

Penalty.

county jail not less than thirty days nor more than six months or by fine of not less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000) or by both such fine and imprisonment in the discretion of the court.

§ 7316 Bal.,
§ 1781 Pierce,
repealed.

SEC. 2. That section 7316 Ballinger's Annotated Codes and Statutes of Washington is hereby repealed.

Passed by the Senate March 2, 1909.

Passed by the House March 5, 1909.

Approved March 11, 1909.

CHAPTER 141.

[H. B. 294.]

DEFICIENCY APPROPRIATION FOR PUBLIC PRINTING.

AN ACT making a deficiency appropriation for public printing.

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

Appropriation
§30,000.

SECTION 1. There is hereby appropriated out of the general fund in the state treasury the sum of thirty thousand dollars, or so much thereof as may be necessary, to be used in paying for public printing of the state for the fiscal period ending March 31, 1909.

Passed by the House March 1, 1909.

Passed by the Senate March 3, 1909.

Approved March 11, 1909.

CHAPTER 142.

[S. S. B. 162.]

REGULATING THE BUSINESS OF LIFE INSURANCE.

AN ACT to regulate the business of life insurance, the issuing of policies of endowment or of annuity, and the organization and operations of companies formed to transact such business.

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

SECTION 1. No life, endowment or annuity company shall be authorized to transact business in this state unless

it shall comply with the provisions of this act. Before any such life, endowment, or annuity company goes into operation, under the laws of this state, a guaranty capital, of at least one hundred thousand dollars, shall be subscribed and at least fifty per cent. of said capital paid in cash, and the remaining fifty per cent. to be paid in cash within one year from the date of filing the articles of incorporation. If said balance is not paid within one year as aforesaid, or if any impairment shall occur in the capital of such company, which impairment is not made good within sixty days, the certificate of said corporation shall be declared forfeited by the State Insurance Commissioner.

Guaranty capital.

SEC. 2. Any number of persons, not less than seven, may incorporate a company to write insurance upon the lives of persons, and every insurance pertaining thereto, or connected therewith, and to grant or dispose of annuities, or to write policies of endowment.

Number of persons to incorporate.

SEC. 3. The persons proposing to organize such company shall file with the State Insurance Commissioner articles of incorporation, as provided under the laws of the State of Washington for the formation of private corporations, and said corporations shall pay the fees and penalties provided by law.

Articles of incorporation.

SEC. 4. No policy shall be issued until a certificate from the Insurance Commissioner has been obtained authorizing such company to issue policies. The said Insurance Commissioner shall examine the assets and amount of capital, and a majority of the trustees shall make oath that the money has been paid in cash by the stockholders towards payment of their respective shares and not for any other purpose, and that it is intended that the same shall remain as the capital of the company, to be invested as required by the laws of this state. Every insurance company incorporated in this state shall pay to said Insurance Commissioner, for the examination required by this section, in addition to the costs of examination, the sum of thirty dollars, which latter sum shall be paid into the general fund of the state.

May commence business, when.

Oath of trustees.

Fees for
examination.

Guaranty
deposit.

Withdrawal
of deposit.

SEC. 5. Any such insurance company organized under the laws of this state may at its option deposit with the Treasurer of the State of Washington, the sum of one hundred thousand dollars (\$100,000) in cash, or in such securities as are elsewhere approved in this act. Such deposit shall be considered pledged for the security of all persons holding or interested in the policies of such company, and any such company may change the character of its deposit at any time by depositing other above described securities of equivalent value thereto. All interest and profits accruing from said securities shall be paid to the company depositing the same. Any such company may withdraw all or any part of such deposit by notifying the State Treasurer of its intention so to do, and by specifying the amount to be withdrawn: *Provided*, That the State Treasurer shall first publish a notice of such proposed withdrawal in some daily paper issued at the state capital, and in a daily paper in one of the larger cities of the state, once a week for six consecutive weeks, notifying all persons interested to file claims against such deposit. After the expiration of six months after the first publication of the said notice, the State Treasurer shall surrender to the depositing company all of its deposit except such part thereof as may be sufficient to secure the payment of claims filed. If such claims have not been confirmed by a decision of the proper courts within six months thereafter, any remaining portion of such deposit shall be returned to the said company. The State of Washington shall be held responsible for the safety of all deposits made under this act, and the State Treasurer and his sureties shall be responsible both to the state and to the depositing company.

Certificate of
authority.

SEC. 6. Whenever the incorporators shall have fully organized such company, and the said company shall have satisfied the Insurance Commissioner that it has the required amount of capital paid in cash, it shall become his duty to furnish the incorporators with a certificate of authority which, with the certified copy of said declaration previously received from the Insurance Commissioner, when

filed for record in the office of the county auditor in the county where such company is to be located, shall be authority to commence business and issue policies, and the same, or a certified copy thereof, shall be evidence in all suits.

SEC. 7. The stockholders of any company organized under this act shall have power to make such by-laws not inconsistent with the constitution and laws of this state as may be deemed necessary for the government of the officers and the conduct of its affairs, and the same, when necessary, to alter or amend; and they, and their successors, may have a common seal, and may change and alter the same at their pleasure; and such company, in its corporate name, may sue and be sued, may own so much real and personal property as shall be necessary for the transaction of its business, and may sell and dispose of the same when deemed necessary; but all real estate acquired through the collection of debts shall not be held longer than five years, except on written permission from the State Insurance Commissioner, when necessary to protect the company in obtaining its fair market value. Each stockholder of any company organized under this act shall, in his individual capacity, be severally liable for all debts of such company to the amount of double his subscribed stock.

Powers of stockholders.

Corporate powers.

SEC. 8. It shall not be lawful for any person to act within this state, as agent or otherwise, in receiving or procuring applications for life insurance, or in any manner aid in transacting the business of life insurance, referred to in the first section of this act, for any company or association incorporated by or organized under the laws of any other state government, unless such company has an unimpaired paid up cash capital of at least two hundred thousand dollars, or in lieu thereof assets in excess of its liabilities of not less than two hundred thousand dollars.

Qualification of foreign corporation.

SEC. 9. Every life insurance company incorporated in this state, or doing business in this state, shall, on or before

Annual
statement.

the first day of March in each year, transmit to the Insurance Commissioner and file in his office a statement of its business standing and affairs in the form prescribed or authorized by law, and adapted to the business done by such company, and prescribed and adopted by the Insurance Commissioners in their convention blank, and signed and sworn to by the president or vice-president and secretary of such company, and made out for the year ending on the preceding thirty-first day of December; and such statement must show among other required items: First, The amount of capital stock of such company, corporation or association, including a statement of the amount of stock actually paid up in cash; second, the property or assets held by the same; third, the liabilities of the organization, which must include the net value of its outstanding policies, as provided by this act; fourth, the income of the organization during the preceding year; fifth, the expenditures of the preceding year; sixth, the amount of risks written during the same period, the amount of risks expired during the same period, and the total amount at risk on the 31st day of December next preceding. No such company in making such report shall change the text of the blank submitted by the Insurance Commissioner for such purpose without the written authority of the commissioner so to do, and such company shall be required to answer all questions in such blank in full regarding its income, disbursements, assets and liabilities.

Additional
information.

SEC. 10. The Insurance Commissioner of this state is authorized and empowered to add to the provisions and requirements of the blank referred to in section 8 of this act, and to enlarge the blank provided in said act, and to call for such other and additional information as the said Insurance Commissioner may deem desirable and necessary, and all insurance companies doing business in this state shall be subject to such additional requirements and shall comply therewith, and the failure so to do shall subject any company so failing to comply with such additional requirements to all such penalties as provided by said act.

SEC. 11. All such insurance companies chartered or organized in any other state of the United States, or beyond the limits of the United States, and doing business in this state, shall make an annual statement of their condition and affairs to the insurance department, in the same manner and in the same form as similar companies organized under the laws of this state. The Insurance Commissioner shall have authority to extend the time for filing such statement, for reasons which he shall deem good and sufficient, whether the company is organized in this state or elsewhere.

Annual statement of foreign company.

SEC. 11½. Life insurance companies chartered beyond the limits of the United States, and doing business in this state shall make a return of their standing on the thirty-first day of December in each year, agreeable to the form required by this act of other companies doing a similar business in this state; said return to be made to the Insurance Commissioner on or before the first day of March annually, and verified and sworn to before some consul or vice consul of the United States, by two or more of the principal officers of such insurance company.

When made.

SEC. 12. Any company doing business in this state neglecting to make returns, in the manner and within the time hereinbefore authorized and prescribed, shall forfeit one hundred dollars for each day's neglect; and every company that wilfully makes false statements shall be liable to a fine of not less than five hundred dollars, nor more than one thousand dollars. Any new business done by any company or its agents in this state, after neglect to make the prescribed returns, shall be deemed to be done in violation of law.

Failure to make statement—penalty.

SEC. 13. All valuations of the policies of life insurance shall be made by the Insurance Commissioner or by his authority according to the standard of valuation adopted by the company: *Provided*, That in either case the standard of valuation employed shall be stated in his annual report: *And provided*, That no such standard of valuation, whether on the net level premium, preliminary term,

Value of policies.

or select and ultimate reserve basis, for policies issued after the passage of this act shall be less than that determined upon such basis according to the American Experience Table of Mortality with three and one-half per cent. interest. The Commissioner may vary the standard of valuation in particular cases of invalid lives and other extra hazards: *Provided*, Same is at least on basis of three and one-half per cent. value policies in groups, use approximate averages for fractions of a year and assume as accurate the valuation of the department of insurance of any other state, if the insurance officer of any other state likewise accredits the valuation made by the Insurance Commissioner of this state.

Business in
other states.

SEC. 14. When any such insurance company, organized under the laws of this state, shall transact business in any other state, it may invest its surplus funds in such state in like securities and under the same restrictions as in this state.

Person on
whom process
may be
served.

SEC. 15. Every such insurance company not organized in this state, before doing business in this state, shall, in writing, appoint the State Insurance Commissioner, or the deputy Insurance Commissioner in his absence, an attorney upon whom all lawful process against the company may be served with like effect as if the company existed in this state; and said writing or power of attorney shall stipulate and agree, on the part of the company making the same, that any lawful process against said company which is served on said attorney, shall be of the same legal force and validity as if served on said company. A copy of the writing, duly certified and authenticated shall be filed in the office of the Insurance Commissioner, and copies certified by him shall be sufficient evidence. This agency shall be continued while any liability remains outstanding against the company in this state. Service upon said attorney shall be deemed sufficient service upon the company.

Notice of
service.

When legal process against any such company is served upon said Commissioner of Insurance he shall immediately notify the association of such service by letter, prepaid and directed to the secretary or corresponding officer, and shall

within two days after such service forward in the same manner a copy of the process served on him to such officer. The plaintiff in such a process so served shall pay to the Commissioner of Insurance at the time of such service a fee of \$3.00, which shall be recovered by him as part of the taxable costs, if he prevails in the suit. The Commissioner of Insurance shall keep a record of all processes served upon him, which record shall show the day and hour when such service was made.

SEC. 16. No life insurance company organized under the laws of this state shall issue policies insuring fire or marine or livestock risks, nor engage in any banking business.

Limited to
life insurance.

SEC. 17. Whoever solicits insurance on behalf of any such insurance company, as provided for by this act, not chartered by and not established within this state, or who transmits for profit or value for any person other than himself, an application for such insurance, or a policy of such insurance, to or from such company, or advertises that he will receive or transmit the same, shall be held to be an agent of such company to all intents and purposes, and subject to the duties, requisitions, liabilities and penalties set forth in the laws of this state, relating to life insurance companies not incorporated by the legislature thereof.

Facts consti-
tuting agency.

SEC. 18. Any agent writing insurance in violation of any law of this state regulating life insurance companies shall forfeit, for each offense, a sum not exceeding five hundred dollars.

Penalty.

SEC. 19. No such insurance company doing business in this state shall make or permit any distinction or discrimination in favor of individuals between insureds of the same class and expectation of life in the amount of payment of premiums or rates charged for policies of life or endowment insurance, or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of the contracts it makes; nor shall any company or any agent, sub-agent, or broker, make any contract of

Discrimina-
tion pro-
hibited.

insurance or agreement as to such contract, other than is plainly expressed in the policy issued thereon; nor shall any such company or agent, sub-agent, or broker, pay or allow, or offer to pay or allow, as inducement to insurance, any rebate of premium payable on the policy, or any special favor or advantage in the dividends or other benefit to accrue thereon, or any valuable consideration or inducement whatever not specified in the policy of insurance. No person shall receive or accept from any company or agent, sub-agent, or broker, as inducement to insurance, any such rebate of premium payable on the policy, or any special favor or advantage, in the dividends or other benefit to accrue thereon, or any valuable consideration or inducement not specified in the policy of insurance. No person shall be excused from testifying or from producing any books, papers, contracts, agreements, or documents, at the trial of any other person charged with a violation of any provision of this section, on the ground that such testimony or evidence may tend to incriminate him, but no person shall be prosecuted for any act concerning which he shall be compelled to so testify or produce evidence, documentary or otherwise, except for perjury committed in so testifying. Every officer or agent of an insurance company doing business in this state, who shall violate any of the provisions of this section, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be fined in a sum not less than one hundred dollars (\$100), nor exceeding five hundred dollars (\$500), or imprisonment in the county jail of not less than thirty (30) days, nor more than ninety (90) days, or both, in the discretion of the court, and shall pay the costs of prosecution. It shall be the duty of the Commissioner upon being satisfied that any such insurance company, or any agent thereof, has violated any of the provisions of this section, to revoke the certificate of authority of the company or agent so offending.

Immunity.

Penalty.

SEC. 20. From and after the date this act takes effect no life insurance company shall issue in this state, nor permit its agents, officers or employes to issue in this state,

agency company stock or other stock or securities, or any special or advisory board or other contract of any kind promising returns and profits as an inducement to insurance; and no life insurance company shall be authorized to do business in this state, which issues or permits its agents, officers or employes to issue in the State of Washington or in any other state or territory, agency company stock or other stock or securities, or any special or advisory board or other contract of any kind promising returns and profits as an inducement to insurance; and no corporation or stock company, acting as agent of a life insurance company, nor any of its agents, officers or employes, shall be permitted to agree, sell, offer to sell or give, or offer to give, directly or indirectly, in any manner whatsoever, any share of stock, securities, bonds or agreement of any form or nature, promising returns and profits as an inducement to insurance, or in connection therewith: *Provided*, That the provisions of this section relating to the issue and sale of stock of companies in good standing heretofore licensed by the Commissioner of Insurance to issue policies shall not apply to any part of the capital stock of said company as now organized. It shall be the duty of the Insurance Commissioner upon being satisfied that any such insurance company, or any agent thereof, has violated any of the provisions of this section, to revoke the certificate of authority of the company or agent so offending.

Agent not to sell stock.

Capital stock after inspection may be sold.

SEC. 21. Any person knowingly receiving any rebate or allowance or reduction from any premium, or any special contract of employment, or promising profits or dividends of any character, or any valuable thing, special favor or advantage whatever, as an inducement to take any policy of life insurance not specified in the policy contract, shall be guilty of a misdemeanor, and shall, upon conviction, be punished by a fine of one hundred dollars (\$100), or imprisonment in the county jail for thirty (30) days, or both, in the discretion of the court: *Provided*, That this section shall not apply to the payment of divi-

Penalty.

dends upon contracts made as inducements prior to the enactment hereof.

Duties of
commiss-
sioner.

Fees for
examination.

Fund.

Appropriation.

Lien.

SEC. 22. The Insurance Commissioner shall examine and inquire into violations of the insurance laws of this state and for this purpose, or to see if the laws are obeyed, or to examine the financial condition, affairs and management of any company, he may visit or cause to be visited, by any competent person or persons, he may appoint, the head office in the United States of any domestic or foreign insurance company applying for admission to, or already admitted to do business in this state, and may for these purposes examine or investigate any company organized under the laws of Washington, and any agency or company doing business in this state. The charges for making the examination shall be presented and shall be paid by the organization examined: *Provided*, That such charges shall not exceed the sum of \$5.00 per day in addition to the necessary expenses incurred in making such examination. All moneys paid by said companies for the examination, as provided by law, shall be paid into the state treasury and shall be converted into a special fund to be known as the Insurance Inspection Fund, from which special fund shall be paid all bills for expense of examinations made. Upon the presentation of vouchers properly signed by the Insurance Commissioner, to the State Auditor, the State Auditor is hereby authorized to draw his warrant against said fund in the same manner in which warrants are drawn for the payment of other bills. For the purpose of making said payments and authorizing the Auditor to draw warrants upon said fund, all of the moneys paid into said fund are hereby appropriated for the purpose of paying the examination expenses as provided for in this act. Should payment be refused, the bill shall be approved by the Insurance Commissioner, audited by the State Auditor, and paid on his warrant drawn in the usual manner on the State Treasurer, to the person making the examination. Said bill so approved by the Auditor shall be a first lien upon all the assets and property of such company and may be recovered by suit by the Attorney General on be-

half of the State of Washington. The Commissioner shall revoke the certificate of authority granted the company that refuses to pay the bill for expense of examination, and shall not again grant a certificate of authority until it has paid to the State Treasurer the amount of such bill and all costs, if any there be. The Commissioner may also examine companies upon the request of five or more of the policy holders, representing at least one hundred thousand dollars insurance in force, who shall make affidavit of their belief, with specifications of their reasons therefor in writing, that such company is in unsound or insolvent condition: *Provided*, That only the United States branches of companies incorporated in foreign countries shall be examined by said Commissioner. For the purposes of the examinations, inquiries or investigations as aforesaid, the Commissioner or his deputy, or the person authorized to make them, shall have free access to all books and papers of an insurance company that relate to its business, and the books and papers kept by any officer, agent or employe relating to, or upon which any record of its business is kept, and may summon witnesses and administer oaths or affirmations, in the examination of the directors, trustees, officers, agents or employes of any such company, and any other person in relation to its affairs, transactions and conditions. He may require and compel the production of records, books, papers, contracts or other documents by attachment if necessary. Any person knowingly or wilfully testifying falsely in reference to any matter material to said investigation, examination or inquiry, shall be deemed guilty of perjury, and punished accordingly; and any person who shall wilfully refuse or fail to attend, answer or produce books or papers, or who shall refuse to give said Commissioner or the person authorized by him, full and truthful information and answer in writing to any inquiry or question made in writing by said Commissioner, or the person authorized by him, in regard to the business of insurance carried on by such person, or other matters under investigation, or refuse or wilfully fail to appear and testify under oath before the Insurance Commissioner

Branches
examined.

Authority
of commis-
sioner.

- or the person authorized by him, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding five hundred dollars (\$500), or imprisonment in the county jail not exceeding three (3) months, or by both such fine and imprisonment. Any director, trustee, officer, agent or employe of an insurance company, or any other person, who shall knowingly or wilfully make any false certificate, entry or memorandum upon any of the books or the papers of any insurance company, or upon any statement filed or offered to be filed in the
- Penalty.
- False entries. insurance department of this state, or used in the course of any examination, inquiry or investigation with the intent to deceive the Commissioner or any person employed or appointed by him to make such examination, inquiry or investigation, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding one thousand dollars (\$1,000), or by imprisonment for not less than two (2) months nor more than twelve (12) months in the county jail, or by both such fine and imprisonment. If upon such examination the Insurance Commissioner is of the opinion that the company is insolvent, or that its condition is such as to render its further continuance in business hazardous to the public or holders of its policies, if such deficiency or impairment is not immediately made good, he shall advise and communicate the facts to the Attorney General, who shall at once apply to the superior court of the county or any judge thereof, where the home office of a domestic company or an agency of a foreign company is located for an injunction to restrain the company from transacting further business, except the payment of losses already ascertained and due, until further hearing, and for appointment of a receiver, and, if a domestic company, for the dissolution of the corporation.
- Penalty.
- Injunction.
- Annual examination. SEC. 23. The Insurance Commissioner shall once each year visit each life insurance company incorporated by this state, thoroughly examine its financial condition, and ascertain whether it has complied with all provisions of law.

SEC. 24. The Commissioner shall in like manner examine any life insurance company not incorporated by this state but doing business herein, whenever he has reason to doubt its solvency, and may employ assistants in making the examination; and all the expenses of an examination without the state shall be borne by the company examined.

Examination
of foreign
company.

SEC. 25. For such purpose the Commissioner shall have free access to all books and papers of any life insurance company doing business in this state and may examine, under oath, its officers or agents relative to its condition; and if any company not incorporated by this state, or its officers or agents, shall refuse to submit to such examination, or to comply with any provisions of this chapter, the authority of such company to do business in this state shall be revoked.

Access to
books.

SEC. 26. No person shall act in the solicitation or procurement of applications for, or policies of, insurance for any company referred to in this chapter, without first procuring a certificate of authority as agent from the Insurance Commissioner, which certificate shall be renewed on the first of January of each year; and on the conviction of any person acting as such agent, sub-agent, or broker of the violation of any provision of the preceding section, the Insurance Commissioner shall forthwith revoke the certificate of authority issued to him, and no certificate shall be thereafter issued to said convicted person until after three years from the date of such conviction. Every person violating any provision of the preceding section or of this section shall be fined not more than five hundred dollars (\$500). No person shall be licensed to solicit or write insurance other than fire or marine insurance until each company, corporation or association represented by such person shall have paid a license fee as prescribed in this section. The annual license fee for an agent's license authorizing the solicitation and writing of insurance other than fire or marine insurance in this state shall be five dollars (\$5.00) for each company represented by any person, firm or corporation: *Provided, however,* That when any

Agent's
authority.

Penalty.

agent leaves the service of the company, during the term of his license, the company may, upon returning the original license to the office of the Insurance Commissioner, transfer the same, free of cost, to any person whom the company designates.

SEC. 27. All investments and deposits of the funds of any life insurance company, incorporated under this act, shall be made in its corporate name, and no trustee or other officer thereof, and no member of a committee having any authority in the investment or disposition of its funds, shall accept, or be the beneficiary of, either directly or remotely, any fee, brokerage, commission, gift or other consideration for or on account of any loan, deposit, purchase, sale, payment or exchange made by or in behalf of such company, or be pecuniarily interested in any such purchase, sale or loan, either as borrower, principal, co-principal, agent or beneficiary, except that, if a policy holder, he shall be entitled to all the benefits accruing under the terms of his contract. No investment, sale or loan, except on its own policies, shall be made which has not first been authorized by the board of trustees or by a committee thereof charged with the duty of investing or loaning the funds of the company, nor shall any deposit be made in a bank or banking institution unless such bank or banking institution has first been approved as a bank of deposit by the board of trustees or said committee thereof, and unless the vote authorizing such investment, sale or loan or approval of the place of deposit has been duly recorded in the books of the company.

Funds invested in corporate name.

Loans.

SEC. 28. No domestic company hereafter acquiring title to real estate under the conditions of any mortgage owned by it or by purchase or set off an execution upon judgment for debts due it previously contracted in the course of its business or by other process in settlement for debts, shall hold it for a longer period than five years without permission granted in writing by the Insurance Commissioner, except such real estate as it may require for its home or branch offices; nor shall any such company hereafter invest

Limit on holding real estate.

in real estate except for the purpose of a home or branch office.

SEC. 29. Such company shall not engage in any business other than as specified in its charter or agreement of association and expressly authorized by law. Other business prohibited.

SEC. 30. All policies issued by such company shall be signed by its secretary, assistant secretary, or, in their absence, by a secretary *pro tempore*, and by its president or vice president, or, in their absence, by two directors. Policies, by whom signed.

SEC. 31. Such company shall have its office in the city or town specified in its charter or agreement of association; and if it establishes agencies in other cities or towns, all signs, cards, pamphlets and advertisements exhibited or issued by them shall specify the city or town in which the company they represent is located. Advertisements must show head office.

SEC. 32. No life insurance company organized under the laws of or doing business in this state shall enter into any contract of insurance upon lives within this state, except industrial insurance or where the premiums are paid monthly or oftener, without having previously made or caused to be made a prescribed medical examination of the insured by a registered medical practitioner. Any insurance company violating the provisions of this section, or any officer, agent or other person soliciting or effecting, or attempting to effect, a contract of insurance contrary to the provisions hereof, shall be punished by a fine of not more than one hundred dollars for each offense. Assured to be examined.

SEC. 33. No policy of life or endowment insurance shall be issued or delivered in this state until a copy of the form thereof, has been filed at least thirty days with the Insurance Commissioner; nor if the Insurance Commissioner notifies the company in writing within said thirty days that in his opinion the form of said policy does not comply with the requirements of the laws of this state, specifying his reasons for his opinion: *Provided*, That this action of the Insurance Commissioner shall be subject to review by the supreme court of this state; nor shall such policy, except policies of industrial insurance where the premiums Form of policy filed with insurance commissioner.

Appeals.

are payable monthly or oftener, be so issued or delivered after January 1st, 1910, unless it contains in substance the following provisions: 1. A provision that the insured is entitled to a grace of one month within which the payment of any premium after the first year may be made, subject at the option of the company to an interest charge not in excess of six per cent. per annum for the number of days of grace elapsing before the payment of the premium, during which period of grace the policy shall continue in force; but in case the policy becomes a claim during the said period of grace, the overdue premium or the deferred premiums of the current year, if any are paid, the amount of such premiums, with interest on any overdue premium, may be taken from the face of the policy in settlement. 2. A provision that all policies so far as they relate to life or endowment insurance, shall be incontestable after two years from its date of issue except for non-payment of premium. 3. A provision that the policy and the application therefor shall constitute the entire contract between the parties and that all statements made by the insured shall, in the absence of fraud, be deemed representations and not warranties, unless a copy of such statement is contained in or attached to the policy and that no such statement shall be used in defense to a claim under the policy unless it is contained in a written application; and a copy of such application shall be endorsed upon or attached to the policy when issued. 4. A provision that if the age of the insured has been misstated the amount payable under the policy shall be such as the premium would have purchased at the correct age. 5. A provision that the policy shall participate in the surplus of the company at least as often as every five years. 6. A provision specifying the option to which the policy holder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid. 7. A provision that not later than the third anniversary of the policy the holder of the policy shall, upon a proper assignment thereof to the company, be entitled to borrow of the company on the sole security of the policy a sum not more than nine-

Delinquent premiums.

Policy incontestable.

Statements by insured.

Age of insured.

Options.

Loans on policy.

ty-five per cent. of the cash surrender value thereof, less any indebtedness to the company, at a rate of interest not exceeding six per cent. Said provision shall include such other condition as, in conformity to the laws of Washington, the company will impose when the application for the loan is made. 8. A table showing in figures the loan values and the options available under the policy each year upon default in premium payments, during at least twenty years of the policy, or its life if maturity is less than twenty years, beginning with the year in which such values and options first become available. 9. In case the proceeds of a policy are not payable in one sum but in installments or as annuity a table showing the amounts of the installments and annuity payments. 10. A provision that the holder of a policy shall be entitled to have the policy reinstated at any time within three years from the date of default, unless one of the options noted in the policy has been previously accepted by the holder thereof, upon the production of evidence of insurability satisfactory to the company and the payment of all overdue premiums and any other indebtedness to the company upon said policy with interest at the rate of not exceeding six per cent. per annum. Any of the foregoing provisions or portions thereof not applicable to single premium or non-participating or term policies shall to that extent not be incorporated therein, and paragraph seven shall not apply to foreign companies.

Tables in
policy.

Reinstatement.

SEC. 34. Every officer or director of any such company incorporated in this state who votes or assents to any payment, either to stockholders or policy holders, in violation of any provisions of this act, shall forfeit to the state the sum of five thousand dollars, to be recovered in an action brought in the name of the treasurer of the state.

Forfeitures
for viola-
tions of act.

SEC. 35. Every officer or director of any such insurance company incorporated in this state, consenting to a loan or investment in wilful violation of any provisions of this act shall be personally liable to the company for any loss which may be sustained by such investment or loan, to be recovered in an action brought by the Insurance Com-

Liability for
loans.

missioner on complaint of any policy holder or stockholder in the company suffering thereby, and shall be fined not more than one thousand dollars and imprisoned not more than five years.

Preference rights to proceeds of policy.

Creditors' rights.

Widows' rights.

Policy binding on company.

SEC. 36. If a policy of insurance is effected by any person on his own life, or on another life in favor of a person other than himself having an insurable interest therein, the lawful beneficiary thereof, other than himself, or his legal representatives, shall, unless contrary to the terms of the policy, be entitled to its proceeds against the creditors and representatives of the person effecting the same; and the person to whom a policy of life insurance is made payable may maintain an action thereon in his own name: *Provided*, That, subject to the statute of limitation, the amount of any premium for said insurance paid in fraud of creditors, with interest thereon, shall inure to their benefit from the proceeds of the policy, but the company issuing the policy shall be discharged of all liability thereon by payment of its proceeds in accordance with its terms, unless, before such payment, the company shall have written notice by or in behalf of a creditor, with specification of the amount claimed, claiming to recover for certain premiums paid in fraud of creditors. Every policy of life insurance made payable to or for the benefit of a married woman, or after its issue assigned, transferred or in any way made payable to a married woman, or to any person in trust for her or for her benefit, whether procured by herself, her husband or by any other person, and whether the assignment or transfer is made by her husband or by any other person, shall, unless contrary to the terms of the policy, inure to her separate use and benefit, and to that of her children, subject to the provisions of this section relative to premiums paid in fraud of creditors.

SEC. 37. In any claim arising under a policy which has been issued in this state by any life insurance company, without previous medical examination, or without the knowledge and consent of the insured, or, if said insured is under eighteen years of age, without the consent of the parent, guardian or other person having legal custody of

said minor, the statements made in the application as to the age, physical condition, and family history of the insured, shall be held to be valid and binding upon the company; but the company shall not be debarred from proving as a defense to such claim that said statements were wilfully false, fraudulent or misleading. Every policy, except industrial or those calling for premiums monthly or oftener, shall have attached thereto a correct copy of the application, and unless so attached the same shall not be considered a part of the policy or received in evidence.

SEC. 38. A solicitor, agent, examining physician or other person who knowingly or wilfully makes a false or fraudulent statement or representation in or relative to any application for life insurance, or who makes any such statement for the purpose of obtaining a fee, commission, money or benefit in a corporation transacting such business under the provisions of this act, shall be punished by a fine of not less than one hundred nor more than five hundred dollars, or by imprisonment for not less than thirty days nor more than one year, or by both such fine and imprisonment; and a person who wilfully makes a false statement of any material fact or thing in a sworn statement as to the death or disability of a policy or certificate holder in any such corporation, for the purpose of procuring payment of a benefit named in the certificate of such holder, shall be guilty of perjury.

False statements to secure applicant—
Penalty.

SEC. 39. At least three-fourths of the assets of any domestic stock or mutual life insurance company shall be invested only as follows: 1. In the public bonds of the United States or District of Columbia, or of any state of the United States. 2. (a) In the legally authorized bonds or notes of any county, city, town, or school district in Washington. (b) In the legally authorized notes or bonds of any county, city, or school district in any other state in the United States which are a direct obligation of the county, city, or school district issuing the same, and which has a population, according to the last national or state census preceding the date of such investment, of more than twenty thousand inhabitants. (c) In the legally author-

Assets, how invested.

ized bonds or notes of any county, city, town, or school in any such other state of the United States which are a direct obligation of the county, city, town, or school district issuing the same whose indebtedness, after deducting the amount of its securities in the sinking funds which are available for payment of its bonds, does not exceed five per cent. of the valuation of property therein, as assessed for taxation next preceding the date of such investment.

In bonds of public service corporations.

3. In the bonds or notes of any railroad or street railway corporation incorporated or located wholly or in part in Washington, or in the mortgage bonds of any railroad corporation located wholly or in part in any state of the United States whose capital stock equals at least one-third of its funded indebtedness, which has paid regularly for the five years next preceding the date of such investment all interest charges on said funded indebtedness, and which has paid for such period regularly dividends of at least four per cent. per annum upon all its issues of capital stock, or in the mortgage bonds of any railroad, railway or terminal corporation which have been, both as to principal and interest, assumed or guaranteed by any such railroad or railway corporation. In the mortgage bonds of any railroad corporation located wholly or in part in any state of the United States whose liens junior to such mortgage bonds equal at least one-third of the funded indebtedness secured by such mortgage bonds and bonds prior thereto, which has paid regularly for the five years next preceding the date of such investment all interest charges on the said funded indebtedness, and which has paid for such period regularly at least four per cent. interest on such junior securities. 4. In loans upon improved and unencumbered real property in any state of the United States: *Provided*, That no loan on such property shall exceed sixty per cent. of the fair market value thereof at the time of such loan, and a certificate of the value of such property shall be executed before making such loan by the person or persons making or authorizing such loan on behalf of the corporation, which certificate shall be recorded on the books of the company. 5. In such

Mortgages on real estate.

real property as shall be requisite for convenient accommodation in the transaction of its business and subject to the provisions of section 28 of this act. 6. In loans upon the security of its own policies not exceeding the cash surrender value of the policy at the time of making the loan.

7. In loans secured by collateral security consisting of any of the above. 8. No domestic life insurance company shall invest any of its funds in any unincorporated business or enterprise, nor in the stocks or evidence of indebtedness of any corporation, the owners or holders of which stock or evidence of indebtedness may in any event be or become liable on account thereof to any assessment except for taxes, nor shall such life insurance company invest any of its funds in its own stock or in the stock of any other insurance company. No such company shall invest in, acquire or hold directly or indirectly more than ten per cent. of the capital stock of any corporation, nor shall more than ten per cent. of its capital and surplus be invested in the stock of any one corporation. No such company shall subscribe to or participate in any underwriting of the purchase or sale of securities or property, or enter into any transaction for such purchase or sale on account of said company jointly with any other person, firm or corporation; nor shall any such company enter into any agreement to withhold from sale any of its property; but the disposition of its property shall be at all times within the control of its board of directors. 9. Nothing herein shall prevent such company from investing or loaning any funds not required to be invested as provided in subdivisions one to seven, inclusive, of this section in any manner that the directors of such life insurance company may determine: *Provided, however,* That such funds shall not be invested in the purchasing of stocks or evidence of indebtedness prohibited by subdivision eight of this section: *And provided,* That no loan of such funds shall be made to an individual or firm unless it is secured by collateral security. 10. Nothing in this section shall prevent any such life insurance company from acquiring or holding any property that shall be acquired in satisfaction of any debt

Prohibited investments.

Property acquired to satisfy loan.

previously contracted, or that shall be obtained by sale or foreclosure of any security held by it: *Provided, however,* That if the property owned be such as is herein prohibited for investment by such corporation, it shall dispose of such property, if personal, within one year, and if real property within five years from the date when it acquired title to the same, unless the Insurance Commissioner shall extend the time for such disposition for the reason that the interests of the company will suffer materially by a forced sale of such property.

Report to insurance commissioner.

A record of such extension shall be made by the Insurance Commissioner, which shall state the time of the extension, and in that event the sale of said property may be made at any time before the expiration of the time of such extension. All property held by any domestic insurance company when this act takes effect, the investment in or loan on which property by such company is prohibited by the provisions of this section, shall be sold and disposed of within five years from the time when this act shall take effect, and such property shall not be held for a longer period, unless the time be extended by the Insurance Commissioner in the manner above provided.

Annual statement.

SEC. 40. All life insurance companies, corporations or associations now doing business in this state, or that may hereafter do business in this state, must file with the Insurance Commissioner annually, on or before the 15th day of March in each year, a statement under oath stating amount of all premiums collected or contracted for by said companies, corporations or associations in this state during the year ending December 31st preceding, the amounts actually paid policy holders on losses, the amounts paid policy holders as dividends and returned premiums, and the amount of insurance reinsured in other companies, and the amount of premiums received for reinsurance, with the name of the policy holders so reinsured. The Insurance Commissioner shall file a copy of such verified statement or schedule with the State Treasurer, and said companies, corporations or associations shall pay into the state treasury and through the Insurance Commissioner a

tax of two per centum on all premiums collected less dividends actually returned to the policy holders in cash. The tax herein provided for shall be due and payable on the first day of May succeeding the filing of statement provided for herein. Any organization failing or refusing to render such statement and to pay the required two per cent. tax as herein provided for more than thirty days after the time so specified, shall be liable for a fine of twenty-five dollars (\$25) for each additional day of delinquency, and the tax may be collected by distraint and the fine recovered by an action to be instituted by the Insurance Commissioner in the name of the state in any court of competent jurisdiction; and the Insurance Commissioner shall revoke and annul the certificate of authority of such delinquent organization until such taxes and fine, should any be imposed, are fully paid and notice thereof given to the State Insurance Commissioner: *Provided*, That if any such insurance company, corporation or association shall have fifty per centum or more of its assets invested in any bonds or warrants of this state, or bonds or warrants of any county, city or district within this state, or in taxable property within the state, or in first mortgages upon improved real estate within this state, then the tax shall be but one per centum on the amount so collected.

SEC. 41. Any such association refusing or neglecting to make the report as provided in this chapter shall be excluded from doing business within this state. The Insurance Commissioner must, within sixty days after failure to make such report, or in case any such association shall exceed its powers, or shall conduct its business fraudulently, or shall fail to comply with any of the provisions of this chapter, give notice in writing to the Attorney General, who shall immediately commence an action against such association to enjoin the same from carrying on any business in this state. No association so enjoined shall have authority to continue business until such report shall be made, or other act or violation complained of shall have been corrected, nor until the costs of such action be paid

by it: *Provided*, That the court shall find that such association was not in default as charged; whereupon the Insurance Commissioner shall reinstate such association, and not until then shall such association be allowed to again do business in this state. Any officer, agent or person acting for any such association or subordinate body thereof within this state, while such association shall be so enjoined or prohibited from doing business pursuant to this chapter, shall be deemed guilty of a misdemeanor, and on conviction thereof, shall be punished by a fine of not less than twenty-five dollars, nor more than two hundred dollars, or by imprisonment in the county jail not less than thirty days nor more than one year, or by both such fine and imprisonment, in the discretion of the court.

Penalty.

Fraternal
solicitors
excluded.

SEC. 42. The provisions of this act shall not be construed as applying to any company, society or association falling under the statute controlling the organization and operation of fraternal beneficial societies, but shall apply to all other companies or associations conducting such business as is provided for in this act.

Accident or
health
policies.

SEC. 43. The provisions of this act shall not be construed as directly or indirectly prohibiting any life insurance company authorized to transact business under the laws of this state from issuing accident or health contracts separately or in connection with life, endowment or annuity policies.

Passed by the Senate March 1, 1909.

Passed by the House March 9, 1909.

Approved March 17, 1909.