The maximums provided for in this column (f) are net of applicable reinsurance.

(vi) The deposit of surplus in the amount specified in column (h) must thereafter be maintained unimpaired. The deposit is subject to the provisions of chapter sixteen of this code (deposits of insurers).

SEC. 5. Section .09.09, chapter 79, Laws of 1947 and RCW 48.09.090 are each amended to read as follows:

RCW 48.09.090  
amended.

A domestic mutual insurer may be authorized to transact 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 while it possesses and maintains surplus funds in aggregate amount not less than the minimum amount of capital and special surplus, if any, required under this code of a domestic stock insurer authorized to transact like kinds of insurance.

Additional  
kinds of  
insurance.

SEC. 6. Section .11.11, chapter 79, Laws of 1947 and RCW 48.11.110 are each amended to read as follows:

RCW 48.11.110  
amended.

Authority shall be granted or denied insurers, already authorized to transact one kind of insurance, to transact additional kinds of insurance as follows:

Authority to  
transact addi-  
tional kinds  
of insurance.

Insurance.  
Authority to  
transact addi-  
tional kinds  
of insurance.

(1) An insurer authorized to transact life insurance shall not be authorized to transact any additional kind of insurance other than disability insurance; except, that any life insurer which immediately prior to the effective date of this code, held a certificate of authority to transact in this state certain kinds of insurance in addition to life and disability insurance, may continue to be so authorized by the commissioner.

(2) An insurer authorized to transact title insurance shall not be authorized to transact any additional kind of insurance.

(3) A domestic mutual insurer may be authorized to transact additional kinds of insurance as provided in RCW 48.09.090.

(4) An insurer authorized to transact general casualty insurance shall be authorized to transact disability insurance and fidelity insurance without requiring additional financial qualifications.

RCW 48.12.150  
amended.

SEC. 7. Section .12.15, chapter 79, Laws of 1947 and RCW 48.12.150 are each amended to read as follows:

Standard  
valuation  
law.

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

(2) Annual valuation: The commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer doing business in this state, except that in the case of an alien insurer such valuation shall be limited to its insurance transactions in the United States, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or others) used in the calculation of such reserves. In calculating such reserves, the commissioner may use group methods and approximate averages for

fractions of a year or otherwise. He may accept, in his discretion, the insurer's calculation of such reserves. In lieu of the valuation of the reserves herein required of any foreign or alien insurer, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

Standard  
valuation  
law.

(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 Annuitants, with interest at three and one-half percent per annum, but annuities deferred ten or more years

Standard  
valuation  
law.

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 Commissioners 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; 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, at the option of the insurer with approval of

the commissioner, according to an age not more than three years younger than the actual age of the insured.

Standard  
valuation  
law.

(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.

(iii) For annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,—the 1937 Standard Annuity Mortality Table.

(iv) For total and permanent disability benefits in or supplementary to ordinary policies or contracts,—Class (3) Disability Table (1926) which, for active lives, shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(v) For accidental death benefits in or supplementary to policies—the Inter-Company Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life insurance policies.

(vi) 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 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 bene-



Standard  
valuation  
law.

fits (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 insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of RCW 48.23.350, be less than the aggregate reserves calculated in accordance with the method set forth in subsection (4) and the mortality table or tables

and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

Standard  
valuation  
law.

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

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

Any such insurer which at any time had adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the

Standard valuation law.

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. 8. There is added to chapter 79, Laws of 1947 and chapter 48.13 RCW a new section to read as follows:

Limitation on investments of assets by insurer.

An insurer shall not invest or have invested at any one time more than sixty-five percent of its assets in investments in real estate, real estate contracts, and notes, bonds and other evidences of debt secured by mortgage on real estate, as described in RCW 48.13.110 and 48.13.160. Any insurer which, on the effective date of this act, has in excess of sixty-five percent of its assets so invested shall not make any further such investments while such excess exists.

RCW 48.17.500 amended.

SEC. 9. Section .17.50, chapter 79, Laws of 1947 as amended by section 7, chapter 197, Laws of 1953, and RCW 48.17.500 are each amended to read as follows:

Expiration and renewal of license.

(1) Agents' licenses for life, or life and disability, or disability insurances only shall expire as at 12:01 a. m. o'clock on the first day of October next following date of issuance: except that all such licenses issued between April 1, 1957, and October 1, 1957,

both dates inclusive, shall expire at 12:01 a. m. o'clock on the first day of October, 1958.

Agents,  
brokers,  
solicitors,  
adjusters.  
Expiration  
and renewal  
of license.

(2) All brokers', solicitors', and adjusters' licenses shall expire as at 12.01 a. m. o'clock on the first day of April next following date of issuance.

(3) Agents' licenses for all other kinds of insurance or combinations thereof shall expire as at 12:01 a. m. o'clock on the first day of April three years after the first day of April nearest to the date of issuance of the license.

(4) Subject to the right of the commissioner to suspend, revoke, or refuse to renew any license as provided in this code, any such license may be renewed into another like period by filing with the commissioner on or before the expiration date a written request, by or on behalf of the licensee, for such renewal accompanied by payment of the renewal fee as specified in RCW 48.14.010. An agent or broker shall make and file renewal requests on behalf of his solicitors.

(5) If request and fee for renewal of license is filed with the commissioner prior to expiration of the existing license, the licensee may continue to act under such license, unless sooner revoked or suspended until the issuance of renewal license or until the expiration of fifteen days after the commissioner has refused to renew the license and has mailed order of such refusal to the licensee. Any request for renewal not so filed until after date of expiration may be considered by the commissioner as an application for a new license.

(6) As to all licenses where renewal must be applied for by the licensee, if request for renewal of license or payment of the license fee is not received by the commissioner prior to expiration date as required under subsection (4) the applicant for renewal of license shall pay to the commissioner and the commissioner shall collect, in addition to the

regular license fee, a surcharge for such license as follows: For the first thirty days or part thereof of delinquency the surcharge shall be five dollars; for all delinquencies extending more than thirty days, the surcharge shall be ten dollars. This subsection shall not be deemed to exempt any person from any penalty provided by law for transacting business without a valid and subsisting license, or affect the commissioner's right, at his discretion, to consider such delinquent application as one for a new license.

RCW 48.18.120 amended.

SEC. 10. Section .18.12, chapter 79, Laws of 1947 and RCW 48.18.120 are each amended to read as follows:

Insurance. Insurance contract. Standard forms.

(1) The commissioner shall, after hearing, from time to time promulgate such rules and regulations as may be necessary to define and effect reasonable uniformity in all basic contracts of fire insurance which are commonly known as the standard form fire policies and may be so referred to in this code, and the usual supplemental coverages, riders, or endorsements thereon or thereto, to the end that such definitions shall be applied in the construction of the various sections of this code wherein such terms are used and that there be a reasonable concurrency of contract where two or more insurers insure the same subject and risk. All such forms heretofore approved by the commissioner and for use as of immediately prior to the effective date of this code, may continue to be so used until the further order of the commissioner made pursuant to this subsection or pursuant to any other provision of this code.

(2) The commissioner may from time to time, after hearing, promulgate such rules and regulations as he deems necessary to establish reasonable minimum standard conditions and terminology for basic benefits to be provided by disability insurance con-

tracts which are subject to chapter 48.20 and 48.21, for the purpose of expediting his approval of such contracts pursuant to this code. No such promulgation shall be inconsistent with standard provisions as required pursuant to RCW 48.18.130, nor contain requirements inconsistent with requirements relative to the same benefit provisions as formulated or approved by the National Association of Insurance Commissioners.

SEC. 11. Section .18.14, chapter 79, Laws of 1947 and RCW 48.18.140 are each amended to read as follows:

RCW 48.18.140 amended.

(1) The written instrument, in which a contract of insurance is set forth, is the policy.

Content of policies in general.

(2) A policy shall specify:

(a) The names of the parties to the contract. The insurer's name shall be clearly shown in the policy.

(b) The subject of the insurance.

(c) The risk insured against.

(d) The time at which the insurance thereunder takes effect and the period during which the insurance is to continue.

(e) A statement of the premium, and if other than life, disability, or title insurance, the premium rate where applicable.

(f) The conditions pertaining to the insurance.

(3) If under the contract the exact amount of premiums is determinable only at termination of the contract, a statement of the basis and rates upon which the final premium is to be determined and paid shall be furnished any policy examining bureau having jurisdiction or to the insured upon request.

(4) This section shall not apply to surety insurance contracts.

RCW 48.18.480 amended.

SEC. 12. Section .18.48, chapter 79, Laws of 1947 and RCW 48.18.480 are each amended to read as follows:

Insurance. Insurance contract. Discrimination prohibited.

No insurer shall make or permit any unfair discrimination between insureds or subjects of insurance having substantially like insuring, risk, and exposure factors, and expense elements, in the terms or conditions of any insurance contract, or in the rate or amount of premium charged therefor, or in the benefits payable or in any other rights or privileges accruing thereunder. This provision shall not prohibit fair discrimination by a life insurer as between individuals having unequal expectation of life.

RCW 48.19.050 amended.

SEC. 13. Section .19.05, chapter 79, Laws of 1947 and RCW 48.19.050 are each amended to read as follows:

Rates. Filings by rating bureau.

(1) If so authorized by an insurer, the commissioner shall accept, in lieu of filings by the insurer, filings on its behalf made by a rating organization then licensed as provided in this chapter.

(2) As to fire insurance under a standard form fire policy, and the following insurances (other than vehicle insurance coverages) when issued as part of a standard form fire policy, an insurer may so authorize a rating organization to make all its filings only, and may not make a portion of such filings upon its own behalf and authorize a rating organization to make other such filings:

- (a) Additional property insurance coverages, or
- (b) Coverages including any kind of insurance in addition to fire for a single undivided premium.

(3) Except, that notwithstanding the provisions of subsection (2) an insurer which prior to the first day of January, 1947, made its own filings in this state as to a particular class of fire risks, and its filings in this state as to other classes of fire risks were

made by a rating organization authorized by the insurer so to do, may:

Filings by  
rating  
bureau.

(a) Continue to make all its own filings as to such specific class of risks or authorize a rating organization to make its filings as to such specific class of risks or any part thereof, and

(b) authorize a different rating organization to make all only of its filings as to all other classes of risks insured by it in this state against fire under the standard form fire policy; or

(c) make all its own filings as to all classes of risks insured by it against fire under the standard form fire policy, or make all its own such filings except as to any which may relate to any such specific class of risks, which filings so excepted the insurer may authorize a rating organization to make; or

(d) authorize a rating organization to make all only of its filings as to all classes or risks insured by it against fire in this state under the standard form fire policy.

SEC. 14. Section .19.28, chapter 79, Laws of 1947 and RCW 48.19.280 are each amended to read as follows:

RCW 48.19.280  
amended.

(1) Every subscriber to a rating organization shall adhere to the filings made on its behalf by such organization, and shall not deviate therefrom except as provided in this section.

Deviations.

(2) Any such subscriber may make written application to the commissioner for permission to file a deviation, and shall at the same time send a copy of the application to the rating organization. The application shall specify the deviation desired, and the basis thereof. In the case of deviations as specified in subsection (4) of this section, the application shall be accompanied by the data upon which the applicant relies. The commissioner shall forthwith set a date for a hearing on the application and give



notice thereof to the applicant and to the rating organization. If the rating organization informs the commissioner that it does not desire a hearing he may, upon consent of the applicant, waive the hearing.

(3) As to fire insurance under standard form fire policies, and the following insurances when issued as part of a standard form fire policy, any such deviation shall be only by a uniform percentage of addition to or decrease from all rates resulting from all filings relative to such insurance made by the rating organization on behalf of such applicant and then in effect:

(a) Additional property insurance coverages, or

(b) Coverages including any kind of insurance in addition to fire for a single undivided premium.

In considering the application for permission to file such deviation the commissioner shall give consideration to the available statistics and the applicable principles for rate making as provided in RCW 48.19.030.

(4) As to insurance other than that designated in subsection (3) of this section, any such deviation shall be only by a uniform percentage decrease or increase to be applied to the premiums produced by the rating system so filed for a kind of insurance, or for a class of insurance which is found by the commissioner to be a proper rating unit for the application of such uniform percentage decrease or increase, or for a subdivision of a kind of insurance (a) comprised of a group of manual classifications which is treated as a separate unit for rate making purposes, or (b) for which separate expense provisions are included in the filings of the rating organization.

(5) If upon such hearing the commissioner finds the proposed deviation to be justified, and that premiums and rates resulting therefrom would not be inadequate, excessive, or unfairly discriminatory, he

shall issue his order permitting the deviation to be filed and such deviation shall thereupon become effective. If he finds otherwise, he shall issue his order denying the application. Deviations.

(6) Each deviation permitted to be filed shall be effective for a period of not less than one year from the date of such permission unless terminated sooner with the approval of the commissioner. Every such deviation shall terminate upon a material change of the basic rate from which the deviation is made. The commissioner shall determine whether a change of the basic rate is so material as to require such termination of deviations.

(7) This section does not apply to casualty insurance.

SEC. 15. Section .23.35, chapter 79, Laws of 1947 and RCW 48.23.350 are each amended to read as follows: RCW 48.23.350 amended.

(1) This section shall be known as the standard nonforfeiture law. Life insurance. 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 pay-

Insurance.  
Life. Stan-  
dard non-  
forfeiture law.

ment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

(c) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than sixty days after the due date of the premium in default.

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

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

(f) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance

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

Insurance.  
Life.  
Standard  
nonforfeit-  
ure law.

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 subsection (5) of this section corresponding to premiums which would have fallen due on and after such anniversary, and (b) the amount of any in-

Insurance.  
Life.  
Standard  
nonforfeit-  
ure law.

debtedness to the insurer on account of or secured by the policy. Any cash surrender value available within thirty days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefits, whether or not required by such subsection (2), shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy including any existing paid-up additions, decreased by any indebtedness to the insurer on account of or secured by the policy.

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

(5) The adjusted premium—Life: The adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (a) the then present value of the future guaranteed benefits provided for by the policy; (b) two percent of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (c) forty percent of the adjusted premium for the first policy year; (d)

twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less: *Provided*, That in applying the percentages specified in (c) and (d) above, no adjusted premium shall be deemed to exceed four percent of the amount of insurance or level 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.

Insurance.  
Life.  
Standard  
nonforfeiture  
law.

Proviso.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent level amount thereof for the purpose of this subsection shall be deemed to be the level 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.

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, at the option of the insurer with approval of the commissioner, according to an age not

Insurance.  
Life.  
Standard  
nonforfeiture  
law.

more than three years younger than the actual age of the insured. 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.

Proviso.

Proviso.

(6) Calculation of values—Life: Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections (3), (4) and (5) 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 re-

versionary annuity or deferred reversionary annuity benefits, (d) as decreasing term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, and (e) 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.

Insurance.  
Life.  
Standard  
nonforfeiture  
law.

(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 subsection (5) 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.



RCW 48.29.030 amended.

SEC. 16. Section .29.03, chapter 79, Laws of 1947 and RCW 48.29.030 are each amended to read as follows:

Insurance. Title. Amount of deposit.

(1) The amount of the required guaranty fund deposit shall be determined by the population, as at last official United States or official state census, of the county within which the insurer is to be authorized to transact its business, as follows:

County population	Amount of guaranty fund deposit	
More than 0	but not more than 15,000	\$10,000.00
15,000	35,000	\$15,000.00
35,000	60,000	\$25,000.00
60,000	100,000	\$50,000.00
100,000	150,000	\$75,000.00
150,000	300,000	\$100,000.00
300,000	500,000	\$150,000.00
500,000		\$200,000.00

(2) For authority to transact business in two or more counties, the insurer must have a guaranty fund deposit in amount not less than the amount required under subsection (1) as to that one of the counties in which business is to be so transacted for which the largest amount is so required.

RCW 48.29.040 amended.

SEC. 17. Section .29.04, chapter 79, Laws of 1947 and RCW 48.29.040 are each amended to read as follows:

May do business in two or more counties.

Subject to the deposit requirements of RCW 48.29.030, a title insurer having its principal offices in one county may be authorized to transact business in only such additional counties as to which it owns and maintains, or has a duly authorized agent that owns and maintains, a complete set of tract indexes.

RCW 48.30.150 amended.

SEC. 18. Section .30.15, chapter 79, Laws of 1947 and RCW 48.30.150 are each amended to read as follows:

No insurer, general agent, agent, broker, solicitor, or other person shall, as an inducement to insurance, or in connection with any insurance transaction, provide in any policy for, or offer, or sell, buy, or offer or promise to buy or give, or promise, or allow to the insured or prospective insured or to any other person on his behalf in any manner whatsoever:

Unfair practices. Illegal inducements.

(1) Any shares of stock or other securities issued or at any time to be issued or any interest therein or rights thereto; or

(2) Any special advisory board contract, or other contract, agreement, or understanding of any kind, offering, providing for, or promising any profits or special returns or special dividends; or

(3) Any prizes, goods, wares, or merchandise of an aggregate value in excess of one dollar.

This section shall not be deemed to prohibit the sale or purchase of securities as a condition to or in connection with surety insurance insuring the performance of an obligation as part of a plan of financing found by the commissioner to be designed and operated in good faith primarily for the purpose of such financing.

SEC. 19. There is added to chapter 79, Laws of 1947 and chapter 48.30 RCW a new section to read as follows:

New section.

No life or disability insurer shall directly or indirectly participate in any plan to offer or effect any kind or kinds of insurance in this state as an inducement to the purchase by the public of any goods, securities, commodities, services or subscriptions to publications. This section shall not apply to group or blanket insurance issued pursuant to this code.

Life or disability insurer—Illegal inducements.

SEC. 20. There is added to chapter 79, Laws of 1947 and chapter 48.30 RCW a new section to read as follows:

New section.

Insurance.  
Unfair prac-  
tices. Debtor's  
rights in  
selection  
of agent.

Every debtor or borrower, when property insurance of any kind is required in connection with the debt or loan, shall have reasonable opportunity and choice in the selection of the agent, broker, and insurer through whom such insurance is to be placed; but only if the insurance is properly provided for the protection of the creditor or lender not later than at commencement of risk as to such property as respects such creditor or lender, and in the case of renewal of insurance, only if the renewal policy is delivered to the creditor or lender not later than thirty days prior to the renewal date.

RCW 48.07.050  
amended.

SEC. 21. Section .07.05, chapter 79, Laws of 1947 and RCW 48.07.050 are each amended to read as follows:

Domestic  
insurers.  
Directors—  
Qualifica-  
tions.

Not less than three-fourths of the directors of an incorporated domestic insurer shall be United States citizens, and a majority of the board of directors of a mutual life insurer shall be residents of this state.

Repeal.

SEC. 22. Section .09.02, chapter 79, Laws of 1947 and RCW 48.09.020, section .09.03, chapter 79, Laws of 1947 and RCW 48.09.030, section .09.04, chapter 79, Laws of 1947 and RCW 48.09.040, section .09.05, chapter 79, Laws of 1947 and RCW 48.09.050, section .09.06, chapter 79, Laws of 1947 and RCW 48.09.060, section .09.07, chapter 79, Laws of 1947 and RCW 48.09.070, and section .09.08, chapter 79, Laws of 1947 and RCW 48.09.080 are each repealed.

Passed the House February 25, 1957.

Passed the Senate March 11, 1957.

Approved by the Governor March 22, 1957.