

cases and for the construction and maintenance of the highway from Washington State College campus, as provided in section 1 hereof; and there is hereby appropriated from the Motor Vehicle Fund of the State Treasury the sum of three hundred and ninety-five thousand dollars (\$395,000), or so much thereof as may be necessary, for the purposes of acquiring the necessary real estate, rights and interests, including engineering costs, court costs for condemnation proceedings and payment of awards and judgments in condemnation cases in connection with the approach and underpass and approaches to said underpass for the University of Washington, as provided in section 2 hereof.

SEC. 10. This act is necessary for the immediate preservation of the public peace, health and safety, support of the state government and its existing public institutions and shall take effect immediately. Effective immediately.

Passed the House February 27, 1945.

Passed the Senate February 28, 1945.

Approved by the Governor March 3, 1945.

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## CHAPTER 28.

[ H. B. 294. ]

### RELATING TO INSURANCE.

AN ACT relating to insurance and amending section 26, chapter 49, Laws of 1911, as last amended by section 1, chapter 10, Laws of 1939 (section 7071, Remington's Revised Statutes, Supplement, also Pierce's Perpetual Code 674-3), and declaring an emergency.

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

SECTION 1. Section 26, chapter 49, Laws of 1911, as last amended by section 1, chapter 10, Laws of 1939 (section 7071 of Remington's Revised Statutes, Amendments.

Supplement, also Pierce's Perpetual Code 674-3), is amended to read as follows:

Annual  
statement.

Section 26. All insurance companies, now doing business in this state, unless otherwise provided in this act, must make and file with the Commissioner annually, on or before the fifteenth day of February in each year, a statement under oath, upon a form to be prescribed and furnished by the Commissioner, stating the amount of all premiums collected, or contracted for by the company making such statement, in this state, during the year ending December thirty-first, next preceding; the amounts actually paid policy holders on losses; the amounts paid policy holders as return premiums; the amounts paid policy holders as dividends; the amount of insurance reinsured in other companies authorized to do business in this state, naming them, and the amount of premiums paid therefor; and the amount of insurance reinsured in companies, naming them, not authorized to do business in this state, and the amount of premiums paid therefor; and the amount of reinsurance accepted from admitted companies and the premiums received for such reinsurance on risks located in this state, with the names of the companies so reinsured.

Payment of  
tax to State  
Treasurer.

The Commissioner shall file a copy of such verified statement or schedule with the State Treasurer, and said company shall pay to the State Treasurer, through the Insurance Commissioner's office, a tax of two per centum on all premiums collected, or contracted for: *Provided*, That in the case of companies engaged in fire insurance, or any other line of insurance, except life insurance, and marine insurance as hereinafter provided, the tax shall be collected on such premiums, after deducting from the gross amount thereof the amounts paid to policy holders as returned premiums and the amounts received as premiums for re-insurance; and in the case of life insurance the tax shall be collected on the

gross amount of premiums, after deducting therefrom the amounts received as premiums for re-insurance: *And provided further*, That with the exception of license fees, real estate and personal property taxes, and taxes under the reciprocal provisions of section 7092, every insurer organized, admitted or licensed to transact the business of marine insurance, as hereinafter defined, within this state, shall with respect to all marine insurance written within this state upon hulls, freights, or disbursements, or upon goods, wares, merchandise and all other personal property and interests therein, in course of exportation from, importation into any country, or transportation coastwise and intercoastal, including transportation by land or water from point of origin to final destination in respect to, appertaining to, or in connection with, any and all risks or perils of navigation, transit or transportation, and while being prepared for, and while awaiting shipment, and during any delays, storage, transshipment, or reshipment incident thereto, including war risks and marine builder's risks, be taxed only on that proportion of the total underwriting profit of such insurer from such insurance written within the United States, which the gross premiums of the insurer from such insurance written within this state bear to the gross premiums of such insurer from such insurance written within the United States. The term "underwriting profit" as used herein, shall be arrived at by deducting from the net earned premiums on such marine insurance contracts written within the United States during the calendar year (1) the losses incurred, and (2) expenses incurred, including all taxes, state and Federal, in connection with such net earned premiums.

Marine  
insurance.

How taxed.

Net earned premiums on such marine insurance contracts written during the calendar year shall be arrived at as follows:

Net earned  
premiums.

Gross  
premiums.

Gross premiums on such marine insurance contracts, written during the calendar year, less any and all return premiums, any and all premiums on policies not taken and any and all premiums paid for such re-insurance;

Unearned  
premiums.

Add unearned premiums on such outstanding marine business at the end of the preceding calendar year;

Deduct unearned premiums on such outstanding marine business at the end of the current calendar year;

Losses  
incurred.

Losses incurred, as used herein, shall mean gross losses incurred during the calendar year under such marine contracts written within the United States, less re-insurance claims collected or collectible and salvages or recoveries collectible from any source applicable to the aforesaid losses.

Specific  
expenses.

Expenses incurred shall include:

(a) Specific expenses incurred on such earned marine premiums, consisting of all commissions, agency expenses, taxes, licenses, fees, loss-adjustment expenses, and all other expenses incurred directly and specifically in connection with such premiums, less recoveries or reimbursements on account of or in connection with such commissions or other expenses collected or collectible because of re-insurance or from any other source;

General  
expenses.

(b) General expenses incurred on such earned premiums, consisting of that proportion of general or overhead expenses, such as salaries of officers and employees, printing and stationery, all taxes of this state and of the United States, except as otherwise provided herein, and all other expenses not chargeable specifically to a particular class of insurance which the net premiums of such marine insurance written bear to the total net premiums written by such insurer from all classes of insurance written by it during the current calendar year;

*Provided, however,* That in arriving at the aforesaid "underwriting profit," for purposes of taxation under this section there shall not be deducted in respect to expenses incurred, as hereinbefore defined and specified in paragraphs (a) and (b) amounts which, in the aggregate, exceed forty per centum of the aforesaid gross premiums on such marine insurance contracts.

Deductible  
expenses.

Every insurer transacting marine insurance in this state shall file on or before the fifteenth day of February in each year, with the Insurance Commissioner, and in the form prescribed by him, a report of all the items pertaining to its insurance business as enumerated and prescribed in the preceding subdivision. To determine the basis of the tax on underwriting profit, every insurer which has been writing such marine insurance in this state for three years shall furnish to the Insurance Commissioner a statement of all of the aforementioned items, in the form prescribed by him for each of the preceding three calendar years. An insurer which has not been writing such marine insurance for three years shall furnish to the Insurance Commissioner a statement of all the aforementioned items for each of the calendar years during which it has written such marine insurance.

Report.

If the Insurance Commissioner finds the report of the insurer reporting correct, he shall, if the insurer has transacted such marine insurance for three years (1) ascertain the average annual underwriting profit, as defined by this section, derived by the insurer from such marine insurance business written within the United States during the last preceding three calendar years; (2) ascertain the proportion which the average annual premiums of the insurer from such marine insurance written by it in this state during the last preceding three calendar years bears to the average total of such marine premiums of the insurer during the same three years; (3) com-

Computation  
of tax.

Computation  
of tax.

pute an amount of five (5) per centum on this proportion of the aforementioned average annual underwriting profit of the insurer from such marine insurance, and (4) charge the amount of tax thus computed to such insurer as a tax upon such marine insurance written by it in this state during the current calendar year. The Insurance Commissioner shall each year compute the tax, according to the method described in this section, upon the average annual underwriting profit of such insurer from such marine insurance during the preceding three years, including the current calendar year, namely, at the expiration of each current calendar year, the profit or loss on such marine insurance business of that year is to be added or deducted, and the profit or loss upon such marine insurance business of the first calendar year of the preceding three year period is to be dropped so that the computation of underwriting profit for purposes of taxation under this section will always be on a three year average: *Provided, however,* That an insurer which has not been writing such marine insurance in this state for three years shall, until it has transacted such business in this state for that number of years, be taxed on the basis of its annual underwriting profit on such marine insurance written within the United States for the current calendar year, subject, however, to an adjustment in the tax as soon as the Insurance Commissioner, in accordance with the provisions of this section, is enabled to compute the tax on the aforementioned three year basis: *And provided further,* That in the case of mutual companies, the Insurance Commissioner shall not include in underwriting profit, when computing the tax prescribed by this section, the amounts refunded by such companies on account of premiums previously paid by their policy holders.

When the Insurance Commissioner has computed the tax on an insurer's underwriting profit, he shall

forthwith mail to the last known address of the principal office of such insurer a statement of the amount so charged against it, which amount the insurer shall pay to the State Treasurer through the Insurance Commissioner's office within thirty days after receipt of such notice from the Insurance Commissioner: *Provided, however,* That in assessing taxes upon the reciprocal provisions of section 7092, credit shall be allowed for any taxes paid or payable under this section. The tax, and the basis thereof, provided for in this section, shall apply to the year ending December thirty-first, nineteen hundred and twenty-nine, as well as to subsequent years: *And provided further,* That for the purpose of this section, the terms "marine insurance" and "marine business" and "marine risks" shall mean insurance or reinsurance against any and all kinds of loss of or damage to:

Notice and  
payment  
of tax.

Reciprocal  
provisions.

(a) Vessels, craft, air craft, cars, automobiles and vehicles of every kind (excluding air craft and automobiles operating under their own power or while in storage not incidental to transportation), as well as all goods, freights, cargoes, merchandise, effects, disbursements, profits, monies, bullion, securities, choses in action, evidences of debt, valuable papers, bottomry and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit, or transportation, including war risks, on or under any seas or other waters, on land or in the air, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting the same or during any delays, storage, transshipment, or reshipment incident thereto, including marine builder's risks, and all personal property floater risks including bailees customers risks and risks commonly known as bundle insurance; and

Marine  
risks.

(b) Person or to property in connection with or appertaining to a marine, transit or transportation insurance, including liability for loss of or damage, arising out of or in connection with the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or surety bonds); but, except as herein specified, shall not mean insurances against loss by reason of bodily injury to the person; and

(c) Precious stones, jewels, jewelry, gold, silver and other precious metals, whether used in business or trade or otherwise and whether the same be in course of transportation or otherwise.

Taxes payable.

The taxes herein provided, except taxes upon marine insurance, shall be due and payable on the first day of March succeeding the filing of the statement provided for herein.

Penalty for delinquency.

Any company, failing or refusing to render such statement and information, and to pay taxes herein specified, for more than thirty days after the time specified, shall be liable for a fine of twenty-five dollars for each additional day of delinquency, and such tax may be collected by distraint, and such fine may be recovered by an action, to be instituted by the Commissioner, in the name of the State, the Attorney General representing him, in any court of competent jurisdiction. The amount of the fine collected shall be paid to the State Treasurer and credited to the general fund; and the Commissioner may revoke and annul the certificate of authority of such delinquent company, until such taxes and fine, should any be imposed, are fully paid.

Form of annual statement.

The annual statement made to the Commissioner pursuant to this section, or other provisions of law, shall at least include the substance of that required by what is known as the "convention blank form," adopted from year to year, by the national convention of insurance commissioners, and shall also



include such other information as may be required by the Commissioner.

SEC. 2. This act is necessary for the immediate preservation of the public peace, health and safety and for the immediate support of the state government and its existing public institutions, and shall take effect immediately. Effective immediately.

Passed the House February 15, 1945.

Passed the Senate February 27, 1945.

Approved by the Governor March 5, 1945.

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## CHAPTER 29.

[ S. B. 5. ]

### INVESTMENT OF SCHOOL FUNDS IN UNITED STATES BONDS AND OTHER SECURITIES.

AN ACT authorizing school districts to invest and reinvest building funds in United States bonds and other securities; defining such securities and declaring an emergency.

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

SECTION 1. The Board of Directors of any school district of the State of Washington which now has, or hereafter shall have, funds in the building fund of the district in the office of the County Treasurer which in the judgment of said Board are not required for the immediate necessities of the district, may invest and reinvest all, or any part, of such funds in United States securities, as hereinafter specified after and pursuant to a resolution adopted by the Board, authorizing and directing the County Treasurer, as ex officio the treasurer of said district, to invest or reinvest, said moneys or any designated amount thereof in United States securities and specifying the type or character of the United States securities in which said moneys shall be invested: *Provided*, That nothing herein authorized, or the type or character of the securities thus speci-

School districts may invest building funds in United States securities.