

an applicant and others prior or subsequent to a public hearing as necessary to the performance thereof.

Passed the House March 9, 1982.

Passed the Senate March 8, 1982.

Approved by the Governor April 1, 1982.

Filed in Office of Secretary of State April 1, 1982.

CHAPTER 180

[House Bill No. 1162]

DEPARTMENT OF NATURAL RESOURCES—GEODUCK MANAGEMENT—  
APPROPRIATION

AN ACT Relating to geoduck management; and making an appropriation.

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

NEW SECTION. Section 1. There is appropriated from the resource management cost account in the general fund to the department of natural resources for the fiscal year ending June 30, 1983, the sum of one hundred eighty-seven thousand dollars, or so much thereof as may be necessary, to implement, in cooperation with the department of fisheries, an intensive management plan for geoducks.

Passed the House February 18, 1982.

Passed the Senate March 11, 1982.

Approved by the Governor April 1, 1982.

Filed in Office of Secretary of State April 1, 1982.

CHAPTER 181

[Substitute House Bill No. 902]

INSURANCE—EXAMINATIONS—TAXES AND FEES—LICENSES—  
POLICY FORMS—AGENTS—SPECIFIED DISEASE INSURANCE

AN ACT Relating to insurance; amending section .03.01, chapter 79, Laws of 1947 as amended by section 1, chapter 139, Laws of 1979 and RCW 48.03.010; amending section .04.02, chapter 79, Laws of 1947 as amended by section 3, chapter 190, Laws of 1949 and RCW 48.04.020; amending section .05.31, chapter 79, Laws of 1947 and RCW 48.05.310; amending section 7, chapter 195, Laws of 1963 as last amended by section 1, chapter 135, Laws of 1980 and RCW 48.05.340; amending section 1, chapter 6, Laws of 1981 and RCW 48.14.025; amending section .15.07, chapter 79, Laws of 1947 as last amended by section 1, chapter 199, Laws of 1981 and RCW 48.15.070; amending section .17.09, chapter 79, Laws of 1947 as last amended by section 10, chapter 339, Laws of 1981 and RCW 48.17.090; amending section .17.51, chapter 79, Laws of 1947 as last amended by section 15, chapter 303, Laws of 1955 and RCW 48.17.510; amending section .17.54, chapter 79, Laws of 1947 as last amended by section 2, chapter 107, Laws of 1973 1st ex. sess. and RCW 48.17.540; amending section .18.11, chapter 79, Laws of 1947 and RCW 48.18.110; amending section 4, chapter 104, Laws of 1969 and RCW 48.18A.040; amending section 19, chapter 229, Laws of 1951 and RCW 48.20.182; amending section .23.18, chapter 79, Laws of 1947 and RCW 48.23.180; amending section 22, chapter 70, Laws of 1965 ex. sess. and RCW 48.23.370; amending section 8, chapter 194, Laws of 1961 and RCW 48.24.035; amending section .30.11, chapter 79, Laws of 1947 and RCW

48.30.110; amending section .18.10, chapter 79, Laws of 1947 and RCW 48.18.100; adding a new section to chapter 48.18A RCW; adding a new section to chapter 48.23 RCW; adding a new chapter to Title 48 RCW; repealing section 1, chapter 143, Laws of 1969 and RCW 48.44.025; declaring an emergency; and providing an effective date.

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

Section 1. Section .03.01, chapter 79, Laws of 1947 as amended by section 1, chapter 139, Laws of 1979 and RCW 48.03.010 are each amended to read as follows:

(1) The commissioner shall examine the affairs, transactions, accounts, records, documents, and assets of each authorized insurer as often as he deems advisable. He shall so examine each domestic insurer not less frequently than every ((three)) five years. Examination of an alien insurer may be limited to its insurance transactions in the United States.

(2) As often as he deems advisable and at least once in five years, the commissioner shall fully examine each rating organization and examining bureau licensed in this state. As often as he deems it advisable he may examine each advisory organization and each joint underwriting or joint reinsurance group, association, or organization.

(3) The commissioner shall in like manner examine each insurer or rating organization applying for authority to do business in this state.

(4) In lieu of making his own examination, the commissioner may accept a full report of the last recent examination of a nondomestic insurer or rating or advisory organization, or joint underwriting or joint reinsurance group, association or organization, certified to by the insurance supervisory official of the state of domicile or of entry.

(5) The commissioner may elect to accept and rely on an audit report made by an independent certified public accountant for the insurer in the course of that part of the commissioner's examination covering the same general subject matter as the audit. The commissioner may incorporate the audit report in his report of the examination.

Sec. 2. Section .04.02, chapter 79, Laws of 1947 as amended by section 3, chapter 190, Laws of 1949 and RCW 48.04.020 are each amended to read as follows:

(1) Such demand for a hearing received by the commissioner prior to the effective date of action taken or proposed to be taken by him shall stay such action pending the hearing, except as to action taken or proposed

(a) under an order on hearing, or

(b) under an order pursuant to an order on hearing, or

(c) under an order to make good an impairment of the assets of an insurer, or

(d) under an order of temporary suspension of license issued pursuant to RCW 48.17.540 as now or hereafter amended.

(2) In any case where an automatic stay is not provided for, and if the commissioner after written request therefor fails to grant a stay, the person

aggrieved thereby may apply to the superior court for Thurston county for a stay of the commissioner's action.

Sec. 3. Section 7, chapter 195, Laws of 1963 as last amended by section 1, chapter 135, Laws of 1980 and RCW 48.05.340 are each amended to read as follows:

(1) Subject to RCW 48.05.350 and 48.05.360 to qualify for authority to transact any one kind of insurance as defined in chapter 48.11 RCW or combination of kinds of insurance as shown below, a foreign or alien insurer, whether stock(;) or mutual, or a domestic insurer hereafter formed shall possess and thereafter maintain unimpaired paid-in capital stock, if a stock insurer, or unimpaired surplus if a mutual insurer, and shall possess when first so authorized additional funds in surplus as follows:

Kind or kinds of insurance	Paid-in capital stock or basic surplus	Additional surplus
Life .....	\$1,000,000	\$1,000,000
Disability .....	1,000,000	1,000,000
Life and disability .....	1,200,000	1,200,000
Property .....	1,000,000	1,000,000
Marine & transportation .....	1,000,000	1,000,000
General casualty .....	1,200,000	1,200,000
Vehicle .....	1,000,000	1,000,000
Surety .....	1,000,000	1,000,000
Any two of the following kinds of in- surance: Property, marine & transportation, general casualty, vehicle, surety, disability .....	1,500,000	1,500,000
Multiple lines (all insurances except life and title insurance) .....	1,500,000	1,500,000
Title (in accordance with the provi- sions of chapter 48.29 RCW)		

(2) Capital and surplus requirements are based upon all the kinds of insurance transacted by the insurer wherever it may operate or propose to operate, whether or not only a portion of such kinds are to be transacted in this state.

(3) An insurer holding a certificate of authority to transact insurance in this state immediately prior to July 1, 1980, may continue to be authorized to transact the same kinds of insurance as long as it is otherwise qualified for such authority and thereafter maintains unimpaired the amount of paid-in capital stock, if a stock insurer, or basic surplus, if a mutual or reciprocal insurer, and special surplus as required of it under laws in force immediately prior to such effective date; and any proposed domestic insurer which is in process of formation or financing under a solicitation permit which is

outstanding immediately prior to July 1, 1980, shall, if otherwise qualified therefor, be authorized to transact any kind or kinds of insurance upon the basis of the capital and surplus requirements of such an insurer under the laws in force immediately prior to such effective date: PROVIDED, That any applicable action pending from the period between June 8, 1967, and July 1, 1980, shall be governed by this section as then in effect.

Sec. 4. Section 1, chapter 6, Laws of 1981 and RCW 48.14.025 are each amended to read as follows:

(1) Every insurer with a tax obligation under RCW 48.14.020 shall make prepayment of the tax obligations under RCW 48.14.020 for the current calendar year's business, if the sum of the tax obligations under RCW 48.14.020 for the preceding calendar year's business is four hundred dollars or more.

(2) The commissioner shall credit the prepayment toward the appropriate tax obligations of the insurer for the current calendar year under RCW 48.14.020.

(3) The minimum amounts of the prepayments shall be percentages of the insurer's tax obligation based on the preceding calendar year's business and shall be paid to the state treasurer through the commissioner's office by the due dates and in the following amounts:

- (a) On or before June 15, forty-five percent;
- (b) On or before September 15, twenty-five percent; and
- (c) On or before December 15, twenty-five percent.

For good cause demonstrated in writing, the commissioner may approve an amount smaller than the preceding calendar year's business as the base for calculating the insurer's prepayment obligations.

(4) The effect of transferring policies of insurance from one insurer to another insurer is to transfer the tax prepayment obligation with respect to the policies.

(5) On or before June 1 of each year, the commissioner shall notify each insurer required to make prepayments in that year of the amount of each prepayment and shall provide remittance forms to be used by the insurer. However, an insurer's responsibility to make prepayments is not affected by failure of the commissioner to send, or the insurer to receive, the notice or forms.

Sec. 5. Section .15.07, chapter 79, Laws of 1947 as last amended by section 1, chapter 199, Laws of 1981 and RCW 48.15.070 are each amended to read as follows:

Any individual while a resident of this state, or any firm or any corporation that has in its employ a qualified individual who is a resident of this state and who is authorized to exercise the powers of the firm or corporation, deemed by the commissioner to be competent and trustworthy, and while maintaining an office at a designated location in this state, may be licensed as a surplus line broker in accordance with this section.

(1) Application to the commissioner for the license shall be made on forms furnished by the commissioner.

(2) The license fee shall be one hundred dollars for each license year during any part of which the license is in force. The annual renewal date shall be determined by the commissioner. The commissioner shall adopt a rule providing for the proration, on a quarterly basis, of the license fee. The proration shall be applicable only: (a) To applicants who apply for a license after the expiration of the first quarter of any license year, or (b) to licensees whose licenses would exist for less than nine months as a result of the adoption of the annual renewal date.

(3) Prior to issuance of license the applicant shall file with the commissioner a bond in favor of the state of Washington in the penal sum of twenty thousand dollars, with authorized corporate sureties approved by the commissioner, conditioned that he will conduct business under the license in accordance with the provisions of this chapter and that he will promptly remit the taxes provided by RCW 48.15.120. The licensee shall maintain such bond in force for as long as the license remains in effect.

(4) Every applicant for a surplus line broker's license or for the renewal of a surplus line broker's license shall file with the application or request for renewal a bond in favor of the people of the state of Washington, executed by an authorized corporate surety approved by the commissioner, in the amount of fifty thousand dollars and shall be the bonding requirement for new licensees. The licensee shall maintain such bond in force while so licensed. The bond may be continuous in form, and total aggregate liability on the bond may be limited to the amount stated in the bond. The bond shall be contingent on the accounting by the surplus line broker to any person requesting such broker to obtain insurance, for moneys or premiums collected in connection therewith. A bond issued in accordance with RCW 48.17.250 or with this subsection will satisfy the requirements of both RCW 48.17.250 and this subsection if the limit of liability is not less than the greater of the requirement of RCW 48.17.250 or the requirement of this subsection.

(5) Any bond issued pursuant to subsection (3) or (4) of this section shall remain in force until the surety is released from liability by the commissioner, or until the bond is canceled by the surety. Without prejudice to any liability accrued prior to such cancellation, the surety may cancel the bond upon thirty days' advance notice in writing filed with the commissioner.

(6) For the purposes of this section, a "qualified individual" is a natural person who has met all the requirements that must be met by an individual surplus line broker.

Sec. 6. Section .17.09, chapter 79, Laws of 1947 as last amended by section 10, chapter 339, Laws of 1981 and RCW 48.17.090 are each amended to read as follows:

(1) Application for any such license shall be made to the commissioner upon forms as prescribed and furnished by him. As a part of or in connection with any such application the applicant shall furnish information concerning his identity, including his fingerprints, personal history, experience, business record, purposes, and other pertinent facts, as the commissioner may reasonably require.

(2) Any person wilfully misrepresenting any fact required to be disclosed in any such application shall be liable to penalties as provided by this code.

(3) If in the process of verifying fingerprints, business records, or other information the commissioner's office incurs fees or charges from another governmental agency or from a business firm, the amount of such fees or charges shall be paid to the commissioner's office by the applicant and shall be considered the recovery of a previous expenditure.

Sec. 7. Section .17.51, chapter 79, Laws of 1947 as last amended by section 15, chapter 303, Laws of 1955 and RCW 48.17.510 are each amended to read as follows:

(1) The commissioner may issue an agent's or broker's temporary license in the following circumstances:

~~(a) ((To applicants for licensing as agent of a life insurer, and pending taking of the examination provided for in RCW 48.17.110 within ninety days from date of license without privilege of extension, notwithstanding the provisions of RCW 48.17.520(1):~~

~~(b))~~ (b)) To the surviving spouse or next of kin or to the administrator or executor, or the employee of the administrator or executor, of a licensed agent or broker becoming deceased.

~~((c))~~ (c)) (b) To the spouse, next of kin, employee, or legal guardian of a licensed agent or broker becoming disabled because of sickness, insanity, or injury.

~~((d))~~ (c) To a surviving member of a firm or surviving officer or employee of a corporation licensed as agent or broker upon the death of an individual designated in the firm or corporation's license to exercise powers thereunder.

(2) An individual to be eligible for any such temporary license must be qualified as for a permanent license except as to experience, training, or the taking of any examination.

(3) Any fee paid to the commissioner for issuance of a temporary license as specified in RCW 48.14.010 shall be credited toward the fee required for a permanent license which is issued to replace the temporary license prior to the expiration of such temporary license.

Sec. 8. Section .17.54, chapter 79, Laws of 1947 as last amended by section 2, chapter 107, Laws of 1973 1st ex. sess. and RCW 48.17.540 are each amended to read as follows:

(1) The commissioner ~~((shall))~~ may revoke or refuse to renew any ~~((such))~~ license issued under this chapter, or any surplus line broker's license, immediately and without hearing, upon ((conviction)) sentencing of the licensee for conviction of a felony by final judgment of any court of competent jurisdiction, if the facts giving rise to such conviction demonstrate the licensee to be untrustworthy to maintain any such license.

(2) The commissioner may suspend, revoke, or refuse to renew any such license:

(a) By order given to the licensee not less than fifteen days prior to the effective date thereof, subject to the right of the licensee to have a hearing as provided in RCW 48.04.010; or

(b) By an order on hearing made as provided in RCW 34.04.120 effective not less than ten days after date of the giving of the order, subject to the right of the licensee to appeal to the superior court.

(3) The commissioner may temporarily suspend such license by order given to the licensee not less than three days prior to the effective date thereof, provided the order contains a notice of revocation and includes a finding that the public safety or welfare imperatively requires emergency action. Such suspension shall continue only until proceedings for revocation are concluded.

Sec. 9. Section .18.11, chapter 79, Laws of 1947 and RCW 48.18.110 are each amended to read as follows:

(1) The commissioner shall disapprove any such form of policy, application, rider, or endorsement, or withdraw any previous approval thereof, only:

(a) If it is in any respect in violation of or does not comply with this code or any applicable order or regulation of the commissioner pursuant to the code; or

(b) If it does not comply with any controlling filing theretofore made and approved; or

(c) 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

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

(e) If purchase of insurance thereunder is being solicited by deceptive advertising.

(2) In addition to the grounds for disapproval of any such form as provided in subsection (1) of this section, the commissioner may disapprove any form of disability insurance policy if the benefits provided therein are unreasonable in relation to the premium charged.

Sec. 10. Section 4, chapter 104, Laws of 1969 and RCW 48.18A.040 are each amended to read as follows:

No insurer shall deliver or issue, for delivery within this state, contracts under this chapter unless it is licensed or organized to do a life insurance or annuity business in this state, and unless the commissioner is satisfied that its condition or method of operation in connection with the issuance of such contracts will not render its operation hazardous to the public or its policyholders in this state. In this connection, the commissioner shall consider among other things:

- (1) The history and financial condition of the insurer;
- (2) The character, responsibility and fitness of the officers and directors of the insurer; and
- (3) The law and regulation under which the insurer is authorized in the state of domicile to issue variable contracts.

An insurer which issues variable contracts and which is a subsidiary of, or affiliated through common management or ownership with, another life insurer authorized to do business in this state may be deemed to have met the provisions of this section if either it or the parent or affiliated company meets the requirements hereof: PROVIDED, That no insurer may provide variable benefits in its contracts unless it is an admitted insurer having and continually maintaining a combined capital and surplus of at least ~~((one))~~ five million dollars.

Sec. 11. Section 19, chapter 229, Laws of 1951 and RCW 48.20.182 are each amended to read as follows:

There may be a provision as follows:

"MISSTATEMENT OF AGE OR SEX: If the age or sex of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased at the correct age or sex."

The amount of any underpayments which may have been made on account of any such misstatement under a disability income policy shall be paid the insured along with the current payment and the amount of any overpayment may be charged against the current or succeeding payments to be made by the insurer. Interest may be applied to such underpayments or overpayments as specified in the insurance policy form but not exceeding six percent per annum.

Sec. 12. Section .23.18, chapter 79, Laws of 1947 and RCW 48.23.180 are each amended to read as follows:

In such contracts there shall be a provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or if any of them has been misstated, the amount payable or benefit accruing under the contract shall be such as the stipulated payment or payments to the insurer would have purchased according to the correct age or sex; and that if the insurer shall make or has made any underpayment or underpayments or any overpayment or overpayments on account of any such misstatement, the amount thereof, with interest at the rate to be specified in the contract but not exceeding six percent per annum, shall, in the case of underpayment, be



paid the insured or, in the case of overpayment, may be charged against the current or next succeeding payment or payments to be made by the insurer under the contract.

Sec. 13. Section 22, chapter 70, Laws of 1965 ex. sess. and RCW 48-.23.370 are each amended to read as follows:

(1) A life insurer issuing both participating and nonparticipating policies shall maintain records which segregate the participating from the nonparticipating business and clearly show the profits and losses upon each such category of business.

(2) For the purposes of such accounting the insurer shall make a reasonable allocation as between the respective such categories of the expenses of such general operations or functions as are jointly shared. Any allocation of expense as between the respective categories shall be made upon a reasonable basis, to the end that each category shall bear a just portion of joint expense involved in the administration of the business of such category.

(3) No policy hereafter delivered or issued for delivery in this state shall provide for, and no life insurer or representative shall hereafter knowingly offer or promise payment, credit or distribution of participating "dividends," "earnings," "profits," or "savings," by whatever name called, to participating policies out of such profits, earnings or savings on nonparticipating policies.

(4) The commissioner may promulgate rules for the purpose of assuring the equitable treatment of all policyholders so that one group of policyholders shall not support or be supported by another group of policyholders.

Sec. 14. Section 8, chapter 194, Laws of 1961 and RCW 48.24.035 are each amended to read as follows:

The lives of a group of individuals may be insured under a policy issued to a credit union, which shall be deemed the policyholder, to insure eligible members of such credit union for the benefit of persons other than the credit union or its officials, subject to the following requirements:

(1) The members eligible for insurance under the policy shall be all of the members of a credit union, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer, or all of any class or classes thereof determined by conditions pertaining to their age or membership in the credit union or both.

(2) The premium for the policy shall be paid by the policyholder, either wholly from the credit union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued for which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance.

(3) The policy must cover at least twenty-five members at the date of issue.

(4) The amount of insurance under the policy shall not exceed the amount of the total shares and deposits of the member (~~or two thousand dollars, whichever is less~~).

(5) As used herein, "credit union" means a credit union organized and operating under the federal credit union act of 1934 or chapter 31.12 RCW.

NEW SECTION. Sec. 15. There is added to chapter 48.18A RCW a new section to read as follows:

Every individual variable contract issued after May 1, 1982, shall have printed on its face or attached thereto a notice stating in substance that the policy owner shall be permitted to return the policy within ten days after it is received by the policy owner and to have the market value of the assets purchased by its premium, less taxes and brokerage commissions, if any, refunded, if, after examination of the policy, the policy owner is not satisfied with it for any reason. If a policy owner pursuant to such notice returns the policy to the insurer at its home or branch office or to the agent through whom it was purchased, it shall be void from the beginning and the parties shall be in the same position as if no policy had been issued.

Sec. 16. Section .18.10, chapter 79, Laws of 1947 and RCW 48.18.100 are each amended to read as follows:

(1) No insurance policy form other than surety bond forms, or application form where written application is required and is to be attached to the policy, or printed life or disability rider or endorsement form shall be issued, delivered, or used unless it has been filed with and approved by the commissioner. This section shall not apply to policies, riders or endorsements of unique character designed for and used with relation to insurance upon a particular subject.

(2) Every such filing containing a certification, in a form approved by the commissioner, by either the chief executive officer of the insurer or by an actuary who is a member of the American Academy of Actuaries, attesting that the filing complies with Title 48 RCW and Title 284 of the Washington Administrative Code, may be used by such insurer immediately after filing with the commissioner. The commissioner may order an insurer to cease using a certified form upon the grounds set forth in RCW 48.18.110. This subsection shall not apply to certain types of policy forms designated by the commissioner by rule.

(3) Every ((such)) filing that does not contain a certification pursuant to subsection (2) of this section shall be made not less than fifteen days in advance of any such issuance, delivery, or use. At the expiration of such fifteen days the form so filed shall be deemed approved unless prior thereto it has been affirmatively approved or disapproved by order of the commissioner. The commissioner may extend by not more than an additional fifteen days the period within which he may so affirmatively approve or disapprove any such form, by giving notice of such extension before expiration of the initial fifteen-day period. At the expiration of any such period as so extended, and

in the absence of such prior affirmative approval or disapproval, any such form shall be deemed approved. The commissioner may withdraw any such approval at any time for cause. By approval of any such form for immediate use, the commissioner may waive any unexpired portion of such initial fifteen-day waiting period.

~~((3))~~ (4) The commissioner's order disapproving any such form or withdrawing a previous approval shall state the grounds therefor.

~~((4))~~ (5) No such form shall knowingly be so issued or delivered as to which the commissioner's approval does not then exist.

~~((5))~~ (6) The commissioner may, by order, exempt from the requirements of this section for so long as he deems proper, any insurance document or form or type thereof as specified in such order, to which in his opinion this section may not practicably be applied, or the filing and approval of which are, in his opinion, not desirable or necessary for the protection of the public.

Sec. 17. Section .05.31, chapter 79, Laws of 1947 and RCW 48.05.310 are each amended to read as follows:

(1) An insurer appointing any person as its general agent or manager to represent it as such in this state shall file notice of the appointment with the commissioner on forms prescribed and furnished by the commissioner.

(2) Any such general agent or manager shall have such authority, consistent with this code, as may be conferred by the insurer. A general agent resident in this state and licensed, as in this section provided, may exercise the powers conferred by this code upon agents licensed for the kinds of insurance which the general agent is authorized to transact for the insurer so appointing him.

(3) Any such general agent may accept applications for insurance from licensed agents who are not appointed by the insurer of such general agent where the risk involved is placed in a nonstandard or specialty market of an authorized insurer as defined by regulation of the commissioner. Such nonstandard or specialty business shall not be bound by any agent not appointed by the insurer. A general agent may supply such licensed, nonappointed agent with material to write nonstandard or specialty insurance business including, but not limited to, applications for insurance, underwriting criteria, and rates. A general agent shall not provide any licensed, nonappointed agent with indicia of authority to bind an insurance risk and the general agent and nonappointed agent shall provide written disclaimers of binding authority to an applicant or prospective insured in such form as prescribed by the commissioner.

(4) The appointment of a resident general agent shall not be effective unless the person so appointed is licensed as the general agent of such insurer by the commissioner upon application and payment of the fee therefor as provided in RCW 48.14.010.

~~((4))~~ (5) Every such license shall expire as at close of business on the thirty-first day of March next following the date of issue, and may be renewed for an additional year upon application and payment of the fee therefor.

~~((5))~~ (6) The commissioner may deny, suspend, or revoke any such license for any cause specified in RCW 48.17.530 and in the manner provided in RCW 48.17.540.

Sec. 18. Section .30.11, chapter 79, Laws of 1947 and RCW 48.30.110 are each amended to read as follows:

(1) No insurer or fraternal benefit society doing business in this state shall directly or indirectly pay or use, or offer, consent, or agree to pay or use any money or thing of value for or in aid of ~~((any political party, nor for or in aid of))~~ any candidate for ~~((political office, nor for the nomination for such))~~ the office of insurance commissioner; nor for reimbursement or indemnification of any person for money or property so used.

(2) Any individual who violates any provision of this section, or who participates in, aids, abets, advises, or consents to any such violation, or who solicits or knowingly receives any money or thing of value in violation of this section, shall be guilty of a gross misdemeanor and shall be liable to the insurer or society for the amount so contributed or received.

NEW SECTION. Sec. 19. There is added to chapter 48.23 RCW a new section to read as follows:

(1) Life insurance and annuity policy forms of the following types shall be defined and designated as participating forms of insurance only if they contain a provision for participation in the insurer's surplus, and shall be defined and designated as nonparticipating forms if they do not contain a provision for participation in the insurer's surplus:

(a) Forms which provide that the premium or consideration at the time of issue and subsequent premiums or considerations will be established by the insurer based on current, or then current, projected assumptions for such factors as interest, mortality, persistency, expense, or other factors, subject to a maximum guaranteed premium or premiums set forth in the policy; and

(b) Forms (except those for variable life insurance and variable annuity plans which are subject to chapter 48.18A RCW) which provide that their premiums or considerations are credited to an account to which interest is credited, and from which the cost of any life insurance or annuity benefits or other benefits or specified expenses are deducted.

(2) The commissioner may by regulation further clarify the definitions and requirements contained in subsection (1) of this section, and may classify any other types of forms as participating or nonparticipating, consistent therewith.

NEW SECTION. Sec. 20. This chapter shall be known as the specified disease insurance act and is intended to govern the content and sale of specified disease insurance as defined in this chapter. This chapter applies in addition to, rather than in place of, other requirements of Title 48 RCW. It is the intent of the legislature to guarantee that specified disease policies issued, delivered, or used in this state provide a reasonable level of benefits to the policyholders. This chapter shall be applied broadly to ensure achievement of its aim.

NEW SECTION. Sec. 21. Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Specified disease policy" refers to any insurance policy or contract which provides benefits to a policyholder only in the event that the policyholder contracts the disease or diseases specifically named in the policy.

(2) "Loss ratio" means the incurred claims as a percentage of the earned premium, computed under rules adopted by the commissioner. Earned premiums and incurred claims shall be computed under rules adopted by the commissioner.

NEW SECTION. Sec. 22. (1) Commencing with reports for the accounting periods beginning on or after July 1, 1983, specified disease policies shall be expected to return to policy holders in the form of aggregate loss ratios under the policy:

(a) At least seventy-five percent of the earned premiums in the case of group policies; and

(b) At least sixty percent of the earned premiums in the case of individual policies.

(2) For the purpose of this section, specified disease insurance policies issued as a result of solicitation of individuals through the mail or mass media advertising, including both print and broadcast advertising, shall be treated as individual policies.

(3) By July 1, 1983, the commissioner shall adopt rules sufficient to accomplish the provisions of this section.

NEW SECTION. Sec. 23. By July 1, 1983, the commissioner shall adopt all rules necessary to ensure that specified disease policies provide a reasonable level of benefits to policyholders, and that purchasers and potential purchasers of such policies are fully informed of the level of benefits provided.

NEW SECTION. Sec. 24. This chapter shall apply to all policies issued on or after July 1, 1983. This chapter shall not apply to services provided by health care service contractors as defined in RCW 48.44.010.

NEW SECTION. Sec. 25. Sections 20 through 24 of this act shall constitute a new chapter in Title 48 RCW.

NEW SECTION. Sec. 26. Section 15 of this act is necessary for the immediate preservation of the public peace, health, and safety, the support

of the state government and its existing public institutions, and shall take effect May 1, 1982.

NEW SECTION. Sec. 27. Section 1, chapter 143, Laws of 1969 and RCW 48.44.025 are each repealed.

NEW SECTION. Sec. 28. If any provision of this 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 March 10, 1982.

Passed the Senate March 7, 1982.

Approved by the Governor April 1, 1982.

Filed in Office of Secretary of State April 1, 1982.

## CHAPTER 182

[Substitute House Bill No. 878]

### STATE MASTER LICENSE SYSTEM

AN ACT Relating to state government; amending section 1, chapter 33, Laws of 1971 ex. sess. and RCW 15.13.250; amending section 4, chapter 33, Laws of 1971 ex. sess. and RCW 15.13.280; amending section 5, chapter 33, Laws of 1971 ex. sess. and RCW 15.13.290; amending section 6, chapter 33, Laws of 1971 ex. sess. and RCW 15.13.300; amending section 38, chapter 63, Laws of 1969 as amended by section 15, chapter 297, Laws of 1981 and RCW 15.49.380; amending section 39, chapter 63, Laws of 1969 and RCW 15.49.390; amending section 3, chapter 190, Laws of 1971 ex. sess. as amended by section 1, chapter 146, Laws of 1979 and RCW 15.58.030; amending section 18, chapter 190, Laws of 1971 ex. sess. and RCW 15.58.180; amending section 19, chapter 190, Laws of 1971 ex. sess. and RCW 15.58.190; amending section 1, chapter 38, Laws of 1963 as amended by section 5, chapter 90, Laws of 1979 and RCW 18.64.011; amending section 17, chapter 90, Laws of 1979 and RCW 18.64.044; amending section 1, chapter 319, Laws of 1977 ex. sess. and RCW 19.02.010; amending section 2, chapter 319, Laws of 1977 ex. sess. as amended by section 75, chapter 158, Laws of 1979 and RCW 19.02.020; amending section 3, chapter 319, Laws of 1977 ex. sess. as amended by section 76, chapter 158, Laws of 1979 and RCW 19.02.030; amending section 4, chapter 319, Laws of 1977 ex. sess. as amended by section 77, chapter 158, Laws of 1979 and RCW 19.02.040; amending section 7, chapter 319, Laws of 1977 ex. sess. as amended by section 79, chapter 158, Laws of 1979 and RCW 19.02.070; amending section 2, chapter 117, Laws of 1943 and RCW 19.32.020; amending section 3, chapter 117, Laws of 1943 and RCW 19.32.040; amending section 4, chapter 117, Laws of 1943 as amended by section 39, chapter 240, Laws of 1967 and RCW 19.32.050; amending section 1, chapter 286, Laws of 1957 as last amended by section 1, chapter 107, Laws of 1979 and RCW 19.91.010; amending section 13, chapter 286, Laws of 1957 as amended by section 14, chapter 278, Laws of 1975 1st ex. sess. and RCW 19.91.130; amending section 14, chapter 286, Laws of 1957 as amended by section 15, chapter 278, Laws of 1975 1st ex. sess. and RCW 19.91.140; amending section 15, chapter 286, Laws of 1957 as amended by section 16, chapter 278, Laws of 1975 1st ex. sess. and RCW 19.91.150; amending section 2, chapter 137, Laws of 1937 and RCW 69.12.020; amending section 3, chapter 137, Laws of 1937 and RCW 69.12.030; amending section 4, chapter 137, Laws of 1937 and RCW 69.12.040; amending section 5, chapter 137, Laws of 1937 as amended by section 44, chapter 240, Laws of 1967 and RCW 69.12.050; amending section 3, chapter 201, Laws of 1975 1st ex. sess. and RCW 69.25.020; amending section 6, chapter 201, Laws of 1975 1st ex. sess. and RCW 69.25.050; amending section 7, chapter 201, Laws of 1975 1st ex. sess. and RCW 69.25.060; adding a new section to chapter 15.49 RCW; adding new sections to chapter