

the event of default in the payment of any consideration due at any time other than on the contract anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional considerations beyond the last preceding contract anniversary. All values herein referred to may be calculated upon the assumption that any death benefit is payable at the end of the contract year of death.

(5) Deferment of payment: If an insurer provides for the payment of a cash surrender value, it shall reserve the right to defer the payment of such value for a period of six months after demand therefor with surrender of the contract.

(6) Lump sum in lieu: Notwithstanding the requirements of this section, any deferred annuity contract may provide that if the annuity allowed under any paid-up nonforfeiture benefit would be less than one hundred twenty dollars annually, the insurer may at its option grant a cash surrender value in lieu of such paid-up nonforfeiture benefit of such amount as may be required by subsection (3) of this section.

(7) Operative date: If no election is made by an insurer for an operative date prior to July 1, 1948, such date shall be the operative date for this section.

Passed the House April 14, 1973.

Passed the Senate April 13, 1973.

Approved by the Governor April 24, 1973.

Filed in Office of Secretary of State April 25, 1973.

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CHAPTER 163

[ House Bill No. 531 ]

ESCROW OFFICER EXAMINEES--INSURANCE

AN ACT Relating to insurance; amending section 10, chapter 245, Laws of 1971 ex. sess. and RCW 18.44.230; amending section .18.02, chapter 79, Laws of 1947 as amended by section 4, chapter 17, Laws of 1970 ex. sess. and RCW 48.18.020; amending section 2, chapter 104, Laws of 1969 and RCW 48.18A.020; amending section 3, chapter 104, Laws of 1969 and RCW 48.18A.030; amending section 5, chapter 104, Laws of 1969 and RCW 48.18A.050; amending section 6, chapter 104, Laws of 1969 and RCW 48.18A.060; amending section .24.06, chapter 79, Laws of 1947 as last amended by section 21, chapter 195, Laws of 1963 and RCW 48.24.060; amending section .24.07, chapter 79, Laws of 1947 as last amended by section 1, chapter 86, Laws of 1963 and RCW 48.24.070; adding a new section to chapter 79, Laws of

1947 and to chapter 48.18 RCW; adding a new section to chapter 79, Laws of 1947 and to chapter 48.36 RCW; and repealing section .18.38, chapter 79, Laws of 1947 and RCW 48.18.380.

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

Section 1. Section 10, chapter 245, Laws of 1971 ex. sess. and RCW 18.44.230 are each amended to read as follows:

No examination will be given unless the applicant has one year within the three years immediately preceding application of full time experience in the handling of escrow transactions or in comparable or allied fields, as may be determined from time to time by the escrow commission; and the applicant must be ~~((twenty-one))~~ eighteen years of age or older.

Completion of ~~((college level))~~ post high school educational courses of the nature and extent prescribed by the escrow commission may be substituted for the experience requirement.

Sec. 2. Section .18.02, chapter 79, Laws of 1947 as amended by section 4, chapter 17, Laws of 1970 ex. sess. and RCW 48.18.020 are each amended to read as follows:

(1) Any person eighteen years or older shall be considered of full legal age and may contract for or with respect to insurance. Any person seventeen years or younger shall be considered a minor for purposes of Title 48 RCW.

(2) A minor not less than fifteen years of age as at nearest birthday may, notwithstanding such minority, contract for life or disability insurance on his own life or body, for his own benefit or for the benefit of his father, mother, spouse, child, brother, sister, or grandparent, and may exercise all rights and powers with respect to or under the contract as though of full legal age, and may surrender his interest therein and give a valid discharge for any benefit accruing or money payable thereunder. The minor shall not, by reason of his minority, be entitled to rescind, avoid, or repudiate the contract, or any exercise of a right or privilege thereunder, except, that such minor, not otherwise emancipated, shall not be bound by any unperformed agreement to pay, by promissory note or otherwise any premium on any such insurance contract.

NEW SECTION. Sec. 3. There is added to chapter 79, Laws of 1947 and to chapter 48.18 RCW a new section to read as follows:

A person whose life is insured under a group insurance policy may, subject and pursuant to the terms of the policy, or pursuant to an arrangement between the insured, the group policyholder and the insurer, assign to any or all his spouse, children, parents, or a trust for the benefit of any or all of them, all or any part of his incidents of ownership, rights, title, and interests, both present and future, under such policy including specifically, but not by way of limitation, the right to designate a beneficiary or beneficiaries

thereunder and the right to have an individual policy issued to him in case of termination of employment or of said group insurance policy. Such an assignment by the insured, made either before or after the effective date of this section, is valid for the purpose of vesting in the assignee, in accordance with any provisions included therein as to the time at which it is to be effective, all of such incidents of ownership, rights, title, and interests so assigned, but without prejudice to the insurer on account of any payment it may make or individual policy it may issue prior to receipt of notice of the assignment. This section acknowledges, declares, and codifies the existing right of assignment of interests under group insurance policies.

Sec. 4. Section 2, chapter 104, Laws of 1969 and RCW 48.18A.020 are each amended to read as follows:

A domestic life insurer may, by or pursuant to resolution of its board of directors, establish one or more separate accounts, and may allocate thereto amounts ~~((to provide for annuities and other benefits))~~ (including without limitation proceeds applied under optional modes of settlement or under dividend options) to provide for life insurance or annuities (and other benefits incidental thereto), payable in fixed or variable amounts or both, subject to the following:

(1) The income, gains, and losses, realized or unrealized, from assets allocated to a separate account shall be credited to or charged against the account, without regard to other income, gains, or losses of the insurer.

(2) (a) Except as hereinafter provided, amounts allocated to any separate account and accumulations thereon may be invested and reinvested without regard to any requirements or limitations prescribed by the laws of this state governing the investments of life ~~((insurance companies))~~ insurers: PROVIDED, That to the extent that the ~~((company's))~~ insurer's reserve liability with regard to (i) benefits guaranteed as to dollar amount and duration, and (ii) funds guaranteed as to principal amount or stated rate of interest is maintained in any separate account, a portion of the assets of such separate account at least equal to such reserve liability shall be ~~((except as the commissioner may otherwise approve, invested in accordance with the laws of this state governing the investments of life insurance companies))~~ invested under such conditions as the commissioner may prescribe. The investments in such separate account or accounts shall not be taken into account in applying the investment limitations applicable to the investments of the ~~((company))~~ insurer.

(b) With respect to seventy-five percent of the market value of the total assets in a separate account no ~~((company))~~ insurer

shall purchase or otherwise acquire the securities of any issuer, other than securities issued or guaranteed as to principal or interest by the United States, if immediately after such purchase or acquisition the market value of such investment, together with prior investments of such separate account in such security taken at market value, would exceed ten percent of the market value of the assets of ((said)) such separate account: PROVIDED, That the commissioner may waive such limitation if, in his opinion, such waiver will not render the operation of such separate account hazardous to the public or the policyholders in this state.

(c) ((No separate account shall be invested in the voting securities of a single issuer if such investment would result in the insurer owning an amount in excess of)) Unless otherwise permitted by law or approved by the commissioner, no insurer shall purchase or otherwise acquire for its separate accounts the voting securities of any issuer if as a result of such acquisition the insurer and its separate accounts, in the aggregate, will own more than ten percent of the total issued and outstanding voting securities of such issuer: PROVIDED, That the foregoing shall not apply with respect to securities held in separate accounts, the voting rights in which are exercisable only in accordance with instructions from persons having interests in such accounts.

(d) The limitations provided in paragraphs (b) and (c) of this subsection shall not apply to the investment with respect to a separate account in the securities of an investment company registered under the United States Investment Company Act of 1940: PROVIDED, That the investments of such investment company shall comply in substance therewith.

(3) Unless otherwise approved by the commissioner, assets allocated to a separate account shall be valued at their market value on the date of valuation, or if there is no readily available market, then as provided under the terms of the contract or the rules or other written agreement applicable to such separate account: PROVIDED, That unless otherwise approved by the commissioner, ((a)) the portion, if any, of the assets of such separate account equal to the insurer's reserve liability with regard to the guaranteed benefits and funds referred to in subsection (2) of this section((7 if any)) shall be valued in accordance with the rules otherwise applicable to the insurer's assets.

(4) Amounts allocated to a separate account in the exercise of the power granted by this chapter shall be owned by the insurer and the insurer shall not be, nor hold itself out to be, a trustee with respect to such amounts. If and to the extent so provided under the applicable contracts, that portion of the assets of any such separate account equal to the reserves and other contract liabilities with

respect to such account shall not be chargeable with liabilities arising out of any other business the insurer may conduct.

(5) No sale, exchange or other transfer of assets may be made by an insurer between any of its separate accounts or between any other investment account and one or more of its separate accounts unless, in case of a transfer into a separate account, such transfer is made solely to establish the account or to support the operation of the contracts with respect to the separate account to which the transfer is made, and unless such transfer, whether into or from a separate account, is made (a) by a transfer of cash, or (b) by a transfer of securities having a readily determinable market value: PROVIDED, That such transfer of securities is approved by the commissioner. The commissioner may approve other transfers among such accounts, if, in his opinion, such transfers would not be inequitable.

(6) To the extent such insurer deems it necessary to comply with any applicable federal or state law, such insurer, with respect to any separate account, including without limitation any separate account which is a management investment company or a unit investment trust, may provide for persons having interest therein, as may be appropriate, voting and other rights and special procedures for the conduct of the business of such account, including without limitation, special rights and procedures relating to investment policy, investment advisory services, selection of independent public accountants, and the selection of a committee, the members of which need not be otherwise affiliated with such insurer, to manage the business of such account.

Sec. 5. Section 3, chapter 104, Laws of 1969 and RCW 48.18A.030 are each amended to read as follows:

(1) Every variable contract providing benefits payable in variable amounts delivered or issued for delivery in this state shall contain a statement of the essential features of the procedures to be followed by the insurer in determining the dollar amount of such variable benefits. Any such (~~variable~~) contract under which the benefits vary to reflect investment experience, including a group contract and any certificate in evidence of variable benefits issued thereunder, shall state that such dollar amount will so vary (~~to reflect investment experience~~) and shall contain on its first page a statement to the effect that the benefits thereunder are on a variable basis.

(2) Variable annuity contracts delivered or issued for delivery in this state may include as an incidental benefit provision for payment on death during the deferred period of an amount not in excess of the greater of the sum of the premiums or stipulated payments paid under the contract or the value of the contract at time

of death. For this purpose such benefit shall not be deemed to be life insurance and therefore not subject to any statutory provisions governing life insurance contracts. A provision for any other benefits on death during the deferred period will be subject to such insurance law provisions.

Sec. 6. Section 5, chapter 104, Laws of 1969 and RCW 48.18A.050 are each amended to read as follows:

The provisions of RCW ((48.23.140)) 48.23.020, 48.23.030, 48.23.080 through 48.23.120, 48.23.140, 48.23.150, 48.23.200 through 48.23.240, 48.23.310, 48.23.350, and 48.23.360, and the provisions of chapter 48.24 RCW shall be inapplicable to variable contracts; nor shall any provision in the code requiring contracts to be participating be deemed applicable to variable contracts. Except as otherwise provided in this chapter, all pertinent provisions of the insurance code shall apply to separate accounts and contracts relating thereto. Any individual variable life insurance or individual variable annuity contract delivered or issued for delivery in this state shall contain grace, reinstatement, and nonforfeiture provisions appropriate to such contracts, and any such variable life insurance contract shall provide that the investment experience of the separate account shall in no event operate to reduce the death benefit below an amount equal to the face amount of the contract at the time the contract was issued. Any individual variable life insurance contract may contain a provision for deduction from the death proceeds of amounts of due and unpaid premiums or of indebtedness which are appropriate to such contracts. The reserve liability for variable annuities shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

Sec. 7. Section 6, chapter 104, Laws of 1969 and RCW 48.18A.060 are each amended to read as follows:

Licensing requirement. No person shall be or act as an agent for the solicitation or sale of ((such policies or)) variable contracts except while duly appointed and licensed under the insurance code as a life insurance agent with respect to the insurer, and while duly licensed as a security salesman or securities broker under a license issued by the administrator of securities pursuant to the securities act of this state; except that any person who participates only in the sale or offering for sale of variable contracts which fund corporate plans meeting the requirements for qualification under sections 401 or 403 of the United States internal revenue code need not be licensed pursuant to the securities act of this state.

Sec. 8. Section .24.06, chapter 79, Laws of 1947 as last amended by section 21, chapter 195, Laws of 1963 and RCW 48.24.060

are each amended to read as follows:

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:

(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)) fifteen 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. 9. Section .24.07, chapter 79, Laws of 1947 as last amended by section 1, chapter 86, Laws of 1963 and RCW 48.24.070 are each amended to read as follows:

The lives of a group of individuals may be insured under a policy issued to the trustees of a fund established by two or more employers ((in the same industry)) or by two or more employer members of an employers' association, or by one or more labor unions, or by one or more employers ((in the same industry)) and one or more labor unions, or by one or more employers and one or more labor unions whose members are in the same or related occupations or trades, which trustees shall be deemed the policyholder, to insure employees or members for the benefit of persons other than the employers or the unions, subject to the following requirements:

(1) If the policy is issued to two or more employer members of an employers' association, such policy may be issued only if (a) the association has been in existence for at least five years and was formed for purposes other than obtaining insurance and (b) the participating employers, meaning such employer members whose employees are to be insured, constitute at date of issue at least fifty percent of the total employers eligible to participate, unless the number of persons covered at date of issue exceeds six hundred, in which event such participating employers must constitute at least twenty-five percent of such total employers in either case omitting from consideration any employer whose employees are already covered for group life insurance.

(2) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both. The policy may provide that the term "employees" shall include the individual proprietor or partners if an employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are connected with such trusteeship. The policy may provide that the term "employees" shall include retired employees.

(3) The premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both, or, partly from such funds and partly from funds contributed by the insured persons. A policy on which part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance may be placed in force only if at least seventy-five percent of the then eligible persons, excluding any as to whom evidence of insurability is not satisfactory to the insurer, elect to



make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

(4) The policy must cover at least fifty 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 insured persons or by the policyholder, employers, or unions.

NEW SECTION. Sec. 10. There is added to chapter 79, Laws of 1947 and to chapter 48.36 RCW a new section to read as follows:

Chapter 48.18A RCW, as from time to time amended, shall also apply as to domestic fraternal benefit societies operating on the legal reserve basis, and such a society shall be deemed to be a "life insurer" for the purpose of such chapter.

NEW SECTION. Sec. 11. Section .18.38, chapter 79, Laws of 1947 and RCW 48.18.380 are each repealed.

Passed the House March 16, 1973.

Passed the Senate April 13, 1973.

Approved by the Governor April 24, 1973.

Filed in Office of Secretary of State April 25, 1973.

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CHAPTER 164

[House Bill No. 564]

CITIES AND TOWNS--ANNEXATION

AN ACT Relating to cities and towns; amending section 35.02.150, chapter 7, Laws of 1965 and RCW 35.02.150; amending section 35.13.015, chapter 7, Laws of 1965 as last amended by section 6, chapter 52, Laws of 1970 ex. sess. and RCW 35.13.015; amending section 35.13.020, chapter 7, Laws of 1965 as last amended by section 8, chapter 73, Laws of 1967 and RCW 35.13.020; amending section 35.13.040, chapter 7, Laws of 1965 and RCW 35.13.040; amending section 35.13.050, chapter 7, Laws of 1965 and RCW 35.13.050; amending section 35.13.060, chapter 7, Laws of 1965 and RCW 35.13.060; amending section 35.13.080, chapter 7, Laws of 1965 as last amended by section 10, chapter 73, Laws of 1967 and RCW 35.13.080; amending section 35.13.090, chapter 7, Laws of 1965 as last amended by section 11, chapter 73, Laws of 1967 and RCW 35.13.090; amending section 35.13.100, chapter 7, Laws of 1965 as last amended by section 12, chapter 73, Laws of 1967 and RCW 35.13.100;