
SUBSTITUTE SENATE BILL 6038

State of Washington

60th Legislature

2007 Regular Session

By Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators Berkey, Benton, Hobbs, Schoesler, Parlette and Hatfield)

READ FIRST TIME 02/23/07.

1 AN ACT Relating to addressing published code reviser's notes in the
2 financial institutions and insurance titles of the Revised Code of
3 Washington; and amending RCW 30.04.300, 30.12.190, 30.38.010,
4 32.20.330, 48.05.410, 48.05.430, 48.05.435, 48.05.465, 48.05.470,
5 48.05.475, 48.05.480, 48.09.270, 48.10.070, 48.10.300, 48.13.110,
6 48.20.012, 48.20.162, 48.20.282, 48.22.080, 48.23.080, 48.23.360,
7 48.29.040, 48.43.085, 48.43.370, 48.53.040, and 48.74.030.

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

9 **Sec. 1.** RCW 30.04.300 and 1955 c 33 s 30.04.300 are each amended
10 to read as follows:

11 A branch of any foreign bank or banker actually and publicly
12 engaged in banking in this state on March 10, 1917, in full compliance
13 with the laws hereof, which were in force immediately prior to March
14 10, 1917, and which branch has a capital not less in amount than that
15 required for the organization of a state bank as provided in this title
16 at the time and place when and where such branch was established, may
17 continue its said business, subject to all of the regulations and
18 supervision provided for banks. The amount upon which it pays taxes
19 shall be prima facie evidence of the amount and existence of such

1 capital. No such bank or banker shall set forth on (~~its or his~~)
2 stationery or in any manner advertise in this state a greater capital,
3 surplus and undivided profits than are actually maintained at such
4 branch. Every foreign corporation, bank and banker, and every officer,
5 agent and employee thereof who violates any provision of this section
6 (~~or which violates the terms of the resolution filed as required by~~
7 ~~RCW 30.04.290~~)) shall for each violation forfeit and pay to the state
8 of Washington the sum of one thousand dollars. A civil action for the
9 recovery of any such sum may be brought by the attorney general in the
10 name of the state.

11 **Sec. 2.** RCW 30.12.190 and 1989 c 220 s 2 are each amended to read
12 as follows:

13 Every person who shall violate, or knowingly aid or abet the
14 violation of any provision of RCW 30.04.010, 30.04.030, 30.04.050,
15 30.04.060, 30.04.070, 30.04.075, 30.04.111, 30.04.120, 30.04.130,
16 30.04.180, 30.04.210, 30.04.220, 30.04.280, (~~(30.04.290)~~) 30.04.300,
17 30.08.010, 30.08.020, 30.08.030, 30.08.040, 30.08.050, 30.08.060,
18 30.08.080, 30.08.090, 30.08.095, (~~(30.08.110, 30.08.120)~~) 30.08.140,
19 30.08.150, 30.08.160, 30.08.180, 30.08.190, 30.12.010, 30.12.020,
20 30.12.030, 30.12.060, 30.12.070, 30.12.130, 30.12.180, 30.12.190,
21 30.16.010, 30.20.060, (~~(30.40.010)~~) 30.44.010, 30.44.020, 30.44.030,
22 30.44.040, 30.44.050, 30.44.060, 30.44.070, 30.44.080, 30.44.090,
23 30.44.100, 30.44.130, 30.44.140, 30.44.150, 30.44.160, 30.44.170,
24 30.44.240, 30.44.250, (~~(43.19.020, 43.19.030, 43.19.050, and~~
25 ~~43.19.090)~~) 43.320.060, 43.320.070, 43.320.080, and 43.320.100, and
26 every person who fails to perform any act which it is therein made his
27 duty to perform, shall be guilty of a misdemeanor. No person who has
28 been convicted for the violation of the banking laws of this or any
29 other state or of the United States shall be permitted to engage in or
30 become an officer or official of any bank or trust company organized
31 and existing under the laws of this state.

32 **Sec. 3.** RCW 30.38.010 and 2005 c 348 s 2 are each amended to read
33 as follows:

34 (1) An out-of-state bank may engage in banking in this state
35 without violating RCW 30.04.280 only if the conditions and filing

1 requirements of this chapter are met and the bank was lawfully engaged
2 in banking in this state on June 6, 1996, or the bank's in-state
3 banking activities:

4 (a) Resulted from an interstate combination pursuant to RCW
5 30.49.125 or 32.32.500;

6 (b) Resulted from a relocation of a head office of a state bank
7 pursuant to 12 U.S.C. Sec. 30 and RCW 30.04.215(3);

8 (c) Resulted from a relocation of a main office of a national bank
9 pursuant to 12 U.S.C. Sec. 30;

10 (d) Resulted from the establishment of a branch of a savings bank
11 in compliance with RCW 32.04.030(~~((+2))~~) (6); or

12 (e) Resulted from interstate branching under RCW 30.38.015.

13 Nothing in this section affects the authorities of alien banks as
14 defined by RCW 30.42.020 to engage in banking within this state.

15 (2) The director, consistent with 12 U.S.C. Sec. 1831u(b)(2)(D),
16 may approve an interstate combination if the standard on which the
17 approval is based does not discriminate against out-of-state banks,
18 out-of-state bank holding companies, or subsidiaries of those banks or
19 holding companies.

20 **Sec. 4.** RCW 32.20.330 and 1999 c 14 s 26 are each amended to read
21 as follows:

22 A mutual savings bank may invest in loans to sole proprietorships,
23 partnerships, limited liability companies, corporations, or other
24 entities, or in preferred stock or discounted or other interest bearing
25 obligations issued, guaranteed, or assumed by limited liability
26 companies or corporations commonly accepted as industrial corporations
27 or engaged in communications, transportation, agriculture, furnishing
28 utility professional services, manufacturing, construction, mining,
29 fishing, processing or merchandising of goods, food, or information,
30 banking, or commercial or consumer financing, doing business or
31 incorporated under the laws of the United States, or any state thereof,
32 or the District of Columbia, or the Dominion of Canada, or any province
33 thereof, subject to the following conditions:

34 (1) Not more than two percent of the bank's funds shall be
35 invested, pursuant to this section, in the aggregate of loans to and
36 preferred stock and obligations of any person, as defined in RCW

1 32.32.228(1)((+e+)) (d), and such person's affiliates, as defined in
2 RCW 32.32.025(1), incorporating the definition of control in RCW
3 32.32.025(8).

4 (2) Such loans or securities shall be prudent investments.

5 (3) Pursuant to this section, the total amount a savings bank may
6 invest shall not exceed fifty percent of its funds, and not more than
7 fifteen percent of the bank's funds may be invested in such loans to or
8 securities of any industry.

9 **Sec. 5.** RCW 48.05.410 and 1993 c 492 s 414 are each amended to
10 read as follows:

11 Effective July 1, 1994, each health care provider, facility, or
12 health maintenance organization that self-insures for liability risks
13 related to medical malpractice and employs physicians or other
14 independent health care practitioners in Washington state shall
15 condition each physician's and practitioner's liability coverage by
16 that entity upon that physician's or practitioner's participation in
17 risk management training offered by the provider, facility, or health
18 maintenance organization to its employees. The risk management
19 training shall provide information related to avoiding adverse health
20 outcomes resulting from substandard practice and minimizing damages
21 associated with those adverse health outcomes that do occur. (~~For~~
22 ~~purposes of this section, "independent health care practitioner" means~~
23 ~~those health care practitioner licensing classifications designated by~~
24 ~~the department of health in rule pursuant to RCW 18.130.330.))~~

25 **Sec. 6.** RCW 48.05.430 and 1995 c 83 s 1 are each amended to read
26 as follows:

27 As used in RCW 48.05.430 through ((~~48.05.490~~)) 48.05.485, these
28 terms have the following meanings:

29 (1) "RBC" means risk-based capital.

30 (2) "NAIC" means the national association of insurance
31 commissioners.

32 (3) "Domestic insurer" means any insurance company domiciled in
33 this state.

34 (4) "Foreign or alien insurer" means any insurance company that is
35 licensed to do business in this state under this chapter but is not
36 domiciled in this state.

1 (5) "Life and disability insurer" means any insurance company
2 authorized to write only life insurance, disability insurance, or both,
3 as defined in chapter 48.11 RCW.

4 (6) "Property and casualty insurer" means any insurance company
5 authorized to write only property insurance, marine and transportation
6 insurance, general casualty insurance, vehicle insurance, or any
7 combination thereof, including disability insurance, as defined in
8 chapter 48.11 RCW.

9 (7) "Corrective order" means an order issued by the commissioner
10 specifying corrective actions that the commissioner has determined are
11 required.

12 (8) "Negative trend" means, with respect to a life insurer, a
13 disability insurer, or a life and disability insurer, the negative
14 trend over a period of time, as determined in accordance with the trend
15 test calculation included in the RBC instructions.

16 (9) "Adjusted RBC report" means an RBC report that has been
17 adjusted by the commissioner in accordance with RCW 48.05.435(5).

18 (10) "RBC instructions" means the RBC report including risk-based
19 capital instructions adopted by the NAIC.

20 (11) "RBC level" means an insurer's company action level RBC,
21 regulatory action level RBC, authorized control level RBC, or mandatory
22 control level RBC where:

23 (a) "Company action level RBC" means, with respect to any insurer,
24 the product of 2.0 and its authorized control level RBC;

25 (b) "Regulatory action level RBC" means the product (~~(+of+)~~) of 1.5
26 and its authorized control level RBC;

27 (c) "Authorized control level RBC" means the number determined
28 under the risk-based capital formula in accordance with the RBC
29 instructions; and

30 (d) "Mandatory control level RBC" means the product of .70 and the
31 authorized control level RBC.

32 (12) "RBC plan" means a comprehensive financial plan containing the
33 elements specified in RCW 48.05.440(2). If the commissioner rejects
34 the RBC plan, and it is revised by the insurer, with or without the
35 commissioner's recommendation, the plan shall be called the "revised
36 RBC plan."

37 (13) "RBC report" means the report required in RCW 48.05.435.

38 (14) "Total adjusted capital" means the sum of:

1 (a) An insurer's statutory capital and surplus as determined in
2 accordance with statutory accounting applicable to the annual financial
3 statements required to be filed under RCW 48.05.250; and

4 (b) Other items, if any, as the RBC instructions may provide.

5 **Sec. 7.** RCW 48.05.435 and 1995 c 83 s 2 are each amended to read
6 as follows:

7 (1) Every domestic insurer shall, on or prior to the filing date,
8 which is hereby established as March 1, prepare and submit to the
9 commissioner a report of its RBC levels as of the end of the calendar
10 year just ended, in a form and containing that information required by
11 the RBC instructions. In addition, every domestic insurer shall file
12 its RBC report:

13 (a) With the NAIC in accordance with the RBC instructions; and

14 (b) With the insurance commissioner in any state in which the
15 insurer is authorized to do business, if the insurance commissioner has
16 notified the insurer of its request in writing, in which case the
17 insurer shall file its RBC report not later than the later of:

18 (i) Fifteen days from the receipt of notice to file its RBC report
19 with that state; or

20 (ii) The filing date.

21 (2) A life and disability insurer's RBC shall be determined in
22 accordance with the formula set forth in the RBC instructions. The
23 formula shall take into account and may adjust for the covariance
24 between:

25 (a) The risk with respect to the insurer's assets;

26 (b) The risk of adverse insurance experience with respect to the
27 insurer's liabilities and obligations;

28 (c) The interest rate risk with respect to the insurer's business;
29 and

30 (d) All other business risks and other relevant risks as are set
31 forth in the RBC instructions; determined in each case by applying the
32 factors in the manner set forth in the RBC instructions.

33 (3) A property and casualty insurer's RBC shall be determined in
34 accordance with the formula set forth in the RBC instructions. The
35 formula shall take into account and may adjust for the covariance
36 between:

37 (a) Asset risk;

1 (b) Credit risk;

2 (c) Underwriting risk; and

3 (d) All other business risks and other relevant risks as are set
4 forth in the RBC instructions; determined in each case by applying the
5 factors in the manner set forth in the RBC instructions.

6 (4) An excess of capital over the amount produced by the RBC
7 requirements and the formulas, schedules, and instructions under RCW
8 48.05.430 through (~~48.05.490~~) 48.05.485 is desirable in the business
9 of insurance. Accordingly, insurers should seek to maintain capital
10 above the RBC levels required. Additional capital is used and useful
11 in the insurance business and helps to secure an insurer against
12 various risks inherent in, or affecting, the business of insurance and
13 not accounted for or only partially measured by the RBC requirements.

14 (5) If a domestic insurer files an RBC report that in the judgment
15 of the commissioner is inaccurate, then the commissioner shall adjust
16 the RBC report to correct the inaccuracy and shall notify the insurer
17 of the adjustment. The notice shall contain a statement of the reason
18 for the adjustment.

19 **Sec. 8.** RCW 48.05.465 and 1995 c 83 s 8 are each amended to read
20 as follows:

21 (1) All RBC reports, to the extent the information is not required
22 to be set forth in a publicly available annual statement schedule, and
23 RBC plans, including the results or report of any examination or
24 analysis of an insurer and any corrective order issued by the
25 commissioner, with respect to any domestic insurer or foreign insurer
26 that are filed with the commissioner constitute information that might
27 be damaging to the insurer if made available to its competitors, and
28 therefore shall be kept confidential by the commissioner. This
29 information shall not be made public or be subject to subpoena, other
30 than by the commissioner and then only for the purpose of enforcement
31 actions taken by the commissioner.

32 (2) The comparison of an insurer's total adjusted capital to any of
33 its RBC levels is a regulatory tool that may indicate the need for
34 possible corrective action with respect to the insurer, and is not a
35 means to rank insurers generally. Therefore, except as otherwise
36 required under the provisions of RCW 48.05.430 through (~~48.05.490~~)
37 48.05.485, the making, publishing, disseminating, circulating, or

1 placing before the public, or causing, directly or indirectly to be
2 made, published, disseminated, circulated, or placed before the public,
3 in a newspaper, magazine, or other publication, or in the form of a
4 notice, circular, pamphlet, letter, or poster, or over any radio or
5 television station, or in any other way, an advertisement,
6 announcement, or statement containing an assertion, representation, or
7 statement with regard to the RBC levels of any insurer, or of any
8 component derived in the calculation, by any insurer, agent, broker, or
9 other person engaged in any manner in the insurance business would be
10 misleading and is therefore prohibited. However, if any materially
11 false statement with respect to the comparison regarding an insurer's
12 total adjusted capital to its RBC levels, or any of them, or an
13 inappropriate comparison of any other amount to the insurer's RBC
14 levels is published in any written publication and the insurer is able
15 to demonstrate to the commissioner with substantial proof the falsity
16 of such statement, or the inappropriateness, as the case may be, then
17 the insurer may publish an announcement in a written publication if the
18 sole purpose of the announcement is to rebut the materially false
19 statement.

20 (3) The RBC instructions, RBC reports, adjusted RBC reports, RBC
21 plans, and revised RBC plans are solely for use by the commissioner in
22 monitoring the solvency of insurers and the need for possible
23 corrective action with respect to insurers and shall not be used by the
24 commissioner for ratemaking nor considered or introduced as evidence in
25 any rate proceeding nor used by the commissioner to calculate or derive
26 any elements of an appropriate premium level or rate of return for any
27 line of insurance that an insurer or any affiliate is authorized to
28 write.

29 **Sec. 9.** RCW 48.05.470 and 1995 c 83 s 9 are each amended to read
30 as follows:

31 (1) The provisions of RCW 48.05.430 through ((48.05.490)) 48.05.485
32 are supplemental to any other provisions of the laws of this state, and
33 shall not preclude or limit any other powers or duties of the
34 commissioner under those laws, including, but not limited to, chapter
35 48.31 RCW.

36 (2) The commissioner may exempt any domestic property and casualty

1 insurer from RCW 48.05.430 through (~~48.05.490~~) 48.05.485, if the
2 insurer:

- 3 (a) Writes direct business only in this state;
- 4 (b) Writes direct annual premiums of two million dollars or less;
- 5 and
- 6 (c) Assumes no reinsurance in excess of five percent of direct
7 premiums written.

8 **Sec. 10.** RCW 48.05.475 and 1995 c 83 s 10 are each amended to read
9 as follows:

10 (1) Any foreign or alien insurer shall, upon the written request of
11 the commissioner, submit to the commissioner an RBC report as of the
12 end of the calendar year just ended by the later of:

13 (a) The date an RBC report would be required to be filed by a
14 domestic insurer under RCW 48.05.435; or

15 (b) Fifteen days after the request is received by the foreign or
16 alien insurer. Any foreign or alien insurer shall, at the written
17 request of the commissioner, promptly submit to the commissioner a copy
18 of any RBC plan that is filed with the insurance commissioner of any
19 other state.

20 (2) In the event of a company action level event, regulatory action
21 level event, or authorized control level event with respect to any
22 foreign or alien insurer as determined under the RBC statute applicable
23 in the state of domicile of the insurer or, if no RBC statute is in
24 force in that state, under the provisions of RCW 48.05.430 through
25 (~~48.05.490~~) 48.05.485, if the insurance commissioner of the state of
26 domicile of the foreign or alien insurer fails to require the foreign
27 or alien insurer to file an RBC plan in the manner specified under that
28 state's RBC statute, the commissioner may require the foreign or alien
29 insurer to file an RBC plan. In this event, the failure of the foreign
30 or alien insurer to file an RBC plan is grounds to order the insurer to
31 cease and desist from writing new insurance business in this state.

32 (3) In the event of a mandatory control level event with respect to
33 any foreign or alien insurer, if no domiciliary receiver has been
34 appointed with respect to the foreign or alien insurer under the
35 rehabilitation and liquidation statute applicable in the state of
36 domicile of the foreign or alien insurer, the commissioner may apply
37 for an order under RCW 48.31.080 or 48.31.090 to conserve the assets

1 within this state of foreign or alien insurers, and the occurrence of
2 the mandatory control level event is considered adequate grounds for
3 the application.

4 **Sec. 11.** RCW 48.05.480 and 1995 c 83 s 11 are each amended to read
5 as follows:

6 There is no liability on the part of, and no cause of action may
7 arise against, the commissioner or insurance department or its
8 employees or agents for any action taken by them in the performance of
9 their powers and duties under RCW 48.05.430 through ~~((48.05.490))~~
10 48.05.485.

11 **Sec. 12.** RCW 48.09.270 and 1963 c 195 s 4 are each amended to read
12 as follows:

13 (1) A domestic mutual insurer on the cash premium plan, after it
14 has established a surplus not less in amount than the minimum capital
15 funds required of a domestic stock insurer to transact like kinds of
16 insurance, and for so long as it maintains such surplus, may extinguish
17 the contingent liability of its members to assessment and omit
18 provisions imposing contingent liability in all policies currently
19 issued.

20 (2) Any deposit made with the commissioner as a prerequisite to the
21 insurer's certificate of authority may be included as part of the
22 surplus required in this section.

23 (3) When the surplus has been so established and the commissioner
24 has so ascertained, he shall issue to the insurer, at its request, his
25 certificate authorizing the extinguishment of the contingent liability
26 of its members and the issuance of policies free therefrom.

27 (4) While it maintains surplus funds in amount not less than the
28 minimum capital required of a domestic stock insurer authorized to
29 transact like kinds of insurance, ~~((and subject to the requirements of
30 RCW 48.05.360 as to special surplus,))~~ a foreign or alien mutual
31 insurer on the cash premium plan may, if consistent with its charter
32 and the laws of its domicile, issue nonassessable policies covering
33 subjects located, resident, or to be performed in this state.

34 **Sec. 13.** RCW 48.10.070 and 1985 c 264 s 4 are each amended to read
35 as follows:

1 (1) A domestic reciprocal insurer hereafter formed, if it has
2 otherwise complied with the provisions of this code, may be authorized
3 to transact insurance if it initially possesses surplus in an amount
4 equal to or exceeding the capital and surplus requirements required
5 under RCW 48.05.340(1) (~~(plus special surplus, if any, required under~~
6 ~~RCW 48.05.360 and thereafter possesses,~~) and maintains surplus funds
7 equal to the paid-in capital stock required under RCW 48.05.340 of a
8 stock insurer transacting like kinds of insurance(~~(, and the special~~
9 ~~surplus, if any, required under RCW 48.05.360)~~).

10 (2) A domestic reciprocal insurer which under prior laws held
11 authority to transact insurance in this state may continue to be so
12 authorized so long as it otherwise qualifies therefor and maintains
13 surplus funds in amount not less than as required under laws of this
14 state in force at the time such authority to transact insurance in this
15 state was granted.

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

26 **Sec. 14.** RCW 48.10.300 and 1983 c 3 s 148 are each amended to read
27 as follows:

28 (1) (~~(Subject to the special surplus requirements of RCW~~
29 ~~48.05.360,~~) If a reciprocal insurer has a surplus of assets over all
30 liabilities at least equal to the minimum capital stock required of a
31 domestic stock insurer authorized to transact like kinds of insurance,
32 upon application of the attorney and as approved by the subscribers'
33 advisory committee the commissioner shall issue his certificate
34 authorizing the insurer to extinguish the contingent liability of
35 subscribers under its policies then in force in this state, and to omit
36 provisions imposing contingent liability in all policies delivered or

1 issued for delivery in this state for so long as all such surplus
2 remains unimpaired.

3 (2) Upon impairment of such surplus, the commissioner shall
4 forthwith revoke the certificate. No policy shall thereafter be issued
5 or renewed without providing for the contingent assessment liability of
6 subscribers.

7 (3) The commissioner shall not authorize a domestic reciprocal
8 insurer so to extinguish the contingent liability of any of its
9 subscribers or in any of its policies to be issued, unless it qualifies
10 to and does extinguish such liability of all its subscribers and in all
11 such policies for all kinds of insurance transacted by it. Except,
12 that if required by the laws of another state in which the insurer is
13 transacting insurance as an authorized insurer, the insurer may issue
14 policies providing for the contingent liability of such of its
15 subscribers as may acquire such policies in such state, and need not
16 extinguish the contingent liability applicable to policies theretofore
17 in force in such state.

18 **Sec. 15.** RCW 48.13.110 and 1975 1st ex.s. c 154 s 1 are each
19 amended to read as follows:

20 An insurer may invest any of its funds in:

21 (1)(a) Bonds or evidences of debt which are secured by first
22 mortgages or deeds of trust on improved unencumbered real property
23 located in the United States;

24 (b) Chattel mortgages in connection therewith pursuant to RCW
25 48.13.150;

26 (c) The equity of the seller of any such property in the contract
27 for a deed, covering the entire balance due on a bona fide sale of such
28 property, in amount not to exceed ten thousand dollars or the amount
29 permissible under RCW 48.13.030, whichever is greater, in any one such
30 contract for deed.

31 (2) Purchase money mortgages or like securities received by it upon
32 the sale or exchange of real property acquired pursuant to RCW
33 48.13.160 as amended by section 7, chapter 241, Laws of 1969 ex. sess.

34 (3) Bonds or notes secured by mortgage or trust deed guaranteed or
35 insured by the Federal Housing Administration under the terms of an act
36 of congress of the United States of June 27, 1934, entitled the
37 "National Housing Act," as amended.

1 (4) Bonds or notes secured by mortgage or trust deed guaranteed or
2 insured as to principal in whole or in part by the Administrator of
3 Veterans' Affairs pursuant to the provisions of Title III of an act of
4 congress of the United States of June 22, 1944, entitled the
5 "Servicemen's Readjustment Act of 1944," as amended.

6 (5) Evidences of debt secured by first mortgages or deeds of trust
7 upon leasehold estates, except agricultural leaseholds executed
8 pursuant to RCW (~~(79.01.096)~~) 79.11.010, running for a term of not less
9 than fifteen years beyond the maturity of the loan as made or as
10 extended, in improved real property, otherwise unencumbered, and if the
11 mortgagee is entitled to be subrogated to all the rights under the
12 leasehold.

13 (6) Evidences of debt secured by first mortgages or deeds of trust
14 upon agricultural leasehold estates executed pursuant to RCW
15 (~~(79.01.096)~~) 79.11.010, otherwise unencumbered, and if the mortgagee
16 is entitled to be subrogated to all the rights under the leasehold.

17 **Sec. 16.** RCW 48.20.012 and 1951 c 229 s 2 are each amended to read
18 as follows:

19 No disability policy shall be delivered or issued for delivery to
20 any person in this state unless it otherwise complies with this code,
21 and complies with the following:

22 (1) It shall purport to insure only one person, except as to family
23 expense insurance written pursuant to RCW 48.20.340.

24 (2) The style, arrangement and over-all appearance of the policy
25 shall give no undue prominence to any portion of the text, and every
26 printed portion of the text of the policy and of any endorsements or
27 attached papers shall be plainly printed in light-faced type of a style
28 in general use, the size of which shall be uniform and not less than
29 ten-point with a lower-case unspaced alphabet length not less than one
30 hundred and twenty-point (the "text" shall include all printed matter
31 except the name and address of the insurer, name or title of the
32 policy, the brief description if any, and caption and subcaptions).

33 (3) The exceptions and reductions of indemnity shall be set forth
34 in the policy and, other than those contained in RCW 48.20.042 to
35 (~~(48.20.272)~~) 48.20.262, inclusive, shall be printed, at the insurer's
36 option, either included with the benefit provision to which they apply,
37 or under an appropriate caption such as "Exceptions," or "Exceptions

1 and reductions," except that if an exception or reduction specifically
2 applies only to a particular benefit of the policy, a statement of such
3 exception or reduction shall be included with the benefit provision to
4 which it applies.

5 (4) Each such form, including riders and endorsements, shall be
6 identified by a form number in the lower left hand corner of the first
7 page thereof.

8 (5) It shall contain no provision purporting to make any portion of
9 the insurer's charter, rules, constitution, or bylaws a part of the
10 policy unless such portion is set forth in full in the policy, except
11 in the case of the incorporation of, or reference to, a statement of
12 rates or classification of risks, or short-rate table filed with the
13 commissioner.

14 **Sec. 17.** RCW 48.20.162 and 1951 c 229 s 17 are each amended to
15 read as follows:

16 Except as provided in RCW 48.18.130, no such policy delivered or
17 issued for delivery to any person in this state shall contain
18 provisions respecting the matters set forth in RCW 48.20.172 to
19 (~~48.20.272~~) 48.20.262, inclusive, unless such provisions are in the
20 words in which the same appear in the applicable section; except, that
21 the insurer may, at its option, use in lieu of any such provision a
22 corresponding provision of different wording approved by the
23 commissioner which is not less favorable in any respect to the insured
24 or the beneficiary. Any such provision contained in the policy shall
25 be preceded individually by the appropriate caption or, at the
26 insurer's option, by such appropriate individual or group caption or
27 subcaption as the commissioner may approve.

28 **Sec. 18.** RCW 48.20.282 and 1951 c 229 s 29 are each amended to
29 read as follows:

30 The provisions which are the subject of RCW 48.20.042 to
31 (~~48.20.272~~) 48.20.262, inclusive, or any corresponding provisions
32 which are used in lieu thereof in accordance with such sections, shall
33 be printed in the consecutive order of the provisions in such sections
34 or, at the insurer's option, any such provision may appear as a unit in
35 any part of the policy, with other provisions to which it may be

1 logically related, provided the resulting policy shall not be in whole
2 or in part unintelligible, uncertain, ambiguous, abstruse, or likely to
3 mislead a person to whom the policy is offered, delivered or issued.

4 **Sec. 19.** RCW 48.22.080 and 1994 c 102 s 2 are each amended to read
5 as follows:

6 Effective July 1, 1994, a casualty insurer's issuance of a new
7 medical malpractice policy or renewal of an existing medical
8 malpractice policy to a physician or other independent health care
9 practitioner shall be conditioned upon that practitioner's
10 participation in, and completion of, an insurer-designed health care
11 liability risk management training program once every three years.
12 Completion of said training program during 1994 shall satisfy the first
13 three-year training requirement. The risk management training shall
14 provide information related to avoiding adverse health outcomes
15 resulting from substandard practice and minimizing damages associated
16 with the adverse health outcomes that do occur. (~~For purposes of this~~
17 ~~section, "independent health care practitioners" means those health~~
18 ~~care practitioner licensing classifications designated by the~~
19 ~~department of health in rule pursuant to RCW 18.130.330.))~~

20 **Sec. 20.** RCW 48.23.080 and 1981 c 247 s 3 are each amended to read
21 as follows:

22 (1) There shall be a provision that after three full years'
23 premiums have been paid thereon, the insurer at any time, while the
24 policy is in force, will advance, on proper assignment or pledge of the
25 policy and on the sole security thereof, at a rate of interest provided
26 in this chapter as now or hereafter amended, a sum to be determined as
27 follows:

28 (a) If such policy is issued prior to (~~the operative date of RCW~~
29 ~~48.23.350~~) June 12, 1947, the sum, including any interest paid in
30 advance but not beyond the end of the current policy year, shall be
31 equal to or at the option of the owner of the policy less than, the
32 reserve at the end of the current policy year on the policy and on any
33 dividend additions thereto, less a sum not more than two and one-half
34 percent of the amount insured by the policy and of any dividend
35 additions thereto. The policy may contain a provision by which the

1 insurer reserves the right to defer the making of the loan, except when
2 made to pay premiums, for a period not exceeding six months after the
3 date of application therefor.

4 (b) If such policy is issued on or after (~~such operative date~~)
5 June 12, 1947, the sum, including any interest to the end of the
6 current policy year shall not exceed the cash surrender value at the
7 end of the current policy year(~~, as required by RCW 48.23.350~~)).

8 (c)(i) The policy shall contain (A) a provision that policy loans
9 shall bear interest at a specified rate not exceeding six percent per
10 annum, or (B) a provision that policy loans shall bear interest at a
11 variable of not less than four nor more than eight percent per annum.

12 (ii) The variable rate shall not be changed more frequently than
13 once per year and no change may exceed one percent per annum except
14 reductions. The insurer shall give at least thirty days' notice to the
15 policy owner or the owner's designee of any changes in the interest
16 rate.

17 (iii) The provisions of (c)(i) and (c)(ii) of this subsection shall
18 apply only in policies in existence prior to August 1, 1981.

19 (2) Such policy shall further provide that the insurer may deduct
20 from such loan value any existing indebtedness on the policy (unless
21 such indebtedness has already been deducted in determining the cash
22 surrender value) and any unpaid balance of the premium for the current
23 policy year; and that if the loan is made or repaid on a date other
24 than the anniversary of the policy, the insurer shall be entitled to
25 interest for the portion of the current policy year at the rate of
26 interest specified in the policy.

27 (3) Such policy may further provide that if the interest on the
28 loan is not paid when due, it shall be added to the existing
29 indebtedness and shall bear interest at the same rate; and that if and
30 when the total indebtedness on the policy, including interest due or
31 accruing, equals or exceeds the amount of the loan value thereof which
32 would otherwise exist at such time, the policy shall terminate in full
33 settlement of such indebtedness and become void; except, that it shall
34 be stipulated in the policy that no such termination shall be effective
35 prior to the expiration of at least thirty days after notice of the
36 pendency of the termination was mailed by the insurer to the insured
37 and the assignee, if any, at their respective addresses last of record
38 with the insurer.

1 (4) The insurer shall provide in any policy issued on or after
2 (~~the operative date of RCW 48.23.350~~) June 12, 1947, that the making
3 of any loan, other than a loan to pay premiums, may be deferred for not
4 exceeding six months after the application for the loan has been
5 received by it.

6 **Sec. 21.** RCW 48.23.360 and 1973 1st ex.s. c 162 s 6 are each
7 amended to read as follows:

8 (1) Nonforfeiture benefits: Any paid-up nonforfeiture benefit
9 available under any annuity or pure endowment contract pursuant to RCW
10 48.23.200, in the event of default in a consideration due on any
11 contract anniversary shall be such that its present value as of such
12 anniversary shall be not less than the excess, if any, of the present
13 value, on such anniversary, of the future guaranteed benefits
14 (excluding any total disability benefits attached to such contracts)
15 which would have been provided for by the contract including any
16 existing paid-up additions, if there had been no default, over the sum
17 of (a) the then present value of the net consideration defined in
18 subsection (2) of this section corresponding to considerations which
19 would have fallen due on and after such anniversary, and (b) the amount
20 of any indebtedness to the company on the contract, including interest
21 due or accrued. In determining the benefits referred to in this
22 section and in calculating the net consideration referred to in such
23 subsection (2), in the case of annuity contracts under which an
24 election may be made to have annuity payments commence at optional
25 dates, the annuity payments shall be deemed to commence at the latest
26 date permitted by the contract for the commencement of such payments
27 and the considerations shall be deemed to be payable until such date,
28 which, however, shall not be later than the contract anniversary
29 nearest the annuitant's seventieth birthday.

30 (2) Net considerations: The net considerations for any annuity or
31 pure endowment contract referred to in subsection (1) of this section
32 shall be calculated on an annual basis, shall be such that the present
33 value thereof at date of issue of the annuity shall equal the then
34 present value of the future benefits thereunder (excluding any total
35 disability benefits attached to such contracts) and shall be not less
36 than the following percentages of the respective considerations
37 specified in the contracts for the respective contract years:

1 First year fifty percent
2 Second and subsequent years ninety percent

3 PROVIDED, That in the case of participating annuity contracts the
4 percentages hereinbefore specified may be decreased by five.

5 (3) Basis of calculation: All net considerations and present
6 values for such contracts referred to in this section shall be
7 calculated on the basis of the 1937 Standard Annuity Mortality Table
8 or, at the option of the insurer, the Annuity Mortality Table for 1949,
9 Ultimate, or any modification of either of these tables approved by the
10 commissioner, and the rate of interest, not exceeding three and one-
11 half percent per annum, specified in the contract for calculating cash
12 surrender values, if any, and paid-up nonforfeiture benefits; except
13 that with respect to annuity and pure endowment contracts issued on or
14 after (~~the operative date of RCW 48.12.150(3)(b)(ii)~~) June 12, 1947,
15 for such contracts, such rate of interest may be as high as four
16 percent per annum: PROVIDED, That if such rate of interest exceeds
17 three and one-half percent per annum, all net considerations and
18 present values for such contracts referred to in this section shall be
19 calculated on the 1971 Individual Annuity Mortality Table, or any
20 modification of this table approved by the commissioner.

21 (4) Calculations on default: Any cash surrender value and any
22 paid-up nonforfeiture benefit, available under any such contract in the
23 event of default in the payment of any consideration due at any time
24 other than on the contract anniversary, shall be calculated with
25 allowance for the lapse of time and the payment of fractional
26 considerations beyond the last preceding contract anniversary. All
27 values herein referred to may be calculated upon the assumption that
28 any death benefit is payable at the end of the contract year of death.

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

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

1 (7) Operative date: If no election is made by an insurer for an
2 operative date prior to July 1, 1948, such date shall be ~~((the~~
3 ~~operative date for this section))~~ June 12, 1947.

4 **Sec. 22.** RCW 48.29.040 and 1990 c 76 s 2 are each amended to read
5 as follows:

6 (1) Subject to ~~((the))~~ deposit requirements ~~((of RCW 48.29.030))~~,
7 a title insurer having its principal offices in one county may be
8 authorized to transact business in only such additional counties as to
9 which it owns or leases and maintains, or has a duly authorized agent
10 that owns or leases and maintains, a complete set of tract indexes.

11 (2) A title insurer not authorized to transact business in a
12 certain county may purchase a title policy on property located therein
13 from another title insurer which is so authorized in that county. The
14 first title insurer may thereafter issue its own policy of title
15 insurance to the owner of such property. The first title insurer may
16 combine the insurance on the title of such property in a single policy
17 which also insures the title of one or more other pieces of property.
18 The first title insurer must pay the full premium based on filed rates
19 for the policy, and must charge the precise same amount to its own
20 customer for the insurance as to the title of such property. A title
21 insurer using the authority granted by this subsection in a transaction
22 must so notify its customer.

23 **Sec. 23.** RCW 48.43.085 and 1996 c 312 s 3 are each amended to read
24 as follows:

25 Notwithstanding any other provision of law, no health carrier
26 subject to the jurisdiction of the state of Washington may prohibit
27 directly or indirectly its enrollees from freely contracting at any
28 time to obtain any health care services outside the health care plan on
29 any terms or conditions the enrollees choose. Nothing in this section
30 shall be construed to bind a carrier for any services delivered outside
31 the health plan. ~~((The provisions of this section shall be disclosed~~
32 ~~pursuant to RCW 48.43.095(2).))~~ The insurance commissioner is
33 prohibited from adopting rules regarding this section.

34 **Sec. 24.** RCW 48.43.370 and 1998 c 241 s 15 are each amended to
35 read as follows:

1 RCW 48.43.300 through 48.43.370 shall not apply to a carrier which
2 is subject to the provisions of RCW 48.05.430 through ((48.05.490))
3 48.05.485.

4 **Sec. 25.** RCW 48.53.040 and 1982 c 110 s 4 are each amended to read
5 as follows:

6 An insurer may cancel a fire insurance policy when the requirements
7 of RCW 48.53.030 are met only in accordance with the following
8 procedure:

9 (1) The insurer shall, not less than five days prior to
10 cancellation, issue written notice of cancellation to the insured or
11 the insured's representative in charge of the policy. The notice shall
12 contain at least the following:

- 13 (a) The date that the policy will be canceled;
- 14 (b) A description of the specific facts justifying the
15 cancellation;
- 16 (c) A copy of this chapter; and
- 17 (d) The name, title, address, and telephone number of the insurer's
18 employee who may be contacted regarding cancellation of the policy.

19 (2) The notice required by this section shall be actually delivered
20 or mailed to the insured by certified mail, return receipt requested,
21 and in addition by first class mail. A copy of the notice shall, at
22 the time of delivery or mailing to the insured, or the insured's
23 representative in charge of the policy, be mailed to the insurance
24 commissioner.

25 (3) The insurer shall also comply with the requirements of RCW
26 48.18.290 (1)((~~b~~)) (e), (2) and (3), and shall provide not less than
27 twenty days notice of cancellation to each mortgagee, pledgee, or other
28 person shown by the policy to have an interest in any loss which may
29 occur thereunder except as provided in subsection (1) of this section.

30 (4) The portion of any premium paid to the insurer on account of
31 the policy, unearned because of the cancellation and in an amount as
32 computed on a pro rata basis, must be actually paid or mailed to the
33 insured or other person entitled thereto as shown by the policy or any
34 endorsement thereon, as soon as possible, and no later than thirty
35 days after the date that the notice of cancellation was issued.

1 **Sec. 26.** RCW 48.74.030 and 1993 c 462 s 86 are each amended to
2 read as follows:

3 (1) Except as otherwise provided in subsections (2) and (3) of this
4 section, or in RCW 48.74.090, the minimum standard for the valuation of
5 all such policies and contracts issued prior to July 10, 1982, shall be
6 that provided by the laws in effect immediately prior to such date.
7 Except as otherwise provided in subsections (2) and (3) of this
8 section, or in RCW 48.74.090, the minimum standard for the valuation of
9 all such policies and contracts issued on or after July 10, 1982, shall
10 be the commissioner's reserve valuation methods defined in RCW
11 48.74.040, 48.74.070, and 48.74.090, three and one-half percent
12 interest, or in the case of life insurance policies and contracts,
13 other than annuity and pure endowment contracts, issued on or after
14 July 16, 1973, four percent interest for such policies issued prior to
15 September 1, 1979, five and one-half percent interest for single
16 premium life insurance policies and four and one-half percent interest
17 for all other such policies issued on and after September 1, 1979, and
18 the following tables:

19 (a) For all ordinary policies of life insurance issued on the
20 standard basis, excluding any disability and accidental death benefits
21 in such policies--the commissioner's 1941 standard ordinary mortality
22 table for such policies issued prior to (~~the operative date of RCW~~
23 ~~48.23.350(5a)~~) June 12, 1947, and the commissioner's 1958 standard
24 ordinary mortality table for such policies issued on or after (~~such~~
25 ~~operative date~~) June 12, 1947, and prior to the operative date of RCW
26 48.76.050(4), except that for any category of such policies issued on
27 female risks, all modified net premiums and present values referred to
28 in this chapter may be calculated according to an age not more than six
29 years younger than the actual age of the insured; and for such policies
30 issued on or after the operative date of RCW 48.76.050(4): (i) The
31 commissioner's 1980 standard ordinary mortality table; or (ii) at the
32 election of the company for any one or more specified plans of life
33 insurance, the commissioner's 1980 standard ordinary mortality table
34 with ten-year select mortality factors; or (iii) any ordinary mortality
35 table, adopted after 1980 by the National Association of Insurance
36 Commissioners, that is approved by regulation promulgated by the
37 commissioner for use in determining the minimum standard of valuation
38 for such policies.

1 (b) For all industrial life insurance policies issued on the
2 standard basis, excluding any disability and accidental death benefits
3 in such policies--the 1941 standard industrial mortality table for such
4 policies issued prior to (~~the operative date of RCW 48.23.350(5b)~~)
5 June 12, 1947, and for such policies issued on or after (~~such~~
6 ~~operative date~~) June 12, 1947, the commissioner's 1961 standard
7 industrial mortality table or any industrial mortality table, adopted
8 after 1980 by the National Association of Insurance Commissioners, that
9 is approved by rule of the commissioner for use in determining the
10 minimum standard of valuation for such policies.

11 (c) For individual annuity and pure endowment contracts, excluding
12 any disability and accidental death benefits in such policies--the 1937
13 standard annuity mortality table or, at the option of the company, the
14 annuity mortality table for 1949, ultimate, or any modification of
15 either of these tables approved by the commissioner.

16 (d) For group annuity and pure endowment contracts, excluding any
17 disability and accidental death benefits in such policies--the group
18 annuity mortality table for 1951, any modification of such table
19 approved by the commissioner, or, at the option of the company, any of
20 the tables or modifications of tables specified for individual annuity
21 and pure endowment contracts.

22 (e) For total and permanent disability benefits in or supplementary
23 to ordinary policies or contracts--for policies or contracts issued on
24 or after January 1, 1966, the tables of period 2 disablement rates and
25 the 1930 to 1950 termination rates of the 1952 disability study of the
26 Society of Actuaries, with due regard to the type of benefit or any
27 tables of disablement rates and termination rates, adopted after 1980
28 by the National Association of Insurance Commissioners, that are
29 approved by regulation promulgated by the commissioner for use in
30 determining the minimum standard of valuation for such policies; for
31 policies or contracts issued on or after January 1, 1961, and prior to
32 January 1, 1966, either such tables or, at the option of the company,
33 the class (3) disability table (1926); and for policies issued prior to
34 January 1, 1961, the class (3) disability table (1926). Any such table
35 shall, for active lives, be combined with a mortality table permitted
36 for calculating the reserves for life insurance policies.

37 (f) For accidental death benefits in or supplementary to policies--
38 for policies issued on or after January 1, 1966, the 1959 accidental

1 death benefits table or any accidental death benefits table, adopted
2 after 1980 by the National Association of Insurance Commissioners, that
3 is approved by regulation promulgated by the commissioner for use in
4 determining the minimum standard of valuation for such policies; for
5 policies issued on or after January 1, 1961, and prior to January 1,
6 1966, either such table or, at the option of the company, the
7 intercompany double indemnity mortality table; and for policies issued
8 prior to January 1, 1961, the intercompany double indemnity mortality
9 table. Either table shall be combined with a mortality table permitted
10 for calculating the reserves for life insurance policies.

11 (g) For group life insurance, life insurance issued on the
12 substandard basis and other special benefits--such tables as may be
13 approved by the commissioner.

14 (2) Except as provided in subsection (3) of this section, the
15 minimum standard for the valuation of all individual annuity and pure
16 endowment contracts issued on or after July 10, 1982, and for all
17 annuities and pure endowments purchased on or after such effective date
18 under group annuity and pure endowment contracts, shall be the
19 commissioner's reserve valuation methods defined in RCW 48.74.040 and
20 the following tables and interest rates:

21 (a) For individual annuity and pure endowment contracts issued
22 before September 1, 1979, excluding any disability and accidental death
23 benefit in such contracts--the 1971 individual annuity mortality table,
24 or any modification of this table approved by the commissioner, and six
25 percent interest for single premium immediate annuity contracts, and
26 four percent interest for all other individual annuity and pure
27 endowment contracts.

28 (b) For individual single premium immediate annuity contracts
29 issued on or after September 1, 1979, excluding any disability and
30 accidental death benefits in such contracts--the 1971 individual
31 annuity mortality table or any individual annuity mortality table,
32 adopted after 1980 by the National Association of Insurance
33 Commissioners, that is approved by regulation promulgated by the
34 commissioner for use in determining the minimum standard of valuation
35 for such contracts, or any modification of these tables approved by the
36 commissioner, and seven and one-half percent interest.

37 (c) For individual annuity and pure endowment contracts issued on
38 or after September 1, 1979, other than single premium immediate annuity

1 contracts, excluding any disability and accidental death benefits in
2 such contracts--the 1971 individual annuity mortality table or any
3 individual annuity mortality table, adopted after 1980 by the National
4 Association of Insurance Commissioners, that is approved by regulation
5 promulgated by the commissioner for use in determining the minimum
6 standard of valuation for such contracts, or any modification of these
7 tables approved by the commissioner, and five and one-half percent
8 interest for single premium deferred annuity and pure endowment
9 contracts and four and one-half percent interest for all other such
10 individual annuity and pure endowment contracts.

11 (d) For all annuities and pure endowments purchased prior to
12 September 1, 1979, under group annuity and pure endowment contracts,
13 excluding any disability and accidental death benefits purchased under
14 such contracts--the 1971 group annuity mortality table, or any
15 modification of this table approved by the commissioner, and six
16 percent interest.

17 (e) For all annuities and pure endowments purchased on or after
18 September 1, 1979, under group annuity and pure endowment contracts,
19 excluding any disability and accidental death benefits purchased under
20 such contracts--the 1971 group annuity mortality table or any group
21 annuity mortality table, adopted after 1980 by the National Association
22 of Insurance Commissioners, that is approved by regulation promulgated
23 by the commissioner for use in determining the minimum standard of
24 valuation for such annuities and pure endowments, or any modification
25 of these tables approved by the commissioner, and seven and one-half
26 percent interest.

27 After July 16, 1973, any company may file with the commissioner a
28 written notice of its election to comply with the provisions of this
29 section after a specified date before January 1, 1979, which shall be
30 the operative date of this section for such company. If a company
31 makes no such election, the operative date of this section for such
32 company shall be January 1, 1979.

33 (3)(a) The interest rates used in determining the minimum standard
34 for the valuation of:

35 (i) All life insurance policies issued in a particular calendar
36 year, on or after the operative date of RCW 48.76.050(4);

37 (ii) All individual annuity and pure endowment contracts issued in
38 a particular calendar year on or after January 1, 1982;

1 (iii) All annuities and pure endowments purchased in a particular
2 calendar year on or after January 1, 1982, under group annuity and pure
3 endowment contracts; and

4 (iv) The net increase, if any, in a particular calendar year after
5 January 1, 1982, in amounts held under guaranteed interest contracts
6 shall be the calendar year statutory valuation interest rates as
7 defined in this section.

8 (b) The calendar year statutory valuation interest rates, I, shall
9 be determined as follows and the results rounded to the nearer one-
10 quarter of one percent:

11 (i) For life insurance:

$$12 \quad I = .03 + W (R_1 - .03) + W/2 (R_2 - .09);$$

13 (ii) For single premium immediate annuities and for annuity
14 benefits involving life contingencies arising from other annuities with
15 cash settlement options and from guaranteed interest contracts with
16 cash settlement options:

$$17 \quad I = .03 + W (R - .03)$$

18 where R_1 is the lesser of R and .09,

19 R_2 is the greater of R and .09,

20 R is the reference interest rate defined in this section, and

21 W is the weighting factor defined in this section;

22 (iii) For other annuities with cash settlement options and
23 guaranteed interest contracts with cash settlement options, valued on
24 an issue year basis, except as stated in (ii) of this subparagraph, the
25 formula for life insurance stated in (i) of this subparagraph shall
26 apply to annuities and guaranteed interest contracts with guarantee
27 durations in excess of ten years and the formula for single premium
28 immediate annuities stated in (ii) of this subparagraph shall apply to
29 annuities and guaranteed interest contracts with guarantee duration of
30 ten years or less;

31 (iv) For other annuities with no cash settlement options and for
32 guaranteed interest contracts with no cash settlement options, the
33 formula for single premium immediate annuities stated in (ii) of this
34 subparagraph shall apply;

35 (v) For other annuities with cash settlement options and guaranteed
36 interest contracts with cash settlement options, valued on a change in
37 fund basis, the formula for single premium immediate annuities stated
38 in (ii) of this subparagraph shall apply.

1 (c) However, if the calendar year statutory valuation interest rate
2 for any life insurance policies issued in any calendar year determined
3 without reference to this sentence differs from the corresponding
4 actual rate for similar policies issued in the immediately preceding
5 calendar year by less than one-half of one percent, the calendar year
6 statutory valuation interest rate for such life insurance policies
7 shall be equal to the corresponding actual rate for the immediately
8 preceding calendar year. For purposes of applying the immediately
9 preceding sentence, the calendar year statutory valuation interest rate
10 for life insurance policies issued in a calendar year shall be
11 determined for 1983 using the reference interest rate defined for 1982
12 and shall be determined for each subsequent calendar year regardless of
13 when RCW 48.76.050(4) becomes operative.

14 (d) The weighting factors referred to in the formulas stated in
15 subparagraph (b) of this subsection are given in the following tables:

16 (i) Weighting Factors for Life Insurance:

17	Guarantee Duration	Weighting
18	(Years)	Factors
19	10 or less	.50
20	More than 10, but not more than 20	.45
21	More than 20	.35

22 For life insurance, the guarantee duration is the maximum number of
23 years the life insurance can remain in force on a basis guaranteed in
24 the policy or under options to convert to plans of life insurance with
25 premium rates or nonforfeiture values or both which are guaranteed in
26 the original policy;

27 (ii) Weighting factor for single premium immediate annuities and
28 for annuity benefits involving life contingencies arising from other
29 annuities with cash settlement options and guaranteed interest
30 contracts with cash settlement options: .80;

31 (iii) Weighting factors for other annuities and for guaranteed
32 interest contracts, except as stated in (ii) of this subparagraph,
33 shall be as specified in (d)(iii)(A), (B), and (C) of this subsection,
34 according to the rules and definitions in (d)(iii)(D), (E), and (F) of
35 this subsection:

1 (A) For annuities and guaranteed interest contracts valued on an
 2 issue year basis:

3 4 5 6 7 8 9 10 11 12 13 14 15 16	Guarantee Duration (Years)	Weighting Factor for Plan Type		
		A	B	C
5 or less:		.80	.60	.50
More than 5, but not more than 10:		.75	.60	.50
More than 10, but not more than 20:		.65	.50	.45
More than 20:		.45	.35	.35

17 (B) For annuities and guaranteed interest contracts valued on a
 18 change in fund basis, the factors shown in (d)(iii)(A) of this
 19 subsection increased by:

20 21 22 23 24 25 26 27	Plan Type		
	A	B	C
	.15	.25	.05

28 (C) For annuities and guaranteed interest contracts valued on an
 29 issue year basis other than those with no cash settlement options which
 30 do not guarantee interest on considerations received more than one year
 31 after issue or purchase and for annuities and guaranteed interest
 contracts valued on a change in fund basis which do not guarantee
 interest rates on considerations received more than twelve months
 beyond the valuation date, the factors shown in (d)(iii)(A) of this
 subsection or derived in (d)(iii)(B) of this subsection increased by:

32 33 34 35	Plan Type		
	A	B	C
	.05	.05	.05

36 (D) For other annuities with cash settlement options and guaranteed
 37 interest contracts with cash settlement options, the guarantee duration
 38 is the number of years for which the contract guarantees interest rates
 39 in excess of the calendar year statutory valuation interest rate for

1 life insurance policies with guarantee duration in excess of twenty
2 years. For other annuities with no cash settlement options and for
3 guaranteed interest contracts with no cash settlement options, the
4 guarantee duration is the number of years from the date of issue or
5 date of purchase to the date annuity benefits are scheduled to
6 commence.

7 (E) Plan type as used in the tables in (d)(iii)(A), (B), and (C) of
8 this subsection is defined as follows:

9 Plan Type A: At any time a policyholder may withdraw funds only:
10 (1) With an adjustment to reflect changes in interest rates or asset
11 values since receipt of the funds by the insurance company; or (2)
12 without such adjustment but in installments over five years or more; or
13 (3) as an immediate life annuity; or (4) no withdrawal permitted.

14 Plan Type B: Before expiration of the interest rate guarantee, a
15 policyholder may withdraw funds only: (1) With adjustment to reflect
16 changes in interest rates or asset values since receipt of the funds by
17 the insurance company; or (2) without such adjustment but in
18 installments over five years or more; or (3) no withdrawal permitted.
19 At the end of the interest rate guarantee, funds may be withdrawn
20 without such adjustment in a single sum or installments over less than
21 five years.

22 Plan Type C: A policyholder may withdraw funds before expiration
23 of the interest rate guarantee in a single sum or installments over
24 less than five years either: (1) Without adjustment to reflect changes
25 in interest rates or asset values since receipt of the funds by the
26 insurance company; or (2) subject only to a fixed surrender charge
27 stipulated in the contract as a percentage of the fund.

28 (F) A company may elect to value guaranteed interest contracts with
29 cash settlement options and annuities with cash settlement options on
30 either an issue year basis or on a change in fund basis. Guaranteed
31 interest contracts with no cash settlement options and other annuities
32 with no cash settlement options must be valued on an issue year basis.
33 As used in this section, an issue year basis of valuation refers to a
34 valuation basis under which the interest rate used to determine the
35 minimum valuation standard for the entire duration of the annuity or
36 guaranteed interest contract is the calendar year valuation interest
37 rate for the year of issue or year of purchase of the annuity or
38 guaranteed interest contract. The change in fund basis of valuation

1 refers to a valuation basis under which the interest rate used to
2 determine the minimum valuation standard applicable to each change in
3 the fund held under the annuity or guaranteed interest contract is the
4 calendar year valuation interest rate for the year of the change in the
5 fund.

6 (e) The reference interest rate referred to in subparagraphs (b)
7 and (c) of this subsection is defined as follows:

8 (i) For all life insurance, the lesser of the average over a period
9 of thirty-six months and the average over a period of twelve months,
10 ending on June 30th of the calendar year next preceding the year of
11 issue, of Moody's corporate bond yield average--monthly average
12 corporates, as published by Moody's Investors Service, Inc.

13 (ii) For single premium immediate annuities and for annuity
14 benefits involving life contingencies arising from other annuities with
15 cash settlement options and guaranteed interest contracts with cash
16 settlement options, the average over a period of twelve months, ending
17 on June 30th of the calendar year of issue or year of purchase of
18 Moody's corporate bond yield average--monthly average corporates, as
19 published by Moody's Investors Service, Inc.

20 (iii) For other annuities with cash settlement options and
21 guaranteed interest contracts with cash settlement options, valued on
22 a year of issue basis, except as stated in (ii) of this subparagraph,
23 with guarantee duration in excess of ten years, the lesser of the
24 average over a period of thirty-six months and the average over a
25 period of twelve months, ending on June 30th of the calendar year of
26 issue or purchase, of Moody's corporate bond yield average--monthly
27 average corporates, as published by Moody's Investors Service, Inc.

28 (iv) For other annuities with cash settlement options and
29 guaranteed interest contracts with cash settlement options, valued on
30 a year of issue basis, except as stated in (ii) of this subparagraph,
31 with guarantee duration of ten years or less, the average over a period
32 of twelve months, ending on June 30th of the calendar year of issue or
33 purchase, of Moody's corporate bond yield average--monthly average
34 corporates, as published by Moody's Investors Service, Inc.

35 (v) For other annuities with no cash settlement options and for
36 guaranteed interest contracts with no cash settlement options, the
37 average over a period of twelve months, ending on June 30th of the

1 calendar year of issue or purchase, of Moody's corporate bond yield
2 average--monthly average corporates, as published by Moody's Investors
3 Service, Inc.

4 (vi) For other annuities with cash settlement options and
5 guaranteed interest contracts with cash settlement options, valued on
6 a change in fund basis, except as stated in (ii) of this subparagraph,
7 the average over a period of twelve months, ending on June 30th of the
8 calendar year of the change in the fund, of Moody's corporate bond
9 yield average--monthly average corporates, as published by Moody's
10 Investors Service, Inc.

11 (f) If Moody's corporate bond yield average--monthly average
12 corporates is no longer published by Moody's Investors Service, Inc.,
13 or if the National Association of Insurance Commissioners determines
14 that Moody's corporate bond yield average--monthly average corporates
15 as published by Moody's Investors Service, Inc. is no longer
16 appropriate for the determination of the reference interest rate, then
17 an alternative method for determination of the reference interest rate,
18 which is adopted by the National Association of Insurance Commissioners
19 and approved by rule adopted by the commissioner, may be substituted.

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