CHAPTER 42.
[H. B. 226.]

DOMESTIC MUTUAL LIFE INSURANCE COMPANIES.

An Act relating to insurance; prescribing the conditions under which domestic mutual life insurance companies may be organized, licensed and conducted; providing certain regulations governing mutual insurance companies in general; repealing section 7094, section 7131-1 and section 7131-2 of Remington's Revised Statutes, and all laws in conflict herewith; and declaring that this act shall take effect immediately.

Be it enacted by the Legislature of the State of Washington:

Section 1. A domestic mutual insurance company formed to transact as insurers a general life insurance business, including endowments and annuities, and including supplemental accidental death benefits and benefits such as operate to safeguard such insurance against lapse or to give a special surrender value or annuity providing payments during the lifetime of the insured, with or without reduction of the sum insured, in the event that the insured shall be totally and permanently disabled from any cause, must, before receiving certificate to do business, have bona fide written applications severally signed by not less than five hundred applicants resident in this state, for not less than one thousand dollars each. Such initial applications for insurance shall not include any applications for term insurance for a period of less than ten years. Such initial applicants shall each have shown evidence of insurability and shall each have paid in one full annual premium in cash upon the insurance applied for.

Solicitation of such applications shall not be undertaken unless and until such company shall have filed with the state insurance commissioner, hereinafter called the commissioner, an indemnity
bond in the sum of twenty-five thousand dollars ($25,000.00) in favor of all who may become applicants, in form and with sureties approved by the commissioner, conditioned upon the return in full to each applicant of the advance premium payment made by him under this act, if the organization is not completed within one year from date of filing said bond or within such further period, not exceeding six months, as the commissioner shall allow.

Sec. 2. Solicitation of applications for insurance under the foregoing section may be made only by agents holding certificate of authority issued by the commissioner, to agents deemed by him properly qualified therefor.

Sec. 3. All applications for insurance to be obtained in the process of organizing such company shall contain a statement:

(a) That the issuance of the policy is contingent upon the completion of the organization of the company and issuance to it of a certificate of authority to do business; and

(b) That the prepaid premium will be refunded in full to the applicant if such organization is not completed and certificate issued within one year from date of filing bond above prescribed, or within such further period, not to exceed six months, as may be fixed by the commissioner; and

(c) That the agreement for such insurance shall not be deemed completely effective until the company is fully organized, certificate of authority issued to it and the policy issued.

Sec. 4. Or, in lieu of such applications for insurance, the company may, and in the alternative shall, provide and deposit with the state treasurer through the office of the commissioner, a special guaranty fund of at least fifty thousand dollars ($50,000.00), in cash or invested in the same kind
of security as the capital stock of domestic insurance companies is required to be invested by section 7054-1 of Remington's Revised Statutes and as approved by the commissioner, to be released by him only upon the creation of a surplus fund as hereinafter provided, except for the payment of losses, until the company shall have accumulated from its underwriting and earnings a surplus fund of at least fifty thousand dollars ($50,000.00), over and above all liabilities and the guaranty fund. Interest may be paid on such guaranty fund at a rate not to exceed five per centum (5%) per annum.

SEC. 5. The commissioner and his examiners shall, during the period of organization, have free access to all books and records pertaining to the condition and progress of such organization.

SEC. 6. Upon completing its organization in accordance with this act and other provisions of law pertaining thereto, the commissioner shall issue to such company a certificate of authority to do business.

SEC. 7. No person shall be a trustee or director of a domestic mutual life insurance company if he (a) is not a resident of this state; (b) has been adjudicated a bankrupt or has taken the benefit of any insolvency law, or has made a general assignment for the benefit of creditors; (c) is a trustee, officer, clerk or other employee of any other life insurance company; (d) nor shall a person be a trustee of a domestic mutual life insurance company by reason of his holding public office.

SEC. 8. When a mutual life insurance company shall have accumulated from its underwriting and earnings a surplus fund of at least fifty thousand dollars ($50,000.00), over and above all liabilities and the guaranty fund, it may make insurance in
class four as set forth in section 7128 of Remington's Revised Statutes.

SEC. 9. When a company shall have accumulated from its underwriting and earnings a surplus fund at least equal to the minimum capital required of a stock insurance company transacting a similar class or classes of insurance business, which it must maintain in securities, approved by the insurance commissioner, deposited with the state treasurer through the office of the commissioner, it may, while it maintains such surplus assets in such securities so deposited, issue policies without assessment liability other than the payment of the premium specified in the policy.

SEC. 10. No domestic mutual life insurance company, organized under the provisions of this act, shall make insurance in any other of the classes of insurance defined in section 7128 Remington's Revised Statutes, except class 4, nor shall any domestic mutual insurance company, authorized to make insurance under class 4, section 7128 Remington's Revised Statutes, be authorized to make insurance in class 3 of section 7128 Remington's Revised Statutes, concurrently with any other classes of insurance other than class 3.

SEC. 11. The company may classify its insurance according to the various hazards covered, and any saving experienced by the company in its loss ratio, expense of management, or from any other source, may be returned to the policyholders in the corresponding classification at the end of any policy year for which premiums have been paid, according to the experience of the company in said classes respectively, and as determined by the board of directors.

SEC. 12. No domestic mutual insurance company making insurance in class three as set forth in sub-
division (3) of section 7128 of Remington's Revised Statutes, shall be converted, changed or reorganized as a stock company: Provided, however, That any company now doing business whose by-laws provide for such reorganization may be converted from a mutual company to a stock company if such conversion is completed within two (2) years from the enactment hereof.

Sec. 13. The plan or plans, terms and conditions prescribed, adopted or employed by the company shall be such as the experience of similar companies has [have] found to be efficient and adequate to promptly and equitably pay and discharge its obligations and successfully conduct its business, of which the commissioner shall be the judge.

Sec. 14. Any mutual life insurance company licensed or admitted to do business in this state whose membership is limited to that of a specified fraternal society, may, by provision in its articles of incorporation, or amendment thereof, elect to be governed by the provisions of section 7259 to section 7298, both inclusive, of Remington's Revised Statutes, as far as applicable, and shall thereafter be classified as a fraternal benefit society under section 7290 of Remington's Revised Statutes, and subject to the provisions and exemptions of said section 7259 to section 7298, both inclusive, of Remington's Revised Statutes, to the exclusion of all other laws while it maintains such status.

Sec. 15. In ascertaining the condition of a mutual insurance company organized under section 7092 to section 7298, both inclusive, of Remington's Revised Statutes, or in any examination made by the commissioner, his deputy or examiner, he shall allow as assets only such investments, cash and accounts as are required of a stock insurance company transacting a similar class or classes of insurance busi-
ness: Provided, That actual recoverable contingent liability of policyholders may, in the discretion of the commissioner, be allowed to the extent of the excess of liabilities over other assets.

Sec. 16. No domestic mutual insurance company, formed and operated under the provisions of this act or of the insurance laws of the State of Washington, shall enter into a management contract with any person, firm or corporation, the effect of which would be to surrender the control and management of the insurance company to such person, firm or corporation: Provided, however, That exclusive general or local agency contracts may be entered into with the approval of the insurance commissioner: Provided, further, That any domestic mutual insurance companies, authorized to do business prior to the taking effect of this act, and which now have a management contract prohibited by this section, may be granted such reasonable time within which to comply with the provisions of this section as the commissioner may determine, not to exceed, however, five years from the taking effect of this act.

Sec. 17. Every domestic mutual insurance company hereafter formed shall include in its name the word "mutual".

Sec. 18. Sections 7094, 7131-1 and 7131-2 of Remington's Revised Statutes and all laws and parts of laws in conflict herewith are hereby repealed.

Sec. 19. In case any part of this act shall be declared invalid by a court of competent jurisdiction, the remainder thereof shall be and remain in full force [force] and effect.

Sec. 20. This act is necessary to the immediate preservation of the public peace, health and safety and the support of the state government and its
existing public institutions and shall take effect immediately.

Passed the House February 11, 1937.
Passed the Senate February 25, 1937.
Approved by the Governor March 5, 1937.

CHAPTER 43.
[H. B. 263.]

TAXATION OF INSURANCE COMPANIES.

AN ACT relating to insurance and amending section 7071 of Remington's Revised Statutes of Washington.

Be it enacted by the Legislature of the State of Washington:

Section 1. That section 7071 of Remington's Revised Statutes of Washington be amended to read as follows:

Section 7071. All insurance companies, now doing business in this state, or that may hereafter do business in this state, unless otherwise provided in this act, must make and file with the commissioner annually, on or before the fifteenth day of February in each year, a statement under oath, upon a form to be prescribed and furnished by the commissioner, stating the amount of all premiums collected, or contracted for by the company making such statement, in this state, during the year ending December thirty-first, next preceding; the amounts actually paid policy holders on losses; the amounts paid policy holders as return premiums; the amounts paid policy holders as dividends; the amount of insurance reinsured in other companies authorized to do business in this state, naming them, and the amount of premiums paid therefor; and the amount of insurance reinsured in companies, naming them, not authorized to do business in this state, and the amount of premiums paid therefor; and