

CHAPTER 32

[Substitute House Bill No. 139]

INSURANCE REVISIONS—REORGANIZATION—UNAUTHORIZED
INSURERS—PENALTIES

AN ACT Relating to insurance; amending section .09.35, chapter 79, Laws of 1947 and RCW 48.09.350; amending section .13.02, chapter 79, Laws of 1947 as last amended by section 2, chapter 218, Laws of 1982 and RCW 48.13.020; amending section .15.02, chapter 79, Laws of 1947 as amended by section 2, chapter 102, Laws of 1980 and RCW 48.15.020; amending section .15.04, chapter 79, Laws of 1947 and RCW 48.15.040; amending section .15.07, chapter 79, Laws of 1947 as last amended by section 5, chapter 181, Laws of 1982 and RCW 48.15.070; amending section .15.13, chapter 79, Laws of 1947 as amended by section 5, chapter 102, Laws of 1980 and RCW 48.15.130; amending section 23, chapter 241, Laws of 1969 ex. sess. and RCW 48.18.296; amending section 15, chapter 181, Laws of 1982 and RCW 48.18A.035; amending section .19.41, chapter 79, Laws of 1947 and RCW 48.19.410; amending section 26, chapter 150, Laws of 1967 and RCW 48.20.013; amending section 1, chapter 60, Laws of 1977 and RCW 48.23.380; amending section 4, chapter 65, Laws of 1973 1st ex. sess. and RCW 48.44.230; amending section 12, chapter 153, Laws of 1981 as amended by section 3, chapter 200, Laws of 1982 and RCW 48.66.120; amending section .19.02, chapter 79, Laws of 1947 and RCW 48.19.020; amending section .19.04, chapter 79, Laws of 1947 and RCW 48.19.040; amending section .19.12, chapter 79, Laws of 1947 and RCW 48.19.120; amending section 6, chapter 229, Laws of 1951 as last amended by section 12, chapter 266, Laws of 1975 1st ex. sess. and RCW 48.20.052; amending section 1, chapter 139, Laws of 1974 ex. sess. and RCW 48.20.430; amending section 1, chapter 117, Laws of 1975 1st ex. sess. and RCW 48.21.075; amending section 2, chapter 139, Laws of 1974 ex. sess. and RCW 48.21.155; amending section .23.30, chapter 79, Laws of 1947 and RCW 48.23.300; amending section .24.15, chapter 79, Laws of 1947 and RCW 48.24.150; amending section 6, chapter 219, Laws of 1961 as last amended by section 2, chapter 61, Laws of 1977 and RCW 48.34.060; adding a new section to chapter 48.20 RCW to be designated RCW 48.20.050; and repealing section 19, chapter 229, Laws of 1951, section 11, chapter 181, Laws of 1982 and RCW 48.20.182.

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

Sec. 1. Section .09.35, chapter 79, Laws of 1947 and RCW 48.09.350 are each amended to read as follows:

(1) ~~((No))~~ Upon satisfaction of the requirements applicable to the formation of a domestic stock insurer, a domestic mutual insurer ~~((shall hereafter be converted, changed, or))~~ may be reorganized as a stock corporation, pursuant to a plan of reorganization as approved by the commissioner.

(2) ~~((Such an))~~ A domestic mutual insurer may be wholly reinsured in and its assets transferred to and its liabilities assumed by another mutual or stock insurer under such terms and conditions as are approved by the commissioner in advance of such reinsurance.

(3) The commissioner shall not approve any such reinsurance agreement which does not determine the amount of and make adequate provision for paying to policy holders of such mutual insurer, reasonable compensation for their equities as owners of such insurer, such compensation to be apportioned to policyholders as identified and in the manner prescribed in RCW 48.09.360.

Sec. 2. Section .13.02, chapter 79, Laws of 1947 as last amended by section 2, chapter 218, Laws of 1982 and RCW 48.13.020 are each amended to read as follows:

(1) No security or other investment shall be eligible for purchase or acquisition under this chapter unless it is interest bearing or interest accruing or dividend or income paying, is not then in default in any respect, and the insurer is entitled to receive for its exclusive account and benefit, the interest or income accruing thereon; except,

(a) that an insurer may acquire real property as provided in RCW 48.13.160, and

(b) that this section shall not prevent participation by an insurer in a mortgage loan if the insurer, either individually or jointly with other lenders, holds a senior participation in such mortgage or deed of trust giving it substantially the rights of a first mortgagee as to its interest in that loan.

(2) No security shall be eligible for purchase at a price above its market value except voting stock of a corporation being acquired as a subsidiary.

(3) No provision of this chapter shall prohibit the acquisition by an insurer of other or additional securities or property if received as a dividend or as a lawful distribution of assets, or if acquired pursuant to a lawful and bona fide agreement of bulk reinsurance or consolidation. Any investments so acquired through bulk reinsurance or consolidation, which are not otherwise eligible under this chapter, shall be disposed of pursuant to RCW 48.13.290 if personal property or securities, or pursuant to RCW 48.13.170 if real property.

Sec. 3. Section .15.02, chapter 79, Laws of 1947 as amended by section 2, chapter 102, Laws of 1980 and RCW 48.15.020 are each amended to read as follows:

(1) An insurer not thereunto authorized by the commissioner shall not solicit insurance business in this state, nor transact insurance business in this state except as provided in this chapter.

(2) No person shall, in this state, represent an unauthorized insurer except as provided in this chapter. This provision shall not apply to any adjuster or attorney at law representing such an insurer from time to time in this state in his professional capacity.

(3) Each violation of this section shall constitute a separate offense punishable by a fine of not ~~((less than two hundred fifty dollars nor))~~ more than ~~((ten))~~ twenty-five thousand dollars, and the commissioner, at the commissioner's discretion, may order replacement of policies improperly placed with an unauthorized insurer with policies issued by an authorized insurer. Violations may result in suspension or revocation of a license.

Sec. 4. Section .15.04, chapter 79, Laws of 1947 and RCW 48.15.040 are each amended to read as follows:

If certain insurance coverages cannot be procured from authorized insurers, such coverages, hereinafter designated as "surplus lines," may be procured from unauthorized insurers subject to the following conditions:

(1) The insurance must be procured through a licensed surplus line broker.

(2) The insurance must not be procurable, after diligent effort has been made to do so from among a majority of the insurers authorized to transact that kind of insurance in this state (~~and placing the insurance in an unauthorized insurer must not be for the purpose of securing a lower premium rate than would be accepted by any authorized insurer~~).

(3) Coverage shall not be procured from an unauthorized insurer for the purpose of securing a lower premium rate than would be accepted by any authorized insurer nor to secure any other competitive advantage.

(4) The commissioner may by regulation establish the degree of effort required to comply with subsections (2) and (3) of this section.

(5) At the time of the procuring of any such insurance an affidavit setting forth the facts referred to in ((subdivision)) subsections (2) and (3) of this section must be executed by the surplus line broker. Such affidavit shall be filed with the commissioner within thirty days after the insurance is procured.

Sec. 5. Section .15.13, chapter 79, Laws of 1947 as amended by section 5, chapter 102, Laws of 1980 and RCW 48.15.130 are each amended to read as follows:

If any surplus line broker fails to file his annual statement, or fails to remit the tax provided by RCW 48.15.120, (~~prior to the first day of April after the tax is due, he shall be liable for a fine of one hundred dollars for each day of delinquency commencing with the first day of April~~) by the last day of the month in which the tax becomes due, the surplus line broker shall pay the penalties provided in RCW 48.14.060. The tax may be collected by distraint, or the tax and fine may be recovered by an action instituted by the commissioner in any court of competent jurisdiction. Any fine collected by the commissioner shall be paid to the state treasurer and credited to the general fund.

Sec. 6. Section 23, chapter 241, Laws of 1969 ex. sess. and RCW 48.18.296 are each amended to read as follows:

(1) The provisions of RCW 48.18.291 through 48.18.297 shall not apply to:

(a) Contracts of insurance issued under the assigned risk plan; and
 (b) Contracts of insurance, other than combination homeowners and vehicle insurance policies, providing principally general casualty or property insurance ((in addition to)) with only incidental additional vehicle insurance; and

(c) Contracts of insurance insuring more than four motor vehicles; and

(d) Any policy covering garage, automobile sales agency, repair shop, service station, or public parking place operation hazards.

Sec. 7. Section 15, chapter 181, Laws of 1982 and RCW 48.18A.035 are each amended 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 investment brokerage commissions, if any, refunded, if, after examination of the policy, the policy owner is not satisfied with it for any reason. An additional ten percent penalty shall be added to any premium refund due which is not paid within thirty days of return of the policy to the insurer or agent. 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. 8. Section .19.41, chapter 79, Laws of 1947 and RCW 48.19.410 are each amended to read as follows:

(1) The commissioner may permit the organization and operation of examining bureaus for the examination of policies, daily reports, binders, renewal certificates, endorsements, and other evidences of insurance or of the cancellation thereof, for the purpose of ascertaining that lawful rates are being charged.

(2) A bureau shall examine documents with regard to such kinds of insurance as the commissioner may, after hearing, reasonably require to be submitted for examination. A bureau may examine documents as to such other kinds of insurance as the issuing insurers may voluntarily submit for examination. Upon request of the commissioner, a bureau shall also examine affidavits filed pursuant to RCW 48.15.040, surplus lines contracts and related documents, and shall make recommendations to the commissioner to assist the commissioner in determining whether surplus lines have been procured in accordance with chapter 48.15 RCW and rules issued thereunder.

(3) No bureau shall operate unless licensed by the commissioner as to the kinds of insurance as to which it is permitted so to examine. To qualify for a license a bureau shall:

(a) Be owned in trust for the benefit of all the insurers regularly using its services, under a trust agreement approved by the commissioner.

(b) Make its services available without discrimination to all authorized insurers applying therefor, subject to such reasonable rules and regulations as to the obligations of insurers using its services, as to the conduct of its affairs, and as to the correction of errors and omissions in documents examined by it as are approved by the commissioner.

(c) Have no manager or other employee (~~who is connected with any rating organization, or~~) who is an employee of an insurer other than to the extent that he is an employee of the bureau owned by insurers through such trust agreement.

(d) Pay to the commissioner a fee of ten dollars for issuance of its license.

(4) Such license shall be of indefinite duration and shall remain in force until revoked by the commissioner or terminated at the request of the bureau. The commissioner may revoke the license, after hearing,

(a) if the bureau is no longer qualified therefor;

(b) if the bureau fails to comply with a proper order of the commissioner;

(c) if the bureau violates or knowingly participates in the violation of any provision of this code.

(5) Any person aggrieved by any rule, regulation, act or omission of a bureau may appeal to the commissioner therefrom. The commissioner shall hold a hearing upon such appeal, and shall make such order upon the hearing as he deems to be proper.

(6) Every such bureau operating in this state shall be subject to the supervision of the commissioner, and the commissioner shall examine it as provided in chapter 48.03 RCW of this code.

(7) Every examining bureau shall keep adequate records of the outstanding errors and omissions found in coverages examined by it and of its receipts and disbursements, and shall hold as confidential all information contained in documents submitted to it for examination.

(8) The commissioner shall not license an additional bureau for the examination of documents relative to a kind of insurance if such documents are being examined by a then existing licensed bureau. Any examining bureau operating in this state immediately prior to the effective date of this code under any law of this state repealed as of such date, shall have prior right to apply for and secure a license under this section.

Sec. 9. Section 26, chapter 150, Laws of 1967 and RCW 48.20.013 are each amended to read as follows:

Every individual disability insurance policy issued after January 1, 1968, except single premium nonrenewable policies, shall have printed on its face or attached thereto a notice stating in substance that the person to whom the policy is issued shall be permitted to return the policy within ten days of its delivery to the purchaser and to have the premium paid refunded if, after examination of the policy, the purchaser is not satisfied with it for any reason. An additional ten percent penalty shall be added to any premium refund due which is not paid within thirty days of return of the policy to the insurer or agent. If a policy holder or purchaser 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. 10. Section 1, chapter 60, Laws of 1977 and RCW 48.23.380 are each amended to read as follows:

Every individual life insurance policy issued after September 1, 1977, 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 premium paid refunded if, after examination of the policy, the policy owner is not satisfied with it for any reason. An additional ten percent penalty shall be added to any premium refund due which is not paid within thirty days of return of the policy to the insurer or agent. 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.

This section shall not apply to individual life insurance policies issued in connection with a credit transaction or issued under a contractual policy change or conversion privilege provision contained in a policy.

Sec. 11. Section 4, chapter 65, Laws of 1973 1st ex. sess. and RCW 48-.44.230 are each amended to read as follows:

Every subscriber of an individual health care service plan contract issued after September 1, 1973, may return the contract to the health care service contractor or the agent through whom it was purchased within ten days of its delivery to the subscriber if, after examination of the contract, he is not satisfied with it for any reason, and the health care service contractor shall refund promptly any fee paid for such contract. Upon such return of the contract it shall be void from the beginning and the parties shall be in the same position as if no policy had been issued. Notice of the substance of this section shall be printed on the face of each such contract or be attached thereto. An additional ten percent penalty shall be added to any premium refund due which is not paid within thirty days of return of the policy to the insurer or agent.

Sec. 12. Section 12, chapter 153, Laws of 1981 as amended by section 3, chapter 200, Laws of 1982 and RCW 48.66.120 are each amended to read as follows:

Every individual medicare supplement insurance policy issued after January 1, 1982, and every certificate issued pursuant to a group medicare supplement policy after January 1, 1982, shall have prominently displayed on the first page of the policy form or certificate a notice stating in substance that the person to whom the policy or certificate is issued shall be permitted to return the policy or certificate within thirty days of its delivery to the purchaser and to have the premium refunded if, after examination of

the policy or certificate, the purchaser is not satisfied with it for any reason. An additional ten percent penalty shall be added to any premium refund due which is not paid within thirty days of return of the policy to the insurer or agent. If a policyholder or purchaser, pursuant to such notice, returns the policy or certificate 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 or certificate had been issued.

Sec. 13. Section .19.02, chapter 79, Laws of 1947 and RCW 48.19.02G are each amended to read as follows:

Premium rates for insurance shall not be excessive, inadequate, or unfairly discriminatory. ~~((This section does not apply to casualty insurance.))~~

Sec. 14. Section .19.04, chapter 79, Laws of 1947 and RCW 48.19.04O are each amended to read as follows:

(1) Every insurer shall, before using, file with the commissioner every manual of classifications, manual of rules and rates, and every rating plan as to surety insurances, and every rating schedule, minimum rate, class rate, and rating rule as to other insurances, and every modification of any of the foregoing which it proposes. The insurer need not so file any rate on individually rated risks as described in subdivision (1) of RCW 48.19.030; except that any such specific rate made by a rating organization shall be filed. ~~((This section does not apply to casualty insurance.))~~

(2) Every such filing shall state its proposed effective date and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether the filing meets the requirements of this chapter, he may require the insurer to furnish the information upon which it supports the filing. An insurer may offer in support of any filing

(a) the experience or judgment of the insurer or rating organization making the filing,

(b) the experience of other insurers or rating organizations, or

(c) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection only after the filing becomes effective.

(3) Where a filing is required no insurer shall make or issue an insurance contract or policy except in accordance with its filing then in effect, except as is provided by RCW 48.19.090.

Sec. 15. Section .19.12, chapter 79, Laws of 1947 and RCW 48.19.12O are each amended to read as follows:

(1) If at any time subsequent to the applicable review period provided in RCW 48.19.060 ~~((or)),~~ 48.19.110, or 48.19.440, the commissioner finds that a filing does not meet the requirements of this chapter, he shall, after a

hearing, notice of which was given to every insurer and rating organization which made such filing, issue his order specifying in what respect he finds that such filing fails to meet the requirements of this chapter, and stating when, within a reasonable period thereafter, the filings shall be deemed no longer effective. ((This subsection does not apply to casualty insurance.))

(2) Such order shall not affect any contract or policy made or issued prior to the expiration of the period set forth in the order.

(3) Any person aggrieved with respect to any filing then in effect, other than the insurer or rating organization which made the filing, may make written application to the commissioner for a hearing thereon. The application shall specify the grounds to be relied upon by the applicant. If the commissioner finds that the application is made in good faith, that the applicant would be so aggrieved if his grounds are established, and that such grounds otherwise justify holding the hearing, he shall, within thirty days after receipt of the application, hold a hearing as required in subsection (1) of this section.

NEW SECTION. Sec. 16. There is added to chapter 48.20 RCW a new section, to be designated RCW 48.20.050, to read as follows:

There shall 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. 17. Section 6, chapter 229, Laws of 1951 as last amended by section 12, chapter 266, Laws of 1975 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 section 16 of this 1983 act, 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. 18. Section 1, chapter 139, Laws of 1974 ex. sess. and RCW 48-.20.430 are each amended to read as follows:

(1) Any disability insurance contract providing hospital and medical expenses and health care services, delivered or issued for delivery in this state more than one hundred twenty days after February 16, 1974, which provides coverage for dependent children of the insured, shall provide coverage for newborn infants of the insured from and after the moment of birth. Coverage provided in accord with this section shall include, but not be limited to, coverage for congenital anomalies of such infant children from the moment of birth.

(2) If payment of an additional premium is required to provide coverage for a child, the contract may require that notification of birth of a newly born child and payment of the required premium must be furnished to the insurer. The notification period shall be no less than sixty days from the date of birth. This subsection applies to policies issued or renewed on or after January 1, 1984.

***Sec. 19. Section 1, chapter 117, Laws of 1975 1st ex. sess. and RCW 48.21.075 are each amended to read as follows:**

Any employee whose compensation includes group disability or blanket disability insurance providing health care services, the premiums for which are paid in full or in part by an employer including the state of Washington,

its political subdivisions, or municipal corporations, or paid by payroll deduction, may pay the premiums as they become due directly to the policyholder whenever the employee's compensation is suspended or terminated directly or indirectly as the result of a strike, lockout, or other labor dispute, for a period not exceeding six months and at the rate and coverages as the policy provides. During that period of time the policy may not be altered or changed. Nothing in this section shall be deemed to impair the right of the insurer to make normal decreases or increases of the premium rate upon expiration and renewal of the policy, in accordance with the provisions of the policy. Thereafter, if such insurance coverage is no longer available, then the employee shall be given the opportunity to ~~((purchase an individual policy at a rate consistent with rates filed by the insurer with the commissioner))~~ convert as specified in RCW 48.21.210. When the employee's compensation is so suspended or terminated, the employee shall be notified immediately by the policyholder in writing, by mail addressed to the address last on record with the policyholder, that the employee may pay the premiums to the policyholder as they become due as provided in this section.

Payment of the premiums must be made when due or the insurance coverage may be terminated by the insurer.

The provisions of any insurance policy contrary to provisions of this section are void and unenforceable after May 29, 1975.

**Sec. 19. was vetoed, see message at end of chapter.*

Sec. 20. Section 2, chapter 139, Laws of 1974 ex. sess. and RCW 48.21.155 are each amended to read as follows:

(1) Any group disability insurance contract except blanket disability insurance contract, providing hospital and medical expenses and health care services, renewed, delivered or issued for delivery in this state more than one hundred twenty days after February 16, 1974, which provides coverage for the dependent children of persons in the insured group, shall provide coverage for newborn infant children of persons in the insured group from and after the moment of birth. Coverage provided in accord with this section shall include, but not be limited to, coverage for congenital anomalies of such infant children from the moment of birth.

(2) If payment of an additional premium is required to provide coverage for a child, the contract may require that notification of birth of a newly born child and payment of the required premium must be furnished to the insurer. The notification period shall be no less than sixty days from the date of birth. This subsection applies to policies issued or renewed on or after January 1, 1984.

Sec. 21. Section .23.30, chapter 79, Laws of 1947 and RCW 48.23.300 are each amended to read as follows:

Any life insurer shall have the power to hold under agreement the proceeds of any policy issued by it, upon such terms and restrictions as to revocation by the policyholder and control by beneficiaries, and with such

exemptions from the claims of creditors of beneficiaries other than the policyholder as set forth in the policy or as agreed to in writing by the insurer and the policyholder. Upon maturity of a policy in the event the policyholder has made no such agreement, the insurer shall have the power to hold the proceeds of the policy under an agreement with the beneficiaries. The insurer shall not be required to segregate funds so held but may hold them as part of its general assets.

An insurer holding proceeds while awaiting determination of the final settlement option shall accrue interest on the proceeds from the date of death or maturity at a rate not less than the lower of the average over a period of thirty-six months and the average over a period of twelve months, ending on June 30 of the calendar year next preceding the year of death or maturity, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. This interest shall become payable as part of the settlement. If Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published by Moody's Investor Service, Inc., or if the National Association of Insurance Commissioners determines that Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investors Service, Inc. is no longer appropriate for the determination of this interest rate, then an alternative interest rate shall be defined by rule adopted by the commissioner.

Sec. 22. Section .24.15, chapter 79, Laws of 1947 and RCW 48.24.150 are each amended to read as follows:

There shall be a provision specifying an equitable adjustment of premiums or of benefits or of both to be made in the event the age or sex of a person insured has been misstated, such provision to contain a clear statement of the method of adjustment to be used.

Sec. 23. Section 6, chapter 219, Laws of 1961 as last amended by section 2, chapter 61, Laws of 1977 and RCW 48.34.060 are each amended to read as follows:

The initial amount of credit life insurance under a group policy shall at no time exceed the amount owed by the debtor which is repayable in installments to the creditor (~~(, or twenty-five thousand dollars, whichever is less. Nor shall the amount repayable under the contract of indebtedness extend over a period in excess of ten years, except that in case of long term agricultural real estate mortgages or agricultural short term crop production loans, the amount of insurance on the life of the debtor shall at no time exceed the amount owed by him to the creditor or fifty thousand dollars, whichever is less))~~ nor shall the amount repayable under the contract of indebtedness extend over a period in excess of ten years.

Sec. 24. Section .15.07, chapter 79, Laws of 1947 as last amended by section 5, chapter 181, Laws of 1982 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))~~ one hundred 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.

NEW SECTION. Sec. 25. Section 19, chapter 229, Laws of 1951, section 11, chapter 181, Laws of 1982 and RCW 48.20.182 are each repealed.

Passed the House May 9, 1983.

Passed the Senate May 6, 1983.

Approved by the Governor May 17, 1983, with the exception of section 19, which was vetoed.

Filed in Office of Secretary of State May 17, 1983.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval section 19, Substitute House Bill No. 139, entitled:

"AN ACT Relating to insurance."

Section 19 of this bill would alter the health insurance conversion rights of people who lose their group coverage because of labor disputes. Because of the technical operation of the law referenced in this amendment, such individuals could lose their conversion rights entirely. I do not believe that represents the legislature's intent.

With the exception of section 19, which is vetoed, Substitute House Bill No. 139 is approved."

CHAPTER 33

[Engrossed House Bill No. 239]

POLLING PLACES AND PROXIMITY—PROHIBITED ACTS

AN ACT Relating to election offenses; amending section 29.51.020, chapter 9, Laws of 1965 and RCW 29.51.020; defining crimes; and prescribing penalties.

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

Sec. 1. Section 29.51.020, chapter 9, Laws of 1965 and RCW 29.51.020 are each amended to read as follows:

(1) On the day of any primary, general or special election, no person ((shall)) may, within a polling place, or in any public area within three hundred feet of *[any entrance to] such polling place:

(a) Do any electioneering((-or));

(b) Circulate cards or handbills of any kind((-or));

(c) Solicit signatures to any kind of petition ((on primary or election day within any polling place, or any building in which an election is being held, or within one hundred feet thereof, nor));

(d) Engage in any practice which interferes with the freedom of voters to exercise their franchise or disrupts the administration of the polling place; or