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I. WASHINGTON STATE LAWS AND RULES SECTION I

Limited lines 15 questions section I 18 questions section II



Washington Administrative Code (WAC) Title 284

Revised Code of Washington (RCW) Title 48

Do NOT Memorize the RCW or WAC **numbers**.

A. The Insurance Commissioner...

The Insurance Industry in Washington is regulated by the State of Washington. The Revised Code of Washington (RCWs) is comprised of State Laws (a.k.a. Statute Law) passed by the state legislature which governs the insurance activities in our state. The insurance commissioner protects the Insurance Consumer by enforcing these laws. He does not write these laws but he does write reasonable rules to be able to properly clarify these laws and enforce them. He is, because of his office, a member of the NAIC. *The **National Association of Insurance Commissioners (NAIC)** is the oldest association of state government officials. They protect the insurance consumer.*



The Commissioner is ***elected*** every **four (4) years** by ***the voters*** of the State of Washington. His term will commence on the Wednesday after the second Monday in January following the election.

Washington's current Insurance Commissioner is Mike Kreidler. 

1. **Broad Powers ...** (RCW 48.02.010, .020, .060, .080, .100, .160; WAC 284-02-010)

1) General Powers and Duties of the Commissioner

- a) **Administer and enforce** the provisions of the Insurance Code.
- b) Make **reasonable rules and regulations** for effectuating any provision of the Insurance Code.
- c) **Conduct investigations** to determine whether any person or company has violated any provision of the Insurance Code. The Commissioner may **investigate** grievances filed against any authorized insurance company (provider) or insurance producer.
- d) Take action against an insurance company or health care service contractor by **revocation or suspension of its Certificate of Authority**. A certificate of authority is a company's license to transact insurance in our state.

- e) **Revoke or suspend any insurance license.** Any person violating any provision of the insurance code is guilty of a gross misdemeanor and will, upon conviction, **be fined not less than ten dollars nor more than one thousand dollars, or imprisoned for not more than one year, or both** in addition to any other penalty or forfeiture provided herein or otherwise by law.
- f) Before entering upon his or her duties the commissioner shall execute a **bond** to the state in the sum of **twenty-five thousand dollars**, to be approved by the state treasurer and the attorney general, conditioned upon the faithful performance of the duties of his or her office.
- g) *The commissioner may delegate authority.* **Any power** or duty vested in the commissioner by any provision of this **code may be exercised by any deputy, assistant, examiner, or employee** of the commissioner acting in his or her behalf and by his or her authority. This may, at the commissioner's discretion, include the need for a bond up to the \$25,000 required for the commissioner.

2) Enforcement by the Commissioner...

- a) The commissioner may prosecute an action in any court of competent jurisdiction to enforce any order made by him or her pursuant to any provision of this code.
- b) If the commissioner has cause to believe that any person has violated any penal provision of this code or of other laws relating to insurance he or she shall certify the facts of the violation to the public prosecutor of the jurisdiction in which the offense was committed.
- c) If the commissioner has cause to believe that any person is violating or is about to violate any provision of this code or any regulation or order of the commissioner, he or she may:
 - i. **Issue a cease and desist order**; and/or
 - ii. **Bring an action in any court of** competent jurisdiction to enjoin the person from continuing the violation or doing any action in furtherance thereof.
- d) The **attorney general** and the several **prosecuting attorneys** throughout the state shall prosecute or defend all proceedings brought pursuant to the provisions of this code *when requested by the commissioner*.
- e) SHIBA The OIC offers assistance statewide to consumers regarding health care insurance and health care access through its statewide health insurance benefits advisors (SHIBA) program. Volunteers are trained by OIC employees to provide counseling, education, and other assistance to residents of Washington.

The Commissioner **DOES NOT**:

- Ø Put insurance policies together.

- Ø Restrict the number of insurance producers a company may have.
- Ø **Make the code or decide on the constitutionality of the codes (statutes).**
- Ø Endorse any insurance company.
- Ø Prosecute, arrest, sue or issue warrants against licensees **but does file the complaint through the courts.**

The Commissioner **DOES**:

- Obtain and publish for the use of courts and appraisers throughout the state, tables showing the average expectancy of life and values of annuities.
- Disseminate information concerning the insurance laws of this state.
- Provide assistance to members of the public in obtaining information about insurance products and in resolving complaints involving insurers and other licensees.
 - www.insurance.wa.gov

3) Examination of Records... (48.03.010-020, 284-03-005, 015, 030) The Commissioner must establish the Examinations Department headed by a Chief Examiner who has the responsibility for monitoring the insurers' financial status.

- The Chief Examiner **must** examine each **insurance company holding a certificate of authority at least every five years** but **may** examine at **any time**, and also has the responsibility for licensing applicants and checking their qualifications.
- The Commissioner may elect to accept and rely on an audit report made by an independent certified public accountant for the insurer in the course of that part of the commissioner's examination.
- The commissioner may examine at any time the books and records of any producer, surplus lines broker or adjuster

Public Access to Records... (284-03-005, 015, 030) The Insurance Commissioner must allow public access to records by appointing a Public Records Officer. The officer must be located in the Commissioner's Office and will be responsible for implementing the laws. Hours for inspection are Monday through Friday 8-5. The officer must help individuals by accepting written requests for information, helping obtain the appropriate description of the records, and assisting the public. The Public Records Act provides that a number of types of documents are exempt from public inspection and copying.

Public access to records is available online.

4) Penalties... (48.17.530-.560)

a) Licensing Suspension / Revocation / Probation

- **Suspension:** The Commissioner can take the license away **temporarily** for a maximum of **one year** and it is returned without the producer having to retake an exam.
- **Revocation:** The Commissioner can take the license away for a maximum of **one year**. The person must reapply for the license but it may not be approved. However, if the Commissioner does approve the application, pre-license education is required and the proper license exam must be passed again.
- **Probation:** The commissioner may probate a suspension or revocation of a license under reasonable terms determined by the commissioner. In addition, the commissioner may require a licensee who is placed on probation to:
 - Report regularly to the commissioner on matters that are the basis of the probation;
 - Limit practice to an area prescribed by the commissioner; or continue or renew continuing education until the licensee attains a degree of skill satisfactory to the commissioner in the area that is the basis of the probation.
 - At any time during a probation term where the licensee has violated the probation order, the commissioner may: Rescind the probation and enforce the commissioner's original order; and impose any disciplinary action permitted under this section in addition to or in lieu of enforcing the original order.
 - The Commissioner may suspend, revoke or refuse to renew a license with not less than **15-days written notice**.
 - The Commissioner may suspend a license with not less than a **three-day** written notice upon **finding** that the public safety requires this **emergency action**.
 - Immediate revocation (without a hearing) of any insurance license is allowed upon the sentencing of the licensee for conviction of a felony, but only if the facts of the conviction demonstrate the licensee to be untrustworthy to maintain any such license.

b) Fines... (48.17.560) The Commissioner can fine a minimum of \$10 and a maximum of \$1,000 and/or up to 364 days in jail per offense for a violation of the insurance code.

- Fines and penalties must be paid in **not less than 15 days nor more than 30 days** after the receipt of the order to pay.
- *Failure to pay will result in revocation of the insurance license and the fine recovered in a civil action through the courts on behalf of the Insurance Commissioner.*
- Fines are paid to the State Treasurer for deposit in the general fund.
- **Appeal...** The licensee has the legal right to appeal orders, fines, penalties, suspensions and revocations levied by the State Commissioner within 90 days. The licensee can appeal any decision of the Commissioner or any deputy, assistant or examiner of the Commissioner. The new hearing must be held within 30 days of the appeal.

5) Unlicensed Activities... (48.17.060, 063) A person shall not sell, solicit, or negotiate insurance in this state for any line or lines of insurance unless the person is licensed for that line of authority in accordance with this chapter.

For the purpose of this section, an act is committed in this state if it is committed, in whole or in part, in the state of Washington, or affects persons or property within the state and relates to or involves an insurance contract.

- ✓ Any person who knowingly violates this section is **guilty of a Class B felony**.
- ✓ **The Commissioner may** issue a cease and desist order, **suspend or revoke a license** and/or **assess a civil penalty** of not more than **\$25,000** for each violation.

**A producer in the state of Washington receives one license. Lines of authority may be added as you pass the exams. You may only sell, solicit or negotiate in the lines you are licensed in. For example, giving an auto quote to someone while being life only licensed would be considered in violation of this law. *A producer may share commissions with someone who has a license in a different line of insurance than the line being sold.*

B. Terms and Concepts

1) Insurance... (48.01.040) is a social device for transferring **risk (specifically the financial impact of a loss)** to an insurance company. The funds to cover losses are raised by collecting small amounts of money (premiums) from a broad base and a large number of people.

“Insurance is a contract whereby one undertakes to indemnify another or pay a specified amount upon determinable contingencies.”

2) Risk is the uncertainty of a loss, specifically, a financial loss. **Only pure risk is insurable** (the chance of a loss, no gain). *With a **speculative risk**, there is a chance of gain as well as a chance of loss. However, a speculative risk is not insurable.*

3) Insurer... (48.01.050) A.K.A. Issuer, Insurance Company, Carrier, Principal is the insurance company or other entity assuming risks and agreeing to pay claims or provide services. Written communications from insurance companies must be phrased in simple language and list *the full name of the insurer and location of its home office or principal office*, if any, in the United States.

4) Insured is the person, persons, or business covered by the insurance, who (usually) pays the premiums in exchange for protection against losses.

5) Insurance Policy is a contract, a legal document, which establishes the terms of the agreement between the insurer and the insured. The policy must **not be** unintelligible, ambiguous, or likely to mislead the person who is purchasing or reading the policy.

6) Insurance Producer means a **person** required to be licensed under the laws of this state to **sell, solicit** or **negotiate** insurance. The term, insurance producer, does not include title insurance agents or surplus lines brokers.

7) Person... (48.01.070) means any individual, company, insurer, association, organization, reciprocal exchange, partnership, business trust, or corporation.

- *An office may need to be licensed as a producer to conduct business.*

8) Insurance Transactions... (48.01.060) include:

- Solicitation** - offering to sell insurance.
- Negotiation** - quoting, selling and any analysis prior to execution.
- Execution** - putting the policy in force, signing any documents, etc.
- Transactions** after the sale such as adding or changing coverage, etc.
- Any act of insuring** - individuals or companies **who perform transactions** must be licensed to do so.

9) Certificate of Authority...An insurance company may not transact insurance in Washington unless the Commissioner grants it a certificate of authority. A certificate of authority is issued by the Commissioner and authorizes a company to sell insurance in our state. Once the company has received a Certificate of Authority they are known as an **authorized** company or an **admitted** company, both meaning they are **licensed** in Washington State

- ✓ **(48.17.067)** The **burden of determining** whether a prospective insurer is **authorized** to transact business in our state is the **responsibility of the producer who is soliciting, negotiating or procuring an application for the insurance**. The producer selling the insurance must make a good faith effort to determine whether the entity that is issuing the coverage is “authorized” in Washington.

C. Licensing

1) Insurance Producer means a **person** required to be licensed under the laws of this state to *sell, solicit* or *negotiate* insurance. The term, insurance producer, does not include title insurance agents or surplus lines brokers.

Must be licensed to receive a commission... (48.17.490), service fee, or other valuable consideration. An insurance company, insurance producer, or title insurance agent shall not pay a commission, service fee, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under this chapter or chapter [48.15](#) RCW and is not so licensed.

Note: the license does not need to be in the same line or lines of authority that the sale was written in order to share commissions. For example, a life only licensed producer may share in the commissions with a property and casualty sale. They may NOT sell, solicit, or negotiate the sale. This is not a referral fee, it is sharing commissions.

2) Pre-licensing Requirements... (48.17.010, 060, 090) Prior to transacting insurance, an applicant for a resident insurance producer's license must: take and pass the required examination for each line of authority to be applied for; submit an application form with the required attachments and fees; receive a license from the Commissioner. To act as an agent a producer must be appointed with an insurer or affiliated with an agency. To act as a broker a producer must have a bond in place.

As a prerequisite to admission to the examination, an applicant for a **resident insurance producer license** for personal lines, life, disability, property, or casualty lines of authority must complete **twenty hours** of pre-licensing insurance education for **each major line of authority** for which the applicant will be tested. Each course must include training on Washington insurance laws and rules applicable to that line of authority and general laws.

The major lines of authority are:

Life Insurance includes Life Insurance and Annuities.

Disability Insurance also known as Health or Accident and Sickness. An agent or broker with this license could sell health, disability income, Medicare supplement, long-term care, accident insurance, etc.

Property Insurance – Insurance that protects the policyholder from loss of or damage to real or personal property. Examples include flood and earthquake insurance. (i.e. my stuff)

Casualty Insurance – Insurance to protect the insured against legal liability for the death, injury, or disability of anyone, or for damage to real and personal property. (i.e. damage to you and/or your stuff that I am legally responsible for)

Personal Lines Insurance – non-commercial Property & Casualty.

Limited lines:

- (i) Surety;
 - (ii) Limited line credit insurance;
 - (iii) Travel;
- **Limited Lines licenses do not need to prove prelicense education in order to take the exam.**

The prescribed curriculum for each line of authority must be successfully completed within the twelve-month period immediately preceding the examination.

- I. **To be a producer, an individual must:**
 - (a) be at least **18 years** of age and reside in the State of Washington
 - (b) **have not committed** any act that is grounds for denial, suspension, or revocation (**trustworthy**)
 - (c) have **completed** a pre-licensing course of study for the lines of authority for which the person has applied
 - (d) have paid the appropriate **fees**
- II. have passed the exams for the lines of authority for which the person has applied (**competent**)
- III. A **business acting as an insurance producer** is required to obtain a producer license. The business must **designate a licensed insurance producer responsible** for the business' compliance with the insurance laws and rules of this state.
- IV. A producer of insurance **does not** need to be a citizen of the United States. However, a non-citizen must have a social security number to become licensed.
- V. A **producer** may receive a license in one or more lines of authority: life, disability, property, casualty, variable life and variable annuity products, personal lines and limited lines insurance products.
- VI. Variable Life and Variable Annuity Resident Licenses... (284-17-015) Resident insurance producers who desire to sell, solicit, or negotiate variable (security) products in this state must obtain a life insurance producer license and an appropriate securities license. The securities license is issued by the Washington Department of Financial Institutions (DFI).
- VII. The license shall contain the licensee's name, address, personal identification number, and the date of issuance, lines of authority, and the expiration date.

3) An Adjuster (48.17.010, .390, .410) ... is a person who, for compensation, fee or commission, investigates or reports to a company regarding claims arising under insurance contracts.

Licensed/Self-Employed Adjusters must pass an adjuster's exam and must have experience or special education or training with reference to the handling of loss claims.

a) Independent Adjusters are hired by insurance companies to settle claims. They charge the insurance company for settling the claim, and since they are working for the insurance company, no bond is required.

b) Public Adjusters are hired by the insured for claims. They are employed by the insured and therefore bill the insured for settling the claim. A \$5,000 bond is required. A public adjuster also may be licensed as an independent adjuster but may not work for an insured and an insurer on the same claim.

c) Non-Licensed Adjusters... An attorney-at-law who adjusts insurance losses incidental to the practice of his or her profession, an adjuster of marine losses, or a salaried employee of an insurer (a.k.a. company adjuster) or of a general agent/producer is not considered an adjuster, and thus, does not need to be licensed as an adjuster.

4) Licensing & Examination Exemptions... (48.17.010, .062, 110)

The Commissioner may make arrangements, including contracting with an outside testing service, for administering examinations.

The Commissioner may, **at any time**, require any licensed insurance producer or adjuster to take and successfully pass an examination testing the licensee's competence and qualifications as a condition to the continuance or renewal of a license, *if the licensee has been guilty of violating the insurance laws, or has so conducted affairs under an insurance license as to cause the Commissioner to reasonably desire further evidence of the licensee's qualifications.*

i. **A license to be an insurance producer or adjuster is not required of the following:**

An officer, director, or employee of an insurer or of an insurance producer, provided that the officer, director, or employee **does not receive any commission** on policies written or sold to insure risks residing, located, or to be performed in this state, and; the officer, director, or

employee's activities are executive, administrative, managerial, clerical, or a combination of these, and are **only indirectly related to the sale, solicitation, or negotiation of insurance**; or

The officer, director, or employee's function relates to underwriting, loss control, inspection, or the processing, adjusting, investigating, or settling of a claim on a contract of insurance; or

A person who secures and furnishes information for group insurance contracts or for the purpose of enrolling individuals under plans; or issuing certificates under plans or otherwise assisting in administering plans; **where no commission is paid to the person for the service**; or

Employees of insurers or organizations employed by insurers who are engaging in the inspection, rating, or classification of risks, or in the training of insurance producers, and who **are not individually engaged in the sale, solicitation, or negotiation of insurance**.

Sharing commissions with another producer is allowed and the sale does not have to be in the same line or lines of insurance that the producer is licensed in. As long as there is a license there can be commission. There can be no selling, soliciting or negotiating in a line that a producer is not licensed in. If a life licensed producer sends referrals to a property and casualty licensed producer, they may share in the commission. They cannot work with the client regarding that sale. This is not a referral fee -which has limits- but a sharing of commissions. If someone is NOT licensed, they may NOT share in the commissions.

ii. **The examination to be a producer or adjuster is not required of the following:**

Any person who receives a waiver from the Commissioner;

Applicants for an adjuster's license who for a period of one year have been a full-time salaried employee of an insurer or of a general agent to adjust or investigate insurance contracts;

Applicants for a license as a nonresident adjuster who are duly licensed in another state and who are deemed by the Commissioner to be fully qualified and competent for a similar license in this state;

The applicant for a Washington license who has licensed experience in another state in the same lines of insurance and was licensed within the preceding 90 days;

A person who is applying for a non-resident license.

iii. **The commissioner may make arrangements, including contracting with an outside testing service, for administering examinations.**

5) Appointments / Termination of Appointments... (48.17.160, 284-17-429-483, 490)

A producer acting as an agent must be appointed by an authorized insurer before he can sell for that insurer.

- a) An insurance producer may be appointed or affiliated by submitting electronically the notice of appointment or affiliation through a third-party on-line licensing provider or the commissioner's on-line services, available at www.insurance.wa.gov.
- b) Insurance producers must be authorized to transact at least one line of authority within the authority of the insurer or the business entity.
- c) Each appointment or affiliation is continuous until the first of the following occurs: the producer's license is revoked, terminated, or non-renewed; or a notice of termination of the appointment is electronically submitted to the commissioner; or the appointment or affiliation renewal fee of \$20.00 is not paid.
- d) The insurer and business entities are obligated to ensure that appointed insurance producers are licensed for the proper line of authority for which the insurance producer submits an application.
- e) The applicable initial and renewal appointment and affiliation fees must be paid at the time of appointment, affiliation, or their renewals. **Appointments renew every two (2) years on a date set by the Commissioner.**
- At least sixty days prior to the renewal date, an appointment or affiliation renewal notice will be **sent to the insurer or business entity** via e-mail.
 - An appointment with a company such as Farmers Insurance Group allows a producer to sell for all of its subsidiaries. Only one appointment will be needed!
 - If a producer is appointed by **only one company or insurer**, he is called a **captive or exclusive** agent. A captive agent does not own his accounts and renewals.
 - If a producer is appointed by **more than one company**, he is called an **independent agent**. An independent agent owns a right to his accounts and renewals.
 - There are no limits to the number of appointments an agent may have as an independent agent. If there is a conflict of interest, a second company will not appoint that agent. For example, an agent may not be appointed with 2 companies that sell the same product; i.e. life insurance. However, an agent may be appointed with one company for life insurance, another for annuities, another for long term care, etc.
- f) An insurer may terminate an appointment by sending notice of termination to the Commissioner and the producer. If an insurer **terminates** the appointment "**for cause**," the insurer must electronically notify the Insurance Commissioner **within 30 days** following the effective date of the termination. The "**cause**" for termination must be stated in the notice.

- g) A producer may terminate its appointment by sending advance written notice to the insurer or business and send a copy via e-mail to the commissioner.
- h) If an insurance producer solicits insurance on behalf of an insurer, but it is later determined that the insurance producer was not eligible for appointment by the insurer:
 - o The insurance contract will be effective and cannot be terminated by the insurer
 - o The producer must not receive compensation for any insurance product sold
 - o The insurance producer and the insurer may be subject to disciplinary action
- i) **Affiliation**...Individual licensees that **represent** a business entity must be **affiliated** with the licensed business entity. *Each business entity must provide the commissioner with the names of all individual licensees authorized to represent the business entity by electronic submission and pay the applicable fees including renewals.*

If an insurance producer is affiliated with a business entity, the insurance producer is not required to be directly appointed by the insurer who writes the policy. For example, if a producer is affiliated with Vern Fonk Insurance, he doesn't need to be appointed by each insurer with which Vern Fonk does business. The producer only needs to be affiliated with Vern Fonk. The individual insurance producer's authority to transact insurance is limited to those lines of authority for which the insurance producer is licensed and that are within the business entity's lines of authority.

D. Penalties for non-compliance

Penalties... (48.17.530) Commissioner may place on probation, suspend, revoke, or refuse to issue or renew a license.

- (1) The commissioner may place on probation, suspend, revoke, or refuse to issue or renew any license, or may levy a civil penalty or both, for any one or more of the following causes
 - a. Providing incorrect, misleading, incomplete, or materially untrue information in the license application;
 - b. Violating any insurance laws, or violating any rule, subpoena, or order of the commissioner or of another state's insurance commissioner;
 - c. Obtaining or attempting to obtain a license through misrepresentation or fraud;
 - d. Improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business;
 - e. Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
 - f. Having been convicted of a felony;
 - g. Having admitted or been found to have committed any insurance unfair trade practice or fraud;
 - h. Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in this state or elsewhere;

- i. Having an insurance producer license, or its equivalent, denied, suspended, or revoked in any other state, province, district, or territory;
- j. Forging another's name to an application for insurance or to any document related to an insurance transaction;
- k. Improperly using notes or any other reference material to complete an examination for an insurance license;
- l. Knowingly accepting insurance business from a person who is required to be licensed under this title and is not so licensed, other than orders for issuance of title insurance on property located in this state placed by a nonresident title insurance agent authorized to act as a title insurance agent in the title insurance agent's home state; or
- m. Obtaining a loan from an insurance client that is not a financial institution and who is not related to the insurance producer by birth, marriage, or adoption, except the commissioner may, by rule, define and permit reasonable arrangements.

(2) The license of a business entity may be suspended, revoked, or refused if the commissioner finds that an individual licensee's violation was known or should have been known by one or more of the partners, officers, or managers acting on behalf of the partnership or corporation, and the violation was neither reported to the commissioner nor corrective action taken.

Noncompliance with support order... (48.17.535) The commissioner shall immediately suspend the license of a person who has been certified as a person who is not in compliance with a support order. As soon as the licensee meets all requirements the license will be reinstated.

E. Maintenance and Duration of Licenses... In order to obtain a Washington Producers or Adjusters license, the applicant must: be at least 18 years old; must not have not committed any act that is grounds for denial, suspension, or revocation of a license; be a resident of Washington State; must pass the appropriate insurance pre licensing education course study and examination; and pay the appropriate fees.

1) Renewal... (284-17-423, 48.14.010) Renewal of a Producer's License...A producer's license will expire every two years on last day of the licensee's birth month. To renew a producer's license, a renewal application must be submitted electronically by the producer and the fee (currently \$20) must be paid to the Commissioner's office by midnight of the last day of licensee's birth month.

- **New licenses** will expire on the last day of the month of the applicant's birth, plus one year, and every two years thereafter. The last day you can sell if you choose not to renew is the end of your birth month.

2) Late Renewal and Reinstatement... (284-17-490, 48.17.170)

Late fees apply if the renewal fee is not paid when due:

- a) 1 to 30 days late = an additional **50%** surcharge penalty of the license renewal fee. (renew late)
- b) 31 to 60 days late = an additional **100%** surcharge penalty of the license renewal fee. (renew late)
- c) 61 days to twelve months late = **200%** surcharge penalty of the license renewal fee. (reinstate)
 - ✓ **After 60 days from the expiration date** the license must be reinstated. **The individual must complete an application for reinstatement and pay the license fee and surcharge.**
 - ✓ **After 60 days from the expiration date** all appointments are **terminated**. This means that the individual will need to secure a new appointment agreement with any insurance company through which he wishes to transact business.
 - ✓ **After one year from the expiration date**, the producer will have to begin the entire licensing process again, including pre-licensing education, re-taking all applicable licensing exams, new fingerprint card and re-apply with the state.

3) Administrative action taken against a licensee in another jurisdiction or governmental agency—Report to commissioner.... RCW 48.17.597

(1) An insurance producer, title insurance agent, or adjuster shall report to the commissioner any administrative action taken against the insurance producer, title insurance agent, or adjuster in another jurisdiction or by another governmental agency in this state within thirty days of the final disposition of the matter. This report shall include a copy of the order, consent to order, or other relevant legal documents.

(2) Within thirty days of the initial pretrial hearing date, an insurance producer, title insurance agent, or adjuster shall report to the commissioner any criminal prosecution of the insurance producer, title insurance agent, or adjuster taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents.

Note: a producer responds to the commissioner within 15 business days, a producer reports to the commissioner within 30 days.

F. Marketing Practices

1) Protection of Public Interest... (48.01.030) The business of insurance is one affected by the public interest, requiring that all persons act in good faith, abstain from deception, and practice honesty and equity in all insurance matters. Upon the insurer, the insured, their providers, and their representatives rests the duty of preserving the integrity of insurance.

2) Unfair practices and frauds The Unfair Trade Practices Act is divided into two parts: **Unfair Marketing Practices and Unfair Claims Practices**. Statutes (laws) define and prohibit certain trade and claims practices which are unfair, misleading and deceptive.

Any person violating any provision of the insurance code is guilty of a gross misdemeanor and will, upon conviction, ***be fined not less than ten dollars nor more than one thousand dollars, or imprisoned for not more than one year, or both***. Any person violating any provision of the insurance code may have his license suspended or revoked.

No person engaged in the business of insurance shall engage in unfair methods of competition or in unfair or deceptive acts or practices.



a) Compensation & Disclosure: Insurance Producers... (48.17.270)

- ***Unless the agency-insurer agreement provides to the contrary***, an insurance producer may receive the following compensation:
 - a) **A commission** paid by the insurer
 - b) **A fee** paid by the insured
 - c) **A combination of commission paid by the insurer and a fee paid by the insured**

- If the compensation received by an insurance producer who is dealing directly with the ***insured includes a fee***, for each policy the insurance producer must disclose in writing to the insured prior to the sale:
 - a) **The full amount of the fee paid by the insured;**
 - b) **The full amount of any commission paid to the producer;**
 - c) **Any contingent or renewal commissions to be received**

d) The full ***name of the insurance company*** that paid the commission;

e) An explanation of any offset or reimbursement of fees or commissions

- Written disclosure of compensation must be provided by the insurance producer to the insured **prior to the sale of the policy**. Written disclosure must be **signed by the insurance producer and the insured**, and the writing must be retained by the insurance producer for **five years**.
- In the case of a purchase over the telephone or by electronic means for which written consent cannot be **obtained**, consent documented by the producer will be acceptable.

b) Illegal Inducement... (48.30.150) It is unlawful for insurance personnel to provide or promise **anything** valued at more than an aggregate of \$100.00 per year, to any one prospective or current policyholder.

- *This is usually about rewards other than money, such as gifts and services.*

Offering any special advisory board contract, prizes, goods or wares, agreement or understanding of any kind is illegal inducement. Paying \$101 for an individual's lunch at the time of procuring insurance is illegal inducement. Offering gift cards for referrals is acceptable up to an annual aggregate limit of \$100.00 per person.

c) Illegal Rebating... (48.30.140) It is unlawful for a producer or insurance company to provide or promise to give **any** valuable consideration such as a rebate, discount, reduction of premium, commission, etc., to induce a **person** to buy insurance.

- *This law is usually about money in any way, shape or form (cash, check, money order, or promise of).*
- The **insured** is subject to a \$200 fine for accepting a rebate. (48.30.170)
- **Guaranteeing to pay future dividends** is an example of rebating (48.30.100).
- Offering cash for a referral is rebating

d) Gifts, etc., for the referral of insurance business—Restrictions.... (48.30.133)

- 1) An insurance producer may give to an individual, prizes, goods, wares, gift cards, gift certificates, or merchandise not exceeding one hundred dollars in value per person in any consecutive twelve-month period for the referral of insurance business to the insurance producer, if the giving of the prizes, goods, wares, gift cards, gift certificates, or merchandise is not conditioned upon the person who is referred applying for or obtaining insurance through the insurance producer.

- 2) The payment for the referral must not be in cash, currency, bills, coins, check, or by money order.

Note: a person who has a license may share commissions with another licensee, even if the transaction is not in the line or lines of insurance for which the person is licensed. This is not subject to the \$100 limit and may be in cash.

e) Illegal Dealings in Premium... (48.30.190)

- (a) **No one can willfully collect money as premium for insurance if insurance coverage is not provided.**
- (b) **No one can willfully collect money as premium for insurance is in excess of the amount actually due.**
- (c) A person must return any overpayment of money collected as premium, in a reasonable length of time, to the person who paid the premium.
- (d) Each violation of this section which does not amount to a felony constitutes a misdemeanor.

f) Twisting... (48.30.180) No person can, by ***misrepresentations or misleading comparisons***, induce or tend to induce, any **insured** to lapse, terminate, forfeit, surrender, retain, or convert any insurance policy.

- ✓ For example, this can occur when a producer wants a prospective customer to cancel and switch his/her current insurance policy over to the producer's company, and does so by giving misleading facts.
- ✓ *A misrepresentation is a lie, twisting is the result of that lie IF the client makes a decision about their current policy based on that lie*

g) Misrepresentation (48.30.090, .210) is telling a lie or deceiving anyone about *any aspect* of insurance, like false coverage, inflated benefits, unrealistic returns, etc.

- **Misrepresentation of Policies...**No person may make, issue, or circulate any misrepresentation of the terms of any policy or the benefits or advantages promised, or the dividends or share of surplus to be received, or use any name or title of any policy or class of policies misrepresenting the nature of the policy.
- **Misrepresentation in an Application for Insurance...**A person who knowingly makes a false or misleading statement or impersonation, or who willfully fails to reveal a material fact relative to an application for insurance, is guilty of a gross misdemeanor, and the license of any such person may be revoked.

- *A misrepresentation is a lie, twisting is when the client does something to their existing policy as a result of that lie.*

- h) **Defamation of Insurer...** (48.30.080) No person shall make, publish, or disseminate, or aid, abet or encourage the making, publishing, or dissemination of any information or statement which is false or maliciously critical and which is designed to injure in its reputation or business any authorized insurer or any domestic corporation or reciprocal being formed pursuant to this code for the purpose of becoming an insurer.
- i) **Unfair Discrimination...** (48.30.300, 48.18.480) An insurer may ***not*** refuse to issue any contract of insurance or cancel or decline to renew such contract, or restrict the amount of insurance benefits payable, on any term, rate, condition, or type of coverage, because of the ***sex, marital status, sexual orientation, or the presence of any sensory, mental, or physical handicap of the insured or prospective insured.***

This section of the insurance code does not prohibit ***fair*** discrimination when ***bona fide statistical differences*** in risk or exposure have been substantiated. *e.g. women live longer than men, so women pay less for life insurance. A particular age and gender may drive faster and cause more accidents, that group pays a higher premium for auto insurance.*

- j) **Premium Receipts...** (284-30-550) A signed ***premium receipt*** for any insurance premiums received by the licensee ***must*** be delivered or mailed no later than the ***next working day***. The receipt must include:
- The insurance company by its full legal name.
 - The date, amount collected and name of the person who made the payment.
 - Identity of the producer, including the producer's address.
 - A brief description of coverage for which payment was received, policy or contract number.
 - The signature of the producer.

Special note: The issued date of the policy does NOT have to be on a premium receipt.

These are the basics of any receipt:

- Ø *Where did you go? (Name and address);*
- Ø *When did you go? (Date);*
- Ø *What did you buy? (Policy #);*
- Ø *What did you spend? (\$\$);*
- Ø *Plus: client name, producer name, and producer signature.*

k) Advertising... (48.30.040-080)

- i. **False information and advertising....** 48.30.040 No person shall knowingly make, publish, or disseminate any false, deceptive or misleading representation or advertising in the conduct of the business of insurance, or relative to the business of insurance or relative to any person engaged therein.
- ii. **Advertising must show name and domicile....** 48.30.050 **Every advertisement of, by, or on behalf of an insurer shall set forth the name in full of the insurer and the location of its home office or principal office, if any, in the United States (if an alien insurer).**
- iii. **Insurer name—Deceptive use prohibited....**48.30.060 No person who is not an insurer shall assume or use any name which deceptively infers or suggests that it is an insurer.
- iv. **Advertising of financial condition....** 48.30.070 Every advertisement by or on behalf of any insurer purporting to show its financial condition may be in a condensed form but shall in substance correspond with the insurer's last verified statement filed with the commissioner. No insurer or person in its behalf shall advertise assets except those actually owned and possessed by the insurer in its own exclusive right, available for the payment of losses and claims, and held for the protection of its policyholders and creditors.

G. Producer Responsibilities

1) Policy Delivery... (284-30-580, 48.18.260, 48.185.005(2)) A producer must make actual physical delivery (mailing is acceptable) of a policy within a **reasonable period of time after its issuance**. As soon as possible is best, 30 days may be considered reasonable. Insurance companies are held responsible for any delay resulting from the failure of their producers to act diligently.

- ***The producer may not obtain a receipt indicating a delivery and then retain the policy in his/her possession.***
- A producer may secure the insured's policy for servicing or analysis, but **must** give a **policy receipt** and return the policy **promptly**.

2) Premium Accountability... (48.17.480) An insurance producer or any other representative of an insurer involved in procuring an insurance contract must report to the insurer the exact amount of consideration charged as premium for such contract. The amount collected must be shown in the contract and in the records of the insurance producer. Each willful violation of this provision is a misdemeanor.

Fiduciary refers to a person holding the funds of another in a position of trust.

- a) All funds representing premiums or return premiums received by an insurance producer and must be promptly accounted for and paid to the person or company who is entitled to the funds.
- b) Any person licensed who receives funds which belong to or should be paid to another person as a result of an insurance transaction is deemed to have received the funds in a **fiduciary capacity**. The licensee must promptly account for and pay the funds to the person entitled to the funds.
- c) Any insurance producer or other licensed representative who **diverts or appropriates any funds received in a fiduciary capacity is guilty of theft by embezzlement (a.k.a. larceny) and is subject to criminal penalty.**

NOTE: You may have a question on the exam about an agent, a broker, a producer, or a fiduciary. The answer would be the same. You are a producer acting as an agent or a broker, as soon as you receive payment you are a fiduciary.

3) Separate (Trust) Account... (48.17.600, 284-12-080) All funds representing premiums and return premiums received by a producer must be **promptly deposited** in a *separate account* (which may be interest bearing). The Separate Account Funds may be deposited in a checking or savings account *located in the state*. **An insurance producer or title insurance agent shall not commingle or otherwise combine premiums with any other moneys.** A business entity may utilize one separate account for use by all of its affiliated persons.

A producer may not deposit any funds, other than premium and return premium funds, into the separate account, with the following **exceptions...**

A producer may:

- Deposit funds needed to pay bank charges due to the operation of the account.
- Deposit funds for the purpose of having a reserve in the separate account to be able to advance premium or return premium funds to customers.
- Combine Washington State premiums with premiums produced in other states.

Withdrawals from a separate account may be done for the following reasons and must be done promptly:

- For bank charges for the operation of the separate account.
- For payment of premiums to the Insurer or to pay commissions to another producer.
- For payment of return premiums, and it must go directly to the Insured.

- For the transfer of *fiduciary* funds to go directly to another account.

✓ ***Willful violation of this “separate account” regulation is a misdemeanor.***

Transaction Records Kept for 5 Years... (284-12-080) Producers, title insurance agents, and adjusters must keep records of ***all insurance transactions*** at the licensee’s business address for ***five years***. This section of the law does not apply to life or disability producers.

- *The Insurance Company must keep transaction records for three years.*

4) Written Response to the Commissioner... (48.17.475, 284-30-650) A producer as well as an insurer must respond to any inquiries from the Commissioner's office **promptly** and it must be in **writing**. **Promptly means within 15 business days** from receipt of the inquiry.

5) Place of Business... (48.17.450, 284-17-005) A producer’s office must be accessible to the **public**. This law does not apply to a producer who works out of his home, nor does it apply to life only or disability only producers.

- A licensee whose personal residence is shown on his license may obscure his residence address as long as the licensee’s name can be clearly seen.
- **A producer must advise the Commissioner's Office of any change in address within 30 days.**
- **The addresses to update are residence, mailing, business or e-mail.**
- A producer maintaining more than one place of business in this state must obtain a duplicate license for each additional place.
- Any notice, order, or written communication from the Commissioner to a person licensed must be sent by mail to the licensed person's last address of record with the Commissioner. For all other matters, the last email address provided by the person or business entity to the commissioner. This will be the email address listed in the mailing address section of the commissioner's licensing date base [database].

6) Display of license....48.17.460 The license or licenses of each insurance producer, title insurance agent, or adjuster shall be displayed in a conspicuous place in that part of the place of business which is customarily open to the public.

H. Compensation of Licensees

1) Illegal Dealings in Commission... (48.17.490)

(1) An insurance company, insurance producer, or title insurance agent shall not pay a commission, service fee, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under the law and is not so licensed.

Note: A producer may share commissions with another licensed producer. The sale does NOT need to be in the line of insurance in which the (sharing) producer is licensed in order to share commissions. The producer may not transact the sale, they may share the commissions.

(2) A person shall not accept a commission, service fee, or other valuable consideration for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under the law and is not so licensed.

- This does not affect salaries paid to unlicensed persons, as long as the salaries are not contingent on the volume of business transacted.
- **Renewal or other deferred commission may be paid to a person for a transaction if that person was required to be licensed at the time of the sale, solicitation, or negotiation and was so licensed at that time.**

2) Charges for Extra Services... (48.30.157, 48.17.270)

The Commissioner may permit an insurance producer to enter into **reasonable arrangements** with any person to charge a **reasonable fee** in situations where services that are charged for are provided outside the scope of services customarily provided in connection with the solicitation and procurement of insurance.

It is generally illegal for a producer to charge fees in addition to the policy premium for services which are not "truly" extra services. Additional charges **may not be made** for services which a producer would normally be expected to perform in connection with the sale of an insurance policy (such as evaluating a person's needs, recommending coverage, processing an application, etc.). Extra services for which **additional charges may be permitted** are those which are not in the scope of the producer's regular duties (such as special research activities, advising individuals or groups about types of insurance and matters for which the producer does not sell insurance, etc.). The extra service and the **reasonable amount** to be charged must be specified in a written agreement, and it must be approved by the applicant prior to the performance of the service.

1) Debtor's right to furnish and obtain own insurance. [48.34.120](#)

When the credit life insurance or credit accident and health insurance is required in connection with any credit transaction, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or her or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this state.

2) Commencement, termination date of term. [48.34.080](#)

The term of any credit life insurance or credit accident and health insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor: PROVIDED, That, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than thirty days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than fifteen days beyond the scheduled maturity date of indebtedness, except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in RCW [48.34.110](#).

3) Policy or certificate—Contents—Delivery, copy of application or notice in lieu—Substitute insurer, premium, etc., on rejection. [48.34.090](#)

(1) All credit life insurance and credit accident and health insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

(2) Each individual policy or group certificate of credit life insurance, and/or credit accident and health insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the name or names of the debtor or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor, the premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and health insurance, a description of the coverage including the amount and term thereof, and any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance

exceeds the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate. With respect to any policy issued after September 8, 1975, credit life insurance shall not be subject to any exceptions or reductions other than for fraud, or for suicide occurring within two years of the effective date of the insurance.

(3) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as provided in subsections (4) and (5).

(4) If such individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer; the name or names of the debtor; the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and health insurance; the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument, or agreement, or the application for any such loan, sale or credit, unless the information required by this subsection is prominently set forth therein under a descriptive heading which shall be underlined and printed in capital letters. Upon acceptance of the insurance by the insurer and within thirty days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in RCW [48.34.080](#).

(5) If the named insurer does not accept the risk, then the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged, and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.

4) What mandatory benefits apply to prima facie credit life insurance rates? 284-34-

160

The premium rates in WAC [284-34-150](#) apply to credit life insurance contracts that contain terms as favorable to insured debtors as the terms below:

(1) Suicide:

(a) An insurer may exclude coverage for suicide occurring within one year after the effective date of the coverage.

(b) Open-ended credit transactions: An insurer may apply a new suicide exclusion period to the portion of a new advance or charge that causes the amount of credit life insurance to exceed the greatest amount previously subject to this exclusion.

(2) Insurers may elect to include age restrictions in their certificates or policies, subject to the following conditions:

(a) An age restriction may say that no insurance will become effective on debtors who are age sixty-six or older.

(b) An age restriction may say that all insurance will end when the debtor becomes age sixty-six.

(c) Insurance coverage must continue until the end of the period for which a premium payment or charge is made.

5) What mandatory benefits apply to prima facie credit accident and health insurance rates? 284-34-180

The premium rates in WAC [284-34-170](#) apply to contracts providing credit accident and health insurance that contain terms as favorable to insured debtors as the terms below:

(1) The insurer may exclude benefits for disabilities that result from the following:

(a) War or any act of war;

(b) Elective surgery;

(c) Intentionally self-inflicted injury;

(d) Flight in any aircraft other than a commercial scheduled aircraft;

(e) A preexisting condition. The preexisting condition exclusion does not apply to disabilities that begin at least six months after the effective date.

(2) Open-ended credit transaction: An insurer may apply a preexisting condition exclusion only to the portion of a new advance or charge that causes the amount of credit accident and health insurance to exceed the greatest amount previously subject to this exclusion.

(3) Definition of disability:

(a) For the first twenty-four months of disability: Total disability means the inability to perform the essential functions of the debtor's own occupation.

(b) After the first twenty-four months: Disability means the inability of the insured to perform the essential functions of any occupation for which the debtor is reasonably suited due to education, training or experience.

(4) An insurer may require a statement that the debtor is actively at work before insurance becomes effective.

(a) The insurer may not require the insured debtor to be employed more than thirty hours per week.

(b) If a debtor is absent due to a regular day off, holiday or paid vacation, the commissioner presumes the debtor is actively at work.

(5) Insurers may elect to include age restrictions in their certificates or policies, subject to the following conditions:

(a) An age restriction may say that no insurance will become effective on debtors who are age sixty-six or older.

(b) An age restriction may say that all insurance will end when the debtor becomes age sixty-six.

(c) Insurance coverage must continue until the end of the period for which a premium payment or charge is made.

(6) The insurer must provide a daily benefit equal to or greater than one-thirtieth of the monthly benefit payable under the policy.

6) Life—Limitation on amount under individual policy. 48.34.050

The initial amount of credit life insurance under an individual policy shall not exceed the total amount repayable under the contract of indebtedness. Where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.

7) Life—Limitation on amount repayable under group policy. 48.34.060

The initial amount of credit life insurance under a group policy shall at no time exceed the amount owed by the debtor which is repayable in installments to the creditor.

8) Accident and health—Limitation on amount.48.34.070

The total amount of periodic indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness; and the amount of such periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

9) Commencement, termination date of term.48.34.080

The term of any credit life insurance or credit accident and health insurance shall, subject to acceptance by the insurer, *commence on the date when the debtor becomes obligated to the creditor: PROVIDED, That, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy.* Where evidence of insurability is required and such evidence is furnished more than thirty days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than fifteen days beyond the scheduled maturity date of indebtedness, except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in RCW [48.34.110](#).

10) Authorized forms. 48.34.040

Credit life insurance and credit accident and health insurance shall be issued only in the following forms:

- (1) Individual policies of life insurance issued to debtors on the term plan;
- (2) Individual policies of accident and health insurance issued to debtors on a term plan, or disability benefit provisions in individual policies of credit life insurance;
- (3) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;
- (4) Group policies of accident and health insurance issued to creditors on a term plan insuring debtors, or disability benefit provisions in group credit life insurance policies to provide such coverage.

11) Filing policies, notices, riders, etc.—Approval by commissioner—Preexisting policies—Forms. 48.34.100

(1) All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders delivered or issued for delivery in this state and the schedules of premium rates pertaining thereto shall be filed with the commissioner.

(2) No such policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, or riders shall be used in this state until approved by the commissioner pursuant to RCW [48.18.100](#) and [48.18.110](#). In addition to any grounds for disapproval provided therein, the form shall be disapproved both as to credit life and credit accident and health insurance if the benefits provided therein are not reasonable in relation to the premium charged.

12) WAC 284-34-120 What rights do debtors have?

(1) A debtor has the right to know about all available credit insurance plans. The creditor must inform every debtor about: (a) Each plan of insurance for which the debtor is eligible; and (b) The premium or insurance charge for each plan of insurance. (2) If the creditor requires consumer credit insurance, then the debtor has the right to provide alternative insurance coverage. The creditor must tell the debtor before the transaction is completed that the debtor may provide alternative insurance coverage. The debtor may: (a) Use existing insurance policies the debtor owns or controls; or (b) Get coverage from any authorized insurer. (3) Debtor's rights when a policy of group consumer credit insurance ends: (a) The insurer must continue coverage for the entire period for which a premium has been paid. This paragraph applies if the policy provides for: (i) Single premium payments; or (ii) Premium payments that prepay coverage beyond one month. (b) The insurer must provide termination notice to the insured debtor at least thirty days before coverage ends. If the policy provides for monthly premium payments, the insurer does not have to provide termination notice if the debtor obtains equivalent coverage and no lapse of coverage occurs. (4) For coverage on refinanced debt, all exclusions and policy limitations will apply as of the first date that the debtor first became insured for the original debt. This subsection applies to the amount of debt and term of the debt outstanding on the day the debtor refinances. [Statutory Authority: RCW 48.02.060, 48.30.010,

13) What information must be disclosed to debtors? 284-34-250

(1) If a debtor buys consumer credit insurance in connection with a credit transaction, the creditor must disclose this information to the debtor in writing:

- (a) The debtor does not have to buy consumer credit insurance.
- (b) The debtor may not need consumer credit insurance if the debtor has other insurance that covers the risk.
- (c) The debtor does not have to buy consumer credit insurance to obtain credit approval.
- (d) If the creditor offers more than one type of consumer credit insurance to debtors, whether the debtor can buy each type of insurance separately.
- (e) The insurer may decide to deny coverage. This statement must list all factors that may cause the insurer to deny or limit coverage, including:
 - (i) Underwriting standards;
 - (ii) Exceptions to coverage;
 - (iii) Limitations and exclusions to coverage;
 - (iv) Eligibility criteria; and
 - (v) The date coverage will be effective.
- (f) The debtor can cancel coverage within the first thirty days after receiving an individual policy or group certificate. The insurer or creditor must promptly refund or credit to the debtor's account all amounts charged for insurance or obtaining it.
- (g) The debtor may cancel coverage at any time during the term of the loan if the:
 - (i) Debtor buys other insurance that covers the risk; or
 - (ii) Credit agreement does not require the debtor to buy consumer credit insurance.
- (h) If the debtor cancels coverage, the insurer or creditor must promptly pay or credit to the debtor's account a refund of all unearned premium.
- (i) That the debtor must provide evidence of alternative insurance acceptable to the creditor at the time of cancellation only if insurance is a requirement for the extension of credit.
- (j) A brief description of the coverage, including a description of:
 - (i) The amount of insurance;
 - (ii) The term of insurance;
 - (iii) Insured events;
 - (iv) Any waiting or elimination period;
 - (v) Any applicable waiver of premium provision;
 - (vi) To whom the benefits would be paid; and
 - (vii) The rate for each type of coverage.
- (k) If the premium or insurance charge(s) are financed, they are subject to finance charges at the rate applicable to the credit transaction.

(2) An individual policy or group certificate must, in addition to other requirements of RCW 48.34.090, state the following:

(a) Closed-end credit: The premium or amount of payment by the debtor separately for each kind of coverage.

(b) Open-end credit: The premium rate and the basis of premium calculation (e.g., average daily balance, prior monthly balance).

(c) If the scheduled term of insurance is less than the scheduled term of the credit transaction, the face of each individual policy or group certificate must display a prominent notice explaining that the insurance coverage will end before the loan ends.

(d) Each individual policy or group certificate must display a prominent notice of any exceptions, restrictions, limitations or exclusions.

14) What definitions are important throughout this regulation? 284-34-110

(1) "**Affiliate**" has the same meaning as stated in RCW [48.31B.005](#)(1).

(2) "**Closed-end credit**" means any credit transaction that does not meet the definition of open-end credit.

(3) "**Control**" has the same meaning as stated in RCW [48.31B.005](#)(2).

(4) "**Compensation**" means any form of payment that results directly from the sale of consumer credit insurance, including:

(a) Commissions;

(b) Dividends;

(c) Equipment;

(d) Expense allowances or reimbursements;

(e) Experience refunds;

(f) Facilities;

(g) Gifts;

(h) Goods or services;

(i) Retrospective rate credits; or

(j) Service fees.

(5) "**Consumer credit insurance**" means credit life insurance or credit accident and health insurance defined in RCW [48.34.030](#).

(6) "**Credit transaction**" means an agreement to:

(a) Repay money loaned;

(b) Pay for a loan commitment made; or

(c) Pay for goods, services, or property sold or leased.

Payment would be made at a future date or dates.

(7) "**Evidence of individual insurability**" means a statement furnished by the debtor related to:

(a) The health status or health or medical history of the debtor;

(b) The occupation of the debtor; or

(c) Other conditions for the insurance to take effect.

Evidence of individual insurability does not include information related to the eligibility of the debtor for coverage.

(8) "**Loss ratio**" means incurred claims divided by the sum of earned premiums and imputed interest earned on unearned premiums. The commissioner imputes interest at the maximum rate permitted for the valuation of whole life insurance.

(9) "**Net debt**" means the amount needed to repay all remaining debt in a single payment. Net debt does not include unearned interest and other unearned finance charges.

(10) "**Open-end credit**" means a credit agreement in which the creditor:

- (a) Allows repeated transactions;
- (b) Applies finance charges to unpaid balances; and
- (c) May allow additional credit if part of the balance is repaid.

(11)(a) "**Preexisting condition**" means any condition for which the insured debtor received medical advice, consultation, or treatment.

(b) The insured debtor must have received the medical advice, consultation or treatment within six months before the insurance takes effect.

(c) The insured debtor must have become disabled within six months after the insurance takes effect.

(12) "**Premium**" means the same as RCW [48.18.170](#), and includes all forms of compensation.

(13) "**Underwriting**" means applying criteria under which the insurer:

- (a) Issues or refuses to issue;
- (b) Renews or refuses to renew; or
- (c) Limits coverage.

Underwriting includes decisions by the insurer based on eligibility criteria or evidence of individual insurability.

15) Definitions. [48.34.030](#)

For the purpose of this chapter: (1) "**Credit life insurance**" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction;

(2) "**Credit accident and health insurance**" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy;

(3) "**Creditor**" means the lender of money or vendor or lessor of goods, services, properties, rights, or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title, or interest of any such lender, vendor, or lessor, and an affiliate, associate, or subsidiary of any of them or a director, officer, or employee of any of them or any other person in any way associated with any of them;

(4) "**Debtor**" means a borrower of money or a purchaser or lessee of goods, services, properties, rights, or privileges for which payment is arranged through a credit transaction;

(5) "**Indebtedness**" means the total amount payable by a debtor to a creditor in connection with the loan or other credit transaction.

16) What rates may an insurer use for its direct business? 284-34-220

(1) An insurer may file rates that are equivalent to the prima facie rates in WAC [284-34-150](#) and [284-34-170](#) and use those rates without further proof of their reasonableness.

(2) An insurer must file rates and supporting actuarial documentation if it proposes:

(a) Policy provisions more restrictive than those allowed for prima facie rates; or

(b) Rates higher than those developed according to the standard case rating procedure.

(3) An insurer must file rates in a manner that permits public disclosure of the rates and their application as described in a supporting actuarial memorandum. If an insurer wants the commissioner to withhold experience and proprietary rate development methods from public disclosure to preserve trade secrets or prevent unfair competition, the insurer must:

(a) File that information in a separate actuarial memorandum; and

(b) Clearly identify the information that is confidential.

(4) Any filings that do not include all data and calculations required by this section will be disapproved and returned to the insurer.

(5) An insurer may file rates that are higher than the prima facie rates included in WAC [284-34-150](#) and [284-34-170](#). The rates must be adjusted under WAC [284-34-210](#) and result in benefits that are reasonable in relation to the premium charged. When evaluating deviations, the commissioner will:

(a) Evaluate the insurer's total consumer credit insurance business, including insurance written by affiliated insurers, for each type of consumer credit insurance for which a rate deviation is being filed.

(b) Consider whether the insurer can be reasonably expected to develop a sixty percent loss ratio.

(c) Evaluate the actuarial justification to see if it proves that the benefits will be reasonable in relation to premium charged. The insurer must submit actuarial justification that includes:

(i) All calculations and supporting data required for the standard case rating procedure set forth in WAC 284-34-220(10). The insurer must show the loss ratio the rates are expected to develop.

(ii) An actuarial memorandum that:

(A) Explains the calculations of all elements affecting earned premiums or incurred claims;

and

(B) Projects experience from inception to equilibrium or termination.

(6) The insurer must specify the account or accounts to which the deviated rates apply.

(7) A deviated rate may be applied:

(a) Uniformly to all accounts of the insurer;

(b) Equitably to only one or more accounts of the insurer for which the experience has been less favorable than expected; or

(c) According to a case-rating procedure approved by the commissioner. The insurer must compare the rates developed by the proposed case-rating procedure to the rates developed by the standard case-rating procedure set forth in WAC 284-34-220(10).

(8) A deviated rate may be in effect for a period no longer than the experience period used to establish the rate (i.e., one-year, two-years or three-years). An insurer may file a new rate before the end of a rate period, but no more than once during any twelve-month period.

(9) A deviated rate may be used only by the insurer that filed the rate. If an account changes insurers, the rates approved for the prior insurer may not be used by the succeeding insurer.

(10) Standard case rating procedure. An insurer may file rates calculated using this standard case rating procedure. If an insurer decides to use this procedure, the insurer must use it to rate all of its credit insurance in this state. Once an insurer selects this procedure, the insurer must continue to use it until a different procedure has been approved by the commissioner.

(a) Account case rate. The case rate for an account is determined as follows:

(i) If the account is a single account case or a multiple account case, the case rate must be determined by the formula in (b) of this subsection.

(ii) If the account is in a pooled account case, the case rate for each account must be determined by the formula set forth in (b) of this subsection.

(iii) If the account is new and the insurer has no experience in this state, the case rate for the account will be the prima facie rate under WAC [284-34-150](#) and [284-34-170](#).

(b) New case rate. The new case rate, NCR, is the sum of:

(i) The adjusted expense loading, AE; and

(ii) The prima facie rate, PFR, times the credibility adjusted case loss ratio at prima facie basis, CLR.

(iii) Formula: $NCR = AE + PFR \times CLR$.

(c) Definitions:

(i) NCR is equivalently redefined in (d) of this subsection.

(ii) ALR is the actual loss ratio for the case at prima facie rates.

(iii) ELR is the minimum loss ratio, equal to sixty percent.

(iv) Z is the credibility factor for the case.

(v) CLR is the sum of Z times ALR and (1-Z) times ELR.

(vi) E is the expense loading in the prima facie rate, equal to forty percent of the prima facie rate.

(d) Formulas:

(i) If CLR is less than ELR for credit life insurance or credit accident and health insurance, then $AE = E$, and $NCR = PFR[1 - (ELR - CLR)]$.

(ii) If CLR is greater than ELR for credit life insurance, $AE = E + .1(CLR - ELR)$, and $NCR = PFR[1 + 1.1(CLR - ELR)]$.

(iii) If CLR is greater than ELR for credit accident and health insurance, $AE = E + .2(CLR - ELR)$, and $NCR = PFR[1 + 1.2(CLR - ELR)]$.

(e) The new case rate will be the current case rate if the new case rate, as defined above, does not differ by more than five percent of the prima facie rate from the current case rate.

(f) If an insurer has filed deviated rates or has elected to use the standard case rating procedure, the insurer must file a new schedule of rates after it submits the credit insurance experience exhibit.

(i) This filing must include an actuarial memorandum that proves the new rates are appropriate and explains any differences in the character of the claim reserves and liabilities as reported in its:

(A) Exhibit 6 (claim reserves) and Exhibit 8 (claim liabilities) of its annual statement;

- (B) Credit insurance experience exhibits for this state; and
- (C) Experience as filed for the total of the cases subject to the rate filing.
- (ii) The new rates must be placed in effect on September 1 of that year unless:

- (A) The commissioner approves a different effective date; or
- (B) The commissioner disapproves the rates within thirty days after receipt of the filing or

by July 1 of that year, whichever is later.

(11) An insurer may file lower rates at any time. The commissioner must approve those rates before they are used.

(12) These definitions apply to this section:

(a) "**Case**" includes either a "**single account case**" or a "**multiple account case**" or a "**pooled account case**."

(i) "**Single account case**" means an account that is at least as credible as the minimum level of credibility elected by the insurer for defining a single account case. A single account case must exclude all accounts which have been included in multiple account cases. If the insurer makes no written election, the minimum credibility factor will be one hundred percent.

(ii) "**Multiple account case**" means two or more accounts of the same insurer having similar underwriting characteristics that are combined by the insurer for premium rating purposes.

(A) A single account case may not be included in a multiple account case; and

(B) All accounts, when combined, must be at least as credible as the minimum level of credibility the insurer selects for single account cases; and

(C) The commissioner must approve the accounts put into a multiple case account.

(iii) "**Pooled account case**" means a combination of all the insurer's accounts of the same plan of insurance. The pooled account case must have experience in this state and exclude all single account cases and multiple account cases.

(b) "**Earned premium**" means the total gross premiums that become due to the insurer adjusted for the change in unearned premium reserve. The insurer may reduce earned premium only for refunds and adjustments due to termination of coverage. The unearned premium reserve is calculated according to the refund formula in WAC [284-34-190](#).

(c) "**Experience**" means:

(i) Written premiums;

(ii) Earned premiums;

(iii) Earned premiums at prima facie rates;

(iv) Paid claims;

(v) Incurred claims;

(vi) Incurred claim count; and

(vii) The number of life years insured during the experience period.

(d) "**Experience period**" means the most recent period of time for which experience is reported. The experience period may not exceed three full years.

(e) "**Incurred claims**" means total claims paid during the experience period adjusted for the change in claim reserves and liabilities.

(i) The commissioner considers a disability claim incurred on the date disability commenced.

(ii) The commissioner may disallow that part of any claim reserve or liability that cannot be supported by verifiable data.

(f) **"Incurred claim count"** means the number of claims incurred for the case during the experience period. An incurred claim count includes:

(i) The total number of claims reported during the experience period, whether paid or in the process of payment.

(ii) Any incurred but not reported (IBNR) at the end of the experience period less the number of IBNR claims at the beginning of the experience period.

(iii) If a debtor has been issued more than one certificate for the same plan of insurance, only one claim may be counted.

(iv) If a debtor receives disability benefits, only the initial claim payment for that period of disability may be counted.

(g) **"Average number of life years"** means the average number of group certificates or individual policies in force during the experience period (without regard to multiple coverage) times the number of years in the experience period, or an equivalent calculation.

(h) **"Credibility table"** for purposes of the standard case rating procedure means the following table:

Credit Life	Credit Accident and Health Plans			Incurred Claim Count	Credibility Factor
	Retroactive and Nonretroactive				
	7-day	14-day	30-day		
1	1	1	1	1	0.00
1,800	95	141	209	9	0.25
2,400	126	188	279	12	0.30
3,000	158	234	349	15	0.35
3,600	189	281	419	18	0.40
4,600	242	359	535	23	0.45
5,600	295	438	651	28	0.50
6,600	347	516	767	33	0.55
7,600	400	594	884	38	0.60
9,600	505	750	1,116	48	0.65
11,600	611	906	1,349	58	0.70
14,600	768	1,141	1,698	73	0.75
17,600	926	1,375	2,047	88	0.80
20,600	1,084	1,609	2,395	103	0.85
25,600	1,347	2,000	2,977	128	0.90
30,600	1,611	2,391	3,558	153	0.95
40,000	2,106	3,125	4,651	200	1.00

(i) The integral numbers above represent the lower end of the bracket for each credibility factor "Z." The upper end is one less than the lower end for the next higher Z factor.

(ii) To use this table, find the credibility factor from the credibility table for the experience group.

(iii) If actual loss ratios are less than fifty percent, use the average number of life years for both life insurance and disability insurance. Otherwise, use either the average number of life years or the incurred claims count.

If either of these measures cannot be accurately determined, the commissioner may accept reasonable approximations.