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SENATE BILL 6038

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State of Washington                      60th Legislature                      2007 Regular Session

By Senators Berkey, Benton, Hobbs, Schoesler, Parlette and Hatfield

Read first time 02/15/2007.      Referred to Committee on Financial Institutions & Insurance.

1            AN ACT Relating to addressing published code reviser's notes in the  
2 financial institutions and insurance titles of the Revised Code of  
3 Washington; and amending RCW 30.04.020, 30.04.300, 30.12.190,  
4 30.38.010, 32.20.330, 48.05.410, 48.05.430, 48.05.435, 48.05.465,  
5 48.05.470, 48.05.475, 48.05.480, 48.09.270, 48.10.070, 48.10.300,  
6 48.13.110, 48.20.012, 48.20.162, 48.20.282, 48.22.080, 48.23.080,  
7 48.23.360, 48.29.040, 48.43.085, 48.43.370, 48.53.040, and 48.74.030.

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

9            **Sec. 1.** RCW 30.04.020 and 1994 c 256 s 32 are each amended to read  
10 as follows:

11            (1) The name of every bank shall contain the word "bank" and the  
12 name of every trust company shall contain the word "trust," or the word  
13 "bank." Except as provided in RCW 33.08.030 or as otherwise approved  
14 by the director, no person except:

- 15            (a) A national bank;
- 16            (b) A bank or trust company authorized by the laws of this state;
- 17            (c) A corporation (~~established under RCW 31.30.010~~);
- 18            (d) A foreign corporation authorized by this title so to do, shall:

1 (i) Use as a part of ((his-or)) its name or other business  
2 designation or in any manner as if connected with ((his-or)) its  
3 business or place of business any of the following words or the plural  
4 thereof, to wit: "bank," "banking," "banker," "trust."

5 (ii) Use any sign at or about ((his-or)) its place of business or  
6 use or circulate any advertisement, letterhead, billhead, note,  
7 receipt, certificate, blank, form, or any written or printed or part  
8 written and part printed paper, instrument or article whatsoever,  
9 directly or indirectly indicating that the business of such person is  
10 that of a bank or trust company.

11 (2) A foreign corporation, whose name contains the words "bank,"  
12 "banker," "banking," or "trust," or whose articles of incorporation  
13 empower it to engage in banking or to engage in a trust business, may  
14 not engage in banking or in a trust business in this state unless the  
15 corporation (a) is expressly authorized to do so under this title,  
16 under federal law, or by the director, and (b) complies with all  
17 applicable requirements of chapter 23B.15 RCW regarding foreign  
18 corporations. If an activity would not constitute "transacting  
19 business" within the meaning of RCW 23B.15.010(1) or chapter 23B.18  
20 RCW, then the activity shall not constitute banking or engaging in a  
21 trust business. Nothing in this subsection shall prevent operations by  
22 an alien bank in compliance with chapter 30.42 RCW.

23 (3) This section shall not prevent a lender approved by the United  
24 States secretary of housing and urban development for participation in  
25 any mortgage insurance program under the National Housing Act from  
26 using the words "mortgage banker" or "mortgage banking" in the conduct  
27 of its business, but only if both words are used together in either of  
28 the forms which appear in quotations in this sentence.

29 (4) Every person who, and every director and officer of every  
30 corporation which, to the knowledge of such director or officer  
31 violates any provision of this section shall be guilty of a gross  
32 misdemeanor.

33 **Sec. 2.** RCW 30.04.300 and 1955 c 33 s 30.04.300 are each amended  
34 to read as follows:

35 A branch of any foreign bank or banker actually and publicly  
36 engaged in banking in this state on March 10, 1917, in full compliance  
37 with the laws hereof, which were in force immediately prior to March

1 10, 1917, and which branch has a capital not less in amount than that  
2 required for the organization of a state bank as provided in this title  
3 at the time and place when and where such branch was established, may  
4 continue its said business, subject to all of the regulations and  
5 supervision provided for banks. The amount upon which it pays taxes  
6 shall be prima facie evidence of the amount and existence of such  
7 capital. No such bank or banker shall set forth on (~~its or his~~)  
8 stationery or in any manner advertise in this state a greater capital,  
9 surplus and undivided profits than are actually maintained at such  
10 branch. Every foreign corporation, bank and banker, and every officer,  
11 agent and employee thereof who violates any provision of this section  
12 (~~or which violates the terms of the resolution filed as required by~~  
13 ~~RCW 30.04.290~~) shall for each violation forfeit and pay to the state  
14 of Washington the sum of one thousand dollars. A civil action for the  
15 recovery of any such sum may be brought by the attorney general in the  
16 name of the state.

17 **Sec. 3.** RCW 30.12.190 and 1989 c 220 s 2 are each amended to read  
18 as follows:

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

1       **Sec. 4.** RCW 30.38.010 and 2005 c 348 s 2 are each amended to read  
2 as follows:

3       (1) An out-of-state bank may engage in banking in this state  
4 without violating RCW 30.04.280 only if the conditions and filing  
5 requirements of this chapter are met and the bank was lawfully engaged  
6 in banking in this state on June 6, 1996, or the bank's in-state  
7 banking activities:

8       (a) Resulted from an interstate combination pursuant to RCW  
9 30.49.125 or 32.32.500;

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

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

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

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

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

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

24       **Sec. 5.** RCW 32.20.330 and 1999 c 14 s 26 are each amended to read  
25 as follows:

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

1 (1) Not more than two percent of the bank's funds shall be  
2 invested, pursuant to this section, in the aggregate of loans to and  
3 preferred stock and obligations of any person, as defined in RCW  
4 32.32.228(1)((+e+)) (d), and such person's affiliates, as defined in  
5 RCW 32.32.025(1), incorporating the definition of control in RCW  
6 32.32.025(8).

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

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

12 **Sec. 6.** RCW 48.05.410 and 1993 c 492 s 414 are each amended to  
13 read as follows:

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

28 **Sec. 7.** RCW 48.05.430 and 1995 c 83 s 1 are each amended to read  
29 as follows:

30 As used in RCW 48.05.430 through ((48.05.490)) 48.05.485, these  
31 terms have the following meanings:

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

33 (2) "NAIC" means the national association of insurance  
34 commissioners.

35 (3) "Domestic insurer" means any insurance company domiciled in  
36 this state.

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

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

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

12 (7) "Corrective order" means an order issued by the commissioner  
13 specifying corrective actions that the commissioner has determined are  
14 required.

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

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

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

23 (11) "RBC level" means an insurer's company action level RBC,  
24 regulatory action level RBC, authorized control level RBC, or mandatory  
25 control level RBC where:

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

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

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

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

35 (12) "RBC plan" means a comprehensive financial plan containing the  
36 elements specified in RCW 48.05.440(2). If the commissioner rejects  
37 the RBC plan, and it is revised by the insurer, with or without the

1 commissioner's recommendation, the plan shall be called the "revised  
2 RBC plan."

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

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

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

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

9 **Sec. 8.** RCW 48.05.435 and 1995 c 83 s 2 are each amended to read  
10 as follows:

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

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

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

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

24 (ii) The filing date.

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

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

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

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

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

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

5 (a) Asset risk;

6 (b) Credit risk;

7 (c) Underwriting risk; and

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

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

19 (5) If a domestic insurer files an RBC report that in the judgment  
20 of the commissioner is inaccurate, then the commissioner shall adjust  
21 the RBC report to correct the inaccuracy and shall notify the insurer  
22 of the adjustment. The notice shall contain a statement of the reason  
23 for the adjustment.

24 **Sec. 9.** RCW 48.05.465 and 1995 c 83 s 8 are each amended to read  
25 as follows:

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



1 (2) The comparison of an insurer's total adjusted capital to any of  
2 its RBC levels is a regulatory tool that may indicate the need for  
3 possible corrective action with respect to the insurer, and is not a  
4 means to rank insurers generally. Therefore, except as otherwise  
5 required under the provisions of RCW 48.05.430 through ((48.05.490))  
6 48.05.485, the making, publishing, disseminating, circulating, or  
7 placing before the public, or causing, directly or indirectly to be  
8 made, published, disseminated, circulated, or placed before the public,  
9 in a newspaper, magazine, or other publication, or in the form of a  
10 notice, circular, pamphlet, letter, or poster, or over any radio or  
11 television station, or in any other way, an advertisement,  
12 announcement, or statement containing an assertion, representation, or  
13 statement with regard to the RBC levels of any insurer, or of any  
14 component derived in the calculation, by any insurer, agent, broker, or  
15 other person engaged in any manner in the insurance business would be  
16 misleading and is therefore prohibited. However, if any materially  
17 false statement with respect to the comparison regarding an insurer's  
18 total adjusted capital to its RBC levels, or any of them, or an  
19 inappropriate comparison of any other amount to the insurer's RBC  
20 levels is published in any written publication and the insurer is able  
21 to demonstrate to the commissioner with substantial proof the falsity  
22 of such statement, or the inappropriateness, as the case may be, then  
23 the insurer may publish an announcement in a written publication if the  
24 sole purpose of the announcement is to rebut the materially false  
25 statement.

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

35 **Sec. 10.** RCW 48.05.470 and 1995 c 83 s 9 are each amended to read  
36 as follows:

37 (1) The provisions of RCW 48.05.430 through ((48.05.490)) 48.05.485

1 are supplemental to any other provisions of the laws of this state, and  
2 shall not preclude or limit any other powers or duties of the  
3 commissioner under those laws, including, but not limited to, chapter  
4 48.31 RCW.

5 (2) The commissioner may exempt any domestic property and casualty  
6 insurer from RCW 48.05.430 through (~~48.05.490~~) 48.05.485, if the  
7 insurer:

8 (a) Writes direct business only in this state;

9 (b) Writes direct annual premiums of two million dollars or less;  
10 and

11 (c) Assumes no reinsurance in excess of five percent of direct  
12 premiums written.

13 **Sec. 11.** RCW 48.05.475 and 1995 c 83 s 10 are each amended to read  
14 as follows:

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

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

20 (b) Fifteen days after the request is received by the foreign or  
21 alien insurer. Any foreign or alien insurer shall, at the written  
22 request of the commissioner, promptly submit to the commissioner a copy  
23 of any RBC plan that is filed with the insurance commissioner of any  
24 other state.

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

1 (3) In the event of a mandatory control level event with respect to  
2 any foreign or alien insurer, if no domiciliary receiver has been  
3 appointed with respect to the foreign or alien insurer under the  
4 rehabilitation and liquidation statute applicable in the state of  
5 domicile of the foreign or alien insurer, the commissioner may apply  
6 for an order under RCW 48.31.080 or 48.31.090 to conserve the assets  
7 within this state of foreign or alien insurers, and the occurrence of  
8 the mandatory control level event is considered adequate grounds for  
9 the application.

10 **Sec. 12.** RCW 48.05.480 and 1995 c 83 s 11 are each amended to read  
11 as follows:

12 There is no liability on the part of, and no cause of action may  
13 arise against, the commissioner or insurance department or its  
14 employees or agents for any action taken by them in the performance of  
15 their powers and duties under RCW 48.05.430 through ~~((48.05.490))~~  
16 48.05.485.

17 **Sec. 13.** RCW 48.09.270 and 1963 c 195 s 4 are each amended to read  
18 as follows:

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

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

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

33 (4) While it maintains surplus funds in amount not less than the  
34 minimum capital required of a domestic stock insurer authorized to  
35 transact like kinds of insurance, ~~((and subject to the requirements of~~  
36 ~~RCW 48.05.360 as to special surplus,))~~ a foreign or alien mutual

1 insurer on the cash premium plan may, if consistent with its charter  
2 and the laws of its domicile, issue nonassessable policies covering  
3 subjects located, resident, or to be performed in this state.

4 **Sec. 14.** RCW 48.10.070 and 1985 c 264 s 4 are each amended to read  
5 as follows:

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

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

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

31 **Sec. 15.** RCW 48.10.300 and 1983 c 3 s 148 are each amended to read  
32 as follows:

33 (1) (~~(Subject to the special surplus requirements of RCW~~  
34 ~~48.05.360,~~) If a reciprocal insurer has a surplus of assets over all  
35 liabilities at least equal to the minimum capital stock required of a  
36 domestic stock insurer authorized to transact like kinds of insurance,

1 upon application of the attorney and as approved by the subscribers'  
2 advisory committee the commissioner shall issue his certificate  
3 authorizing the insurer to extinguish the contingent liability of  
4 subscribers under its policies then in force in this state, and to omit  
5 provisions imposing contingent liability in all policies delivered or  
6 issued for delivery in this state for so long as all such surplus  
7 remains unimpaired.

8 (2) Upon impairment of such surplus, the commissioner shall  
9 forthwith revoke the certificate. No policy shall thereafter be issued  
10 or renewed without providing for the contingent assessment liability of  
11 subscribers.

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

23 **Sec. 16.** RCW 48.13.110 and 1975 1st ex.s. c 154 s 1 are each  
24 amended to read as follows:

25 An insurer may invest any of its funds in:

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

29 (b) Chattel mortgages in connection therewith pursuant to RCW  
30 48.13.150;

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

36 (2) Purchase money mortgages or like securities received by it upon

1 the sale or exchange of real property acquired pursuant to RCW  
2 48.13.160 as amended by section 7, chapter 241, Laws of 1969 ex. sess.

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

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

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

19 (6) Evidences of debt secured by first mortgages or deeds of trust  
20 upon agricultural leasehold estates executed pursuant to RCW  
21 (~~(79.01.096)~~) 79.11.010, otherwise unencumbered, and if the mortgagee  
22 is entitled to be subrogated to all the rights under the leasehold.

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

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

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

30 (2) The style, arrangement and over-all appearance of the policy  
31 shall give no undue prominence to any portion of the text, and every  
32 printed portion of the text of the policy and of any endorsements or  
33 attached papers shall be plainly printed in light-faced type of a style  
34 in general use, the size of which shall be uniform and not less than  
35 ten-point with a lower-case unspaced alphabet length not less than one  
36 hundred and twenty-point (the "text" shall include all printed matter

1 except the name and address of the insurer, name or title of the  
2 policy, the brief description if any, and caption and subcaptions).

3 (3) The exceptions and reductions of indemnity shall be set forth  
4 in the policy and, other than those contained in RCW 48.20.042 to  
5 (~~48.20.272~~) 48.20.262, inclusive, shall be printed, at the insurer's  
6 option, either included with the benefit provision to which they apply,  
7 or under an appropriate caption such as "Exceptions," or "Exceptions  
8 and reductions," except that if an exception or reduction specifically  
9 applies only to a particular benefit of the policy, a statement of such  
10 exception or reduction shall be included with the benefit provision to  
11 which it applies.

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

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

21 **Sec. 18.** RCW 48.20.162 and 1951 c 229 s 17 are each amended to  
22 read as follows:

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

35 **Sec. 19.** RCW 48.20.282 and 1951 c 229 s 29 are each amended to  
36 read as follows:

1 The provisions which are the subject of RCW 48.20.042 to  
2 (~~48.20.272~~) 48.20.262, inclusive, or any corresponding provisions  
3 which are used in lieu thereof in accordance with such sections, shall  
4 be printed in the consecutive order of the provisions in such sections  
5 or, at the insurer's option, any such provision may appear as a unit in  
6 any part of the policy, with other provisions to which it may be  
7 logically related, provided the resulting policy shall not be in whole  
8 or in part unintelligible, uncertain, ambiguous, abstruse, or likely to  
9 mislead a person to whom the policy is offered, delivered or issued.

10 **Sec. 20.** RCW 48.22.080 and 1994 c 102 s 2 are each amended to read  
11 as follows:

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

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

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

34 (a) If such policy is issued prior to (~~the operative date of RCW~~  
35 ~~48.23.350~~) June 12, 1947, the sum, including any interest paid in  
36 advance but not beyond the end of the current policy year, shall be



1 equal to or at the option of the owner of the policy less than, the  
2 reserve at the end of the current policy year on the policy and on any  
3 dividend additions thereto, less a sum not more than two and one-half  
4 percent of the amount insured by the policy and of any dividend  
5 additions thereto. The policy may contain a provision by which the  
6 insurer reserves the right to defer the making of the loan, except when  
7 made to pay premiums, for a period not exceeding six months after the  
8 date of application therefor.

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

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

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

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

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

32 (3) Such policy may further provide that if the interest on the  
33 loan is not paid when due, it shall be added to the existing  
34 indebtedness and shall bear interest at the same rate; and that if and  
35 when the total indebtedness on the policy, including interest due or  
36 accruing, equals or exceeds the amount of the loan value thereof which  
37 would otherwise exist at such time, the policy shall terminate in full  
38 settlement of such indebtedness and become void; except, that it shall

1 be stipulated in the policy that no such termination shall be effective  
2 prior to the expiration of at least thirty days after notice of the  
3 pendency of the termination was mailed by the insurer to the insured  
4 and the assignee, if any, at their respective addresses last of record  
5 with the insurer.

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

11 **Sec. 22.** RCW 48.23.360 and 1973 1st ex.s. c 162 s 6 are each  
12 amended to read as follows:

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

35 (2) Net considerations: The net considerations for any annuity or  
36 pure endowment contract referred to in subsection (1) of this section  
37 shall be calculated on an annual basis, shall be such that the present

1 value thereof at date of issue of the annuity shall equal the then  
2 present value of the future benefits thereunder (excluding any total  
3 disability benefits attached to such contracts) and shall be not less  
4 than the following percentages of the respective considerations  
5 specified in the contracts for the respective contract years:

- 6 First year . . . . . fifty percent
- 7 Second and subsequent years . . . . . ninety percent

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

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

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

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

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

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

10 **Sec. 23.** RCW 48.29.040 and 1990 c 76 s 2 are each amended to read  
11 as follows:

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

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

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

31 Notwithstanding any other provision of law, no health carrier  
32 subject to the jurisdiction of the state of Washington may prohibit  
33 directly or indirectly its enrollees from freely contracting at any  
34 time to obtain any health care services outside the health care plan on  
35 any terms or conditions the enrollees choose. Nothing in this section  
36 shall be construed to bind a carrier for any services delivered outside

1 the health plan. (~~The provisions of this section shall be disclosed~~  
2 ~~pursuant to RCW 48.43.095(2).~~) The insurance commissioner is  
3 prohibited from adopting rules regarding this section.

4 **Sec. 25.** RCW 48.43.370 and 1998 c 241 s 15 are each amended to  
5 read as follows:

6 RCW 48.43.300 through 48.43.370 shall not apply to a carrier which  
7 is subject to the provisions of RCW 48.05.430 through (~~48.05.490~~)  
8 48.05.485.

9 **Sec. 26.** RCW 48.53.040 and 1982 c 110 s 4 are each amended to read  
10 as follows:

11 An insurer may cancel a fire insurance policy when the requirements  
12 of RCW 48.53.030 are met only in accordance with the following  
13 procedure:

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

18 (a) The date that the policy will be canceled;

19 (b) A description of the specific facts justifying the  
20 cancellation;

21 (c) A copy of this chapter; and

22 (d) The name, title, address, and telephone number of the insurer's  
23 employee who may be contacted regarding cancellation of the policy.

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

30 (3) The insurer shall also comply with the requirements of RCW  
31 48.18.290 (1)(~~(b)~~) (e), (2) and (3), and shall provide not less than  
32 twenty days notice of cancellation to each mortgagee, pledgee, or other  
33 person shown by the policy to have an interest in any loss which may  
34 occur thereunder except as provided in subsection (1) of this section.

35 (4) The portion of any premium paid to the insurer on account of  
36 the policy, unearned because of the cancellation and in an amount as

1 computed on a pro rata basis, must be actually paid or mailed to the  
2 insured or other person entitled thereto as shown by the policy or any  
3 endorsement thereon, as soon as possible, and no later than thirty  
4 days after the date that the notice of cancellation was issued.

5 **Sec. 27.** RCW 48.74.030 and 1993 c 462 s 86 are each amended to  
6 read as follows:

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

23 (a) For all ordinary policies of life insurance issued on the  
24 standard basis, excluding any disability and accidental death benefits  
25 in such policies--the commissioner's 1941 standard ordinary mortality  
26 table for such policies issued prior to (~~the operative date of RCW~~  
27 ~~48.23.350(5a)~~) June 12, 1947, and the commissioner's 1958 standard  
28 ordinary mortality table for such policies issued on or after (~~such~~  
29 ~~operative date~~) June 12, 1947, and prior to the operative date of RCW  
30 48.76.050(4), except that for any category of such policies issued on  
31 female risks, all modified net premiums and present values referred to  
32 in this chapter may be calculated according to an age not more than six  
33 years younger than the actual age of the insured; and for such policies  
34 issued on or after the operative date of RCW 48.76.050(4): (i) The  
35 commissioner's 1980 standard ordinary mortality table; or (ii) at the  
36 election of the company for any one or more specified plans of life  
37 insurance, the commissioner's 1980 standard ordinary mortality table

1 with ten-year select mortality factors; or (iii) any ordinary mortality  
2 table, adopted after 1980 by the National Association of Insurance  
3 Commissioners, that is approved by regulation promulgated by the  
4 commissioner for use in determining the minimum standard of valuation  
5 for such policies.

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

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

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

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

1 January 1, 1961, the class (3) disability table (1926). Any such table  
2 shall, for active lives, be combined with a mortality table permitted  
3 for calculating the reserves for life insurance policies.

4 (f) For accidental death benefits in or supplementary to policies--  
5 for policies issued on or after January 1, 1966, the 1959 accidental  
6 death benefits table or any accidental death benefits table, adopted  
7 after 1980 by the National Association of Insurance Commissioners, that  
8 is approved by regulation promulgated by the commissioner for use in  
9 determining the minimum standard of valuation for such policies; for  
10 policies issued on or after January 1, 1961, and prior to January 1,  
11 1966, either such table or, at the option of the company, the  
12 intercompany double indemnity mortality table; and for policies issued  
13 prior to January 1, 1961, the intercompany double indemnity mortality  
14 table. Either table shall be combined with a mortality table permitted  
15 for calculating the reserves for life insurance policies.

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

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

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

33 (b) For individual single premium immediate annuity contracts  
34 issued on or after September 1, 1979, excluding any disability and  
35 accidental death benefits in such contracts--the 1971 individual  
36 annuity mortality table or any individual annuity mortality table,  
37 adopted after 1980 by the National Association of Insurance  
38 Commissioners, that is approved by regulation promulgated by the



1 commissioner for use in determining the minimum standard of valuation  
2 for such contracts, or any modification of these tables approved by the  
3 commissioner, and seven and one-half percent interest.

4 (c) For individual annuity and pure endowment contracts issued on  
5 or after September 1, 1979, other than single premium immediate annuity  
6 contracts, excluding any disability and accidental death benefits in  
7 such contracts--the 1971 individual annuity mortality table or any  
8 individual annuity mortality table, adopted after 1980 by the National  
9 Association of Insurance Commissioners, that is approved by regulation  
10 promulgated by the commissioner for use in determining the minimum  
11 standard of valuation for such contracts, or any modification of these  
12 tables approved by the commissioner, and five and one-half percent  
13 interest for single premium deferred annuity and pure endowment  
14 contracts and four and one-half percent interest for all other such  
15 individual annuity and pure endowment contracts.

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

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

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

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

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

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

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

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

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

17 (i) For life insurance:

18 
$$I = .03 + W (R_1 - .03) + W/2 (R_2 - .09);$$

19 (ii) For single premium immediate annuities and for annuity  
20 benefits involving life contingencies arising from other annuities with  
21 cash settlement options and from guaranteed interest contracts with  
22 cash settlement options:

23 
$$I = .03 + W (R - .03)$$

24 where  $R_1$  is the lesser of R and .09,

25  $R_2$  is the greater of R and .09,

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

27 W is the weighting factor defined in this section;

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

37 (iv) For other annuities with no cash settlement options and for

1 guaranteed interest contracts with no cash settlement options, the  
2 formula for single premium immediate annuities stated in (ii) of this  
3 subparagraph shall apply;

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

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

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

23 (i) Weighting Factors for Life Insurance:

24	<b>Guarantee Duration</b>	<b>Weighting</b>
25	<b>(Years)</b>	<b>Factors</b>
26	10 or less	.50
27	More than 10, but not more than 20	.45
28	More than 20	.35

29 For life insurance, the guarantee duration is the maximum number of  
30 years the life insurance can remain in force on a basis guaranteed in  
31 the policy or under options to convert to plans of life insurance with  
32 premium rates or nonforfeiture values or both which are guaranteed in  
33 the original policy;

34 (ii) Weighting factor for single premium immediate annuities and  
35 for annuity benefits involving life contingencies arising from other

1 annuities with cash settlement options and guaranteed interest  
2 contracts with cash settlement options: .80;

3 (iii) Weighting factors for other annuities and for guaranteed  
4 interest contracts, except as stated in (ii) of this subparagraph,  
5 shall be as specified in (d)(iii)(A), (B), and (C) of this subsection,  
6 according to the rules and definitions in (d)(iii)(D), (E), and (F) of  
7 this subsection:

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

10

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Guarantee Duration (Years)	Weighting Factor for Plan Type		
	A	B	C
5 or less:	.80	.60	.50
More than 5, but not more than 10:	.75	.60	.50
More than 10, but not more than 20:	.65	.50	.45
More than 20:	.45	.35	.35

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

21

22

23

Plan Type	A	B	C
	.15	.25	.05

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

1 **Plan Type**

2	A	B	C
3	.05	.05	.05

4 (D) For other annuities with cash settlement options and guaranteed  
5 interest contracts with cash settlement options, the guarantee duration  
6 is the number of years for which the contract guarantees interest rates  
7 in excess of the calendar year statutory valuation interest rate for  
8 life insurance policies with guarantee duration in excess of twenty  
9 years. For other annuities with no cash settlement options and for  
10 guaranteed interest contracts with no cash settlement options, the  
11 guarantee duration is the number of years from the date of issue or  
12 date of purchase to the date annuity benefits are scheduled to  
13 commence.

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

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

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

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

35 (F) A company may elect to value guaranteed interest contracts with  
36 cash settlement options and annuities with cash settlement options on

1 either an issue year basis or on a change in fund basis. Guaranteed  
2 interest contracts with no cash settlement options and other annuities  
3 with no cash settlement options must be valued on an issue year basis.  
4 As used in this section, an issue year basis of valuation refers to a  
5 valuation basis under which the interest rate used to determine the  
6 minimum valuation standard for the entire duration of the annuity or  
7 guaranteed interest contract is the calendar year valuation interest  
8 rate for the year of issue or year of purchase of the annuity or  
9 guaranteed interest contract. The change in fund basis of valuation  
10 refers to a valuation basis under which the interest rate used to  
11 determine the minimum valuation standard applicable to each change in  
12 the fund held under the annuity or guaranteed interest contract is the  
13 calendar year valuation interest rate for the year of the change in the  
14 fund.

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

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

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

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

37 (iv) For other annuities with cash settlement options and  
38 guaranteed interest contracts with cash settlement options, valued on

1 a year of issue basis, except as stated in (ii) of this subparagraph,  
2 with guarantee duration of ten years or less, the average over a period  
3 of twelve months, ending on June 30th of the calendar year of issue or  
4 purchase, of Moody's corporate bond yield average--monthly average  
5 corporates, as published by Moody's Investors Service, Inc.

6 (v) For other annuities with no cash settlement options and for  
7 guaranteed interest contracts with no cash settlement options, the  
8 average over a period of twelve months, ending on June 30th of the  
9 calendar year of issue or purchase, of Moody's corporate bond yield  
10 average--monthly average corporates, as published by Moody's Investors  
11 Service, Inc.

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

19 (f) If Moody's corporate bond yield average--monthly average  
20 corporates is no longer published by Moody's Investors Service, Inc.,  
21 or if the National Association of Insurance Commissioners determines  
22 that Moody's corporate bond yield average--monthly average corporates  
23 as published by Moody's Investors Service, Inc. is no longer  
24 appropriate for the determination of the reference interest rate, then  
25 an alternative method for determination of the reference interest rate,  
26 which is adopted by the National Association of Insurance Commissioners  
27 and approved by rule adopted by the commissioner, may be substituted.

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