

savings bank shall not use the word "trust" in its name, but may use the word "trust" in its business or advertising.

Passed the Senate May 14, 1975.

Passed the House June 7, 1975.

Approved by the Governor June 30, 1975.

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CHAPTER 266

[Substitute House Bill No. 198]

INSURANCE

AN ACT Relating to insurance; amending section 11, chapter 212, Laws of 1959 and RCW 31.08.175; amending section .01.01, chapter 79, Laws of 1947 and RCW 48.01.010; amending section 3, chapter 70, Laws of 1965 ex. sess. and RCW 48.05.185; amending section .07.09, chapter 79, Laws of 1947 as amended by section 3, chapter 197, Laws of 1953 and RCW 48.07.090; amending section .10.07, chapter 79, Laws of 1947 as amended by section 5, chapter 195, Laws of 1963 and RCW 48.10.070; amending section .15.09, chapter 79, Laws of 1947 as last amended by section 10, chapter 241, Laws of 1969 ex. sess. and RCW 48.15.090; amending section .17.06, chapter 79, Laws of 1947 as amended by section 9, chapter 303, Laws of 1955 and RCW 48.17.060; amending section .17.56, chapter 79, Laws of 1947 as amended by section 25, chapter 150, Laws of 1967 and RCW 48.17.560; amending section 5, chapter 119, Laws of 1974 ex. sess. and RCW 48.21.190; amending section .24.03, chapter 79, Laws of 1947 as last amended by section 23, chapter 70, Laws of 1965 ex. sess. and RCW 48.24.030; amending section 6, chapter 229, Laws of 1951 as last amended by section 4, chapter 152, Laws of 1973 1st ex. sess. and RCW 48.20.052; amending section 9, chapter 219, Laws of 1961 RCW 48.34.090; amending section 4, chapter 119, Laws of 1974 ex. sess. and RCW 48.44.240; adding new sections to chapter 48.20 RCW; adding a new section to chapter 48.21 RCW; and adding a new section to chapter 48.44 RCW.

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

Section 1. Section 11, chapter 212, Laws of 1959 and RCW 31.08.175 are each amended to read as follows:

(1) No licensee shall require the purchasing of property insurance from the licensee or any employee, affiliate, or associate of the licensee or from any agent, broker, or insurance company designated by the licensee as a condition precedent to the making of a loan nor shall any licensee decline existing insurance which meets or exceeds the standards set forth in this section.

The licensee may require a borrower to insure tangible property offered as security for a loan hereunder against any substantial risk of loss, damage, or destruction for an amount not to exceed the reasonable value of the property insured or the amount of the loan and for the customary term approximating the term of the loan contract: PROVIDED, That no licensee hereunder may require such insurance on loans in an amount less than three hundred dollars. It shall be optional with the borrower to obtain such insurance in an amount greater than the amount of the loan or for a longer term. The premium for such insurance shall not exceed that fixed by current applicable manual of a recognized standard insurance rating bureau and such insurance shall be written by or through a duly licensed insurance agent or broker.

(2) A licensee may insure the life of one borrower, but only one of them if there are two or more obligors, for the unpaid principal balance scheduled to be outstanding; and regardless of the the premium paid by the licensee, the licensee may charge not more than sixty cents per one hundred dollars per year computed

on the original principal amount of the loan, excluding charges for the loan, when the loan contract requires substantially equal and consecutive monthly installments of principal and charges combined, and such charge may be in the same proportions for different payment schedules, maturities, and principal amounts: PROVIDED, HOWEVER, That if both husband and wife sign an obligation to repay the loan, each may be an insured borrower hereunder and a single identifiable insurance charge may be made by the licensee for the two jointly under a plan whereby both lives are insured but a death benefit is paid only upon the death of the spouse dying first. For such joint spouse coverage, the licensee may charge not more than one dollar per one hundred dollars per year computed on the same basis as herein prescribed for life insurance on one borrower. Such charge may be deducted from the principal of the loan when the loan is made. Only one such charge may be made in connection with any loan contract irrespective of the number of obligors, and only one obligor need be insured. If the insured obligor dies during the term of the loan contract, the insurance must pay the principal balance of the loan outstanding on the day of his death without any exception or reservation. The insurance shall be in force as soon as the loan is made. If the loan contract is prepaid in full by cash, a new loan, renewal, refinancing, or otherwise, a portion of such life insurance charge shall be rebated according to the method established in paragraphs (a) and (b) of subsection (3) of RCW 31.08.160. When charges for the loan are precomputed in accordance with subsection (3) of RCW 31.08.160, any required rebate and any permitted deferment charge may be computed on the combined total of the precomputed charge and the life insurance charge.

(3) If a borrower procures any insurance by or through a licensee, the statement required by RCW 31.08.170 shall disclose the cost to the borrower and the type of insurance, and the licensee shall cause to be delivered to the borrower a copy of the policy, certificate, or other evidence thereof within a reasonable time.

Notwithstanding any other provision of this chapter, any gain or advantage in any form whatsoever to the licensee or to any employee, affiliate, or associate of the licensee from any insurance or its sale or provision shall not be deemed to be additional or further interest, consideration, charges, or fee in connection with such loan.

Nothing in this section shall be deemed to alter, amend or repeal any provision of the insurance code.

No insurance shall be required, requested, sold, or offered for sale in connection with any loan made under this chapter, except as and to the extent authorized by this section.

Sec. 2. Section .01.01, chapter 79, Laws of 1947 and RCW 48.01.010 are each amended to read as follows:

~~((Chapters 48.01 to 48.36 RCW, and chapter 48.48 of this))~~ Title 48 RCW constitutes the insurance code.

Sec. 3. Section 3, chapter 70, Laws of 1965 ex. sess. and RCW 48.05.185 are each amended to read as follows:

After hearing or with the consent of the insurer and in addition to or in lieu of the suspension, revocation, or refusal to renew any certificate of authority the commissioner may levy a fine upon the insurer in an amount not less than two

hundred fifty dollars and not more than ~~((one))~~ five 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 certificate of authority of the insurer 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.

Sec. 4. Section .07.09, chapter 79, Laws of 1947 as amended by section 3, chapter 197, Laws of 1953 and RCW 48.07.090 are each amended to read as follows:

(1) No incorporated domestic insurer shall make any contract whereby any person is granted or is to enjoy in fact the control and management of the insurer, or control of underwriting, investment, loss adjustments, production, or other major function of the insurer, all to the material exclusion of its board of directors, or the controlling or preemptive right to produce substantially all insurance business for the insurer, or, if an officer, director, or otherwise part of the insurer's management, is directly or indirectly to receive any commission, bonus, or compensation based upon the volume of the insurer's business or transactions unless such contract ~~((is))~~ has been filed with and approved by the commissioner. The contract shall be deemed approved unless disapproved by the commissioner within thirty days after date of filing. Any disapproval shall be delivered to the insurer in writing, stating the ~~((grounds))~~ reasons therefor.

(2) Any such contract hereafter made shall provide that any such manager, producer of its business, or contract holder shall within ninety days after expiration of each calendar year thereunder furnish the insurer's board of directors a written statement of amounts received under or on account of the contract and amounts expended thereunder during such calendar year, with specification of the compensation and emoluments received therefrom by the respective directors, officers, and other principal management personnel of the insurer, or manager, or producer, or contract holder with such classification of items and further detail as the insurer's board of directors may reasonably require.

(3) The commissioner shall not approve any contract referred to in subsection (1) which:

(a) Subjects the insurer to excessive charges for expenses or commissions; or
(b) does not contain fair and adequate standards of performance; or
(c) is to extend for an unreasonable length of time; or
(d) ~~((contains other inequitable provisions or provisions which may jeopardize the security of policyholders))~~ provides for commission, bonus, or compensation without reasonable relationship to the insurer's current expense, net growth, and net gain in surplus factors, or without reasonable limitation of the amount of money to be received as such commission, bonus, or compensation with respect to the insurer's business in any one calendar year; or

(e) contains other inequitable provision or provisions which may jeopardize the security of policyholders or the reasonable interests of stockholders.

(4) The commissioner may, after a hearing held thereon, withdraw his approval of any such contract theretofore permitted to become effective, if he finds that

any basis of his original approval of, or failure to disapprove, the contract no longer exists, or that the contract has, in actual operation, shown itself to be subject to disapproval on any of the grounds referred to in subsection (3) of this section.

Sec. 5. Section .10.07, chapter 79, Laws of 1947 as amended by section 5, chapter 195, Laws of 1963 and RCW 48.10.070 are each amended to read as follows:

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

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

~~(b) To transact vehicle insurance, surplus funds of not less than two hundred thousand dollars))~~ in the minimum amount of three hundred thousand dollars.

(2) A domestic reciprocal insurer may be authorized to transact other kinds of insurance in addition to that for which it was originally authorized, if it has otherwise complied with the provisions of this code therefor and possesses and maintains surplus funds equal to the paid-in capital stock required under RCW 48.05.340 of a stock insurer transacting like kinds of insurance, and the special surplus, if any, required under RCW 48.05.360 as to such a stock insurer. The minimum deposit held by the commissioner shall constitute part of the surplus funds so otherwise required. The insurer need not deposit such additional surplus funds with the commissioner: PROVIDED, That a domestic reciprocal insurer which under prior laws held authority to transact insurance in this state may continue to be so authorized so long as it otherwise qualifies therefor and maintains surplus funds in amount not less than as required under laws of this state in force at the time such authority to transact insurance in this state was granted.

(3) A domestic reciprocal insurer heretofore formed shall maintain on deposit with the commissioner surplus funds of not less than the sum of one hundred thousand dollars, and ~~((shall have additional surplus in the amount of any additional surplus funds required by this code for authority))~~ to transact kinds of insurance transacted by it in addition to that authorized by its original certificate of authority, shall have and maintain surplus (including the amount of such deposit) in amount not less than the paid-in capital stock required under RCW 48.05.340(1) plus special surplus, if any, required under RCW 48.05.360, of a domestic stock insurer formed after 1967 and transacting the same kinds of insurance. Such additional surplus funds need not be deposited with the commissioner.

Sec. 6. Section .15.09, chapter 79, Laws of 1947 as last amended by section 10, chapter 241, Laws of 1969 ex. sess. and RCW 48.15.090 are each amended to read as follows:

(1) A surplus line broker shall not knowingly place surplus line insurance with insurers unsound financially. The broker shall ascertain the financial condition of the unauthorized insurer before placing insurance therewith. The broker shall not so insure with any insurer having ~~((surplus as to policyholders of less than six hundred and fifty thousand dollars))~~ less capital and surplus or combined capital funds than the minimum amounts required for an admitted multiple line insurer in accordance with RCW 48.05.340 as now or hereafter amended, unless there is

on file with the commissioner a copy of a trust agreement, certified by the trustee, evidencing a subsisting trust deposit of not less than ~~((six hundred and fifty thousand dollars))~~ a like amount by such insurer with a bank or trust company in the United States, and which deposit is held for the protection of United States policyholders. The commissioner may, by rule and regulation, prescribe the terms under which the foregoing financial requirements may be waived in circumstances where insurance cannot be otherwise procured on risks located in this state.

(2) For any violation of this section the broker shall be fined not less than twenty-five dollars or more than two hundred and fifty dollars, his surplus line broker's license shall be revoked, and the broker may not again be so licensed within a period of two years thereafter.

Sec. 7. Section .17.06, chapter 79, Laws of 1947 as amended by section 9, chapter 303, Laws of 1955 and RCW 48.17.060 are each amended to read as follows:

(1) No person shall in this state act as or hold himself out to be an agent, broker, solicitor, or adjuster unless then licensed therefor by this state.

(2) No agent, solicitor, or broker shall solicit or take applications for, procure, or place for others any kind of insurance for which he is not then licensed.

(3) This section shall not apply with respect to any person securing and forwarding information required for the purposes of group ~~((insurance covering the unpaid balance, or remaining payments proposed to be made, in connection with the purchase of merchandise or securities, and where no commission or other compensation is payable on account of such insurance to such person))~~ credit life and credit disability insurance in connection with an extension of credit and such other credit life or disability insurance lines as the commissioner shall determine, and where no commission or other compensation is payable on account of the securing and forwarding of such information: PROVIDED, That the reimbursement of a creditor's actual expenses for securing and forwarding information required for the purposes of such group insurance shall not be considered a commission or other compensation if such reimbursement does not exceed three dollars per certificate issued, or in the case of a monthly premium plan extending beyond twelve months, not to exceed three dollars per loan transaction revision per year.

(4) Any person violating 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.

Sec. 8. Section .17.56, chapter 79, Laws of 1947 as amended by section 25, chapter 150, Laws of 1967 and RCW 48.17.560 are each amended to read as follows:

After hearing or upon stipulation by the licensee and in addition to or in lieu of the suspension, revocation, or refusal to renew any such license, the commissioner may levy a fine upon the licensee for each offense in amount not less than ~~((twenty-five))~~ fifty dollars and not more than ~~((two))~~ five hundred ~~((and fifty))~~ dollars, but in no case more than a total of ~~((five hundred))~~ one thousand dollars. The order levying such fine shall specify the period within which the fine shall be fully paid, and which period shall be not less than fifteen nor more than thirty days from the date of the order. Upon failure to pay any such fine when due, the commissioner shall revoke the licenses of the licensee 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. 9. There is added to chapter 48.20 RCW a new section to read as follows:

If a contract is issued on any basis other than as applied for, an indorsement setting forth such modification(s) must accompany and be attached to the policy; and no endorsement shall be effective unless signed by the policyowner, and a signed copy thereof returned to the insurer.

Sec. 10. Section 5, chapter 119, Laws of 1974 ex. sess. and RCW 48.21.190 are each amended to read as follows:

RCW 48.21.160 through 48.21.190 and 48.44.240 as now or hereafter amended shall not apply to the renewal of a contract in force prior to the pertinent date provided for such contract under RCW 48.21.160 through 48.21.190 and 48.44.240 as now or hereafter amended where there exists a right of renewal on the part of the insured or subscriber without any change in any provision of the contract: PROVIDED FURTHER, That RCW 48.21.160 through 48.21.190 and 48.44.240 as now or hereafter amended shall not apply to contracts which provide only accident coverage, nor to any contract written as supplemental coverage to any federal or state programs of health care including, but not limited to, Title XVIII health insurance for the aged (commonly referred to as Medicare, Parts A and B), and amendments thereto.

Sec. 11. Section .24.03, chapter 79, Laws of 1947 as last amended by section 23, chapter 70, Laws of 1965 ex. sess. and RCW 48.24.030 are each amended to read as follows:

(1) Insurance under any group life insurance policy issued pursuant to RCW 48.24.020, or 48.24.050, or 48.24.060, or 48.24.070 or 48.24.090 may, if seventy-five percent of the then insured employees or labor union members or public employee association members or members of the Washington state patrol elect, be extended to insure the spouse and ((minor)) dependent children, or any class or classes thereof, of each such insured employee or member who so elects, in amounts in accordance with a plan which precludes individual selection by the employees or members or by the employer or labor union or trustee, and which insurance on the life of any one family member other than a spouse shall not be in excess of fifty percent of the insurance on the life of the insured employee or member or ((the amount shown in the schedule below, whichever is less:

<u>Age of family member at death</u>	<u>Maximum insurance</u>
Under 6 months	\$ 100
6 months and under 2 years	\$ 200
2 years and under 3 years	\$ 400
3 years and under 4 years	\$ 600
4 years and under 5 years	\$ 800
5 years and over	\$ 1,000))

two thousand dollars, whichever is less.

Insurance on the life of a spouse of an insured employee or member shall not exceed (~~one thousand dollars or~~) fifty percent of the amount of insurance on the life of the insured employee or member(~~(, whichever is less)~~).

Premiums for the insurance on such family members shall be paid by the policyholder, either from the employer's funds or funds contributed by him, trustee's funds, or labor union funds, and/or from funds contributed by the insured employees or members, or from both.

(2) Such a spouse insured pursuant to this section shall have the same conversion right as to the insurance on his or her life as is vested in the employee or member under this chapter.

Sec. 12. Section 6, chapter 229, Laws of 1951 as last amended by section 4, chapter 152, Laws of 1973 1st ex. sess. and RCW 48.20.052 are each amended to read as follows:

There shall be a provision as follows:

"TIME LIMIT ON CERTAIN DEFENSES: (a) After two years from the date of issue of this policy no misstatements except fraudulent misstatements, made by the applicant in the application for such policy shall be used to void the policy or to deny a claim for loss incurred or disability (as defined in the policy) commencing after the expiration of such two year period."

(The foregoing policy provision shall not be so construed as to affect any legal requirement for avoidance of a policy or denial of a claim during such initial two year period, nor to limit the application of RCW 48.20.172, 48.20.182, 48.20.192, 48.20.202, and 48.20.212 in the event of misstatement with respect to age or occupation or other insurance.)

(A policy which the insured has the right to continue in force subject to its terms by the timely payment of premium (1) until at least age 50 or, (2) in the case of a policy issued after age 44, for at least five years from its date of issue, may contain in lieu of the foregoing the following provision (from which the clause in parentheses may be omitted at the insurer's option) under the caption "INCONTESTABLE":

"After this policy has been in force for a period of two years during the lifetime of the insured (excluding any period during which the insured is disabled), it shall become incontestable as to the statements contained in the application.")

"(b) No claim for loss incurred or disability (as defined in the policy) commencing after two years from the date of issue of this policy shall be reduced or denied on the ground that a disease or physical condition not excluded from coverage by name or specific description effective on the date of loss had existed prior to the effective date of coverage of this policy."

(More stringent provisions may be required by the commissioner in connection with individual disability policies sold without any application or with minimal applications.)

Sec. 13. Section 9, chapter 219, Laws of 1961 and RCW 48.34.090 are each amended to read as follows:

(1) All credit life insurance and credit accident and health insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

(2) Each individual policy or group certificate of credit life insurance, and/or credit accident and health insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the name or names of the debtor or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor, the premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and health insurance, a description of the coverage including the amount and term thereof, and any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance exceeds the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate. With respect to any policy issued after the effective date of this 1975 amendatory act, credit life insurance shall not be subject to any exceptions or reductions other than for fraud, or for suicide occurring within two years of the effective date of the insurance.

(3) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as provided in subsections (4) and (5).

(4) If such individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer; the name or names of the debtor; the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and health insurance; the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument, or agreement, or the application for any such loan, sale or credit, unless the information required by this subsection is prominently set forth therein under a descriptive heading which shall be underlined and printed in capital letters. Upon acceptance of the insurance by the insurer and within thirty days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in RCW 48.34.080.

(5) If the named insurer does not accept the risk, then the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged, and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.

Sec. 14. Section 4, chapter 119, Laws of 1974 ex. sess. and RCW 48.44.240 are each amended to read as follows:

Each group contract for health care services which is entered into, or renewed, on or after (~~January 1, 1975~~) the effective date of this 1975 amendatory act between a health care service contractor and the person or persons to receive such care shall contain provisions providing benefits for the treatment of alcoholism rendered to such person or persons by an alcoholic treatment facility which is an "approved treatment facility" under RCW 70.96A.020(2).

NEW SECTION. Sec. 15. The purpose of sections 14 through 18 of this 1975 amendatory act is to provide reasonable standardization and simplification of terms and coverages of individual disability insurance policies to facilitate public understanding and comparison, to eliminate provisions contained in individual disability insurance policies which may be misleading or unreasonably confusing in connection either with the purchase of such coverages or with the settlement of claims, and to provide for full disclosure in the sale of disability coverages.

NEW SECTION. Sec. 16. There is added to chapter 48.20 RCW a new section to read as follows:

The commissioner shall issue regulations to establish specific standards, including standards of full and fair disclosure, that set forth the manner, content, and required disclosure for the sale of individual policies of disability insurance which shall be in addition to and in accordance with applicable laws of this state, including RCW 48.20.032, which may cover but shall not be limited to:

- (1) Terms of renewability;
- (2) Initial and subsequent conditions of eligibility;
- (3) Nonduplication of coverage provisions;
- (4) Coverage of dependents;
- (5) Preexisting conditions;
- (6) Termination of insurance;
- (7) Probationary periods;
- (8) Limitations;
- (9) Exceptions;
- (10) Reductions;
- (11) Elimination periods;
- (12) Requirements for replacement;
- (13) Recurrent conditions; and

(14) The definition of terms including but not limited to the following: Hospital, accident, sickness, injury, physician, accidental means, total disability, partial disability, nervous disorder, guaranteed renewable, and noncancellable.

NEW SECTION. Sec. 17. There is added to chapter 48.20 RCW a new section to read as follows:

(1) The commissioner shall issue regulations to establish minimum standards for benefits under each of the following categories of coverage in individual policies, other than conversion policies issued pursuant to a contractual conversion privilege under a group policy, of disability insurance:

- (a) Basic hospital expense coverage;
- (b) Basic medical-surgical expense coverage;

- (c) Hospital confinement indemnity coverage;
- (d) Major medical expense coverage;
- (e) Disability income protection coverage;
- (f) Accident only coverage; and
- (g) Specified disease or specified accident coverage.

(2) Nothing in this section shall preclude the issuance of any policy which combines two or more of the categories of coverage enumerated in items (a) through (f) of subsection (1) of this section.

(3) No policy shall be delivered or issued for delivery in this state which does not meet the prescribed minimum standards for the categories of coverage listed in items (a) through (g) of subsection (1) of this section, unless the commissioner finds such policy will be in the public interest and such policy meets the requirements set forth in RCW 48.18.110.

(4) The commissioner shall prescribe the method of identification of policies based upon coverages provided.

NEW SECTION. Sec. 18. There is added to chapter 48.20 RCW a new section to read as follows:

(1) No policy of individual disability insurance shall be delivered or issued for delivery in this state unless an outline of coverage described in subsection (2) of this section is furnished to the applicant in accord with such rules or regulations as the commissioner shall prescribe.

(2) The commissioner shall prescribe the format and content of the outline of coverage required by subsection (1) of this section. "Format" means style, arrangement, and overall appearance, including such items as the size, color, and prominence of type and the arrangement of text and captions. Such outline of coverage shall include:

(a) A statement identifying the applicable category or categories of coverage provided by the policy as prescribed in section 15 of this 1975 act;

(b) A description of the principal benefits and coverage provided in the policy;

(c) A statement of the exceptions, reductions and limitations contained in the policy;

(d) A statement of the renewal provisions including any reservation by the insurer of a right to change premiums; and

(e) A statement that the outline is a summary of the policy issued or applied for and that the policy should be consulted to determine governing contractual provisions.

NEW SECTION. Sec. 19. There is added to chapter 48.20 RCW a new section to read as follows:

Notwithstanding the provisions of RCW 48.20.052, if an insurer elects to use a simplified application form, with or without a question as to the applicant's health at the time of application, but without any questions concerning the insured's health history or medical treatment history, the policy must cover any loss occurring after twelve months from any preexisting condition not specifically excluded from coverage by terms of the policy, and, except as so provided, the policy shall not include wording that would permit a defense based upon preexisting conditions.

NEW SECTION. Sec. 20. There is added to chapter 48.21 RCW a new section to read as follows:

(1) No group disability insurance policy which provides benefits for hospital, medical, or surgical expenses shall be delivered or issued for delivery in this state after the effective date of this 1975 act which contains any provision whereby the insurer may reduce or refuse to pay such benefits otherwise payable thereunder solely on account of the existence of similar benefits provided under any individual disability insurance policy, or under any individual health care service contract.

(2) No group disability insurance policy providing hospital, medical or surgical expense benefits and which contains a provision for the reduction of benefits otherwise payable thereunder on the basis of other existing coverages, shall provide that such reduction will operate to reduce total benefits payable below an amount equal to one hundred percent of total allowable expenses. The commissioner shall by rule establish guidelines for the application of this section, including: (a) The procedures by which persons insured under such policies are to be made aware of the existence of such a provision; (b) the benefits which may be subject to such a provision; (c) the effect of such a provision on the benefits provided; (d) establishment of the order of benefit determination; and (e) reasonable claim administration procedures to expedite claim payments under such a provision.

(3) The provisions of this section shall apply to health care service contractor contracts.

NEW SECTION. Sec. 21. If any provision of this 1975 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Passed the House June 5, 1975.

Passed the Senate June 4, 1975.

Approved by the Governor June 30, 1975.

Filed in Office of Secretary of State June 30, 1975.

CHAPTER 267

[House Bill No. 587]

DUWAMISH WATERWAY CROSSING STUDY—APPROPRIATION

AN ACT Relating to transportation development; creating new sections; making an appropriation; providing an effective date; and declaring an emergency.

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

NEW SECTION. Section 1. The legislature hereby recognizes that the well being of Washington citizens depends upon a sound and viable economic base; that the state of Washington is significantly involved in the maritime industry; that the Seattle area is an important contributor to the state's economy, and that the location of additional maritime and related industry in the Seattle area is desirable.