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HOUSE BILL 1197

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State of Washington                      59th Legislature                      2005 Regular Session

By Representatives Roach and Kirby; by request of Insurance Commissioner

Read first time 01/18/2005. Referred to Committee on Financial Institutions & Insurance.

1            AN ACT Relating to insurance; amending RCW 48.02.180, 48.05.340,  
2 48.11.100, 48.11.140, 48.14.010, 48.14.0201, 48.17.150, 48.18.100,  
3 48.18.103, 48.18.430, 48.21.047, 48.23.010, 48.24.030, 48.29.010,  
4 48.29.020, 48.29.120, 48.29.130, 48.29.170, 48.30.300, 48.30A.045,  
5 48.30A.060, 48.30A.065, 48.31.100, 48.38.030, 48.44.240, 48.66.020,  
6 48.66.045, 48.66.055, 48.66.130, 48.92.120, 48.98.015, 48.110.030, and  
7 48.110.040; adding a new section to chapter 48.66 RCW; and repealing  
8 RCW 48.05.360, 48.29.030, 48.29.060, 48.29.070, 48.29.090, 48.29.100,  
9 48.29.110, and 48.34.910.

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

11            **Sec. 1.** RCW 48.02.180 and 1981 c 339 s 1 are each amended to read  
12 as follows:

13            (1) ~~((In addition to such publications as are otherwise authorized~~  
14 ~~under this code,))~~ The commissioner may ~~((from time to time))~~  
15 periodically prepare and publish:

16            (a) ~~((Booklets containing the insurance code, or supplements~~  
17 ~~thereto, and such related statutes as the commissioner deems suitable~~  
18 ~~and useful for inclusion in an appendix of such booklet or~~

1 ~~supplement.))~~ Title 48 RCW, Title 284 WAC, insurance bulletins and  
2 technical assistance advisories, and other laws, rules, or regulations  
3 relevant to the regulation of insurance;

4 (b) Manuals and other material ~~((relative))~~ relating to  
5 examinations for ~~((licensing as provided in chapter 48.17 RCW))~~  
6 licensure; and

7 (c) Any other publications authorized under Title 48 RCW.

8 (2) The commissioner may ~~((furnish))~~ provide copies of the  
9 ~~((insurance code, supplements thereto, and related statutes))~~  
10 publications referred to in subsection (1)(a) of this section free of  
11 charge to:

12 (a) Public offices and officers in this state ~~((concerned~~  
13 ~~therewith, to))~~;

14 (b) Public officials of other states and jurisdictions ~~((having~~  
15 ~~supervision of))~~ that regulate insurance ~~((, to))~~;

16 (c) The library of congress ~~((,))~~ and ~~((to))~~

17 (d) Officers of the armed forces of the United States of America  
18 located at military installations in this state who are concerned with  
19 insurance transactions at or involving ~~((such))~~ the military  
20 installations.

21 (3) Except as provided in subsection (2) of this section, the  
22 commissioner shall sell ~~((copies of the insurance code, supplements~~  
23 ~~thereto, examination manuals, and materials as))~~ the publications  
24 referred to in subsection (1) of this section ~~((, at))~~. The  
25 commissioner may charge a reasonable price ~~((, fixed by the~~  
26 ~~commissioner, in amount))~~ that is not less than the cost of  
27 publication, handling, and distribution ~~((thereof))~~. The commissioner  
28 shall promptly deposit all funds received ~~((by him pursuant to))~~ under  
29 this subsection with the state treasurer to the credit of the ~~((general~~  
30 ~~fund))~~ insurance commissioner's regulatory account. For appropriation  
31 purposes, ~~((such))~~ the funds received and deposited by the commissioner  
32 ~~((shall be treated as))~~ are a recovery of a previous expenditure.

33 **Sec. 2.** RCW 48.05.340 and 1995 c 83 s 14 are each amended to read  
34 as follows:

35 (1) Subject to RCW 48.05.350 ~~((and 48.05.360))~~ to qualify for  
36 authority to transact any one kind of insurance as defined in chapter  
37 48.11 RCW or combination of kinds of insurance as ~~((shown below))~~ set

1 forth in this subsection, a foreign or alien insurer, whether stock or  
 2 mutual, or a domestic insurer (~~hereafter~~) formed (~~shall~~) after the  
 3 effective date of this section must possess unimpaired paid-in capital  
 4 stock, if a stock insurer, or unimpaired surplus if a mutual insurer,  
 5 and additional funds in surplus, as follows, and (~~shall~~) must  
 6 thereafter maintain unimpaired a combined total of: (a) The paid-in  
 7 capital stock if a stock insurer or surplus if a mutual insurer, plus  
 8 (b) (~~such~~) additional funds in surplus equal to the total of the  
 9 following initial requirements:

10	Kind or kinds	Paid-in	Additional
11	of insurance	capital	surplus
12		stock or	surplus
13		basic surplus	
14	Life .....	\$2,000,000	\$2,000,000
15	Disability .....	2,000,000	2,000,000
16	Life and disability ...	2,400,000	2,400,000
17	Property .....	2,000,000	2,000,000
18	Marine &		
19	transportation ....	2,000,000	2,000,000
20	General casualty ....	2,400,000	2,400,000
21	Vehicle .....	2,000,000	2,000,000
22	Surety .....	2,000,000	2,000,000
23	Any two of the		
24	following kinds		
25	of insurance:		
26	Property, marine		
27	& transportation,		
28	general casualty,		
29	vehicle, surety,		
30	disability .....	3,000,000	3,000,000
31	Multiple lines (all		
32	insurances except		
33	life and title		
34	insurance) .....	3,000,000	3,000,000

1 Title ((in accordance  
2 with the  
3 provisions of  
4 chapter 48.29  
5 RCW))) 2,000,000 2,000,000

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

10 (3) Until December 31, 1996, a foreign or alien insurer holding a  
11 certificate of authority to transact insurance in this state  
12 immediately prior to June 9, 1994, may continue to be authorized to  
13 transact the same kinds of insurance as long as it is otherwise  
14 qualified for ((such)) that authority. A domestic insurer, except a  
15 title insurer, holding a certificate of authority to transact insurance  
16 in this state immediately prior to June 9, 1994, may continue to be  
17 authorized to transact the same kinds of insurance as long as it is  
18 otherwise qualified for such an authority and thereafter maintains  
19 unimpaired the amount of paid-in capital stock, if a stock insurer, or  
20 basic surplus, if a mutual or reciprocal insurer, and special or  
21 additional surplus as required of it under laws in force immediately  
22 prior to June 9, 1994.

23 **Sec. 3.** RCW 48.11.100 and 1947 c 79 s .11.10 are each amended to  
24 read as follows:

25 "Title insurance" is insurance of owners of property or others  
26 having an interest ((therein)) in real property, against loss by  
27 encumbrance, or defective titles, or adverse claim to title, and  
28 associated services ((connected therewith)).

29 **Sec. 4.** RCW 48.11.140 and 1993 c 462 s 53 are each amended to read  
30 as follows:

31 (1) ((No)) An insurer ((shall)) may not retain any risk on any one  
32 subject of insurance, whether located or to be performed in this state  
33 or elsewhere, in an amount exceeding ten percent of its surplus to  
34 policyholders.

35 (2) For the purposes of this section, a "subject of insurance" as

1 to insurance against fire includes all properties insured by the same  
2 insurer (~~which~~) that are reasonably subject to loss or damage from  
3 the same fire.

4 (3) Reinsurance in an alien reinsurer not qualified under RCW  
5 (~~48.05.300~~) 48.12.166 may not be deducted in determining risk  
6 retained for the purposes of this section.

7 (4) In the case of surety insurance, the net retention shall be  
8 computed after deduction of reinsurances, the amount assumed by any  
9 co-surety, the value of any security deposited, pledged, or held  
10 subject to the consent of the surety and for the protection of the  
11 surety.

12 (5) This section does not apply to life insurance, disability  
13 insurance, title insurance, or insurance of marine risks or marine  
14 protection and indemnity risks.

15 **Sec. 5.** RCW 48.14.010 and 1994 c 131 s 2 are each amended to read  
16 as follows:

17 (1) The commissioner shall collect in advance the following fees:

- 18 (a) **For filing charter documents:**
  - 19 (i) Original charter documents, bylaws
  - 20 or record of organization of
  - 21 insurers, or certified copies thereof,
  - 22 required to be filed . . . . . \$250.00
  - 23 (ii) Amended charter documents, or
  - 24 certified copy thereof, other than
  - 25 amendments of bylaws . . . . . \$ 10.00
  - 26 (iii) No additional charge or fee shall be
  - 27 required for filing any of such
  - 28 documents in the office of the
  - 29 secretary of state.
- 30 (b) **Certificate of authority:**
  - 31 (i) Issuance . . . . . \$ 25.00
  - 32 (ii) Renewal . . . . . \$ 25.00
- 33 (c) **Annual statement of insurer, filing . . . . . \$ 20.00**
- 34 (d) **Organization or financing of domestic insurers and**
- 35 **affiliated corporations:**

1	(i)	Application for solicitation permit,	
2		filing . . . . .	\$100.00
3	(ii)	Issuance of solicitation permit . . .	\$ 25.00
4	<b>(e)</b>	<b>Agents' licenses:</b>	
5	(i)	Agent's qualification licenses every	
6		two years . . . . .	\$ 50.00
7	(ii)	Filing of appointment of each such	
8		agent, every two years . . . . .	\$ 20.00
9	(iii)	Limited license issued pursuant	
10		to RCW 48.17.190, every two	
11		years . . . . .	\$ 20.00
12	<b>(f)</b>	<b>Reinsurance intermediary licenses:</b>	
13	(i)	Reinsurance intermediary-broker,	
14		each year . . . . .	\$ 50.00
15	(ii)	Reinsurance intermediary-	
16		manager, each year . . . . .	\$100.00
17	<b>(g)</b>	<b>Brokers' licenses:</b>	
18	(i)	Broker's license, every two	
19		years . . . . .	\$100.00
20	(ii)	Surplus line broker, every two	
21		years . . . . .	\$200.00
22	<b>(h)</b>	<b>Solicitors' license, every two years . . . .</b>	<b>\$ 20.00</b>
23	<b>(i)</b>	<b>Adjusters' licenses:</b>	
24	(i)	Independent adjuster, every two	
25		years . . . . .	\$ 50.00
26	(ii)	Public adjuster, every two	
27		years . . . . .	\$ 50.00
28	<b>(j)</b>	<b>Resident general agent's license, every</b>	
29		<b>two years . . . . .</b>	<b>\$ 50.00</b>
30	<b>(k)</b>	<b>Managing general agent appointment,</b>	
31		<b>every two years . . . . .</b>	<b>\$200.00</b>
32	<b>(l)</b>	<b>Examination for license, each examination:</b>	

1 All examinations, except examinations  
2 administered by an independent  
3 testing service, the fees for which are  
4 to be approved by the commissioner  
5 and collected directly by and retained  
6 by such independent testing service ... \$ 20.00

7 **(m) Miscellaneous services:**

- 8 (i) Filing other documents ..... \$ 5.00  
9 (ii) Commissioner's certificate under  
10 seal ..... \$ 5.00  
11 (iii) Copy of documents filed in the  
12 commissioner's office, reasonable  
13 charge therefor as determined by  
14 the commissioner.

15 (2) All fees so collected shall be remitted by the commissioner to  
16 the state treasurer not later than the first business day following,  
17 and shall be placed to the credit of the general fund(~~(+ PROVIDED,~~  
18 ~~That)~~).

19 (a) Fees for examinations administered by an independent testing  
20 service ((which)) that are approved by the commissioner ((pursuant to))  
21 under subsection (1)(1) of this section shall be collected directly by  
22 ((such)) the independent testing service and retained by it.

23 (b) Fees for copies of documents filed in the commissioner's office  
24 shall be remitted by the commissioner to the state treasurer not later  
25 than the first business day following, and shall be placed to the  
26 credit of the insurance commissioner's regulatory account.

27 **Sec. 6.** RCW 48.14.0201 and 2004 c 260 s 24 are each amended to  
28 read as follows:

29 (1) As used in this section, "taxpayer" means a health maintenance  
30 organization as defined in RCW 48.46.020, a health care service  
31 contractor as defined in RCW 48.44.010, or a self-funded multiple  
32 employer welfare arrangement as defined in RCW 48.125.010.

33 (2) Each taxpayer shall pay a tax on or before the first day of  
34 March of each year to the state treasurer through the insurance  
35 commissioner's office. The tax shall be equal to the total amount of  
36 all premiums and prepayments for health care services received by the

1 taxpayer during the preceding calendar year multiplied by the rate of  
2 two percent.

3 (3) Taxpayers shall prepay their tax obligations under this  
4 section. The minimum amount of the prepayments shall be percentages of  
5 the taxpayer's tax obligation for the preceding calendar year  
6 recomputed using the rate in effect for the current year. For the  
7 prepayment of taxes due during the first calendar year, the minimum  
8 amount of the prepayments shall be percentages of the taxpayer's tax  
9 obligation that would have been due had the tax been in effect during  
10 the previous calendar year. The tax prepayments shall be paid to the  
11 state treasurer through the commissioner's office by the due dates and  
12 in the following amounts:

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

16 (4) For good cause demonstrated in writing, the commissioner may  
17 approve an amount smaller than the preceding calendar year's tax  
18 obligation as recomputed for calculating the health maintenance  
19 organization's, health care service contractor's, self-funded multiple  
20 employer welfare arrangement's, or certified health plan's prepayment  
21 obligations for the current tax year.

22 (5) Moneys collected under this section shall be deposited in the  
23 general fund through March 31, 1996, and in the health services account  
24 under RCW 43.72.900 after March 31, 1996.

25 (6) The taxes imposed in this section do not apply to:

26 (a) Amounts received by any taxpayer from the United States or any  
27 instrumentality thereof as prepayments for health care services  
28 provided under Title XVIII (medicare) of the federal social security  
29 act.

30 (b) Amounts received by any health care service contractor, as  
31 defined in RCW 48.44.010, as prepayments for health care services  
32 included within the definition of practice of dentistry under RCW  
33 18.32.020.

34 (c) Participant contributions to self-funded multiple employer  
35 welfare arrangements that are not taxable in this state.

36 (7) Beginning January 1, 2000, the state does hereby preempt the  
37 field of imposing excise or privilege taxes upon taxpayers and no  
38 county, city, town, or other municipal subdivision shall have the right



1 to impose any such taxes upon such taxpayers. This subsection shall be  
2 limited to premiums and payments for health benefit plans offered by  
3 health care service contractors under chapter 48.44 RCW, health  
4 maintenance organizations under chapter 48.46 RCW, and self-funded  
5 multiple employer welfare arrangements as defined in RCW 48.125.010.  
6 The preemption authorized by this subsection shall not impair the  
7 ability of a county, city, town, or other municipal subdivision to  
8 impose excise or privilege taxes upon the health care services directly  
9 delivered by the employees of a health maintenance organization under  
10 chapter 48.46 RCW.

11 (8) The taxes imposed by this section apply to a self-funded  
12 multiple employer welfare arrangement only in the event that they are  
13 not preempted by the employee retirement income security act of 1974,  
14 as amended, 29 U.S.C. Sec. 1001 et seq. The arrangements and the  
15 commissioner shall initially request an advisory opinion from the  
16 United States department of labor or obtain a declaratory ruling from  
17 a federal court on the legality of imposing state premium taxes on  
18 these arrangements. If there has not been a final determination by the  
19 United States department of labor or a federal court that the taxes are  
20 not preempted by federal law, the taxes provided for in this section  
21 become effective on March 1, 2005, or thirty days following the  
22 issuance of a certificate of authority, whichever is later. During the  
23 time period between March 1, 2005, or thirty days following the  
24 issuance of a certificate of authority, whichever is later, and the  
25 final determination by the United States department of labor or a  
26 federal court, any taxes shall be deposited in an interest bearing  
27 escrow account maintained by the [self-funded] multiple employer  
28 welfare arrangement. Upon a final determination that the taxes are not  
29 preempted by the employee retirement income security act of 1974, as  
30 amended, 29 U.S.C. Sec. 1001 et seq., all funds in the interest bearing  
31 escrow account shall be transferred to the state treasurer.

32 (9) The effect of transferring contracts for health care services  
33 from one taxpayer to another taxpayer is to transfer the tax prepayment  
34 obligation with respect to the contracts.

35 (10) On or before June 1st of each year, the commissioner shall  
36 notify each taxpayer required to make prepayments in that year of the  
37 amount of each prepayment and shall provide remittance forms to be used

1 by the taxpayer. However, a taxpayer's responsibility to make  
2 prepayments is not affected by failure of the commissioner to send, or  
3 the taxpayer to receive, the notice or forms.

4 **Sec. 7.** RCW 48.17.150 and 1994 c 131 s 4 are each amended to read  
5 as follows:

6 (1) To qualify for an agent's or broker's license, an applicant  
7 must otherwise comply with this code (~~(therefor)~~) and must:

8 (a) Be at least eighteen years of age (~~(or over)~~), if an  
9 individual;

10 (b) Be a bona fide resident of and actually reside in this state,  
11 or if a corporation, be other than an insurer and maintain a lawfully  
12 established place of business in this state, except as provided in RCW  
13 48.17.330;

14 (c) Be empowered to be an agent or broker(~~(, as the case may be,)~~)  
15 under its members' agreement, if a firm, or by its articles of  
16 incorporation, if a corporation;

17 (d) Complete (~~(such)~~) the minimum educational requirements for the  
18 issuance of an agent's license for the kinds of insurance specified in  
19 RCW 48.17.210 as may be required by regulation issued by the  
20 commissioner;

21 (e) Successfully pass any examination as required under RCW  
22 48.17.110;

23 (f) Be a trustworthy person;

24 (g)(i) If for an agent's license, be appointed as its agent by one  
25 or more authorized insurers, subject to issuance of the license;  
26 (~~(and)~~)

27 (ii) The commissioner may by regulation establish requirements,  
28 including notification formats, in addition to or in lieu of the  
29 requirements of (g)(i) of this subsection to allow an agent to act as  
30 a representative of and place insurance with an insurer without first  
31 notifying the commissioner of the appointment for a period of time up  
32 to but not exceeding thirty days from the date the first insurance  
33 application is executed by the agent; and

34 (h) If for broker's license, have had at least two years experience  
35 either as an agent, solicitor, adjuster, general agent, broker, or as  
36 an employee of insurers or representatives of insurers, and special

1 education or training of sufficient duration and extent reasonably to  
2 satisfy the commissioner that ~~((he))~~ the applicant possesses the  
3 competence necessary to fulfill the responsibilities of broker.

4 (2) The commissioner shall by regulation establish minimum  
5 continuing education requirements for the renewal or reissuance of a  
6 license to an agent or a broker(~~((:—PROVIDED, That))~~).

7 (a) The commissioner shall require that continuing education  
8 courses will be made available on a statewide basis in order to ensure  
9 that persons residing in all geographical areas of this state will have  
10 a reasonable opportunity to attend such courses.

11 (b) The continuing education requirements ~~((shall))~~ must be  
12 appropriate to the license for the kinds of insurance specified in RCW  
13 48.17.210(~~((:—PROVIDED FURTHER, That))~~).

14 (c) The continuing education requirements may be waived by the  
15 commissioner for good cause shown.

16 (3) If the commissioner finds that the applicant is ~~((se))~~  
17 qualified and that the license fee has been paid, the license shall be  
18 issued. Otherwise, the commissioner shall refuse to issue the license.

19 **Sec. 8.** RCW 48.18.100 and 1997 c 428 s 3 are each amended to read  
20 as follows:

21 (1) No insurance policy form ~~((other than surety bond forms, forms  
22 exempt under RCW 48.18.103,))~~ or application form where written  
23 application is required and is to be attached to the policy, or printed  
24 life or disability rider or endorsement form ~~((shall))~~ may be issued,  
25 delivered, or used unless it has been filed with and approved by the  
26 commissioner. This section ~~((shall))~~ does not apply to:

27 (a) Surety bond forms;

28 (b) Forms filed under RCW 48.18.103;

29 (c) Forms exempted from filing requirements by the commissioner  
30 under RCW 48.18.103; or

31 (d) Manuscript policies, riders, or endorsements of unique  
32 character designed for and used with relation to insurance upon a  
33 particular subject.

34 (2) Every such filing containing a certification, in a form  
35 approved by the commissioner, by either the chief executive officer of  
36 the insurer or by an actuary who is a member of the American academy of  
37 actuaries, attesting that the filing complies with Title 48 RCW and

1 Title 284 of the Washington Administrative Code, may be used by  
2 ~~((such))~~ the insurer immediately after filing with the commissioner.  
3 The commissioner may order an insurer to cease using a certified form  
4 upon the grounds set forth in RCW 48.18.110. This subsection ~~((shall))~~  
5 does not apply to certain types of policy forms designated by the  
6 commissioner by rule.

7 (3) Except as provided in RCW 48.18.103, every filing that does not  
8 contain a certification pursuant to subsection (2) of this section  
9 ~~((shall))~~ must be made not less than thirty days in advance of ~~((any~~  
10 ~~such))~~ issuance, delivery, or use. At the expiration of ~~((such))~~ the  
11 thirty days, the filed form ~~((so-filed))~~ shall be deemed approved  
12 unless prior thereto it has been affirmatively approved or disapproved  
13 by order of the commissioner. The commissioner may extend by not more  
14 than an additional fifteen days the period within which he or she may  
15 ~~((so))~~ affirmatively approve or disapprove any ~~((such))~~ form, by giving  
16 notice of ~~((such))~~ the extension before expiration of the initial  
17 thirty-day period. At the expiration of ~~((any-such))~~ the period ~~((as~~  
18 ~~so))~~ that has been extended, and in the absence of ~~((such))~~ prior  
19 affirmative approval or disapproval, ~~((any-such))~~ the form shall be  
20 deemed approved. The commissioner may withdraw any ~~((such))~~ approval  
21 at any time for cause. By approval of any ~~((such))~~ form for immediate  
22 use, the commissioner may waive any unexpired portion of ~~((such))~~ the  
23 initial thirty-day waiting period.

24 (4) The commissioner's order disapproving any ~~((such))~~ form or  
25 withdrawing a previous approval ~~((shall))~~ must state the grounds  
26 ~~((therefor))~~ for disapproval.

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

29 (6) The commissioner may, by ~~((order))~~ rule, exempt from the  
30 requirements of this section ~~((for so long as he or she deems proper,))~~  
31 any class or type of insurance ~~((document or form or type thereof as~~  
32 ~~specified in such order, to which in his or her opinion this section~~  
33 ~~may not practicably be applied, or the))~~ policy forms if filing and  
34 approval ~~((of which are, in his or her opinion,))~~ is not desirable or  
35 necessary for the protection of the public.

36 (7) Every member or subscriber to a rating organization ~~((shall))~~  
37 must adhere to the form filings made on its behalf by the organization.

1 Deviations from (~~such~~) the organization are permitted only when filed  
2 with the commissioner in accordance with this chapter.

3 **Sec. 9.** RCW 48.18.103 and 2003 c 248 s 4 are each amended to read  
4 as follows:

5 (1) It is the intent of the legislature to assist the purchasers of  
6 commercial property casualty insurance by allowing policies to be  
7 issued more expeditiously and provide a more competitive market for  
8 forms.

9 (2) Commercial property casualty policies may be issued prior to  
10 filing the forms.

11 (3) All commercial property casualty forms (~~shall~~) must be filed  
12 with the commissioner within thirty days after an insurer issues any  
13 policy using them. This subsection does not apply to:

14 (a) Types or classes of forms that the commissioner exempts from  
15 filing by rule; and

16 (b) Manuscript policies, riders, or endorsements of unique  
17 character designed for and used with relation to insurance upon a  
18 particular subject.

19 (~~(3)~~) (4) If, within thirty days after a commercial property  
20 casualty form has been filed, the commissioner finds that the form does  
21 not meet the requirements of this chapter, the commissioner shall  
22 disapprove the form and give notice to the insurer or rating  
23 organization that made the filing, specifying how the form fails to  
24 meet the requirements and stating when, within a reasonable period  
25 thereafter, the form shall be deemed no longer effective. The  
26 commissioner may extend the time for review (~~another~~) an additional  
27 fifteen days by giving notice to the insurer prior to the expiration of  
28 the original thirty-day period.

29 (~~(4)~~) (5) Upon a final determination of a disapproval of a policy  
30 form under subsection (~~(3)~~) (4) of this section, the insurer  
31 (~~shall~~) must amend any previously issued disapproved form by  
32 endorsement to comply with the commissioner's disapproval.

33 (~~(5)~~) (6) For purposes of this section, "commercial property  
34 casualty" means insurance pertaining to a business, profession,  
35 occupation, nonprofit organization, or public entity for the lines of  
36 property and casualty insurance defined in RCW 48.11.040, 48.11.050,  
37 48.11.060, or 48.11.070.

1        ~~((+6))~~ (7) Except as provided in subsection ~~((+4))~~ (5) of this  
2 section, the disapproval shall not affect any contract made or issued  
3 prior to the expiration of the period set forth in the notice of  
4 disapproval.

5        ~~((+7))~~ (8) Every member or subscriber to a rating organization  
6 must adhere to the form filings made on its behalf by the organization.  
7 An insurer may deviate from forms filed on its behalf by an  
8 organization only if the insurer files the forms with the commissioner  
9 in accordance with this chapter.

10        (9) In the event a hearing is held on the actions of the  
11 commissioner under subsection ~~((+3))~~ (4) of this section, the burden  
12 of proof shall be on the commissioner.

13        **Sec. 10.** RCW 48.18.430 and 1949 c 190 s 25 are each amended to  
14 read as follows:

15        (1) The benefits, rights, privileges, and options ~~((which))~~ under  
16 any annuity contract ~~((heretofore or hereafter issued are due or~~  
17 ~~prospectively))~~ that are due the annuitant who paid the consideration  
18 for the annuity contract ~~((, shall not be))~~ are not subject to execution  
19 ~~((nor shall))~~ and the annuitant may not be compelled to exercise ~~((any~~  
20 ~~such))~~ those rights, powers, or options, ~~((nor shall))~~ and creditors  
21 ~~((be))~~ are not allowed to interfere with or terminate the contract,  
22 except:

23        (a) As to amounts paid for or as premium on ~~((any such))~~ an annuity  
24 with intent to defraud creditors, with interest thereon, and of which  
25 the creditor has given the insurer written notice at its home office  
26 prior to ~~((the))~~ making ~~((of))~~ the payments to the annuitant out of  
27 which the creditor seeks to recover. ~~((Any such))~~ The notice ~~((shall))~~  
28 must specify the amount claimed or ~~((such))~~ the facts ~~((as))~~ that will  
29 enable the insurer to ~~((ascertain such))~~ determine the amount, and  
30 ~~((shall))~~ must set forth ~~((such))~~ the facts ~~((as))~~ that will enable the  
31 insurer to ~~((ascertain))~~ determine the insurance or annuity contract,  
32 the person insured or annuitant and the payments sought to be avoided  
33 on the ~~((ground))~~ basis of fraud.

34        (b) The total exemption of benefits presently due and payable to  
35 ~~((any))~~ an annuitant periodically or at stated times under all annuity  
36 contracts ~~((under which he is an annuitant, shall))~~ may not at any time  
37 exceed two thousand five hundred ~~((and fifty))~~ dollars per month for

1 the length of time represented by ~~((such))~~ the installments, and ~~((that~~  
2 ~~such))~~ a periodic payment in excess of two thousand five hundred ~~((and~~  
3 ~~fifty))~~ dollars per month ~~((shall be))~~ is subject to garnishee  
4 execution to the same extent as are wages and salaries.

5 (c) If the total benefits presently due and payable to ~~((any))~~ an  
6 annuitant under all annuity contracts ~~((under which he is an annuitant,~~  
7 ~~shall))~~ at any time exceeds payment at the rate of two thousand five  
8 hundred ~~((and fifty))~~ dollars per month, then the court may order  
9 ~~((such))~~ the annuitant to pay to a judgment creditor or apply on the  
10 judgment, in installments, ~~((such))~~ the portion of ~~((such))~~ the excess  
11 benefits ~~((as to))~~ that the court ~~((may appear))~~ determines to be just  
12 and proper, after due regard for the reasonable requirements of the  
13 judgment debtor and ~~((his family, if dependent upon him))~~ the judgment  
14 debtor's dependent family, as well as any payments required to be made  
15 by the annuitant to other creditors under prior court orders.

16 (2) The benefits, rights, privileges, or options accruing under  
17 ~~((such))~~ an annuity contract to a beneficiary or assignee ~~((shall not~~  
18 ~~be))~~ are not transferable ~~((nor))~~ or subject to commutation, and if the  
19 benefits are payable periodically or at stated times, the same  
20 exemptions and exceptions contained ~~((herein))~~ in this section for the  
21 annuitant ~~((, shall apply with respect to such))~~ apply to the  
22 beneficiary or assignee.

23 (3) An annuity contract within the meaning of this section ~~((shall~~  
24 ~~be))~~ is any obligation to pay certain sums at stated times, during life  
25 or lives, or for a specified term or terms, issued for a valuable  
26 consideration, regardless of whether or not ~~((such))~~ the sums are  
27 payable to one or more persons, jointly or otherwise, but does not  
28 include payments under life insurance contracts at stated times during  
29 life or lives, or for a specified term or terms.

30 **Sec. 11.** RCW 48.21.047 and 1995 c 265 s 22 are each amended to  
31 read as follows:

32 (1) ~~((No insurer shall))~~ An insurer may not offer any health  
33 benefit plan to any small employer without complying with ~~((the~~  
34 ~~provisions of))~~ RCW 48.21.045 ~~((+5))~~ (3).

35 (2) Employers purchasing health plans provided through associations  
36 or through member-governed groups formed specifically for the purpose

1 of purchasing health care (~~((shall not be considered))~~) are not small  
2 employers and (~~((such plans shall not be subject to the provisions of~~  
3 ~~RCW 48.21.045(5))~~) the plans are not subject to RCW 48.21.045(3).

4 (3) For purposes of this section, "health benefit plan," "health  
5 plan," and "small employer" mean the same as defined in RCW 48.43.005.

6 **Sec. 12.** RCW 48.23.010 and 1979 c 130 s 2 are each amended to read  
7 as follows:

8 (~~The provisions of this chapter apply~~) This chapter applies to  
9 contracts of life insurance and annuities other than group life  
10 insurance, group annuities, and, except for RCW 48.23.260, 48.23.270,  
11 and 48.23.340, (~~and 48.23.350,~~) other than industrial life  
12 insurance(~~(: PROVIDED, That the provisions of)~~). However, Title 48  
13 RCW (~~shall~~) does not apply to charitable gift annuities issued by a  
14 board of a state university, regional university, or a state college,  
15 nor to the issuance thereof.

16 **Sec. 13.** RCW 48.24.030 and 1993 c 132 s 1 are each amended to read  
17 as follows:

18 (1) Insurance under any group life insurance policy issued  
19 (~~pursuant to~~) under RCW 48.24.020, (~~or~~) 48.24.050, (~~or~~)  
20 48.24.060, (~~or~~) 48.24.070, or 48.24.090 may, if seventy-five percent  
21 of the then insured employees or labor union members or public employee  
22 association members or members of the Washington state patrol elect, be  
23 extended to insure the spouse and dependent children, or any class or  
24 classes thereof, of each (~~such~~) insured employee or member who so  
25 elects, in amounts in accordance with a plan (~~which~~) that precludes  
26 individual selection by the employees or members or by the employer or  
27 labor union or trustee(~~, and which insurance on the life of any one~~  
28 ~~family member including a spouse shall not be in excess of fifty~~  
29 ~~percent of the insurance on the life of the insured employee or~~  
30 ~~member~~)).

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

35 (2) (~~Such~~) A spouse insured (~~pursuant to~~) under this section



1 (~~shall have~~) has the same conversion right as to the insurance on his  
2 or her life as is vested in the employee or member under this chapter.

3 **Sec. 14.** RCW 48.29.010 and 1997 c 14 s 1 are each amended to read  
4 as follows:

5 (1) This chapter relates only to title insurers for real property.

6 (2) (~~None of the provisions of~~) This code (~~shall be deemed to~~)  
7 does not apply to persons engaged in the business of preparing and  
8 issuing abstracts of title to property and certifying to (~~the~~) their  
9 correctness (~~thereof~~) so long as (~~such~~) the persons do not  
10 guarantee or insure (~~such~~) the titles.

11 (3) For purposes of this chapter, unless the context clearly  
12 requires otherwise:

13 (a) "Title policy" means any written instrument, contract, or  
14 guarantee by means of which title insurance liability is assumed.

15 (b) "Abstract of title" means a written representation, provided  
16 (~~pursuant to~~) under contract, whether written or oral, intended to be  
17 relied upon by the person who has contracted for the receipt of  
18 (~~such~~) this representation, listing all recorded conveyances,  
19 instruments, or documents (~~which~~) that, under the laws of the state  
20 of Washington, impart constructive notice with respect to the chain of  
21 title to the real property described. An abstract of title is not a  
22 title policy as defined in this subsection.

23 (c) "Preliminary report," "commitment," or "binder" means reports  
24 furnished in connection with an application for title insurance and are  
25 offers to issue a title policy subject to the stated exceptions (~~set~~  
26 ~~forth~~) in the reports, the conditions and stipulations of the report  
27 and the issued policy, and (~~such~~) other matters as may be  
28 incorporated by reference. The reports are not abstracts of title, nor  
29 are any of the rights, duties, or responsibilities applicable to the  
30 preparation and issuance of an abstract of title applicable to the  
31 issuance of any report. (~~Any such~~) The report (~~shall not be~~  
32 ~~construed as, nor constitute,~~) is not a representation as to the  
33 condition of the title to real property, but (~~shall constitute~~) is  
34 a statement of terms and conditions upon which the issuer is willing to  
35 issue its title policy, if (~~such~~) the offer is accepted.

1       **Sec. 15.** RCW 48.29.020 and 1990 c 76 s 1 are each amended to read  
2 as follows:

3       A title insurer (~~((shall not be))~~) is not entitled to have a  
4 certificate of authority unless (~~((it otherwise qualifies therefor, nor~~  
5 ~~unless))~~):

6       (1) It is a stock corporation(~~(-)~~);

7       (2) It owns or leases and maintains a complete set of tract indexes  
8 of the county in this state in which its principal office (~~((within this~~  
9 ~~state))~~) is located(~~(-)~~); and

10       (3) (~~((It deposits and keeps on deposit with the commissioner a~~  
11 ~~guaranty fund in amount as set forth in RCW 48.29.030 and comprised of~~  
12 ~~cash or public obligations as specified in RCW 48.13.040.))~~) It has and  
13 maintains the capital and surplus requirements set forth in RCW  
14 48.05.340.

15       **Sec. 16.** RCW 48.29.120 and 1947 c 79 s .29.12 are each amended to  
16 read as follows:

17       (~~((1) Each title insurer shall annually apportion to a special~~  
18 ~~reserve fund an amount determined by applying the rate of twenty five~~  
19 ~~cents for each one thousand dollars of net increase of insurance it has~~  
20 ~~in force as at the end of such year. Such apportionment shall be~~  
21 ~~continued or resumed as needed to maintain the special reserve fund at~~  
22 ~~an amount equal to not less than the guaranty fund deposit required of~~  
23 ~~the insurer.~~

24       (2) ~~The special reserve fund shall be held by the insurer as an~~  
25 ~~additional guaranty fund, and shall be used only for the payment of~~  
26 ~~losses after the insurer's liquid resources available for the payment~~  
27 ~~of losses, other than such special reserve fund or the guaranty fund~~  
28 ~~deposit, have been exhausted.~~

29       (3) ~~For the purposes of computing the special reserve fund as~~  
30 ~~provided in subsection (1) of this section, net increase of insurance~~  
31 ~~in force resulting from reinsurance of the risks of another title~~  
32 ~~insurer shall not be included to the extent that a like special reserve~~  
33 ~~fund on such insurance is maintained by the ceding insurer.))~~ In  
34 determining the financial condition of a title insurer doing business  
35 under this title, the general provisions of chapter 48.12 RCW requiring  
36 the establishment of reserves sufficient to cover all known and unknown

1 liabilities including allocated and unallocated loss adjustment expense  
2 apply, except that a title insurer shall establish and maintain:

3 (1) A known claim reserve in an amount estimated to be sufficient  
4 to cover all unpaid losses, claims, and allocated loss adjustment  
5 expenses arising under title insurance policies, guaranteed  
6 certificates of title, guaranteed searches, and guaranteed abstracts of  
7 title, and all unpaid losses, claims, and allocated loss adjustment  
8 expenses for which the title insurer may be liable, and for which the  
9 insurer has received notice by or on behalf of the insured, holder of  
10 a guarantee or escrow, or security depositor;

11 (2)(a) A statutory or unearned premium reserve consisting of:

12 (i) The amount of the special reserve fund that was required prior  
13 to the effective date of this section, which balance must be released  
14 in accordance with (b) of this subsection; and

15 (ii) Additions to the reserve after the effective date of this  
16 section must be made out of total charges for title insurance policies  
17 and guarantees written, as set forth in the title insurer's most recent  
18 annual statement on file with the commissioner, equal to the sum of the  
19 following:

20 (A) For each title insurance policy on a single risk written or  
21 assumed after the effective date of this section, fifteen cents per one  
22 thousand dollars of net retained liability for policies under five  
23 hundred thousand dollars; and

24 (B) For each title insurance policy on a single risk written or  
25 assumed after the effective date of this section, ten cents per one  
26 thousand dollars of net retained liability for policies of five hundred  
27 thousand or greater.

28 (b) The aggregate of the amounts set aside in this reserve in any  
29 calendar year pursuant to (a) of this subsection must be released from  
30 the reserve and restored to net profits over a period of twenty years  
31 under the following formula:

32 (i) Thirty-five percent of the aggregate sum on July 1st of the  
33 year next succeeding the year of addition;

34 (ii) Fifteen percent of the aggregate sum on July 1st of each of  
35 the succeeding two years;

36 (iii) Ten percent of the aggregate sum on July 1st of the next  
37 succeeding year;

1 (iv) Three percent of the aggregate sum on July 1st of each of the  
2 next three succeeding years;

3 (v) Two percent of the aggregate sum on July 1st of each of the  
4 next three succeeding years; and

5 (vi) One percent of the aggregate sum on July 1st of each of the  
6 next succeeding ten years.

7 (c) The insurer shall calculate an adjusted statutory unearned  
8 premium reserve as of the effective date of this section. The adjusted  
9 reserve is calculated as if (a)(ii) and (b) of this subsection had been  
10 in effect for all years beginning twenty years prior to the effective  
11 date of this section. For purposes of this calculation, the balance of  
12 the reserve as of that date is deemed to be zero. If the adjusted  
13 reserve so calculated exceeds the aggregate amount set aside for  
14 statutory or unearned premiums in the insurer's annual statement on  
15 file with the commissioner on the effective date of this section, the  
16 insurer shall, out of total charges for policies of title insurance,  
17 increase its statutory or unearned premium reserve by an amount equal  
18 to one-sixth of that excess in each of the succeeding six years,  
19 commencing with the calendar year that includes the effective date of  
20 this section, until the entire excess has been added.

21 (d) The aggregate of the amounts set aside in this reserve in any  
22 calendar year as adjustments to the insurer's statutory or unearned  
23 premium reserve under (c) of this subsection shall be released from the  
24 reserve and restored to net profits, or equity if the additions  
25 required by (c) of this subsection reduced equity directly, over a  
26 period not exceeding ten years under to the following table:

<u>Year of Addition</u>	<u>Release</u>
<u>Year 1<sup>1</sup></u>	<u>Equally over 10 years</u>
<u>Year 2</u>	<u>Equally over 9 years</u>
<u>Year 3</u>	<u>Equally over 8 years</u>
<u>Year 4</u>	<u>Equally over 7 years</u>
<u>Year 5</u>	<u>Equally over 6 years</u>
<u>Year 6</u>	<u>Equally over 5 years</u>

34 <sup>1</sup>(The calendar year following the effective date of this section).

1       (3) A supplemental reserve shall be established consisting of any  
2 other reserves necessary, when taken in combination with the reserves  
3 required by subsections (1) and (2) of this section, to cover the  
4 company's liabilities with respect to all losses, claims, and loss  
5 adjustment expenses.

6       (4) The supplemental reserve required under subsection (3) of this  
7 section shall be phased in as follows: Twenty-five percent of the  
8 otherwise applicable supplemental reserve is required until December  
9 31, 2006; fifty percent of the otherwise applicable supplemental  
10 reserve is required until December 31, 2007; and seventy-five percent  
11 of the otherwise applicable supplemental reserve is required until  
12 December 31, 2008.

13       **Sec. 17.** RCW 48.29.130 and 1967 c 150 s 30 are each amended to  
14 read as follows:

15       ~~((The funds of a domestic title insurer, other than those~~  
16 ~~representing its guaranty fund deposit, shall be invested))~~ A domestic  
17 title insurer shall invest its funds as follows:

18       (1) Funds in an amount not less than its reserve required (~~(special~~  
19 ~~reserve shall))~~ by RCW 48.29.120 must be kept invested in investments  
20 eligible for domestic life insurers.

21       (2) Other funds may be invested in:

22       (a) The insurer's plant and equipment, up to a maximum of fifty  
23 percent of capital plus surplus.

24       (b) Stocks and bonds of abstract companies when approved by the  
25 commissioner.

26       (c) Investments eligible for the investment of funds of any  
27 domestic insurer.

28       **Sec. 18.** RCW 48.29.170 and 1981 c 223 s 2 are each amended to read  
29 as follows:

30       Title insurance agents (~~(shall be))~~ are exempt from the provisions  
31 of RCW (~~(48.17.090(2) and))~~ 48.17.180(1) (~~(which otherwise))~~ that  
32 require that each individual empowered to exercise the authority of a  
33 licensed firm or corporation must be separately licensed.

34       **Sec. 19.** RCW 48.30.300 and 1993 c 492 s 287 are each amended to  
35 read as follows:

1 Notwithstanding any provision contained in Title 48 RCW to the  
2 contrary:

3 ~~((1) No))~~ A person or entity engaged in the business of insurance  
4 in this state ~~((shall))~~ may not refuse to issue any contract of  
5 insurance or cancel or decline to renew such contract because of the  
6 sex or marital status, or the presence of any sensory, mental, or  
7 physical handicap of the insured or prospective insured. The amount of  
8 benefits payable, or any term, rate, condition, or type of coverage  
9 ~~((shall))~~ may not be restricted, modified, excluded, increased, or  
10 reduced on the basis of the sex or marital status, or be restricted,  
11 modified, excluded, or reduced on the basis of the presence of any  
12 sensory, mental, or physical handicap of the insured or prospective  
13 insured. ~~((Subject to the provisions of subsection (2) of this section  
14 these provisions shall))~~ This subsection does not prohibit fair  
15 discrimination on the basis of sex, or marital status, or the presence  
16 of any sensory, mental, or physical handicap when bona fide statistical  
17 differences in risk or exposure have been substantiated.

18 ~~((2) With respect to disability policies issued or renewed on and  
19 after July 1, 1994, that provide coverage against loss arising from  
20 medical, surgical, hospital, or emergency care services:~~

21 ~~(a) Policies shall guarantee continuity of coverage. Such  
22 provision, which shall be included in every policy, shall provide that:~~

23 ~~(i) The policy may be canceled or nonrenewed without the prior  
24 written approval of the commissioner only for nonpayment of premium or  
25 as permitted under RCW 48.18.090; and~~

26 ~~(ii) The policy may be canceled or nonrenewed because of a change  
27 in the physical or mental condition or health of a covered person only  
28 with the prior written approval of the commissioner. Such approval  
29 shall be granted only when the insurer has discharged its obligation to  
30 continue coverage for such person by obtaining coverage with another  
31 insurer, health care service contractor, or health maintenance  
32 organization, which coverage is comparable in terms of premiums and  
33 benefits as defined by rule of the commissioner.~~

34 ~~(b) It is an unfair practice for a disability insurer to modify the  
35 coverage provided or rates applying to an in force disability insurance  
36 policy and to fail to make such modification in all such issued and  
37 outstanding policies.~~

1 ~~(c) Subject to rules adopted by the commissioner, it is an unfair~~  
2 ~~practice for a disability insurer to:~~

3 ~~(i) Cease the sale of a policy form unless it has received prior~~  
4 ~~written authorization from the commissioner and has offered all~~  
5 ~~policyholders covered under such discontinued policy the opportunity to~~  
6 ~~purchase comparable coverage without health screening; or~~

7 ~~(ii) Engage in a practice that subjects policyholders to rate~~  
8 ~~increases on discontinued policy forms unless such policyholders are~~  
9 ~~offered the opportunity to purchase comparable coverage without health~~  
10 ~~screening.~~

11 ~~The insurer may limit an offer of comparable coverage without~~  
12 ~~health screening to a period not less than thirty days from the date~~  
13 ~~the offer is first made.))~~

14 **Sec. 20.** RCW 48.30A.045 and 1997 c 92 s 1 are each amended to read  
15 as follows:

16 (1) Each insurer licensed to write direct insurance in this state,  
17 except those exempted in subsection (2) of this section, shall  
18 institute and maintain an insurance antifraud plan. ~~((An insurer~~  
19 ~~licensed on July 1, 1995, shall file its antifraud plan with the~~  
20 ~~insurance commissioner no later than December 31, 1995.))~~ An insurer  
21 licensed after July 1, 1995, shall file its antifraud plan within six  
22 months of licensure. An insurer shall file any change to the antifraud  
23 plan with the insurance commissioner within thirty days after the plan  
24 has been modified.

25 (2) This section does not apply to:

26 (a) Health carriers, as defined in RCW 48.43.005((~~τ~~));

27 (b) Life insurers((~~τ-θ~~));

28 (c) Title insurers; ((~~θ~~))

29 (d) Property or casualty insurers with annual gross written medical  
30 malpractice insurance premiums in this state that exceed fifty percent  
31 of their total annual gross written premiums in this state; ((~~θ-all~~))

32 (e) Credit-related insurance written in connection with a credit  
33 transaction in which the creditor is named as a beneficiary or loss  
34 payee under the policy, except vendor single-interest or collateral  
35 protection coverage as defined in RCW 48.22.110(4); or

36 (f) Insurers with gross written premiums of less than one thousand  
37 dollars in Washington during the reporting year.

1       **Sec. 21.** RCW 48.30A.060 and 1995 c 285 s 12 are each amended to  
2 read as follows:

3       By March 31st of each year, each insurer shall (~~annually~~) provide  
4 to the insurance commissioner a summary report on actions taken under  
5 its antifraud plan to prevent and combat insurance fraud. The report  
6 must also include, but not be limited to, measures taken to protect and  
7 ensure the integrity of electronic data processing-generated data and  
8 manually compiled data, statistical data on the amount of resources  
9 committed to combatting fraud, and the amount of fraud identified and  
10 recovered during the reporting period. The antifraud plans and summary  
11 of the insurer's antifraud activities are not public records and are  
12 exempt from chapter 42.17 RCW, are proprietary, are not subject to  
13 public examination, and are not discoverable or admissible in civil  
14 litigation.

15       **Sec. 22.** RCW 48.30A.065 and 1995 c 285 s 13 are each amended to  
16 read as follows:

17       An insurer that fails to file a timely antifraud plan or (~~who does~~  
18 ~~not~~) summary report or that fails to make a good faith attempt to file  
19 an antifraud plan that complies with RCW 48.30A.050 or a summary report  
20 that complies with RCW 48.30A.060, is subject to the penalty provisions  
21 of RCW 48.01.080, but no penalty may be imposed for the first filing  
22 made by an insurer under this chapter. An insurer that fails to follow  
23 the antifraud plan is subject to a civil penalty not to exceed ten  
24 thousand dollars for each violation, at the discretion of the  
25 commissioner after consideration of all relevant factors, including the  
26 willfulness of the violation.

27       **Sec. 23.** RCW 48.31.100 and 1947 c 79 s .31.10 are each amended to  
28 read as follows:

29       (1) An order to conserve the assets of a foreign or alien insurer  
30 (~~shall~~) must direct the commissioner (~~forthwith~~) immediately to  
31 take possession of the property of the insurer within this state and to  
32 conserve it, subject to the further direction of the court.

33       (2) Whenever a domiciliary receiver is appointed for (~~any such~~)  
34 a foreign or alien insurer in its domiciliary state (~~which~~) that is  
35 also a reciprocal state, as defined in RCW (~~48.31.110~~) 48.99.010, the



1 court shall on application of the commissioner appoint the commissioner  
2 as the ancillary receiver in this state, subject to the provisions of  
3 the uniform insurers liquidation act.

4 **Sec. 24.** RCW 48.38.030 and 1979 c 130 s 8 are each amended to read  
5 as follows:

6 Each charitable annuity contract or policy form (~~shall~~) must  
7 include the following information:

8 (1) The value of the property to be transferred;

9 (2) The amount of the annuity to be paid to the transferor or the  
10 transferor's nominee;

11 (3) The manner in which and the intervals at which payment is to be  
12 made;

13 (4) The age of the person during whose life payment is to be made;  
14 and

15 (5) The reasonable value as of the date of the agreement of the  
16 benefits (~~thereby~~) created. This value (~~shall~~) may not exceed by  
17 more than fifteen percent the net single premium for the benefits,  
18 determined (~~in accordance with~~) according to the standard of  
19 valuation set forth in RCW 48.38.020(~~(1)~~) (3).

20 **Sec. 25.** RCW 48.44.240 and 1990 1st ex.s. c 3 s 12 are each  
21 amended to read as follows:

22 Each group contract for health care services (~~which~~) that is  
23 delivered or issued for delivery or renewed, on or after January 1,  
24 1988, (~~shall~~) must contain provisions providing benefits for the  
25 treatment of chemical dependency rendered to covered persons by a  
26 provider (~~which~~) that is an "approved treatment (~~facility or~~)  
27 program" under RCW 70.96A.020(3).

28 NEW SECTION. **Sec. 26.** A new section is added to chapter 48.66 RCW  
29 to read as follows:

30 (1) An issuer may not deny or condition the issuance or  
31 effectiveness of any medicare supplement policy or certificate  
32 available for sale in this state, or discriminate in the pricing of a  
33 policy or certificate, because of the health status, claims experience,  
34 receipt of health care, or medical condition of an applicant in the  
35 case of an application for a policy or certificate that is submitted

1 prior to or during the six-month period beginning with the first day of  
2 the first month in which an individual is both sixty-five years of age  
3 or older and is enrolled for benefits under medicare part B. Each  
4 medicare supplement policy and certificate currently available from an  
5 insurer must be made available to all applicants who qualify under this  
6 subsection without regard to age.

7 (2) If an applicant qualifies under this section and submits an  
8 application during the time period referenced in subsection (1) of this  
9 section and, as of the date of application, has had a continuous period  
10 of creditable coverage of at least three months, the issuer may not  
11 exclude benefits based on a preexisting condition.

12 (3) If an applicant qualified under this section submits an  
13 application during the time period referenced in subsection (1) of this  
14 section and, as of the date of application, has had a continuous period  
15 of creditable coverage that is less than three months, the issuer must  
16 reduce the period of any preexisting condition exclusion by the  
17 aggregate of the period of creditable coverage applicable to the  
18 applicant as of the enrollment date.

19 **Sec. 27.** RCW 48.66.020 and 1996 c 269 s 1 are each amended to read  
20 as follows:

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

23 (1) "Medicare supplemental insurance" or "medicare supplement  
24 insurance policy" refers to a group or individual policy of disability  
25 insurance or a subscriber contract of a health care service contractor,  
26 a health maintenance organization, or a fraternal benefit society,  
27 which relates its benefits to medicare, or which is advertised,  
28 marketed, or designed primarily as a supplement to reimbursements under  
29 medicare for the hospital, medical, or surgical expenses of persons  
30 eligible for medicare. ((Such)) The term does not include:

31 (a) A policy or contract of one or more employers or labor  
32 organizations, or of the trustees of a fund established by one or more  
33 employers or labor organizations, or combination thereof, for employees  
34 or former employees, or combination thereof, or for members or former  
35 members, or combination thereof, of the labor organizations; ((or))

36 (b) A policy issued pursuant to a contract under Section 1876 of

1 the federal social security act (42 U.S.C. Sec. 1395 et seq.), or an  
2 issued policy under a demonstration specified in 42 U.S.C. Sec.  
3 1395(g)(1); ~~((or))~~

4 ~~((Insurance policies or health care benefit plans, including~~  
5 ~~group conversion policies, provided to medicare eligible persons, that~~  
6 ~~are not marketed or held to be medicare supplement policies or benefit~~  
7 ~~plans)) Medicare advantage plans established under medicare part C;~~

8 (d) Outpatient prescription drug plans established under medicare  
9 part D; or

10 (e) Any health care prepayment plan that provides benefits pursuant  
11 to an agreement under section 1833(a)(1)(A) of the federal social  
12 security act.

13 (2) "Medicare" means the "Health Insurance for the Aged Act," Title  
14 XVIII of the Social Security Amendments of 1965, as then constituted or  
15 later amended.

16 (3) "Medicare advantage plan" means a plan of coverage for health  
17 benefits under medicare part C as defined in 42 U.S.C. Sec. 1395w-  
18 28(b), and includes:

19 (a) Coordinated care plans that provide health care services,  
20 including but not limited to health maintenance organization plans,  
21 with or without a point-of-service option, plans offered by provider-  
22 sponsored organizations, and preferred provider organization plans;

23 (b) Medical savings account plans coupled with a contribution into  
24 a medicare advantage plan medical savings account; and

25 (c) Medicare advantage private fee-for-service plans.

26 (4) "Medicare eligible expenses" means health care expenses of the  
27 kinds covered by medicare, to the extent recognized as reasonable and  
28 medically necessary by medicare.

29 ~~((4))~~ (5) "Applicant" means:

30 (a) In the case of an individual medicare supplement insurance  
31 policy or subscriber contract, the person who seeks to contract for  
32 insurance benefits; and

33 (b) In the case of a group medicare supplement insurance policy or  
34 subscriber contract, the proposed certificate holder.

35 ~~((5))~~ (6) "Certificate" means any certificate delivered or issued  
36 for delivery in this state under a group medicare supplement insurance  
37 policy.

1       (~~(6)~~) (7) "Loss ratio" means the incurred claims as a percentage  
2 of the earned premium computed under rules adopted by the insurance  
3 commissioner.

4       (~~(7)~~) (8) "Preexisting condition" means a covered person's  
5 medical condition that caused that person to have received medical  
6 advice or treatment during a specified time period immediately prior to  
7 the effective date of coverage.

8       (~~(8)~~) (9) "Disclosure form" means the form designated by the  
9 insurance commissioner (~~(which)~~) that discloses medicare benefits, the  
10 supplemental benefits offered by the insurer, and the remaining amount  
11 for which the insured will be responsible.

12       (~~(9)~~) (10) "Issuer" includes insurance companies, health care  
13 service contractors, health maintenance organizations, fraternal  
14 benefit societies, and any other entity delivering or issuing for  
15 delivery medicare supplement policies or certificates to a resident of  
16 this state.

17       (11) "Bankruptcy" means when a medicare advantage organization that  
18 is not an issuer has filed, or has had filed against it, a petition for  
19 declaration of bankruptcy and has ceased doing business in the state.

20       (12) "Continuous period of creditable coverage" means the period  
21 during which an individual was covered by creditable coverage, if  
22 during the period of the coverage the individual had no breaks in  
23 coverage greater than sixty-three days.

24       (13)(a) "Creditable coverage" means, with respect to an individual,  
25 coverage of the individual provided under any of the following:

26       (i) A group health plan;

27       (ii) Health insurance coverage;

28       (iii) Part A or part B of Title XVIII of the social security act  
29 (medicare);

30       (iv) Title XIX of the social security act (medicaid), other than  
31 coverage consisting solely of benefits under section 1928 of that act;

32       (v) Chapter 55 of Title 10 U.S.C. (CHAMPUS);

33       (vi) A medical care program of the Indian health service or of a  
34 tribal organization;

35       (vii) A state health benefits risk pool;

36       (viii) A health plan offered under chapter 89 of Title 5 U.S.C.  
37 (federal employees health benefits program);

38       (ix) A public health plan as defined in federal regulation; or

1 (x) A health benefit plan under section 5(e) of the peace corps act  
2 (22 U.S.C. Sec. 2504(e)).

3 (b) "Creditable coverage" does not include one or more, or any  
4 combination, of the following:

5 (i) Coverage only for accident or disability income insurance, or  
6 any combination thereof;

7 (ii) Coverage issued as a supplement to liability insurance;

8 (iii) Liability insurance, including general liability insurance  
9 and automobile liability insurance;

10 (iv) Worker's compensation or similar insurance;

11 (v) Automobile medical payment insurance;

12 (vi) Credit only insurance;

13 (vii) Coverage for on-site medical clinics; or

14 (viii) Other similar insurance coverage, specified in federal  
15 regulations, under which benefits for medical care are secondary or  
16 incidental to other insurance benefits.

17 (c) "Creditable coverage" does not include the following benefits  
18 if they are provided under a separate policy, certificate, or contract  
19 of insurance or are otherwise not an integral part of the plan:

20 (i) Limited scope dental or vision benefits;

21 (ii) Benefits for long-term care, nursing home care, home health  
22 care, community-based care, or any combination thereof; or

23 (iii) Other similar, limited benefits as are specified in federal  
24 regulations.

25 (d) "Creditable coverage" does not include the following benefits  
26 if offered as independent, noncoordinated benefits:

27 (i) Coverage only for a specified disease or illness; or

28 (ii) Hospital indemnity or other fixed indemnity insurance.

29 (e) "Creditable coverage" does not include the following if it is  
30 offered as a separate policy, certificate, or contract of insurance:

31 (i) Medicare supplemental health insurance as defined under section  
32 1882(g)(1) of the social security act;

33 (ii) Coverage supplemental to the coverage provided under chapter  
34 55 of Title 10 U.S.C.; or

35 (iii) Similar supplemental coverage provided to coverage under a  
36 group health plan.

37 (14) "Employee welfare benefit plan" means a plan, fund, or program

1 of employee benefits as defined in 29 U.S.C. Sec. 1002 (employee  
2 retirement income security act).

3 (15) "Insolvency" means when an issuer, licensed to transact the  
4 business of insurance in this state, has had a final order of  
5 liquidation entered against it with a finding of insolvency by a court  
6 of competent jurisdiction in the issuer's state of domicile.

7 **Sec. 28.** RCW 48.66.045 and 2004 c 83 s 1 are each amended to read  
8 as follows:

9 Every issuer of a medicare supplement insurance policy or  
10 certificate providing coverage to a resident of this state issued on or  
11 after January 1, 1996, shall:

12 (1) Unless otherwise provided for in RCW 48.66.055, issue coverage  
13 under its standardized benefit plans B, C, D, E, F, (~~and~~) G, K, or L  
14 without evidence of insurability to any resident of this state who is  
15 eligible for both medicare hospital and physician services by reason of  
16 age or by reason of disability or end-stage renal disease, if the  
17 medicare supplement policy replaces another medicare supplement  
18 standardized benefit plan policy or certificate B, C, D, E, F, (~~or~~)  
19 G, K, or L or other more comprehensive coverage than the replacing  
20 policy;

21 (2) Unless otherwise provided for in RCW 48.66.055, issue coverage  
22 under its standardized plans A, H, I, and J without evidence of  
23 insurability to any resident of this state who is eligible for both  
24 medicare hospital and physician services by reason of age or by reason  
25 of disability or end-stage renal disease, if the medicare supplement  
26 policy replaces another medicare supplement policy or certificate which  
27 is the same standardized plan as the replaced policy. After December  
28 31, 2005, plans H, I, and J may be replaced only by the same plan if  
29 that plan has been modified to remove outpatient prescription drug  
30 coverage; and

31 (3) Set rates only on a community-rated basis. Premiums shall be  
32 equal for all policyholders and certificate holders under a  
33 standardized medicare supplement benefit plan form, except that an  
34 issuer may vary premiums based on spousal discounts, frequency of  
35 payment, and method of payment including automatic deposit of premiums  
36 and may develop no more than two rating pools that distinguish between  
37 an insured's eligibility for medicare by reason of:

- 1 (a) Age; or
- 2 (b) Disability or end-stage renal disease.

3 **Sec. 29.** RCW 48.66.055 and 2002 c 300 s 4 are each amended to read  
4 as follows:

5 (1) Under this section, persons eligible for a medicare supplement  
6 policy or certificate are those individuals described in subsection (3)  
7 of this section who, subject to subsection (3)(b)(ii) of this section,  
8 apply to enroll under the policy not later than sixty-three days after  
9 the date of the termination of enrollment described in subsection (3)  
10 of this section, and who submit evidence of the date of termination or  
11 disenrollment, or medicare part D enrollment, with the application for  
12 a medicare supplement policy.

13 (2) With respect to eligible persons, an issuer may not deny or  
14 condition the issuance or effectiveness of a medicare supplement policy  
15 described in subsection (4) of this section that is offered and is  
16 available for issuance to new enrollees by the issuer, shall not  
17 discriminate in the pricing of such a medicare supplement policy  
18 because of health status, claims experience, receipt of health care, or  
19 medical condition, and shall not impose an exclusion of benefits based  
20 on a preexisting condition under such a medicare supplement policy.

21 (3) "Eligible persons" means an individual that meets the  
22 requirements of (a), (b), (c), (d), (e), or (f) of this subsection, as  
23 follows:

24 (a) The individual is enrolled under an employee welfare benefit  
25 plan that provides health benefits that supplement the benefits under  
26 medicare; and the plan terminates, or the plan ceases to provide all  
27 such supplemental health benefits to the individual;

28 (b)(i) The individual is enrolled with a (~~medicare+choice~~)  
29 medicare advantage organization under a (~~medicare+choice~~) medicare  
30 advantage plan under part C of medicare, and any of the following  
31 circumstances apply, or the individual is sixty-five years of age or  
32 older and is enrolled with a program of all inclusive care for the  
33 elderly (PACE) provider under section 1894 of the social security act,  
34 and there are circumstances similar to those described in this  
35 subsection (3)(b) that would permit discontinuance of the individual's  
36 enrollment with the provider if the individual were enrolled in a  
37 (~~medicare+choice~~) medicare advantage plan:

1 (A) The certification of the organization or plan (~~under this~~  
2 ~~subsection (3)(b))~~) has been terminated(~~, or the organization or plan~~  
3 ~~has notified the individual of an impending termination of such a~~  
4 ~~certification)~~);

5 (B) The organization has terminated or otherwise discontinued  
6 providing the plan in the area in which the individual resides(~~, or~~  
7 ~~has notified the individual of an impending termination or~~  
8 ~~discontinuance of such a plan)~~);

9 (C) The individual is no longer eligible to elect the plan because  
10 of a change in the individual's place of residence or other change in  
11 circumstances specified by the secretary of the United States  
12 department of health and human services, but not including termination  
13 of the individual's enrollment on the basis described in section  
14 1851(g)(3)(B) of the federal social security act (where the individual  
15 has not paid premiums on a timely basis or has engaged in disruptive  
16 behavior as specified in standards under section 1856 of the federal  
17 social security act), or the plan is terminated for all individuals  
18 within a residence area;

19 (D) The individual demonstrates, in accordance with guidelines  
20 established by the secretary of the United States department of health  
21 and human services, that:

22 (I) The organization offering the plan substantially violated a  
23 material provision of the organization's contract under this part in  
24 relation to the individual, including the failure to provide an  
25 enrollee on a timely basis medically necessary care for which benefits  
26 are available under the plan or the failure to provide such covered  
27 care in accordance with applicable quality standards; or

28 (II) The organization, an agent, or other entity acting on the  
29 organization's behalf materially misrepresented the plan's provisions  
30 in marketing the plan to the individual; or

31 (E) The individual meets other exceptional conditions as the  
32 secretary of the United States department of health and human services  
33 may provide.

34 (ii)(A) An individual described in (b)(i) of this subsection may  
35 elect to apply (a) of this subsection by substituting, for the date of  
36 termination of enrollment, the date on which the individual was  
37 notified by the (~~medicare+choice~~) medicare advantage organization of  
38 the impending termination or discontinuance of the (~~medicare+choice~~)



1 medicare advantage plan it offers in the area in which the individual  
2 resides, but only if the individual disenrolls from the plan as a  
3 result of such notification.

4 (B) In the case of an individual making the election under  
5 (b)(ii)(A) of this subsection, the issuer involved shall accept the  
6 application of the individual submitted before the date of termination  
7 of enrollment, but the coverage under subsection (1) of this section  
8 (~~shall~~) is only (~~become~~) effective upon termination of coverage  
9 under the (~~medicare+choice~~) medicare advantage plan involved;

10 (c)(i) The individual is enrolled with:

11 (A) An eligible organization under a contract under section 1876  
12 (medicare risk or cost);

13 (B) A similar organization operating under demonstration project  
14 authority, effective for periods before April 1, 1999;

15 (C) An organization under an agreement under section 1833(a)(1)(A)  
16 (health care prepayment plan); or

17 (D) An organization under a medicare select policy; and

18 (ii) The enrollment ceases under the same circumstances that would  
19 permit discontinuance of an individual's election of coverage under  
20 (b)(i) of this subsection;

21 (d) The individual is enrolled under a medicare supplement policy  
22 and the enrollment ceases because:

23 (i)(A) Of the insolvency of the issuer or bankruptcy of the  
24 nonissuer organization; or

25 (B) Of other involuntary termination of coverage or enrollment  
26 under the policy;

27 (ii) The issuer of the policy substantially violated a material  
28 provision of the policy; or

29 (iii) The issuer, an agent, or other entity acting on the issuer's  
30 behalf materially misrepresented the policy's provisions in marketing  
31 the policy to the individual;

32 (e)(i) The individual was enrolled under a medicare supplement  
33 policy and terminates enrollment and subsequently enrolls, for the  
34 first time, with any (~~medicare+choice~~) medicare advantage  
35 organization under a (~~medicare+choice~~) medicare advantage plan under  
36 part C of medicare, any eligible organization under a contract under  
37 section 1876 (medicare risk or cost), any similar organization  
38 operating under demonstration project authority, any PACE program under

1 section 1894 of the social security act, (~~(an organization under an~~  
2 ~~agreement under section 1833(a)(1)(A) (health care prepayment plan),~~)  
3 or a medicare select policy; and

4 (ii) The subsequent enrollment under (e)(i) of this subsection is  
5 terminated by the enrollee during any period within the first twelve  
6 months of such subsequent enrollment (during which the enrollee is  
7 permitted to terminate such subsequent enrollment under section 1851(e)  
8 of the federal social security act); (~~(or)~~)

9 (f) The individual, upon first becoming eligible for benefits under  
10 part A of medicare at age sixty-five, enrolls in a (~~(medicare+choice)~~)  
11 medicare advantage plan under part C of medicare, or in a PACE program  
12 under section 1894, and disenrolls from the plan or program by not  
13 later than twelve months after the effective date of enrollment; or

14 (g) The individual enrolls in a medicare part D plan during the  
15 initial enrollment period and, at the time of enrollment in part D, was  
16 enrolled under a medicare supplement policy that covers outpatient  
17 prescription drugs, and the individual terminates enrollment in the  
18 medicare supplement policy and submits evidence of enrollment in  
19 medicare part D along with the application for a policy described in  
20 subsection (4)(d) of this section.

21 (4) An eligible person under subsection (3) of this section is  
22 entitled to a medicare supplement policy as follows:

23 (a) A person eligible under subsection (3)(a), (b), (c), and (d) of  
24 this section is entitled to a medicare supplement policy that has a  
25 benefit package classified as plan A through (~~(G)~~) F, including F with  
26 a high deductible, K, or L, offered by any issuer;

27 (b)(i) Subject to (b)(ii) of this subsection, a person eligible  
28 under subsection (3)(e) of this section is entitled to the same  
29 medicare supplement policy in which the individual was most recently  
30 previously enrolled, if available from the same issuer, or, if not so  
31 available, a policy described in (a) of this subsection; (~~and~~)

32 (ii) After December 31, 2005, if the individual was most recently  
33 enrolled in a medicare supplement policy with an outpatient  
34 prescription drug benefit, a medicare supplement policy described in  
35 this subsection (4)(b)(ii) is:

36 (A) The policy available from the same issuer but modified to  
37 remove outpatient prescription drug coverage; or

1 (B) At the election of the policyholder, an A, B, C, F, including  
2 F with a high deductible, K, or L policy, that is offered by any  
3 issuer;

4 (c) A person eligible under subsection (3)(f) of this section is  
5 entitled to any medicare supplement policy offered by any issuer; and

6 (d) A person eligible under subsection (3)(g) of this section is  
7 entitled to a medicare supplement policy that has a benefit package  
8 classified as plan A, B, C, F, including F with a high deductible, K,  
9 or L and that is offered and is available for issuance to new enrollees  
10 by the same issuer that issued the individual's medicare supplement  
11 policy with outpatient prescription drug coverage.

12 (5)(a) At the time of an event described in subsection (3) of this  
13 section, and because of which an individual loses coverage or benefits  
14 due to the termination of a contract, agreement, policy, or plan, the  
15 organization that terminates the contract or agreement, the issuer  
16 terminating the policy, or the administrator of the plan being  
17 terminated, respectively, must notify the individual of his or her  
18 rights under this section, and of the obligations of issuers of  
19 medicare supplement policies under subsection (1) of this section. The  
20 notice must be communicated contemporaneously with the notification of  
21 termination.

22 (b) At the time of an event described in subsection (3) of this  
23 section, and because of which an individual ceases enrollment under a  
24 contract, agreement, policy, or plan, the organization that offers the  
25 contract or agreement, regardless of the basis for the cessation of  
26 enrollment, the issuer offering the policy, or the administrator of the  
27 plan, respectively, must notify the individual of his or her rights  
28 under this section, and of the obligations of issuers of medicare  
29 supplement policies under subsection (1) of this section. The notice  
30 must be communicated within ten working days of the issuer receiving  
31 notification of disenrollment.

32 (6) Guaranteed issue time periods are as follows:

33 (a) In the case of an individual described in subsection (3)(a) of  
34 this section, the guaranteed issue period begins on the later of: (i)  
35 The date the individual receives a notice of termination or cessation  
36 of all supplemental health benefits or, if a notice is not received,  
37 notice that a claim has been denied because of a termination or

1 cessation, or (ii) the date that the applicable coverage terminates or  
2 ceases, and ends sixty-three days thereafter;

3 (b) In the case of an individual described in subsection (3)(b),  
4 (c), (e), or (f) of this section whose enrollment is terminated  
5 involuntarily, the guaranteed issue period begins on the date that the  
6 individual receives a notice of termination and ends sixty-three days  
7 after the date the applicable coverage is terminated;

8 (c) In the case of an individual described in subsection (3)(d)(i)  
9 of this section, the guaranteed issue period begins on the earlier of:  
10 (i) The date that the individual receives a notice of termination, a  
11 notice of the issuer's bankruptcy or insolvency, or other such similar  
12 notice if any, and (ii) the date that the applicable coverage is  
13 terminated, and ends on the date that is sixty-three days after the  
14 date the coverage is terminated;

15 (d) In the case of an individual described in subsection (3)(b),  
16 (d)(ii) and (iii), (e), or (f) of this section, who disenrolls  
17 voluntarily, the guaranteed issue period begins on the date that is  
18 sixty days before the effective date of the disenrollment and ends on  
19 the date that is sixty-three days after the effective date;

20 (e) In the case of an individual described in subsection (3)(g) of  
21 this section, the guaranteed issue period begins on the date the  
22 individual receives notice pursuant to section 1882(v)(2)(B) of the  
23 federal social security act from the medicare supplement issuer during  
24 the sixty-day period immediately preceding the initial part D  
25 enrollment period and ends on the date that is sixty-three days after  
26 the effective date of the individual's coverage under medicare part D;  
27 and

28 (f) In the case of an individual described in subsection (3) of  
29 this section but not described in the preceding provisions of this  
30 subsection, the guaranteed issue period begins on the effective date of  
31 disenrollment and ends on the date that is sixty-three days after the  
32 effective date.

33 (7) In the case of an individual described in subsection (3)(e) of  
34 this section whose enrollment with an organization or provider  
35 described in subsection (3)(e)(i) of this section is involuntarily  
36 terminated within the first twelve months of enrollment, and who,  
37 without an intervening enrollment, enrolls with another organization or

1 provider, the subsequent enrollment is an initial enrollment as  
2 described in subsection (3)(e) of this section.

3 (8) In the case of an individual described in subsection (3)(f) of  
4 this section whose enrollment with a plan or in a program described in  
5 subsection (3)(f) of this section is involuntarily terminated within  
6 the first twelve months of enrollment, and who, without an intervening  
7 enrollment, enrolls in another plan or program, the subsequent  
8 enrollment is an initial enrollment as described in subsection (3)(f)  
9 of this section.

10 (9) For purposes of subsection (3)(e) and (f) of this section, an  
11 enrollment of an individual with an organization or provider described  
12 in subsection (3)(e)(i) of this section, or with a plan or in a program  
13 described in subsection (3)(f) of this section is not an initial  
14 enrollment under this subsection after the two-year period beginning on  
15 the date on which the individual first enrolled with such an  
16 organization, provider, plan, or program.

17 **Sec. 30.** RCW 48.66.130 and 2002 c 300 s 3 are each amended to read  
18 as follows:

19 (1) On or after January 1, 1996, and notwithstanding any other  
20 provision of Title 48 RCW, a medicare supplement policy or certificate  
21 shall not exclude or limit benefits for losses incurred more than three  
22 months from the effective date of coverage because it involved a  
23 preexisting condition.

24 (2) On or after January 1, 1996, a medicare supplement policy or  
25 certificate shall not define a preexisting condition more restrictively  
26 than as a condition for which medical advice was given or treatment was  
27 recommended by or received from a physician, or other health care  
28 provider acting within the scope of his or her license, within three  
29 months before the effective date of coverage.

30 (3) If a medicare supplement insurance policy or certificate  
31 contains any limitations with respect to preexisting conditions, such  
32 limitations must appear as a separate paragraph of the policy or  
33 certificate and be labeled as "Preexisting Condition Limitations."

34 (4) No exclusion or limitation of preexisting conditions may be  
35 applied to policies or certificates replaced in accordance with the  
36 provisions of RCW 48.66.045 if the policy or certificate replaced had  
37 been in effect for at least three months.

1       (5) If a medicare supplement policy or certificate replaces another  
2 medicare supplement policy or certificate, the replacing issuer shall  
3 waive any time periods applicable to preexisting conditions, waiting  
4 periods, elimination periods, and probationary periods in the new  
5 medicare supplement policy or certificate for similar benefits to the  
6 extent that time was spent under the original policy.

7       (6) If a medicare supplement policy or certificate replaces another  
8 medicare supplement policy or certificate that has been in effect for  
9 at least three months, the replacing policy must not provide any time  
10 period applicable to preexisting conditions, waiting periods,  
11 elimination periods, and probationary periods for benefits similar to  
12 those contained in the original policy or certificate.

13       **Sec. 31.** RCW 48.92.120 and 1993 c 462 s 101 are each amended to  
14 read as follows:

15       (1) ~~((No))~~ A person may not act or aid in any manner in soliciting,  
16 negotiating, or procuring liability insurance in this state from a risk  
17 retention group unless the person is licensed as an insurance agent or  
18 broker for casualty insurance in accordance with chapter 48.17 RCW and  
19 pays the fees designated for the license under RCW 48.14.010.

20       (2)(a) ~~((No))~~ A person may not act or aid in any manner in  
21 soliciting, negotiating, or procuring liability insurance in this state  
22 for a purchasing group from an authorized insurer or a risk retention  
23 group chartered in a state unless the person is licensed as an  
24 insurance agent or broker for casualty insurance in accordance with  
25 chapter 48.17 RCW and pays the fees designated for the license under  
26 RCW 48.14.010.

27       (b) ~~((No))~~ A person may not act or aid in any manner in soliciting,  
28 negotiating, or procuring liability insurance coverage in this state  
29 for a member of a purchasing group under a purchasing group's policy  
30 unless the person is licensed as an insurance agent or broker for  
31 casualty insurance in accordance with chapter 48.17 RCW and pays the  
32 fees designated for the license under RCW 48.14.010.

33       (c) ~~((No))~~ A person may not act or aid in any manner in soliciting,  
34 negotiating, or procuring liability insurance from an insurer not  
35 authorized to do business in this state on behalf of a purchasing group  
36 located in this state unless the person is licensed as a surplus lines

1 broker in accordance with chapter 48.15 RCW and pays the fees  
2 designated for the license under RCW 48.14.010.

3 (3) For purposes of acting as an agent or broker for a risk  
4 retention group or purchasing group under subsections (1) and (2) of  
5 this section, the requirement of residence in this state does not  
6 apply.

7 (4) Every person licensed under chapters 48.15 and 48.17 RCW, on  
8 business placed with risk retention groups or written through a  
9 purchasing group, (~~shall~~) must inform each prospective insured of the  
10 provisions of the notice required under RCW 48.92.040(7) in the case of  
11 a risk retention group and RCW 48.92.090(~~(+3)~~) (2) in the case of a  
12 purchasing group.

13 **Sec. 32.** RCW 48.98.015 and 1993 c 462 s 37 are each amended to  
14 read as follows:

15 (~~No~~) A managing general agent may not place business with an  
16 insurer unless there is in force a written contract between the  
17 managing general agent and the insurer that sets forth the  
18 responsibilities of each party and, where both parties share  
19 responsibility for a particular function, that specifies the division  
20 of the responsibilities, and that contains the following minimum  
21 provisions:

22 (1) The insurer may terminate the contract for cause upon written  
23 notice to the managing general agent. The insurer may suspend the  
24 underwriting authority of the managing general agent during the  
25 pendency of a dispute regarding the cause for termination.

26 (2) The managing general agent shall render accounts to the insurer  
27 detailing all transactions and remit all funds due under the contract  
28 to the insurer on not less than a monthly basis.

29 (3) The managing general agent shall hold funds collected for the  
30 account of an insurer in a fiduciary capacity in (~~(a)~~) an FDIC insured  
31 financial institution (~~(located in this state that is a member of the~~  
32 ~~federal reserve system)~~). This account must be used for all payments  
33 on behalf of the insurer. The managing general agent may retain no  
34 more than three months' estimated claims payments and allocated loss  
35 adjustment expenses.

36 (4) The managing general agent shall maintain separate records of  
37 business written for each insurer. The insurer has access to and the

1 right to copy all accounts and records related to its business in a  
2 form usable by the insurer, and the commissioner has access to all  
3 books, bank accounts, and records of the managing general agent in a  
4 form usable to the commissioner. Those records (~~shall~~) must be  
5 retained according to the requirements of this title and rules adopted  
6 under it.

7 (5) The managing general agent may not assign the contract in whole  
8 or part.

9 (6)(a) Appropriate underwriting guidelines must include at least  
10 the following: The maximum annual premium volume; the basis of the  
11 rates to be charged; the types of risks that may be written; maximum  
12 limits of liability; applicable exclusions; territorial limitations;  
13 policy cancellation provisions; and the maximum policy period.

14 (b) The insurer has the right to cancel or not renew any policy of  
15 insurance, subject to the applicable laws and rules, including those in  
16 chapter 48.18 RCW.

17 (7) If the contract permits the managing general agent to settle  
18 claims on behalf of the insurer:

19 (a) All claims must be reported to the insurer in a timely  
20 manner(~~(-)~~);

21 (b) A copy of the claim file must be sent to the insurer at its  
22 request or as soon as it becomes known that the claim:

23 (i) Has the potential to exceed an amount determined by the  
24 commissioner, or exceeds the limit set by the insurer, whichever is  
25 less;

26 (ii) Involves a coverage dispute;

27 (iii) May exceed the managing general agent's claims settlement  
28 authority;

29 (iv) Is open for more than six months; or

30 (v) Is closed by payment in excess of an amount set by the  
31 commissioner or an amount set by the insurer, whichever is less(~~(-)~~);

32 (c) All claim files are the joint property of the insurer and the  
33 managing general agent. However, upon an order of liquidation of the  
34 insurer, those files become the sole property of the insurer or its  
35 liquidator or successor. The managing general agent has reasonable  
36 access to and the right to copy the files on a timely basis(~~(-)~~); and

37 (d) Settlement authority granted to the managing general agent may  
38 be terminated for cause upon the insurer's written notice to the



1 managing general agent or upon the termination of the contract. The  
2 insurer may suspend the managing general agent's settlement authority  
3 during the pendency of a dispute regarding the cause for termination.

4 (8) (~~Where~~) When electronic claims files are in existence, the  
5 contract must address the timely transmission of the data.

6 (9) If the contract provides for a sharing of interim profits by  
7 the managing general agent, and the managing general agent has the  
8 authority to determine the amount of the interim profits by  
9 establishing loss reserves or controlling claim payments or in any  
10 other manner, interim profits (~~shall~~) may not be paid to the managing  
11 general agent until one year after they are earned for property  
12 insurance business and five years after they are earned on casualty  
13 business and not until the profits have been verified under RCW  
14 48.98.020.

15 (10) The managing general agent may not:

16 (a) Bind reinsurance or retrocessions on behalf of the insurer,  
17 except that the managing general agent may bind automatic reinsurance  
18 contracts under obligatory automatic agreements if the contract with  
19 the insurer contains reinsurance underwriting guidelines including, for  
20 both reinsurance assumed and ceded, a list of reinsurers with which the  
21 automatic agreements are in effect, the coverages and amounts or  
22 percentages that may be reinsured, and commission schedules;

23 (b) Commit the insurer to participate in insurance or reinsurance  
24 syndicates;

25 (c) Use an agent that is not appointed to represent the insurer in  
26 accordance with the requirements of chapter 48.17 RCW;

27 (d) Without prior approval of the insurer, pay or commit the  
28 insurer to pay a claim over a specified amount, net of reinsurance,  
29 that (~~shall~~) may not exceed one percent of the insurer's policyholder  
30 surplus as of December 31st of the last-completed calendar year;

31 (e) Collect a payment from a reinsurer or commit the insurer to a  
32 claim settlement with a reinsurer, without prior approval of the  
33 insurer. If prior approval is given, a report (~~shall~~) must be  
34 promptly forwarded to the insurer;

35 (f) Permit an agent appointed by it to serve on the insurer's board  
36 of directors;

37 (g) Jointly employ an individual who is employed by the insurer; or

38 (h) Appoint a submanaging general agent.

1       **Sec. 33.** RCW 48.110.030 and 1999 c 112 s 4 are each amended to  
2 read as follows:

3       (1) A person (~~shall~~) may not act as, or offer to act as, or hold  
4 himself or herself out to be a service contract provider in this state,  
5 nor may a service contract be sold to a consumer in this state, unless  
6 the service contract provider has a valid registration as a service  
7 contract provider issued by the commissioner.

8       (2) Applicants to be a service contract provider (~~shall~~) must  
9 make an application to the commissioner upon a form to be furnished by  
10 the commissioner. The application (~~shall~~) must include or be  
11 accompanied by the following information and documents:

12       (a) All basic organizational documents of the service contract  
13 provider, including any articles of incorporation, articles of  
14 association, partnership agreement, trade name certificate, trust  
15 agreement, shareholder agreement, bylaws, and other applicable  
16 documents, and all amendments to those documents;

17       (b) The identities of the service contract provider's executive  
18 officer or officers directly responsible for the service contract  
19 provider's service contract business, and, if more than fifty percent  
20 of the service contract provider's gross revenue is derived from the  
21 sale of service contracts, the identities of the service contract  
22 provider's directors and stockholders having beneficial ownership of  
23 ten percent or more of any class of securities;

24       (c) Audited annual financial statements or other financial reports  
25 acceptable to the commissioner for the two most recent years which  
26 prove that the applicant is solvent and any information the  
27 commissioner may require in order to review the current financial  
28 condition of the applicant. If the service contract provider is  
29 relying on RCW 48.110.050(2) (a) or (c) to assure the faithful  
30 performance of its obligations to service contract holders, then the  
31 audited financial statements of the service contract provider's parent  
32 company may be substituted for the audited financial statements of the  
33 service contract provider;

34       (d) An application fee of two hundred fifty dollars, which shall be  
35 deposited into the (~~insurance commissioner's regulatory account under~~  
36 ~~RCW 48.02.190~~) general fund; and

37       (e) Any other pertinent information required by the commissioner.

1 (3) The applicant shall appoint the commissioner as its attorney to  
2 receive service of legal process in any action, suit, or proceeding in  
3 any court. This appointment is irrevocable and shall bind the service  
4 contract provider or any successor in interest, shall remain in effect  
5 as long as there is in force in this state any contract or any  
6 obligation arising therefrom related to residents of this state, and  
7 shall be processed in accordance with RCW 48.05.210.

8 (4) The commissioner may refuse to issue a registration if the  
9 commissioner determines that the service contract provider, or any  
10 individual responsible for the conduct of the affairs of the service  
11 contract provider under subsection (2)(b) of this section, is not  
12 competent, trustworthy, financially responsible, or has had a license  
13 as a service contract provider or similar license denied or revoked for  
14 cause by any state.

15 (5) A registration issued under this section is valid, unless  
16 surrendered, suspended, or revoked by the commissioner, or not renewed  
17 for so long as the service contract provider continues in business in  
18 this state and remains in compliance with this chapter. A registration  
19 is subject to renewal annually on the first day of July upon  
20 application of the service contract provider and payment of a fee of  
21 two hundred dollars, which shall be deposited into the (~~insurance~~  
22 ~~commissioner's regulatory account under RCW 48.02.190~~) general fund.  
23 If not so renewed, the registration expires on the June 30th next  
24 preceding.

25 (6) A service contract provider shall keep current the information  
26 required to be disclosed in its registration under this section by  
27 reporting all material changes or additions within thirty days after  
28 the end of the month in which the change or addition occurs.

29 **Sec. 34.** RCW 48.110.040 and 1999 c 112 s 5 are each amended to  
30 read as follows:

31 (1) Every registered service contract provider that is assuring its  
32 faithful performance of its obligations to its service contract holders  
33 by complying with RCW 48.110.050(2)(b) (~~shall~~) must file an annual  
34 report for the preceding calendar year with the commissioner on or  
35 before March 1st of each year, or within any extension of time the  
36 commissioner for good cause may grant. The report (~~shall~~) must be in

1 the form and contain those matters as the commissioner prescribes and  
2 shall be verified by at least two officers of the service contract  
3 provider.

4 (2) At the time of filing the report, the service contract provider  
5 (~~shall~~) must pay a filing fee of twenty dollars which shall be  
6 deposited into the (~~insurance commissioner's regulatory account under~~  
7 ~~RCW 48.02.190~~) general fund.

8 (3) As part of any investigation by the commissioner, the  
9 commissioner may require a service contract provider to file monthly  
10 financial reports whenever, in the commissioner's discretion, there is  
11 a need to more closely monitor the financial activities of the service  
12 contract provider. Monthly financial statements (~~shall~~) must be  
13 filed in the commissioner's office no later than the twenty-fifth day  
14 of the month following the month for which the financial report is  
15 being filed. These monthly financial reports (~~shall be~~) are the  
16 internal financial statements of the service contract provider. The  
17 monthly financial reports that are filed with the commissioner  
18 constitute information that might be damaging to the service contract  
19 provider if made available to its competitors, and therefore shall be  
20 kept confidential by the commissioner. This information (~~shall~~) may  
21 not be made public or be subject to subpoena, other than by the  
22 commissioner and then only for the purpose of enforcement actions taken  
23 by the commissioner.

24 NEW SECTION. Sec. 35. The following acts or parts of acts are  
25 each repealed:

26 (1) RCW 48.05.360 (Special surplus requirements for certain  
27 combinations) and 1963 c 195 s 9;

28 (2) RCW 48.29.030 (Amount of deposit) and 1957 c 193 s 16 & 1947 c  
29 79 s .29.03;

30 (3) RCW 48.29.060 (Impairment of deposit) and 1947 c 79 s .29.06;

31 (4) RCW 48.29.070 (Levy of execution against deposit) and 1955 c 86  
32 s 14 & 1947 c 79 s .29.07;

33 (5) RCW 48.29.090 (Purpose of deposit) and 1955 c 86 s 16 & 1947 c  
34 79 s .29.09;

35 (6) RCW 48.29.100 (Termination of deposit) and 1947 c 79 s .29.10;

36 (7) RCW 48.29.110 (Release of securities) and 1955 c 86 s 17 & 1947  
37 c 79 s .29.11; and

1           (8) RCW 48.34.910 (Small loan act [Consumer finance act] not  
2 affected) and 1961 c 219 s 14.

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