

Washington Law Review

Volume 32
Number 3 *Washington Legislation-1957*

8-1-1957

Insurance

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Recommended Citation

Robert L. Taylor, Washington Legislation, *Insurance*, 32 Wash. L. Rev. & St. B.J. 194 (1957).
Available at: <https://digitalcommons.law.uw.edu/wlr/vol32/iss3/5>

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INSURANCE

Mutual Insurers. Chapter 193 repeals RCW 48.09.020 to RCW 48.09.080 inclusive, and substitutes therefor a new section which states the qualifications required when a newly organized domestic mutual insurer applies for an original certificate of authority. To qualify, the insurer "must have received and accepted bona fide applications as to substantial insurable subjects for insurance coverage of a substantial character of the kind of insurance proposed to be transacted" as set forth in the accompanying schedule, and it "must have collected in cash the full premium therefor at a rate not less than that usually charged by stock insurers for comparable coverages." In addition, it "must have surplus funds on hand as of the date such insurance coverages are to become effective, or in lieu of such applications, premiums and surplus, may deposit surplus" as set out in the schedule for the various types of insurance. The schedule also provides for the minimum number of applicants to be accepted, the minimum number of subjects to be covered, the minimum premium to be collected and the minimum and maximum amount of insurance for each subject. Formerly, each type of insurance was covered by a separate section of the Insurance Code.¹ Some changes have been made in the amounts set out in the schedule. The maximum amount of life insurance for each subject has been decreased from \$2,500 to \$1,000, while the maximum amount of insurance on each property has been increased to \$3,000. There is an increase in required minimum surplus funds from \$5,000 to \$25,000 for life, disability, and property insurance. The alternative surplus fund deposit for vehicle insurance has been increased from \$150,000 to \$200,000.

Standard Valuation Law. RCW 48.12.150 is amended to include a provision that, in valuing ordinary life insurance policies issued on female risks on or after July 1, 1957, on the standard basis under the Commissioners 1941 Standard Ordinary Mortality Table, "modified net premiums and present values . . . may be calculated, at the option of the insurer with approval of the commissioner, according to an age not more than three years younger than the actual age of the insured." The Standard Nonforfeiture Law² is changed by a similar amendment for policies of life insurance issued on female risks. This

¹ Mutual Property Insurer, RCW 48.09.020-.050; Mutual Vehicle Insurer, RCW 48.09.060; Mutual Life Insurer, RCW 48.09.070; Mutual Disability Insurer, RCW 48.09.080.

² RCW 48.23.350.

change has apparently been made in order to reflect the more favorable mortality experience with regard to female risks.

Investments. A new section is added to chapter 48.13 RCW which provides for a maximum of sixty-five percent of the insurer's assets to be invested "in real estate, real estate contracts, and notes, bonds and other evidences of debt secured by mortgage(s) on real estate." If an insurer has more than sixty-five percent so invested when the act becomes effective it "shall not make any further such investments while such excess exists."

Title Insurers. RCW 48.29.030 is amended to include the provision that in order for the title insurer to transact business in two or more counties, it "must have a guaranty fund deposit in amount not less than the amount required under subsection (1) as to that one of the counties in which business is to be so transacted for which the largest amount is so required." A similar provision is deleted from RCW 48.29.040 which now requires that a "title insurer having its principal offices in one county may be authorized to transact business in only such additional counties as to which it owns and maintains, or has a duly authorized agent that owns and maintains, a complete set of tract indexes." This is a new requirement for a title insurer who transacts business in more than one county.

Unfair Practices and Frauds. Two new sections have been added to Chapter 48.30 RCW by Chapter 193. The first section prohibits a life or disability insurer from participating in any plan to offer any kind of insurance, except group or blanket insurance, "as an inducement to the purchase by the public of any goods, securities, commodities, services or subscriptions to publications." The purpose of this section is to obviate tie-in arrangements between sales of life and disability insurance and various types of goods and commodities. However, the terms used are somewhat ambiguous, and their construction may present some difficulty.

The second section provides that "Every debtor or borrower, when property insurance of any kind is required in connection with the debt or loan, shall have reasonable opportunity and choice in the selection of the agent, broker, and insurer through whom such insurance is to be placed." However, this applies "only if the insurance is properly provided for the protection of the creditor or lender not later than at commencement of risk as to such property as respects such creditor or

lender." In the case of insurance which is being renewed, the renewal policy must be delivered to such creditor or lender "not later than thirty days prior to the renewal date."

This second section portends even more difficulty of construction, as many of its provisions are not clear. Who are included in the terms "debtor and borrower"? Does the term "property insurance" include all kinds of automobile insurance as well as the more usual types of property insurance? What shall constitute "reasonable opportunity and choice" in the selection of the agent, broker and insurer? There could be considerable opportunity for argument as to this. When is insurance "properly provided" for the protection of the creditor or lender, and under what circumstances can he object on the basis that the insurance is not proper? There could easily be disagreement as to what insurance properly protects the creditor or lender. The wording of this section is unfortunate and it may well invite controversy and litigation in the future to facilitate its construction.

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LOCAL GOVERNMENT LAW

The 1957 Washington Legislature enacted many statutes in the local government law field. It would be impossible in the space available to summarize all of such statutes to indicate the changes from the heretofore existing law and the new enactments. Hence, only a few of the most significant statutes will be discussed in this comment.

Time In Which Claims Must Be Filed Against Cities. Chapter 224 changes the time within which claims against a city must be filed. The old statutes provided that claims for damages against cities must be filed within thirty days. The new act provides that claims for damages against cities of certain classes must be filed within ninety days. An exception is made to the effect that claims for damages arising from alleged defective sidewalks must be filed within thirty days from the date the damage occurred or the injury was sustained. Apparently, the Legislature felt that the thirty-day rule on claims in general was too harsh on claimants. For some reason, this rationale did not extend to claims for damages arising from alleged defective sidewalks.

"Metro Act." Chapter 213 is the Metropolitan Municipal Corporations Act, the so called "Metro Act." This act is probably the most interesting and unusual act of its kind passed by the 1957 Legislature.