

presently licensed accountants would not be affected by the qualification standards of this act, the legal effect is to relieve them from the obligation of paying increased license fees. This is not in keeping with the intent of the act. I have therefore vetoed section 9.

With the exception of section 9 which I have vetoed for the reasons set forth above, the remainder of the bill is approved."

CHAPTER 115
[Substitute House Bill No. 205]
HEALTH CARE SERVICE CONTRACTORS

AN ACT Relating to health care service contractors; amending section 2, chapter 268, Laws of 1947 as amended by section 2, chapter 197, Laws of 1961 and RCW 48.44.020; amending section 3, chapter 268, Laws of 1947 as amended by section 3, chapter 197, Laws of 1961 and RCW 48.44.030; amending section 13, chapter 197, Laws of 1961 and RCW 48.44.160; adding new sections to chapter 268, Laws of 1947 and to chapter 48.44 RCW; and prescribing penalties.

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

Section 1. Section 2, chapter 268, Laws of 1947 as amended by section 2, chapter 197, Laws of 1961 and RCW 48.44.020 are each amended to read as follows:

(1) Any health care service contractor may enter into agreements with or for the benefit of persons or groups of persons which require prepayment for health care services by or for such persons in consideration of such health care service contractor providing one or more health care services to such persons and such activity shall not be subject to the laws relating to insurance if the health care services are rendered by the health care service contractor or by a participant.

(2) The commissioner may require the submission of contract forms for his examination and may on examination, subject to the right of the health care service contractor to demand and receive a hearing under chapters 48.04 and 34.04 RCW, disapprove any contract form for any of the following grounds:

(a) If it contains or incorporates by reference any inconsistent, ambiguous or misleading clauses, or exceptions and conditions which unreasonably or deceptively affect the risk purported to be assumed in the general coverage of the contract; or

(b) If it has any title, heading or other indication of its provisions which is misleading; or

(c) If purchase of health care services thereunder is being solicited by deceptive advertising; or

(d) If, the benefits provided therein are unreasonable in relation to the amount charged for the contract ((+)) ; or

(e) If it contains unreasonable restrictions on the treatment of patients.

Sec. 2. Section 3, chapter 268, Laws of 1947 as amended by section 3, chapter 197, Laws of 1961 and RCW 48.44.030 are each amended to read as follows:

If any of the health care services which are promised in any such agreement are not to be performed by the health care service contractor, or by a participant, such activity shall not be subject to the laws relating to insurance, but such agreement shall contain provision for reimbursement or indemnity of the persons paying for such services which agreement shall either be underwritten by an insurance company authorized to write accident, health and disability insurance in the state or guaranteed by a surety company authorized to do business in this state, or guaranteed by a deposit of cash or securities eligible for investment by insurers pursuant to chapter 48.13, with the insurance commissioner, as hereinafter provided. If the agreement is underwritten by an insurance company, the contract or policy of insurance may designate the health care service contractor as the named insured, but shall be for the benefit of the persons who have paid for or contracted for such health care services. If the agreement is guaranteed by a surety company, the surety bond shall designate the state of Washington as the named obligee, but shall be for the benefit of the persons who have paid for or contracted for such health care services, and shall be in such amount as the insurance commissioner shall direct, but in

no event in a sum greater than the amount of ~~((twenty-five))~~ fifty thousand dollars or one-twelfth of the total sum of money received by the health care service contractor during the preceding twelve months as prepayment for health care services, whichever amount is greater. A copy of such insurance policy or surety bond, as the case may be, and any modification thereof, shall be filed with the insurance commissioner. If the agreement is guaranteed by a deposit of cash or securities, such deposit shall be in such amount as the insurance commissioner shall direct, but in no event in a sum greater than the amount of ~~((twenty-five))~~ fifty thousand dollars or one-twelfth of the total sum of money received by the health care service contractor during the preceding twelve months as prepayment for health care services, whichever amount is greater. Such cash or security deposit shall be held in trust by the insurance commissioner and shall be for the benefit of the persons who have paid for or contracted for such health care services.

Sec. 3. Section 13, chapter 197, Laws of 1961 and RCW 48.44-.160 are each amended to read as follows:

The insurance commissioner may, after notice and hearing, pur-
suant to chapters 48.04 and 34.04 RCW, revoke, suspend, or refuse to accept or renew registration from any health care service contractor ~~((which-has-violated-the-provisions-of,-or-does-not-comply-with-the requirements-of,-this-chapter,-The-activity-of-any-health-care-service-contractor-whose-registration-has-been-revoked,-suspended,-or refused-shall-not-be-exempt-from-the-laws-relating-to-insurance))~~ , or he may issue a cease and desist order, or bring an action in any court of competent jurisdiction to enjoin a health care service contractor from doing further business in this state, if such health care service contractor:

(1) Fails to comply with any provision of chapter 48.44 RCW after written notice by the commissioner of such failure to comply and expiration of a reasonable period for compliance as specified in such notice.

(2) Is found by the commissioner to be in such financial

condition that its further transaction of business in this state would jeopardize the payment of claims and refunds to subscribers.

(3) Has refused to remove or discharge a director or officer who has been convicted of any crime involving fraud, dishonesty, or like moral turpitude, after written request by the commissioner for such removal, and expiration of a reasonable time therefore as specified in such request.

(4) Usually compels claimants under contracts either to accept less than the amount due them or to bring suit against it to secure full payment of the amount due.

(5) Is affiliated with and under the same general management, or interlocking directorate, or ownership as another health care contractor which operates in this state without having registered therefor, except as is permitted by this 1969 amendatory act.

(6) Refuses to be examined, or if its directors, officers, employees or representatives refuse to submit to examination or to produce its accounts, records, and files for examination by the commissioner when required, or refuse to perform any legal obligation relative to the examination.

(7) Fails to pay any final judgment rendered against it in this state upon any contract, bond, recognizance, or undertaking issued or guaranteed by it, within thirty days after the judgment became final or within thirty days after time for taking an appeal has expired, or within thirty days after dismissal of an appeal before final determination, whichever date is the later.

(8) Is found by the commissioner, after investigation or upon receipt of reliable information, to be managed by persons, whether by its directors, officers, or by any other means, who are incompetent or untrustworthy or so lacking in health care contracting or related managerial experience as to make the operation hazardous to the subscribing public; or that there is good reason to believe it is affiliated directly or indirectly through ownership, control, or other business relations, with any person or persons whose business opera-

tions are or have been marked, to the detriment of policyholders or stockholders, or investors or creditors or subscribers or of the public, by bad faith or by manipulation of assets, or of accounts, or of reinsurance.

NEW SECTION. Sec. 4. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

No health care service contractor shall deny coverage to any person solely on account of race, religion or national origin.

NEW SECTION. Sec. 5. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

Every health care service contractor shall annually, within one hundred twenty days of the closing date of its fiscal year, file with the commissioner a statement verified by at least two of the principal officers of the health care service contractor showing its financial condition as of the closing date of its fiscal year. The statement shall be in such form as is furnished or prescribed by the commissioner. A health care service contractor failing to make and file its annual statement in the form and within the time herein specified shall forfeit fifty dollars for each day during which such failure continues after written notification by the commissioner of such failure, and thirty days after the notice the commissioner may terminate the health care service contractor's authority to do new business while such default continues. The commissioner may for good reason allow a reasonable extension of the time within which such annual statement shall be filed.

NEW SECTION. Sec. 6. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

(1) No person shall in this state, by mail or otherwise, act as or hold himself out to be a health care service contractor, as defined in RCW 48.44.010 without being duly registered therefor with the commissioner.

(2) The issuance, sale or offer for sale in this state of securities of its own issue by any health care service contractor dom-

iciled in this state other than the memberships and bonds of a nonprofit corporation shall be subject to the provisions of chapter 48.06 RCW relating to obtaining solicitation permits the same as if health care service contractors were domestic insurers.

(3) On or after July 1, 1969, no person shall in this state act as or hold himself out to be an agent of a health care service contractor, as defined in section 7 of this 1969 amendatory act, unless then licensed therefor by this state: PROVIDED, That this subsection shall not apply to insurance agents or brokers licensed under chapter 48.17 RCW with authority to sell disability insurance.

Any person violating any provision of this section shall be liable to a fine of not to exceed five hundred dollars and imprisonment for not to exceed six months for each instance of such violation.

NEW SECTION. Sec. 7. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

Agent, as used in this 1969 amendatory act, means any person appointed or authorized by a health care service contractor to solicit applications for health care service contracts on its behalf.

NEW SECTION. Sec. 8. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

The fee for the issuance of a license as a health care service contract agent and the annual renewal thereof shall be five dollars. Applications and qualifications for licenses shall be in accordance with the provisions in RCW 48.17.070, RCW 48.17.090, and RCW 48.17.150(1)(a), (b), (c) and (2) to the extent not inconsistent herewith. Procedures for the issuance and renewal of such licenses shall be the same as provided for life and disability agents under RCW 48.17.500. Insurance agents or brokers licensed under chapter 48.17 RCW and qualified to sell disability insurance need not be licensed as health care service contract agents under this 1969 amendatory act.

NEW SECTION. Sec. 9. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

The commissioner may suspend, revoke or refuse to issue or re-

new any agent's license which is issued or may be issued under this 1969 amendatory act, subject to the right of the licensee or applicant to demand and receive a hearing pursuant to chapters 48.04 and 34.04 RCW, in accordance with the procedure set forth in RCW 48.17-.540, for any of the following causes if the licensee or applicant:

(1) Wilfully violates or knowingly participates in the violation of any provision of this 1969 amendatory act.

(2) Has attempted to obtain a license through misrepresentation or fraud.

(3) Has misappropriated or converted to his own use or has illegally withheld moneys paid to him in connection with a health care service contract.

(4) Has been convicted by final judgment of a felony.

(5) Has, with intent to deceive, materially misrepresented the terms or effect of any health care service contract, or has engaged or is about to engage in any fraudulent transaction.

(6) Has represented a health care service contractor unlawfully doing business here without being licensed therefor.

(7) Has shown himself to be incompetent, untrustworthy, or an actual or potential source of loss or injury to the public.

NEW SECTION. Sec. 10. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

Upon the suspension, revocation or refusal of a health care service contractor's registration, the commissioner shall give notice thereof to such contractor and shall likewise suspend, revoke or refuse the authority of its agents to represent it in this state and give notice thereof to the agents.

NEW SECTION. Sec. 11. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

After hearing and in addition to or in lieu of the suspension, revocation or refusal to renew any registration of a health care service contractor or any licensed agent thereof the commissioner may levy a fine against the party involved in an amount not less than fifty

dollars and not more than one thousand dollars. The order levying such fine shall specify the period within which the fine shall be fully paid and which period shall not be less than fifteen nor more than thirty days from the date of such order. Upon failure to pay any such fine when due the commissioner shall revoke the registration or license of the party involved, if not already revoked, and the fine shall be recovered in a civil action brought in behalf of the commissioner by the attorney general. Any fine so collected shall be paid by the commissioner to the state treasurer for the account of the general fund.

NEW SECTION. Sec. 12. There is added to chapter 268, Laws of 1947 and to chapter 48.44 RCW a new section to read as follows:

(1) On receipt of a verified complaint alleging that a health care service contractor is insolvent or that its manner of transacting business is contrary to this 1969 amendatory act, the commissioner may demand from the health care service contractor a statement, under oath, setting forth its assets and liabilities or course of conduct, as applicable. He may, for the purpose of verifying the correctness of such statement, examine the books and business affairs of the health care service contractor.

(2) If such a statement is not furnished within twenty days from the time of such demand by the commissioner or if, upon the examination of such records the statement furnished or any record examined is found to include any material misstatement of fact, the expense of the examination shall be paid by the health care service contractor.

(3) Whenever any health care service contractor applies for initial admission, the commissioner may make, or cause to be made, an examination of the applicant's business and affairs. Whenever such an examination is made, all of the provisions of chapter 48.03 RCW not inconsistent with this 1969 amendatory act shall be applicable. In lieu of making an examination himself the commissioner may, in the case of a foreign health care service contractor, accept an

examination report of the applicant by the regulatory official in its state of domicile.

Passed the House March 12, 1969
Passed the Senate March 10, 1969
Approved by the Governor March 25, 1969
Filed in office of Secretary of State March 25, 1969

CHAPTER 116
[House Bill No. 361]
CITIES OF THE THIRD CLASS--
OFFICIALS

AN ACT Relating to third class city officials; amending section 35-.24.020, chapter 7, Laws of 1965 as amended by section 9, chapter 116, Laws of 1965 ex. sess. and RCW 35.24.020; amending section 35.24.050, chapter 7, Laws of 1965, and RCW 35.24.050; and adding new sections to chapter 7, Laws of 1965 and to chapter 35.24 RCW; and declaring an emergency.

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

Section 1. Section 35.24.020, chapter 7, Laws of 1965, as amended by section 9, chapter 116, Laws of 1965 ex. sess. and RCW 35-.24.020 are each amended to read as follows:

The government of a third class city shall be vested in a mayor, a city council of seven members, a city attorney, a clerk, a treasurer, all elective; and a chief of police, police judge, city engineer, street superintendent, health officer and such other appointive officers as may be provided for by statute or ordinance: PROVIDED, That the council may enact an ordinance providing for the appointment of the city clerk (~~(and)~~), city attorney, and treasurer by the mayor, which appointment shall be subject to confirmation by a majority vote of the city council. Such ordinance shall be enacted and become effective not later than thirty days prior to the first day allowed for filing declarations of candidacy for such offices when such offices are subject to an approaching city primary election. Elective incumbent city clerks (~~(and)~~), city attorneys, and city treasurers shall serve for the remainder of their unexpired term notwithstanding any appointment made pursuant to RCW 35.24.020 and 35.24.050. If a free public library and reading room is established, five library trustees