

CHAPTER 49.

[S. S. B. 6.]

INSURANCE CODE.

AN ACT to provide an Insurance Code for the State of Washington, to regulate the organization and government of insurance companies and insurance business, to provide penalties for the violation of the provisions of this act, to provide for an Insurance Commissioner and define his duties, and to repeal all existing laws in relation thereto. [Repealing all former acts.]

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

ARTICLE 1.

GENERAL PROVISIONS.

SECTION 1. *Insurance Defined.*

Within the intent of this act the business of apportioning and distributing losses arising from specified causes among all those who apply and are accepted to receive the benefits of such service, is public in character and requires that all those having to do with it shall at all times be actuated by good faith in everything pertaining thereto; shall abstain from deceptive or misleading practices, and shall keep, observe, and practice the principles of law and equity in all matters pertaining to such business. Upon the insurer, the insured, and their representatives shall rest the burden of maintaining proper practices in said business. Defining insurance.

Insurance is a contract whereby one party called the "insurer," for a consideration, undertakes to pay money or its equivalent, or to do an act valuable to another party called the "insured," or to his "beneficiary," upon the happening of the hazard or peril insured against, whereby the party insured or his beneficiary suffers loss or injury.

SEC. 2. *Terms Defined.*

The terms "company," "corporation," or "insurance company" or "insurance corporation," in this act, unless the context otherwise requires, includes all corporations, associations, partnerships, or individuals engaged as insurers in the business of insurance.

Defining
terms .

“Domestic” designates those companies incorporated or formed in this state. “Foreign” designates those companies incorporated or formed under the laws of the United States or any other state in the United States, and “Alien” designates those companies incorporated or formed under the laws of any country other than the United States.

“Admitted Company” designates companies duly qualified and licensed to transact business under the provisions of this act. “Non-Admitted Companies” designates companies not licensed to transact business in this state under the provisions of this act.

Commis-
sioner.

“Commissioner” or “Insurance Commissioner,” where used in this act, shall mean the “State Insurance Commissioner.”

“Unearned Premiums,” and “Net Value of Policies,” severally means the liability of an insurance company upon its insurance contracts, other than accrued claims, computed by rules of valuation established by this act.

Net assets.

“Net Assets” means the property and funds of an insurance company available for the payment of its obligations; including uncollected premiums not more than three months past due on policies actually in force, and including in the case of a mutual company, its premiums, premium notes, and contingent liability of its policy holders, after deducting from such funds all unpaid losses and claims and all other debts and liabilities except capital.

“Profits” of a mutual insurance company means that portion of its cash funds not required for payment of losses and expenses, nor set apart for any purpose allowed by law.

Agent.

“Agent” or “Insurance Agent” is a person, co-partnership, corporation, attorney, board or committee duly appointed and authorized by an insurance company, to solicit applications for insurance to be known as a soliciting agent, or to solicit applications and effect insurance in the name of the company, to be known as a recording or policy writing agent, and to discharge such other duties as may be vested in or required of the agent by the company.

“Solicitor” or “Insurance Solicitor” is a person duly appointed, authorized and employed by a duly commissioned agent to solicit, receive, and forward applications for insurance and to collect premiums for the agent. Solicitor.

“Broker” or “Insurance Broker” is any person, co-partnership or corporation, who, for compensation, not being an appointed agent for the company in which insurance or re-insurance is effected, acts or aids in any manner in negotiating contracts of insurance or re-insurance or placing risks or effecting insurance or re-insurance for a party other than himself or itself. Broker.

“Adjuster” or “Insurance Adjuster” is a person, co-partnership or corporation who undertakes to ascertain and report the actual loss or damage to the subject-matter of the insurance due to the hazard or peril insured against. Adjuster.

“Surveyor” or “Insurance Surveyor” is a person, committee, board, bureau, co-partnership, or corporation resident within the state, who, in person or by deputy, inspects and surveys the various municipalities and fire hazards in this state, and the means and facilities for preventing, confining and extinguishing fires, and for the purpose of estimating fair and equitable rates for insurance; who furnishes to municipalities and owners of property information and advice as to the measures to be adopted for the reduction of fire hazards on property in this state and lessening the cost of insurance thereon; and, as relating to marine insurance, who inspects vessels and reports on their seaworthiness. Surveyor.

“Director” within the intent of this act means trustee. Director.

“Insurable Interest” is every interest in property, or any relation thereto, or liability in respect thereof, of such a nature that a contemplated peril might directly damnify the insured. “Insurable Interest” in the matter of life and health insurance exists when the beneficiary, because of relationship, either pecuniary or from ties of blood or marriage, has reason to expect some benefit from the continuance of the life of the insured.

Bottomry.

“Bottomry” is a contract by which a ship or freight is hypothecated as security for a loan which is to be repaid only in case the ship survives a particular risk, voyage or period.

“Double Insurance” exists where the same party is insured by several insurers separately, in respect to the same subject and interest.

“Over Insurance” exists where a party having an insurable interest in property has insurance thereon against the same hazard or peril in excess of the actual value of his interest therein.

“Re-Insurance” means a contract by which an insurer procures a third party to insure it against loss or liability by reason of such original insurance.

SEC. 3. *State Insurance Commissioner.*

Commissioner
elected.

There shall be an insurance commissioner of this state, who shall be elected at the same time and in the same manner as other state officers are elected. The insurance commissioner in office at the time of the taking effect of this act shall continue as such insurance commissioner until the expiration of the term for which he was elected and until his successor is duly elected and qualified.

SEC. 4. *Term of Office—Salary.*

Salary.

The term of office of the state insurance commissioner shall begin on the second Monday in January next after he is elected. The state insurance commissioner shall receive a salary of three thousand dollars per year, which shall be in full for all services performed by him.

SEC. 5. *Bond.*

The state insurance commissioner shall have his office at the state capitol; and before entering upon his duties 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 office, and he shall take and subscribe the oath of office as required by law. His bond, upon its approval, together with his oath of office, shall be filed in the office of the secretary of state.

SEC. 6. *Deputy Commissioner—Actuary—Examiner—Salaries.*

The state insurance commissioner may appoint a deputy insurance commissioner, who shall take and subscribe the same oath of office as the state insurance commissioner, which oath shall be endorsed upon the certificate of his appointment and filed in the office of the secretary of state. Said appointment may be revoked at the will of the commissioner, who shall be held responsible for all official acts of his said deputy. The deputy insurance commissioner shall receive a salary of two thousand four hundred dollars per year. The commissioner may also appoint an actuary or examiner, who shall receive a salary of two thousand dollars per year. The commissioner may employ a chief clerk at a salary of not two exceed twelve hundred dollars per year, a stenographer at a salary not to exceed seventy-five dollars per month, and such additional clerks and stenographers as the public business in his office may require, at an expense not exceeding the amount appropriated by the legislature.

Commis-
sioner ap-
points.

Neither the commissioner nor any deputy, nor any employee in his office, shall be directly or indirectly interested in any insurance company, except as an ordinary policy holder.

SEC. 7. *Certificate of Authority—License—Examination.*

The commissioner shall see that all laws respecting insurance companies are faithfully executed. He shall issue all certificates and licenses under the seal of his office provided for by the terms of this act. Before granting certificates of authority to any insurance company to issue policies or make contracts of insurance in this state, the commissioner shall be satisfied by such examination as he may make, or such evidence as he may require, that such company is otherwise duly qualified under the laws of this state to transact business herein. He shall require every domestic insurance company to keep its books, records, accounts and vouchers in such manner that he or his authorized representatives may readily verify its annual state-

Issues cer-
tificates.

Require-
ments.

ments and ascertain whether the company is solvent and has complied with the provisions of law.

Inspection.

At least once each year, and whenever he determines it to be prudent to do so, he shall personally or by his deputy or examiner visit the home office of each domestic insurance company transacting insurance business and thoroughly inspect and examine its affairs to ascertain its true financial condition, its ability to meet and fulfill its obligations; whether it has complied with the provisions of law; and all other facts that he may require relating to its business methods and management, and its dealings with its policy holders. Whenever he deems it advisable he shall cause a complete audit of the books and accounts of the company to be made by a disinterested expert accountant.

Access to books.

When he determines it to be prudent for the protection of policy holders in this state, he shall in like manner visit and examine or cause to be visited and examined by some competent person or persons whom he may appoint for that purpose, any insurance company incorporated or organized in any other state, territory, district, or country, applying for admission or already admitted to do business in this state. For the purpose aforesaid, the commissioner, his deputy, or examiner making the examination shall have free access to all the books, records, accounts, vouchers, papers and files of an insurance company which relate to its business, and to books, records, accounts, vouchers, papers, and files kept by any of its agents, and for any of said purposes the commissioner, his deputy, or examiner conducting such investigation and examination shall have power to subpoena and administer the oath to, and examine as witnesses, the trustees, directors, officers, agents, servants and employees of any such company and any other persons relative to its affairs, transactions and conditions. Said subpoena shall have the same force and effect and shall be served in the same manner as if issued from a court of record. Any person who shall fail, neglect, or refuse to obey such subpoena, or, having obeyed such subpoena, shall refuse to be examined as a witness and give evidence con-

Failure to comply.

cerning any and all matters relating to such investigation when so required, shall be liable to the same penalties as though such subpoena had been issued by, or such person had refused to give evidence in, a court having jurisdiction in equity and common law. Whenever any person shall fail, refuse or neglect to obey such subpoena, or shall refuse to give evidence concerning any and all matters pertaining to such investigation or examination, the commissioner, his deputy, or examiner having charge of such investigation or examination may forthwith report in writing such disobedience, and file such report and such subpoena with proof of service thereof in a court having said jurisdiction in session in the county where such investigation is being had, and if no court is in session, then with any judge of such court; thereupon such court or judge shall forthwith cause such person so subpoenaed or refusing to give evidence in such investigation to be brought before such court or judge, and such court or judge shall thereupon administer and impose like terms and penalties as though such person had been subpoenaed or had refused to testify or give evidence in any proceedings before such court.

File proof
of service.

Witness fees and mileage, if claimed, shall be allowed the same as to witnesses testifying in court, which witness fees and mileage with the actual expense, if any, necessarily incurred in securing the attendance of witnesses and their testimony, shall be itemized and charged against and be paid by the company so being examined. Every person shall be obliged to attend as a witness at the place of such investigation or examination when subpoenaed anywhere within this state.

Witness
fees and
mileage.

SEC. 8. *Revocation of Certificate or License—Court Review.*

If the commissioner is of the opinion upon examination or other evidence that any insurance company is in an unsound condition, or that it has failed to comply with the law or with the provisions of its charter or articles of incorporation or association, or that its condition is such as

Commis-
sioner may
revoke
authority.

to render its proceedings hazardous to the public or to its policy holders, or that its actual assets exclusive of its capital are less than its liabilities, or if its trustees, directors, officers, or agents refuse to submit to examination or to produce its books, records, accounts, and papers in its or their possession or control relating to its business or affairs, for examination and inspection of the commissioner, his deputy or examiner, when required, or shall refuse to perform any legal obligation relative to such examination, the commissioner shall revoke or suspend all certificates of authority and licenses granted to such insurance company, its officers or agents, and shall cause notice thereof to be given to such company and to each agent of such company in this state, and no new business shall thereafter be done by such company or for such company by its agents, in this state, while such revocation, suspension, or disability continues, nor until its authority to do business is restored by the commissioner.

Unless ground for revocation or suspension relates only to the financial condition or soundness of the company or to the deficiency in its assets, the commissioner shall notify such company not less than ten days before revoking its authority to do business in this state; and he shall specify in such notice the particulars of the alleged violation of law or of its charter or articles of incorporation or association, or grounds for revocation. The superior court, upon petition of such company, brought within twenty days, shall summarily hear and determine the question whether such violation has been committed, or whether it is solvent or in an unsound condition or has exceeded its powers or has failed to comply with any provisions of the law or of its charter or articles of incorporation or association, or that its condition is such as to render its further proceedings hazardous to the public and to its policy holders, and the court upon such hearing and determination shall make and enter such order or decree as may be proper in the premises. If the order or decree be adverse to the petitioning company and an appeal therefrom is

Notify ten
days prior.

Condition
hazardous.

taken to the supreme court, such appeal shall be advanced upon the trial calendar of the supreme court and be heard at as early a date as it can conveniently be tried. In the case of such appeal, the commissioner may revoke the right of said petitioning company to do business in this state until the final determination of the appeal by the supreme court.

SEC. 9. *Impairment—Notice and Requisition.*

Whenever it appears to the commissioner from any showing or statement made to him or from any examination made by him, his deputy, or examiner, that the capital stock of any domestic insurance company is impaired, or that its assets are insufficient to justify its continuance in business, he shall at once determine the amount of such impairment or deficiency and thereupon issue his written notice and requisition to the company to require its stockholders to make good the amount of the impairment or deficiency with cash or investments authorized by this act, or reduction of its capital stock, not below statutory requirements, within ninety days from the service of the notice and requisition. If the amount of any such impairment or deficiency shall not be made good within the time specified in such notice and requisition and proof thereof filed in the office of the commissioner, the company shall be deemed insolvent and shall be proceeded against as an insolvent company by the attorney general in the manner authorized by this act. If the capital stock of any foreign or alien insurance company doing business in this state is found so impaired, the commissioner shall revoke the certificate of authority issued to such company and licenses issued to its agents, and shall give due notice thereof to such company and each of its agents, and thereupon such company and its agents shall discontinue the issuing of any new policies or contracts of insurance within this state.

Capital
stock
impaired.

Discontinue.

SEC. 10. *Impairment—Mutual Company—Notice and Requisition—Director's Liability.*

Whenever it appears to the commissioner from any statement or showing made to him or from an examination made

by him, his deputy, or examiner, that the assets and resources of any mutual insurance company are insufficient to justify its continuance in business, he shall promptly determine the amount of such deficiency and thereupon issue his written notice and requisition to the trustees, directors and officers of such company requiring them to make good the amount of such deficiency within ninety days from the service of such notice and requisition. Such notice and requisition may be served by registered letter having affixed proper postage and directed to the company at its principal place of business in this state specified in its articles of incorporation or association. Upon the service of such notice and requisition, the trustees, directors and officers of such company shall forthwith cause such deficiency to be made good, and proof to be filed in the office of the commissioner within the time specified in the notice and requisition that the same has been made good.

Call for
deficiency.

For any losses accruing upon new risks taken after the expiration of such time, and before such deficiency shall have been made good, the trustees, directors and officers of the company shall jointly and severally be personally liable therefor. If such deficiency shall not be made good within the time specified in said notice and requisition and satisfactory proof thereof filed with the commissioner, he shall revoke the certificate of authority issued to such company and the license issued to each agent of said company and shall give due notice thereof by registered mail to such company and to each of its agents, and such company shall be deemed insolvent and may be proceeded against by the attorney general as an insolvent corporation in the manner authorized by this act.

Liability.

Insolvent.

SEC. 11. *Delinquent Insurance Company—Proceedings—Liquidation.*

This section shall apply to all domestic companies, societies and orders to which any article of this act is applicable, and the word "company" as herein used shall also include all such associations, societies and orders.

Application.

(1) Whenever any such company is insolvent; or has refused to submit its books, papers, accounts or affairs to the reasonable inspection and examination of the commissioner, his deputy, or examiner; or has neglected or refused to observe an order of the commissioner to make good within the time prescribed by law, any deficiency, whenever the capital of a stock company, or the reserve or assets of a mutual company, shall have become impaired; or it has by contract of re-insurance or otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other company without first having obtained the written approval of the commissioner; or if found, after an examination, to be in such condition that its further transaction of business would be hazardous to its policy holders, or to its creditors, or to its stockholders, or to the public; or has wilfully violated its articles of incorporation or association or any law of the state; or whenever any trustee, director, manager, or officer thereof has refused to be examined under oath touching its affairs, the commissioner may, the attorney general representing him, apply to the superior court or any judge thereof, in the county or judicial district in which the principal office of such company is located, for an order directing such company to show cause why the commissioner should not take possession of its property, records and effects and conduct or close its business, and for such other relief as the nature of the case and the interest of its policy holders, creditors, stockholders or the public may require.

Approval
of com-
missioner.

(2) On such application, or at any time thereafter, such court or judge may, in its discretion issue an order restraining such company from the transaction of its business or disposition of its property, records and effects until the further order of the court. On the return of such order to show cause, and after a full hearing, the court shall either deny the application or direct the commissioner

Restraining
order.

forthwith to take possession of the property, records and effects, and conduct the business of such company and retain such possession and conduct the business until, on the application of the commissioner, the attorney general representing him, or of such company, it shall, after a like hearing, appear to the court that the cause for such order directing the commissioner to take possession has been removed and that the company can properly resume possession of its property, records, and effects, and the conduct of the business.

(3) If, on a like application and order to show cause, and after a full hearing, the court shall order the liquidation of the business of such company, such liquidation shall be made by and under the direction of the commissioner, who may deal with the property, records, effects and business of such company in his own name as commissioner, or in the name of the company as the court may direct, and he shall be vested by the operation of law with title to all the property, effects, contracts, and rights of action of such company as of the date of the order so directing him to liquidate. The filing or recording of such order in the office of the auditor in any county where property is located in the state shall impart the same notice that a deed, bill of sale, or other evidence of title duly filed or recorded by such company would have imparted.

File order
with auditor.

(4) For the purpose of this section, the commissioner shall have power to appoint, under his hand and official seal, one or more special deputy commissioners, as his assistant or assistants, and to employ such counsel, clerk and other assistants as may by him be deemed necessary, and give each of such persons such powers to assist him as he may consider proper. The compensation of such special deputy commissioners, counsel, clerks and assistants, and all expenses of taking possession of and conducting the business of liquidating any such company shall be fixed by the commissioner, subject to the approval of the court, and shall, on certificate of the commissioner, be paid out of the funds or assets of such company.

Deputy
commis-
sioners.

(5) For the purpose of this section, the commissioner shall have power, subject to the approval of the court, to make and prescribe such rules and regulations as to him shall seem proper.

(6) The commissioner shall transmit to the legislature, in his annual report, the names of the companies so taken possession of, whether the same have resumed business or have been liquidated, and such other facts as shall acquaint the policy holders, creditors, stockholders and the public with his proceedings under this section; and, to that end, the special deputy commissioner in charge of any such company shall file annually with the commissioner a report of the affairs of such company.

Report to legislature.

(7) At any time after the court shall order the liquidation of the business of any such company, as provided in paragraph three of this section, the commissioner may apply for the dissolution of such company, and the same, after due notice and hearing and such other procedure as to the court shall seem proper, shall be dissolved.

Dissolution.

SEC. 12. *Increase or Decrease of Capital.*

The commissioner shall in person, or by his deputy, or examiner, examine the proceedings of every domestic insurance company to increase or reduce its capital stock, or to change its articles of incorporation or association, and, if found conformable to law, shall issue certificate of authority to such company to transact business upon such increased or reduced capital, or change in its articles of incorporation or association.

SEC. 13. *Foreign or Alien Company—Appointment of Attorney—Service of Process.*

The commissioner shall not issue a certificate of authority to transact any business of insurance in this state to any foreign or alien insurance company until it has executed and filed in his office a written appointment of the insurance commissioner to be the true and lawful attorney of such company in and for this state, upon whom all lawful process in any action or proceedings against such company commenced in any county in this state may be served

Must appoint agent.

with the same effect as if it were a domestic company having its principal office in such county. The service upon such attorney shall thereafter be deemed service upon the company.

Service of process against any such insurance company may be had by serving duplicate copies upon the commissioner through the mail by a registered letter, or by an officer or person competent to serve a summons. Upon such service being made, the commissioner shall forthwith mail one of such duplicate copies of such process to such company at its home office or general agency, or in the case of an alien company, to the resident manager, if any, in this country.

Fee two
dollars.

In all cases of service of process against such insurance company by serving its said attorney, the commissioner shall collect two dollars, which shall be paid by the plaintiff at the time of such service, the same to be recovered by plaintiff as part of the taxable cost if he prevail in the suit.

The commissioner shall keep a record of all such processes which shall show the day and hour of service: *Provided*, That in such case no proceedings shall be had within forty days after the date of such service upon the commissioner.

SEC. 13 $\frac{1}{2}$. *Venue of Action on Insurance Policy.*

Service
upon whom.

Any insurance company may be sued upon a policy of insurance in any county within this state where the cause of action arose, by serving the summons and a copy of the complaint upon the company, if a domestic company, or upon the commissioner, as attorney in fact of the company, if an alien or foreign company, or upon any duly licensed agent of the company residing in the county where the cause of action arose.

SEC. 14. *Annual Statement Blanks.*

The commissioner shall annually, in December, furnish to each insurance company authorized to do business in this state, two or more blank forms on which to make its annual statement.

SEC. 15. *Records of Commissioner—Certified Copy—Evidence.*

The commissioner shall preserve in a permanent form a record of his proceedings, including a concise statement of the result of all investigations or examinations of insurance companies.

The commissioner shall furnish, when required for evidence in court, certificate under seal of the department relative to the authority of the company, agent or broker to transact business in this state upon any particular date, and such certificates shall be received by the court in lieu of the testimony of the commissioner, his deputy, or chief clerk.

Certified copy furnished.

SEC. 16. *Commissioner's Report—Contents and Printing.*

The commissioner shall transmit to the legislature at the opening of its session, or as early thereafter as is consistent with full and accurate preparation, a report of his official transactions and a report containing in a condensed form statements made to the commissioner by every insurance company authorized to do business in this state pursuant to the provisions of this act, and such statements and reports shall be audited and corrected by him, all arranged in tabular form or in abstracts, which report shall also contain:

Report companies.

(1) A statement of all insurance companies authorized to do business in this state during the year ending the thirty-first day of December next preceding, with their names, locations, amounts of capital, dates of incorporation and of the commencement of business, and kinds of insurance in which they are engaged respectively.

Detail of report.

(2) A statement of the insurance companies whose business has been closed since making his last report and the reasons for closing the same, with the amount of their assets and liabilities so far as the same are known or can be ascertained by him.

(3) The names and compensation of the clerks employed by him and the whole amount, itemized, of the expenses of the department during such period.

(4) Any amendments to this act which in his judgment may be desirable.

In addition to two hundred fifty copies of the insurance report for the use of the legislature, there shall be printed and bound by the state printer the necessary number of copies of such report for the use of the insurance department.

County clerks furnished lists.

The commissioner shall furnish each of the county clerks of this state, quarterly, a certified list of all insurance companies doing business in this state under and by authority of this act, and such certificates shall be posted in the office of the county clerk for the inspection of the public.

The commissioner shall compile and have printed at the expense of the state, all books, blanks, insurance laws in pamphlet form for distribution, and other matters necessary for the proper administration of the department.

SEC. 17. Fees and Licenses.

Fees.

The commissioner shall require in advance the following fees and licenses:

For filing articles of incorporation or charter, or certified copy of articles or charter, by-laws or other record of organization required to be filed in his office.....	\$25.00
For filing amended articles of incorporation or charter, or certified copy thereof.....	10.00
For issuing certificate of authority.....	10.00
For each renewal certificate of authority.....	10.00
For filing annual statement of condition and report of Washington business	20.00
For filing other miscellaneous papers.....	1.00
For copy of papers filed in his office, per folio.....	.20
For certificate under seal.....	1.00
For each agent's license.....	2.00
For each solicitor's license.....	2.00
For each broker's license.....	100.00
For each agent's license for unauthorized companies.....	100.00

and such other fees as may be provided in this act.

Fees paid state treasurer.

All fees so collected shall be paid to the state treasurer, not later than the first business day following the receipt of such fees, and be placed to the credit of the general fund.

All agents', solicitors' and brokers' licenses to be transferable upon approval of the commissioner. Licenses is-

sued to copartnerships or corporations to act as insurance agents or brokers shall permit each member of the copartnership or officer of the corporation to solicit or effect insurance, and the names of such members or officers shall be specified and appear in the license. Licenses.

SEC. 18. *Application of General Laws.*

The general provisions of law relating to the powers, duties and liabilities of corporations shall apply to all incorporated insurance companies, so far as such provisions are pertinent to and not in conflict with other provisions of law relating to such companies.

SEC. 19. *Name of Company to Appear on Policy.*

Every insurance company shall conduct its business in this state in its own name, and the policies and contracts of insurance issued by it shall be headed or entitled by such name: *Provided*, That this limitation shall not apply to any insurance company admitted to this state and issuing an underwriter's policy, prior to January 1, 1911; two or more companies may jointly issue an underwriters' policy upon which must appear the names of the companies guaranteeing the same and such companies shall be jointly and severally liable thereon. Name on policies.

SEC. 20. *Companies—Agent—Broker—Surveyor—Adjuster—Governed.*

All domestic insurance companies, now or hereafter formed under the laws of this state, and every insurance agent, solicitor, broker, surveyor, or adjuster, doing business in this state, and all insurance business transacted in whole or in part within or outside of this state, the subject matter of which insurance is located wholly or in part in this state, and any marine insurance made, effected, or placed by any company through any agent or broker in this state, unless otherwise provided, shall be subject to and be governed by this act; and the records of each insurance company, agent, solicitor, broker, surveyor or adjuster doing business in this state shall be subject to the inspection and examination of the commissioner, his deputy, or examiner. Application of act.

SEC. 21. *Preliminary Requirements—Papers to Be Filed.*

Every insurance company before engaging in the business of insurance in this state must file in the office of the insurance commissioner a legally authenticated duplicate or copy of its charter, articles of incorporation or association, or record of its organization and by-laws, as follows:

First. If a domestic company, a copy of its articles of incorporation or association, together with any amendments or alterations made therein.

Second. If a foreign or alien company, a copy of its articles of incorporation, charter, and by-laws, including all amendments or alterations made therein, with a certificate duly certified by the officer having custody of such articles or charter, under his seal of office, that such company is duly authorized under the laws of such state or country to do business therein, and a certificate showing the amount of capital stock and assets as required by this act.

Third. If not incorporated under the laws of this or any other state or country, a copy of the record of its organization, and a certificate setting forth the nature and character of the business, the location of the principal office, the name and address of persons composing the company, the amount of the capital therein employed, and the names and addresses of the officers of the company, and if such company be formed outside of the United States, the certificate must contain the name of the chief executive officer or manager in the United States, together with the trustees or directors appointed by the company to manage its affairs in the United States, and the certificates may be made by such manager: *Provided, further,* That such company must furnish a legally authenticated copy of the laws of the country of its organization applicable to its business and affairs, which laws shall be filed in the office of the insurance commissioner, and a certified copy thereof, under the seal of the commissioner, may be re-

Must file duplicate.

Certified copy of charter.

Requirements.

ceived in evidence in any cause or proceeding had in the courts of the state.

SEC. 22. *Capital and Assets Required — Deposits — Alien Company.*

Every insurance company, except ocean marine insurance, before transacting any business of insurance in this state, must own, have and possess in its own exclusive name and right, paid-up, unimpaired capital, if a stock company; or must own, have and possess, in its own exclusive name and right, net assets unimpaired, of the kind required by this act, if it be a mutual company, fully equal to the minimum amount of capital paid up in cash or assets required by the provisions of this act to entitle any insurance company to be authorized to transact like business. No part of said capital or assets shall consist of the capital stock; investments, property or assets of any other insurance company or organization, nor shall said capital or assets include any sum or thing of value not acquired, produced, earned, and owned exclusively by such company in its own right: *Provided:*

Capital
required.

First. That each alien insurance company admitted to do business in this state, shall not transact any business of insurance in this state, unless it shall have within the United States deposited with insurance departments, or held in trust as hereinafter provided, not less than two hundred thousand dollars invested in like manner as the capital of a similar domestic insurance company is required to be invested;

Deposit
required.

Second. The capital of such alien insurance company admitted to do business in this state shall, for the purposes of this act, be the aggregate value of such sums or securities as such company shall have on deposit in the department of this state, and of the other states of the United States, for the benefit of policy holders in the United States, excepting therefrom such sums as are held by other states for the special protection of policy holders in such states, and of all bonds and mortgages for money loaned on real estate in this state, or in any state of the

United States, if such loan shall be made in conformity with the laws of such state providing for the incorporation of insurance companies therein and the investment of their capital; and of all other assets and property in the United States, in which insurance companies may invest under provisions of this act, if such bonds and mortgages, assets and property shall be held in the United States by trustees who are citizens of the United States, approved by the commissioner, or deposited with a trust company to be approved by him for the general benefit and security of all its policy holders in the United States; after making the same deductions from such aggregate value for losses, debts, and liabilities, in this and the other states of the United States, and for premiums upon risks therein not yet expired, as is authorized or required by the laws of this state, or the regulation of its insurance department with respect to insurance companies organized under the laws of this state.

Approved by
commis-
sioner.

Third. In addition to the reports required by law of any such alien insurance company, it shall annually, in the month of February, render to the commissioner a detailed statement of the items making up such capital, and the deductions to be made therefrom, signed and verified by the manager and a majority of the trustees, or, if a trust company, by the proper officers thereof, of the company residing in the United States, and the commissioner shall, thereupon, and from such examinations as he may make of the affairs of the company, determine the amount of such capital as of the first day of January, and issue to such company a certificate of the amount of its capital so determined; and, if it shall at any time appear that the net capital for which the last certificate shall be outstanding has been materially reduced, the commissioner may call in such certificate and issue another, reciting such reduced capital: *Provided*, The capital is not reduced below the sum of two hundred thousand dollars:

Annual
report in
February.

Fourth. When any part of its capital is held by trustees or by a trust company, pursuant to the provisions of

this section, such trustees or trust company shall be appointed by the board of managers or directors of such alien insurance company, and a duly certified copy of the vote or resolution creating the trust shall, with a certified copy of such trust deed, be filed in the office of the insurance commissioner; and the commissioner may examine such trustees or the agent or attorney of the company in the same manner as he is authorized by this act to examine the affairs and funds of any domestic insurance company; but the commissioner shall, upon the written request of any such alien insurance company, transfer to trustees duly appointed by it, under the provisions of this section any excess of securities which it shall have deposited with him above the sum of two hundred thousand dollars;

Transfer
to trustees.

Fifth. The deposit required of such company shall be reckoned and considered as the sum of two hundred thousand dollars, which shall be in approved securities, and deposited in the manner authorized by law. The commissioner may also allow such additional deposits as said alien company shall make, but any additional amounts now on deposit, or which may hereafter be deposited, shall be received and held as a voluntary deposit, in trust for all the policy holders of said company in the United States, and any securities in excess of said two hundred thousand dollars as aforesaid shall, on the written request of said company, be transferred to the trustees appointed by said company, as by this section provided: *Provided, further:*

Deposit
in trust.

Sixth. That no alien company, except co-operative life and fraternal beneficiary insurance companies, shall transact any business of insurance in this state, unless, if it transact fire insurance in this state, it has deposited with the proper insurance department or legal custodian of such deposit in this or any other state or states or district of the United States, for the benefit and security of its policy holders in the United States, a sum not less than two hundred thousand dollars, invested as in this act required; or if it transact in this state one or more of the other kinds of insurance business permitted by the pro-

Deposit
\$200,000.

visions of this act to be transacted by any such company, it has deposited with the insurance department or legal custodian for like purposes, such amount as may be required of domestic insurance companies doing the same kind of business. Any alien company authorized to transact the business of fire insurance in this state may be authorized to transact the business of ocean marine insurance: *Provided*, That it has an additional capital of one hundred thousand dollars, and file with the insurance department annually a separate financial statement of each class of business.

SEC. 23. *Authorized Investments.*

Capital
invested.

The capital stock of every domestic insurance company required to have a capital to the extent of the minimum capital required by law, shall be invested and kept invested as follows:

First. In the legally issued bonds, warrants, and securities of the United States, or the District of Columbia, or of any state of the United States, not estimated above their current market value; or,

Kind of in-
vestment.

Second. In the legally issued bonds, warrants, and securities, of any county, incorporated city, or incorporated school district in this state, which has not defaulted in the payment of interest on any of its bonds, warrants, or securities within three years, and which shall not be estimated above their par value, nor their current market value; or,

Third. In the legally issued bonds and mortgages on improved unincumbered real property in this state: *Provided*, That such incumbrance does not exceed fifty per centum of the reasonable cash market value of such real property at the time of said loan; and where buildings or other improvements constitute a material part of the value of the mortgaged premises, they shall be kept insured against loss or damage by fire in a reasonable amount for the benefit of the mortgagee.

Fourth. The capital of every foreign or alien insurance company to the extent of the minimum capital required of a like domestic corporation shall be invested and kept in-

vested in the same class of securities specified for domestic insurance corporations, except that securities of the home state, or country, of such company may be recognized as legal investments for an amount of the minimum capital required by this act.

Fifth. The residue of the capital and the surplus money and funds of every domestic insurance company over and above the amount of the minimum capital and the deposit it is required to make through the office of the insurance commissioner with the state treasurer, may be invested in or loaned on the pledge of any of the securities in which such deposits are required to be invested:

Surplus
invested.

Provided, That the amount loaned on mortgages or improved unincumbered real property does not exceed fifty per centum of the reasonable cash market value of such real property; and, when authorized and directed by a majority vote of all of the directors or trustees of the company, taken and recorded as an aye and nay vote in a board meeting duly called and convened, whereof each director or trustee must be given not less than one day's notice, may be invested in or loaned upon the legally issued bonds or warrants of, or local improvement bonds in any solvent municipal corporation, or in the legally issued bonds or securities of any solvent corporation incorporated under the laws of the United States or of any state thereof: *Provided*, That no investment or loan shall be made in or upon the stocks or bonds of any corporation unless the entire issue of its capital stock has been fully paid in in cash or property actually necessary for its use having a reasonable cash market value fully equal to the amount at which it is accepted by said corporation; and, when so authorized and directed by a majority vote of all of the directors or trustees of the company, may be invested in or loaned upon the legally issued bonds of any solvent irrigation district created as by law provided in this state or in any other state of the United States, whose water rights shall have been legally acquired and finally determined and shall be fully adequate to supply sufficient water to properly ir-

Loaned
on bonds.

rigate all lands within such district, and whose storage reservoirs, canals, ditches, flumes, feeders, machinery, equipment, and other works and improvements shall have been acquired, owned, and constructed and be unincumbered except as to such bond issue, and shall be reasonably adequate to fully supply and properly serve such district, and shall have been so far constructed and completed as to be in regular operation and use and adequately irrigating not less than thirty per centum of the lands within such irrigation district; and, may be loaned on mortgages on improved unincumbered real property in any state in the United States: *Provided*, The amount of such loan does not exceed fifty per centum of the reasonable cash-market value of such real property at the time of such loan, and where buildings constitute a material part of the value of such mortgaged premises, they shall be kept insured against loss or damage by fire, lightning, windstorms and cyclones in a reasonable amount for the benefit of the mortgagee.

Limit
of loan.

The capital and funds of a domestic insurance company shall not be invested in or loaned upon its own stock or the stock of any other insurance company, or the stock of any oil or mining company, or the stock of any fish, fruit, or vegetable canning company, nor shall they be invested in the stock of any corporation whose stockholders may be legally liable in excess of the par value of the stock for assessment to raise funds to pay the indebtedness of such corporation. Neither shall they be invested in or loaned upon the stock of any corporation in which any officer, director, or trustee of such insurance company is a stockholder or has any direct or indirect or contingent interest in such proposed investments or loan; but when authorized by the aye and nay vote of the majority of all the directors or trustees of such insurance company having no such interest, taken and recorded at a board meeting duly called and convened to pass upon such proposed investment or loan, whereof each director or trustee must be given not less than one day's notice, such funds may be loaned to

Limitation
on loans
and in-
vestments.

any officer, director, or trustee of such insurance company or to any company or corporation in which either of them may be interested, upon any other securities authorized by this section.

Sixth. Every domestic company organized to make insurance against loss and damage by reason of defective titles to property or incumbrance thereon, and to guarantee the validity and legality of bonds or other evidence of indebtedness issued by any state, city, county, town, school district, municipality, or by any private or public corporation, or to guarantee or indemnify merchants or others engaged in business and giving credit, from loss and damage by reason of giving and extending credit to their customers, shall invest its capital and funds not required and permitted by this act to be invested in its plant, in the same kind of securities as the funds of a domestic insurance company are required by this section to be invested.

Relating
to domestic
companies.

Seventh. Every domestic company doing business in other states of the United States or in foreign countries, may invest the funds required to meet its obligations, incurred in such other state or foreign country, and in conformity to the laws thereof, in the same kind of securities of such other state or foreign country that such company is by law allowed to invest in this state.

Foreign
regulations.

Eighth. Any life insurance company may lend a sum not exceeding the legal reserve which it owes, upon any policy upon the pledge to it of said policy and its accumulations as collateral security, but nothing in this section shall be held to authorize one insurance company to obtain by purchase or otherwise, the control of any other insurance company.

Ninth. A domestic insurance company may invest in such real property as shall be requisite for its home offices in the transaction of its business and may rent space therein not immediately required for its own use: *Provided*, That no such investment shall be made that will reduce the amount of the surplus assets, exclusive of such investment, to less than fifty per centum of the minimum capital re-

quired by law, of such company: *Provided, further,* That no such investment shall be made by a domestic mutual insurance company that will reduce the amount of the surplus assets, exclusive of such investment, of such company to less than fifty thousand dollars.

Tenth. No domestic insurance company shall make any investments or loan of its capital, surplus, or reserve to any one person, firm or corporation in excess of ten per centum of the amount of its paid-up capital and surplus, and no loan shall be made for a longer period than one year, which, upon proper showing and security, may be extended not to exceed one year, except that loans upon improved unincumbered real property may be made for any term, not exceeding ten years:

Loans not
to exceed
one year.

Provided, That all investments and loans of the capital and funds of any domestic insurance company, except as provided in paragraph nine of this section, shall be made and kept invested in and loaned on interest or dividend bearing securities, whereon default for interest has not been made during three years next prior to the making of such loan, and the regular annual dividends, in the case of investments in stocks, shall have been actually earned and paid out of the net profit, of not less than four per centum, of the par value of such stock during each of the five years next preceding the time of such investment: And,

Relating to
investments.

Provided, further, That all property, securities, investments, and loans held by any domestic insurance company when this act takes effect, which investments in or loans on such property or securities are prohibited by or contrary to the provisions of this section, shall be sold and disposed of and the proceeds thereof invested as provided by this section, within two years from the time when this act shall take effect, and such property, securities, investments, or loans shall not be held for a longer period unless, owing to general financial and business depression, such investments may not be readily converted into funds and re-invested as by this section provided without material sacrifice, in which event, upon a proper showing and application made to the

commissioner, he may extend the said period for a reasonable time, not exceeding two years.

With each investment or loan made of the capital and funds of any domestic insurance company shall be made and signed a written report by the officer, director, trustee, or acting chairman of the committee of directors or trustees making or authorizing such investment or loan on the part of such company, stating the amount so invested or loaned, a brief description of the securities or property in which such investment or loan is made, the reasonable cash market value thereof, and in case of a loan, the rate of interest, and amount of insurance carried to protect the mortgagee, and in case of an investment, the rate of interest or annual dividend earned and paid during the five years next preceding; whether any officer, director, or trustee of such insurance company has any direct, indirect, or contingent interest in the securities in which such investment, or on which such loan is made, or in the assets of the business, person, co-partnership, or corporation in whose behalf such loan or investment is made, and if so, the name of the officer, director, or trustee, and the character and extent of such interest, the name of the attorney who passes upon such transaction and the substance of his report; the amount of the expense and commission, if any, on such investment or loan, by whom paid and to whom paid, which report shall be recorded in a book to be kept by the company known as "Reports on Loans and Investments," which shall be at all times open to the inspection of the commissioner or his deputy, and any stockholder of such company.

All investments, loans and deposits of the funds and securities of each domestic insurance company, and all purchases on behalf of every domestic insurance company, and all sales made of the property and effects of such company, shall be made in its corporate name, and no officer, director, or trustee thereof, and no agent, attorney, or member of a committee having any authority in the investment or disposition of its funds, shall accept, except for the company, or be the beneficiary of, either directly

Report
of loans.

Reports on
loans and
investments.

Business
under
corporate
name.

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 on behalf of such company, or be pecuniarily interested in any such purchase, sale, loan, or investment, either as borrower, principal, co-principal, agent, attorney, or beneficiary, except that he may procure a loan from such company direct, as provided in paragraph five of this section, and 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 loans on its own policies, shall be made which has not first been authorized by the board of directors, 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 has first been approved as a bank of deposit by the board of directors or said committee thereof, and unless a vote authorizing such investment, sale, or loan, or approval of the place of deposit, has been duly recorded in the books of the company.

Depositary
approved.

Every domestic insurance company shall have the right to acquire title to any property under the conditions of any mortgage owned by it, or by purchase or set off on execution upon judgment for debts due it previously contracted in the course of its business, or by any process in settlement for debts; if such company acquires title to or lien upon any property or securities which it may not otherwise invest in, or loan its funds upon, under the provisions of this section, such company shall dispose of all such personal property within one year, and real property within three years, from the time of acquiring same, and the commissioner, upon proper showing and application, may extend such period a reasonable time, not exceeding two years.

SEC. 24. Deposit of Securities.

Every foreign insurance company doing business in this state and required by this act to have a cash capital, shall deposit and keep on deposit with the state treasurer,

through the office of the insurance commissioner of this state, the same amount and character of securities which a like domestic company is required to deposit with the depository for securities of insurance companies of the state by whose laws such insurance company is incorporated.

When any state shall require insurance companies of other states to deposit with some officer of such other state securities in trust for policy holders of such company as a prerequisite to their transacting business in such state, the treasurer of this state shall receive on deposit from any domestic insurance company the securities required by the laws of such other state.

Deposits
with state
treasurer.

Every domestic insurance company required by this act to deposit securities to the amount as provided by this act shall deposit such securities with the state treasurer, and any domestic insurance company may deposit such securities with the state treasurer for the protection of all policy holders of such company. Every domestic insurance company hereafter organized shall deposit with the state treasurer authorized securities in the sum of fifty thousand dollars at or prior to the time it receives a certificate of authority to commence effecting insurance, and the commissioner shall within one year thereafter require such company to make further deposits of such securities sufficient to equal in the aggregate the amount of the minimum capital required by this act of such company.

Securities
deposited
\$50,000.00.

Every insurance company, required by this act to have a cash capital, shall, on or before the first day of January, nineteen hundred and twelve, deposit and keep on deposit, with the state treasurer through the office of the commissioner, its funds and securities equal in amount and value to the minimum cash capital required by this act of such company, and which deposits shall be exchanged for investments authorized as provided by this act.

The funds, securities, and investments so deposited and kept on deposit with the state treasurer, or any trust company designated by him as herein authorized, shall be held as security for the protection of all policy holders having

policies duly issued by such company, or by any of its agents.

Collect
interest and
dividends.

During the time such company continues solvent, and complies with the law, it shall be permitted to collect the interest and dividends accruing on such securities, and such funds, securities, and investments, so deposited, may be exchanged from time to time for other authorized securities of equal amount and value, at the election and upon the request of the company depositing the same: *Providing*, That if any such company now has on deposit, or shall hereafter deposit, with the proper insurance depository, of similar securities in any other state, or district in the United States, or of the United States, in accordance with the laws thereof, the commissioner, upon proper showing and application, to be made by such company, may allow such company credit on account of the amount and value of the deposit required to be made by it in this state, to the amount and value of the securities so kept by it on deposit in such other state or district or government, and may allow such company to withdraw and transfer, of the securities deposited with the state treasurer, the amount so deposited, and kept on deposit in such other state, or district, or government.

Credit on
account.

The state treasurer may appoint and designate any solvent trust company organized under the laws of this state, and doing business in the city where the principal office of any domestic insurance company is located, the state treasurer's depository, to receive and hold on deposit, any funds, securities and investments provided by this section to be deposited with the state treasurer. All funds, securities, and investments, deposited as provided by this act, shall be registered by the commissioner in accordance with such rules as he may promulgate. No transfer of securities, so held on deposit, shall be valid unless countersigned by the state treasurer, his deputy, or authorized agent.

Treasurer
designate
depository.

The state treasurer shall keep in his office a book in which shall be entered the name of the company from whose account such transfer of securities is made, the name of

the transferee, the par value of the securities transferred, and the amount for which every mortgage transfer is held. The state treasurer shall have access at all times, during office hours, to the books and records of the commissioner, for the purpose of ascertaining the correctness of the entries upon the same, of any transfer; and the commissioner shall have access, during office hours, to the books or records herein kept by the state treasurer, to ascertain the correctness of the entries upon the same. The state treasurer shall state in his report to the legislature, the total amount of such deposits held by him and of such transfers countersigned by him.

Access to books.

Whenever any insurance company making such deposit of its securities with the state treasurer, shall sustain losses in excess of its other resources, the commissioner, upon proper showing and application, may authorize and direct the state treasurer to turn over and deliver so much of the securities of such company, to the commissioner, or such insurance company, or such person as the superior court of this state may appoint for such purpose, as shall be necessary to provide funds sufficient to pay its losses, and such securities shall not be used for any other purpose. The commissioner may allow such insurance company a reasonable time, to be determined by the commissioner, upon proper showing and application, to be made by such company, in which to deposit with the state treasurer, securities authorized by law, equal in amount and value to the securities so withdrawn: *And, provided,* That any company entering into a re-insurance contract, whereby its entire business is to be re-insured as provided in this act, the commissioner may, upon application and proper showing, release the deposit securities held by the state treasurer to the credit of said company upon being satisfied that all outstanding obligations of said company have been paid or assumed by the re-insuring company.

May turn over securities.

SEC. 25. *State Responsible.*

The State of Washington shall be responsible for the safe keeping and return of all securities deposited with it pursuant to the provisions of this act.

State responsible.

SEC. 26. *Annual Statement.*

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 re-insured in other companies authorized to do business in this state, and the amount of premiums paid therefor; and the amount of insurance re-insured in companies, naming them, not authorized to do business in this state, and the amount of premiums paid therefor; and the amount of re-insurance accepted from admitted companies and the premiums received for such re-insurance on risks located in this state, with the name of the companies so re-insured.

The commissioner shall file a copy of such verified statement or schedule with the state treasurer, and said company shall pay to the state treasurer, through the insurance commissioner's office, a tax of two and one-quarter per centum on all premiums collected, or contracted for: *Provided*, That in the case of companies engaged in fire or marine insurance the tax shall be collected on such premiums, after deducting from the gross amount thereof the amounts paid to policy holders as returned premiums and the amounts paid as premiums to admitted companies for re-insurance, and in the case of life insurance companies the tax shall be collected on the gross amount of premiums, after deducting therefrom the amounts paid as premiums to admitted companies for re-insurance: *And provided, further*, That if any such company, corporation or association shall have fifty per centum or more of its assets invested in any bonds or

Annual
statement.

Copy to
state
treasurer.

warrants of this state, or bonds or warrants of any county, city, or district within this state, or in taxable property within this 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.

The taxes herein provided for shall be due and payable on the first day of March succeeding the filing of the statement provided for herein.

Taxes payable March 1st.

Any company, failing or refusing to render such statement and information, and to pay taxes herein specified, for more than thirty days after the time specified, shall be liable for a fine of twenty-five dollars for each additional day of delinquency, and such tax may be collected by distraint, and such fine may be recovered by an action, to be instituted by the commissioner, in the name of the state, the attorney general representing him, in any court of competent jurisdiction. The amount of the fine collected shall be paid to the state treasurer and credited to the general fund; and the commissioner may revoke and annul the certificate of authority of such delinquent company, until such taxes and fine, should any be imposed, are fully paid.

Fine of \$25.00.

The annual statement made to the commissioner, pursuant to this section, or other provisions of law, shall at least include the substance of that required by what is known as the "Convention Blank Form," adopted from year to year, by the National Convention of Insurance Commissioners, and shall also include such other information as may be required by the commissioner.

Convention blank form.

SEC. 27. *Salaries—Officers.*

No domestic insurance company shall pay any salary, compensation, or emolument to any officer, trustee or director thereof, nor any salary, compensation, or emolument, amounting in any year to more than five thousand dollars, to any person, firm, or corporation, unless such payment be first authorized and directed by a vote of two-thirds of the board of directors of such company, duly taken and recorded in the minutes of a board meeting.

No such company shall make any agreement with any of its officers, trustees, or salaried employees, whereby it agrees that for any service rendered, or to be rendered, they shall receive any salary, compensation, or emolument that will extend beyond a period of five years from the date of such agreement; nor shall it pay any pension whatsoever.

No pension paid.

SEC. 28. *Vouchers for Expenditures.*

No domestic insurance company shall make any disbursement of twenty-five dollars or more, unless the sum be evidenced by a voucher, signed by or on behalf of the person, firm, or corporation receiving the money, and accordingly describing the consideration for the payment, if the same be for services and disbursements, setting forth the service rendered and an itemized statement of the disbursements made, and if it be in connection with any matter pending before any legislature or public body, or before any department, or officer of any government, accordingly describing in addition the nature of the matter, and of the interest of such corporation or organization therein, or, if such a voucher cannot be obtained by an affidavit stating the reason for not obtaining such voucher, and setting forth the particulars above mentioned.

Payments by voucher.

SEC. 29. *Business Authorized.*

No domestic insurance company shall transact any business other than that specified in its articles of incorporation, and no foreign or alien insurance company, admitted to transact business in this state under the provisions of this act, shall transact any other kind of business than that which it has been authorized to transact.

Transact authorized business.

SEC. 30. *Policy Provisions Voided.*

No domestic, foreign, or alien insurance company transacting business in this state, shall hereafter make, issue, or deliver herein, any policy or contract of insurance, except policies or contracts of ocean marine insurance, containing any condition, stipulation, or agreement, requiring such contract of insurance to be construed according to the laws of any other state or country, or depriving the courts of this state of the jurisdiction of action against such com-

Relating to policy provisions.

pany to a period of less than one year from the time when the cause of action accrues; and any such condition, stipulation, or agreement shall be void, and such policy shall be binding upon the company having issued it.

SEC. 31. *Policy—Application—Contract.*

Every contract of insurance shall be construed according to the terms and conditions of the policy, except where the contract is made pursuant to a written application therefor, and such written application is intended to be made a part of the insurance contract, and the insurance company making such insurance contract, unless as otherwise provided by this act, shall deliver a copy of such application with the policy to the assured, and thereupon such application shall become a part of the insurance contract, and failing so to do it shall not be made a part of the insurance contract.

Application.

SEC. 32. *Combination and Agreements Prohibited.*

If any insurance company authorized to transact business in this state, or any agent or representative thereof, shall, either within or outside of this state, directly or indirectly, enter into any contract, understanding, or combination, with any other insurance company, or any agent or representatives thereof, for the purpose of controlling the rates to be charged for insuring any risk, or class or classes of risks, in this state, the commissioner shall forthwith revoke its license, and those of its agents, and no renewal of the licenses shall be granted until after the expiration of three years from the date of final revocation.

Combina-
tions pro-
hibited.

SEC. 33. *Rebates Prohibited.*

No insurance company, by itself or any other party, and no licensed insurance agent, solicitor, or broker, personally or by any other party, shall offer, promise, allow, give, set off, or pay, directly or indirectly, any rebate of, or part of, the premium payable on the policy, or on any policy, or agent's commission thereon, or earnings, profit, dividends, or other benefit founded, arising, accruing or to accrue thereon, or therefrom, or any other valuable consideration or inducement to or for insurance, on any risk in

Prohibiting
rebates.

this state now or hereafter to be written, which is not specified in the policy contract of insurance; nor shall any such company, agent, solicitor, or broker, personally or otherwise, offer, promise, give, sell, or purchase any stocks, bonds, securities, or property, or any dividends or profits accruing or to accrue thereon, or other thing of value whatsoever as inducement to insurance or in connection therewith which is not specified in the policy. The license of any insurance company, agent, solicitor, or broker who violates the provisions of this section shall be revoked and no license shall be issued to such company, agent, solicitor, or broker within one year from the date of the revocation of the license.

License
may be
revoked.

No insured person or party shall receive or accept, directly or indirectly, any rebate of premium or part thereof, or agent's, solicitor's, or broker's commission thereon payable on the policy, or on any policy of insurance, or any favor or advantage or share in the dividend or other benefits to accrue thereon, or any valuable consideration or inducement, not specified in the policy contract of insurance; the amount of the insurance whereon the insured has received or accepted, either directly or indirectly, any rebate of the premium or agent's, solicitor's, or broker's commission thereon, shall be reduced in such proportion as the amount or value of such rebate, commission, dividend, or other consideration so received by the insured, bears to the total premium on such policy, and any such insured shall be liable, in addition to having the insurance reduced, to a fine of not more than two hundred dollars. No person shall be excused from testifying, or from producing any books, papers, contracts, agreements, or documents at the trial of any person charged with violating any provision of this act, on the ground that such testimony or evidence may tend to incriminate himself, but no person shall be prosecuted for any act concerning which he shall be compelled so to testify or produce evidence, documentary or otherwise, except for perjury committed in so testifying. Rebates affecting life insurance shall be governed by section one hundred eighty of this act.

Penalty
\$200.00.

SEC. 34. *Warranty Not to Avoid Policy Unless Deceptive.*

No oral or written misrepresentation or warranty made in the negotiation of a contract or policy of insurance, by the assured or in his behalf, shall be deemed material or defeat or avoid the policy or prevent it attaching, unless such misrepresentation or warranty is made with the intent to deceive. The breach of a warranty or condition in any contract or policy of insurance shall not avoid the policy nor avail the insurer to avoid liability unless such breach shall exist at the time of the loss and contribute to the loss; anything in the policy or contract of insurance to the contrary notwithstanding. In case a loss occurs while a breach of warranty exists, if it contribute to the loss, the insured shall only be entitled to recover the amount of insurance the premium paid would purchase at the rate that would be charged without the warranty.

Misrepresentation.

This section shall be liberally construed.

SEC. 35. *Additional Information to Commissioner.*

Every insurance company admitted to do business in this state shall at such time as the commissioner requires, in addition to all returns now by law required of it, or its agents or managers, make a return to the commissioner, in such form and detail as he may prescribe, of all re-insurance contracted for or effected by it, directly or indirectly, upon property located in this state, such return to be under oath of its president and secretary, if a foreign company, and if an alien company, under oath of the person, officer, or representative who verifies its annual statement.

Additional returns.

If any insurance company refuse or neglect to make the returns required by this section, the commissioner may revoke its authority to transact business in this state, or report the facts to the attorney general to be dealt with as otherwise provided by this act.

May revoke authority.

SEC. 36. *Insurance to Be Placed Through Agents.*

It shall be unlawful for any insurance company admitted to do business in this state to write, place or cause to be

Business
through
agents.

written or placed, any policy of insurance covering risks located in this state, except through or by a duly authorized licensed agent of such company residing and doing business in this state: *Provided*, That where the insured calls at the principal office of the company and requests a policy, the risk may be covered and the policy procured through the duly authorized agent in the territory wherein risk is located.

SEC. 38. *Political Contributions Forbidden.*

Political
contributions
forbidden.

No insurance company, including fraternal beneficiary associations, doing business in this state shall, directly or indirectly, pay, or use, or offer, consent or agree to pay, or use any money, property or other thing of value for or in aid of any political party, committee, or organization; nor for or in aid of any corporation, joint stock or other association, organized or maintained for political purposes; nor for or in aid of any candidate for any political office, nor for the nomination for such office, nor for any other political purpose whatever, nor for the reimbursement or indemnification of any person or institution for money or property so used.

Misdemeanor
and penalty.

Any officer, director, stockholder, attorney, or agent of any insurance company which violates any of the provisions of this section, who participates in, aids, abets, advises, or consents to any such violation, and any person who solicits or knowingly receives any money, property or thing of value, in violation of this section, shall be guilty of a gross misdemeanor, and punished by imprisonment for not more than one year, or by a fine of not more than one thousand dollars, or both, which fine, when collected, shall be paid to the state treasurer and credited to the general fund; and any officer, director, stockholder, attorney, or agent aiding or abetting in any contribution made in violation of this section, shall be liable to the insurance company for the amount so contributed.

SEC. 39. *Dividends to Be Paid from Earnings.*

It shall be unlawful for the officers, directors, trustees, or managers of any domestic insurance company to declare

or pay any dividends, except from the surplus profits arising from its business, which shall be estimated and ascertained in accordance with the requirements and provisions of this act. Dividends.

SEC. 40. *Company—Lien on Stock.*

Every domestic insurance company shall have a lien on every share of capital stock issued by it and all profits and dividends accruing thereon, for any balance unpaid of the par value and surplus to be paid thereon in like amount as is paid or agreed to be paid on all other shares of capital stock in such company and also for any debt owing to such company for premiums by the holder of such stock. Liens on stock.

SEC. 41. *Prohibiting Publicity of Unauthorized Statements.*

No insurance company, or agent thereof, doing business in this state, shall anywhere publish, represent, or advertise assets except those actually owned and possessed by it in its own exclusive right, available for the payment of losses and claims, and held for the protection of its policy holders and creditors. False advertisement.

SEC. 42. *Advertisement to Show Actual Paid-up Capital and Surplus.*

Every advertisement or public announcement, and every sign, circular or card issued by any insurance company doing business in this state purporting to show its financial condition, shall correspond with or include its last verified statement made to the commissioner. False statement.

For violation of this or the preceding section by a company, it shall forfeit, for the first offense, to the people of the state, the sum of two hundred and fifty dollars, and for every subsequent offense the sum of five hundred dollars, which sums may be recovered by an action prosecuted by the commissioner, the attorney general representing him, and which sums when recovered shall be paid to the state treasurer and credited to the general fund. Violation and penalty.

SEC. 43. *Place of Business to Be Designated.*

Every agent of an insurance company doing business in this state shall, in all his advertisements of that company, Place of business.

give the location of the company, the name of the state, and town in which it has its principal office, and the state or government under the laws of which it is organized.

SEC. 44. Agents to Procure License Must Act Only for Admittted Companies.

No person, firm, or corporation, shall act as agent for any insurance company, in the transaction of any business of insurance within this state, or negotiate for, or place risks for any such company, or in any way or manner aid such company in effecting insurance, or otherwise in this state, except as provided in section seventy-five of this act, unless such company shall in all things have complied with the provisions of this act. Every insurance agent shall annually, on or before the first day of April, procure an agent's license from the commissioner, who shall make and keep a record thereof.

Procure
license.

SEC. 45. Application for License.

No license shall be issued to any applicant for an agent's, solicitor's, or broker's license until such applicant shall have first made and filed in the commissioner's office an application therefor upon a form to be prescribed and furnished by the commissioner, which must show the applicant's name, business and residence address, name of company to be represented, whether as solicitor, agent, or general agent; present occupation, occupation for last twelve months, portion of time to be devoted to the work, previous insurance experience, and name of employers during five years next preceding, and such other information as the commissioner may require. The statements and answers made in the application shall be warranted by the applicant and shall have the same force and effect as if such statements and answers had been made by the applicant as a sworn witness testifying in a superior court in this state. Such application must be approved by the company to be so represented; and in the case of an application for an insurance broker's license it must also show how long applicant has been engaged in the insurance business and in what branches, under whom applicant received

Agent
file
application.

Application
approved.

his training, what income, if any, applicant has other than to be derived from such business, and financial condition of applicant. It shall be the duty of the commissioner to withhold any license applied for, or revoke any license issued to any person or party, or to his or their employee, when he is satisfied that the principal use of such license is to effect insurance upon the property or liability of such person or party, or to circumvent the enforcement of the anti-rebate law: *Provided*, That each agent shall be required to file but one application, regardless of the number of companies he represents: *And provided, further*, That no person shall act as agent unless each company, corporation or association represented by such person shall have paid a license fee as provided in this act; and the agent's license fee provided for in section seventeen of this act shall be paid by each company, corporation or association represented by him; and if in the agent's application the names of several companies appear, then and in that event, each company so represented must pay the agent's license fee provided for in this act.

But one application required.

SEC. 46. *Embezzlement by Agent—Solicitor—Broker.*

All funds received by any agent, solicitor or broker, as premium or return premium on or under any policy of insurance, shall be received by such agent, solicitor, or broker in his fiduciary capacity, and any agent, solicitor, or broker who diverts or appropriates such funds to his own use shall be guilty of larceny by embezzlement and shall be punished as provided in the criminal statutes of this state.

Embezzlement.

SEC. 47. *Reciprocal Obligations.*

If, by the laws of any other state, any taxes, fines, penalties, licenses, fees, deposits, or other obligations or prohibitions, in the aggregate, additional to or in excess of those imposed by the laws of this state, upon foreign insurance companies and their agents and solicitors, are imposed on insurance companies of this state and their agents doing business in such state, like obligations and

Reciprocal obligations.

prohibitions shall be imposed upon all insurance companies of such state and their agents doing business in this state, so long as such laws remain in force.

SEC. 48. "*Lloyds.*"

Relating
to "Lloyds."

Associations of individuals, citizens of the United States, whether organized within this state or elsewhere within the United States, formed upon the plan known as "Lloyds," whereby each associate underwriter becomes liable for a proportionate part of the whole amount insured by the group, may be authorized to transact insurance, other than life, in this state, in like manner and upon the same terms and conditions as insurance companies of other of the United States.

SEC. 49. *Licenses—Extension of.*

Extension
of license.

All licenses and certificates of authority, in effect at the time of the passage of this act, shall continue in force until April first, nineteen hundred and twelve, unless sooner revoked for cause by the commissioner.

SEC. 50. *Frauds in the Organization of Companies.*

A person who:

Frauds.

First—Without authority, subscribes the name of another to, or inserts the name of another in any prospectus, circular or other advertisement of any domestic insurance company, existing or intended to be formed, with intention to permit the same to be published, and thereby lead persons to believe that the person whose name is so subscribed is an officer, agent, member, or promoter of such company; or,

Second—Signs the name of a fictitious person to any subscription for or agreement to take stock in any corporation existing or proposed; or,

Misdemeanor.

Third—Signs to any such subscription or agreement the name of any person, knowing, or having good reason to believe, that such person does not intend in good faith to comply with the terms thereof, or enter into any agreement or understanding, that the terms of such subscription or agreement are not to be complied with or enforced, shall be guilty of a misdemeanor.

SEC. 51. *Frauds in Procuring Organization of Companies.*

Any officer, agent, or clerk of a company, or of persons proposing to organize a company, or to increase the capital stock of a company, who knowingly exhibits false, forged, or altered books, papers, vouchers, securities, or other instruments of evidence to any public officer or board authorized by law to examine the organization of such company, or to investigate its affairs or to allow the increase of capital, with intent to deceive such officer or board in respect thereto, shall be guilty of a felony.

SEC. 52. *Fraudulent Issue of Stocks and Bonds.*

An officer, agent, or other person in the service of any company, formed or existing under the laws of this state, or of the United States, or of any state or territory thereof or of any foreign government or country, who wilfully and knowingly with intent to defraud:

First—Sells, pledges, or issues, or causes to be sold, pledged, or issued; or signs or executes, or causes to be signed or executed with intent to sell, pledge, or issue, or causes to be sold, pledged, or issued, any certificate or instrument purporting to be a certificate or evidence of the ownership of any share or shares of said company, or any bond or evidence of debt, or writing purporting to be a bond or evidence of debt of such company, without being first duly authorized by such company, or contrary to the articles of incorporation, charter or laws under which such company exists, or in excess of the power of such company, or of the limit imposed by law or otherwise upon its power to create or issue stock or evidence of debt; or,

Second—Re-issues, sells, pledges, or disposes of, or causes to be re-issued, sold, pledged, or disposed of any surrendered or cancelled certificates or other evidence of a transfer or ownership of any such share or shares, shall be guilty of a felony.

SEC. 53. *Misconduct of Directors of Stock Companies.*

A director of a company, who concurs in any vote or act of the directors of such company, or any of them by which it is intended:

Misconduct.

First—To make a dividend except from the surplus profits arising from the business of the company, and in the cases and manner allowed by law; or,

Second—to divide, withdraw, or in any manner pay to the stockholders, or to any of them, any part of the capital stock of the company, or to reduce such capital stock in any manner other than as authorized by law; or,

Third—To discount or receive any note, or other evidence of debt, in payment of an installment of capital stock actually called in, and required to be paid, or with intent to provide the means of making such payment; or,

Fourth—To receive or discount any note or other evidence of debt with intent to enable any stockholders to withdraw any part of the money paid in by him on his stock; or,

Fifth—To apply any portion of the funds of such company, except surplus profits, directly or indirectly, to the purchase of shares of its own stock, shall be guilty of a gross misdemeanor.

SEC. 54. *Misconduct of Officers and Directors of Stock Companies.*

An officer or director of a stock company, who:

Officers and directors.

First—Issues, participates in issuing, or concurs in the vote to issue any increase of its capital stock beyond the amount of the capital stock thereof, duly authorized by or in pursuance of law; or,

Second—Sells, or agrees to sell or is directly or indirectly interested in the sale of any share of stock of such corporation, or in any agreement to sell the same, unless at the time of such sale or agreement he is either the actual owner, or the duly authorized agent for such purpose of the actual owner of such shares, shall be guilty of a gross misdemeanor.

SEC. 55. *Directors, Officers, Agents and Employees of Companies—Misconduct of.*

A director, officer, agent, or employee of any company who:

First—Knowingly receives or possesses himself of any of its property, otherwise than in payment for a just demand, with intent to defraud, omits to make, or to cause or direct to be made, a full and true entry thereof in its books and accounts; or,

Defining
misconduct
of directors,
officers,
agents or
employees.

Second—Makes or concurs in making any false entry, or concurs in omitting to make any material entry, in its books or accounts; or,

Third—Knowingly concurs in making or publishing any written report, exhibit or statement of its affairs or pecuniary condition containing any material statement which is false, or omits or concurs in omitting any statement required by law to be contained therein; or,

Fourth—Having the custody or control of its books, wilfully refuses or neglects to make any proper entry in the stock book of such company, as required by law, or to exhibit or allow the same to be inspected, and extracts to be taken therefrom by any person entitled by law to inspect the same, or take extracts therefrom; or,

Fifth—If a notice of an application for an injunction or other legal process affecting or involving the property or business of such company is served upon him, omits to disclose the fact of such service and the time and place of such application to the other directors, officers, and managers thereof; or,

Sixth—Refuses or neglects to make any report or statement lawfully required by a public officer, shall be guilty of a misdemeanor.

SEC. 56. *Misconduct at Corporate Elections.*

Any person who:

First—Being entitled to vote at a meeting of the stockholders of a stock company, sells his vote, or issues a proxy to vote, to a person for any sum of money or thing of value, except as expressly authorized by law; or,

Misconduct
at elections.

Second—Acts as an inspector of election at any such meeting and violates an oath taken by him in pursuance of law as such inspector, or violates the provisions of an oath required by law to be taken by him as such inspector, or

is guilty of any dishonest or corrupt conduct as such inspector, shall be guilty of a misdemeanor.

SEC. 57. *False Statement in Application for Insurance.*

False
statement.

Any solicitor, agent, examining physician, or other person, who knowingly and wilfully makes a false or fraudulent statement, or representation, in or relative to an application for life, accident or health insurance, or who makes any such statement for the purpose of obtaining a fee, commission, money, or benefit in a company, transacting such business under the provisions of this act, shall be guilty of a misdemeanor.

SEC. 58. *Present False Proofs of Loss.*

Any person, who, knowing it to be such:

False
proofs.

First—Presents, or causes to be presented, a false or fraudulent claim, or any proof in support of such a claim, for the payment of a loss upon a contract of insurance; or,

Second—Prepares, makes, or subscribes false or fraudulent account, certificate, affidavit, or proof of loss, or other document or writing, with intent that the same be presented or used in support of such a claim, shall be guilty of a gross misdemeanor.

SEC. 59. *Destroying Property Insured.*

Any person, who, with intent to defraud or prejudice the insurer thereof, wilfully burns, or in any manner injures or destroys property, which is insured at the time against loss or damage by fire or by any other casualty, under such circumstances not making the offense arson, is guilty of a gross misdemeanor.

SEC. 60. *Persons Not Excused from Testifying.*

Relating to
testifying.

No person shall be excused from attending and testifying or producing any books, papers, or other documents before any court or magistrate, upon any investigation, proceeding, or trial, for the violation of any of the provisions of this act, upon the ground or for the reason that the testimony or evidence, documentary or otherwise required of him, may tend to convict him of crime or subject him to penalty or forfeiture; but no person shall be

prosecuted or subject to any penalty or forfeiture for, or on account of any transaction, matter or thing concerning which he may so testify or produce evidence, documentary or otherwise, and no testimony so given or produced shall be received against him upon any criminal investigation or proceeding.

SEC. 61. Presumption of Knowledge of Corporate Condition and Business, and of Assent Thereto by Directors; Definitions.

It is no defense to the prosecution for the violation of the provisions of sections fifty, fifty-one, fifty-two, fifty-three, fifty-four, fifty-five, fifty-six, fifty-seven, fifty-eight, fifty-nine, and sixty of this act that the company is either an alien, a foreign, or a domestic company, if it carries on business or occupies offices therefor in this state.

A director of a company is deemed to have such knowledge of the affairs of the company as to enable him to determine whether any act, proceeding, or omission of its directors is a violation of the provisions of either of said sections fifty to sixty inclusive of this act. If present at a meeting of directors at which any act, proceeding, or omission of its directors is a violation of the provisions of said sections or either of them occurs, he must be deemed to have concurred therein, unless he at the time causes or in writing requires his dissent therefrom to be entered on the minutes of the directors. If absent from such meeting, he must be deemed to have concurred in any such violation, if the facts constituting such violation appear on the records or minutes of the proceedings of the board of directors, and he remains a director of the company for six months thereafter without causing or in writing requiring his dissent from such violation to be entered upon such record or minutes.

Director's
knowledge
of violation.

SEC. 62. Violations to Be Reported.

Every insurance company, agent, solicitor, or broker, and every person or party having knowledge of a violation of this act, is required to promptly report the facts and circumstances pertaining thereto to the commissioner;

Report
violations.

which report and the name of the informant shall be held as confidential by the commissioner and shall not be made public.

SEC. 63. *Annual Meetings.*

Annual
meeting.

Every domestic company shall hold an annual meeting in the month of January or February, of its stockholders, if a stock company, or members, if a mutual company, for the purpose of receiving the report of its officers and trustees, and to elect trustees. Each share of stock in a stock company, and each policy holder in a mutual company, shall be entitled to one vote in the election of trustees, and if unable to attend in person, may appoint any stockholder or member his proxy to vote his stock or policy, but no officer of said company shall be allowed to vote the proxy of any stockholder or member thereof: *Providing, however,* Officers of stock companies may so do when the majority of the trustees vote to permit such action.

SEC. 64. *Insurance Applied to Insured's Own Interest.*

When the name of a party intended to be insured is specified in a policy, such insurance can be applied only to his own proper interest.

SEC. 65. *Insurance—To Agent or Trustee.*

Agent or
trustee.

When insurance is issued to an agent or trustee the fact that his principal or beneficiary is the person really insured is sufficiently indicated by describing him as agent or trustee or by other general words in the policy.

SEC. 66. *Insurance Effected—Joint or Company Interest.*

Partnerships.

To render an insurance effected by one partner or part owner, applicable to the interest of his co-partner or other part owner, it is necessary that the terms of the policy should be such as are applicable to the joint or company interest.

SEC. 67. *Insured Intended—Must Prove.*

Person
insured.

When the description of the insured in the policy is so general that it may comprehend any person or class of

persons, he, only, can claim the benefit of the policy, who can show that it was intended to include him.

SEC. 68. *Policies Subject to Inspection of Commissioner.*

The commissioner, his deputy, or examiner, shall have the right at any time to inspect any policy, covering any risk in this state, and every policy holder shall produce and exhibit any policy in his possession or control when required for the inspection of the commissioner, his deputy, or examiner. Any person who violates the provisions of this section shall be fined in any sum not exceeding one hundred dollars.

Rght to inspect policy.

SEC. 69. *Policy Fee Forbidden.*

It shall be unlawful hereafter for any insurance company or for any officer, manager, agent, or other representative of any such company, to include in the sum charged or designated in any policy as the consideration for insurance, any fee, compensation, charge, or perquisite whatsoever, not specified in the policy. When collected, the same shall be reported as premium.

Fee forbidden.

SEC. 70. *Agent to Report Exact Consideration.*

Every agent or other representative of any insurance company issuing a policy on its own behalf in this state, shall report to the company the exact consideration charged and written in the policy, as a premium for the risk assumed.

Accurate report.

SEC. 71. *Penalty for Charging Policy Fee.*

Any insurance company violating the provisions of section sixty-nine of this act shall be guilty of a gross misdemeanor.

Penalty.

SEC. 72. *Penalty for Failure to Report.*

Any officer, manager, agent, solicitor, or other representative of any insurance company violating the provisions of section seventy of this act shall be guilty of a misdemeanor.

Failure to report.

SEC. 73. *Rating Schedules—Filing—Use.*

Every fire insurance company before it shall receive a license to transact the business of making insurance as

Rating
schedules.

an insurer in this state, must file in the office of the insurance commissioner a copy of its rating schedules. Every such company and its agents shall observe said rating schedules and shall not deviate therefrom in making insurance until amended or corrected rating schedules shall have been filed in the office of the insurance commissioner. Any company which shall make fire insurance in this state according to the advisory rates, or a stated deviation therefrom, furnished by a rating bureau as provided in the following section, may receive a license to transact the business of making fire insurance in this state, without filing a rating schedule, by filing written notice in the office of the insurance commissioner of its adoption of such advisory rates, stating the deviation therefrom, if any, at which it will make insurance, which deviation, if any, shall be uniformly applied to all purchasers of insurance from such company in this state.

SEC. 74. *Rating Bureau—Rates.*

Rating
bureau.

Any person or persons or co-partnership, resident within this state, or a domestic corporation, may organize or maintain a rating bureau, for the purpose of inspecting and surveying the various municipalities and fire hazards in this state, and the means and facilities for preventing, confining, and extinguishing fires, for the purpose of estimating fair and equitable rates for insurance, and to furnish to municipalities, owners of property, insurance companies, agents, solicitors, or brokers information and advice as to measures to be adopted for the reduction of fire hazards on property within this state, and lessening the cost of insurance thereon. The business of conducting a rating bureau in this state is public service in character and shall be conducted without profit to any party, except that fair and reasonable compensation shall be paid for all services actually rendered, and necessary to the business. Every rating bureau shall, before publishing or furnishing any rates, file in the office of the insurance commissioner its rating schedules, and shall not deviate therefrom until amended or corrected rating schedules shall

Public
service.

have been filed in the office of the insurance commissioner. The services of such rating bureau shall be available, equally and ratably in proportion to the service rendered, to any and all insurance companies, agents, brokers, and property owners.

Each rating bureau shall keep an accurate and complete record of all work performed by it, which record must show all receipts and disbursements, and be open at all times to the inspection and examination of the commissioner, his deputy, or examiner.

No rating bureau operating under the provisions of this act shall, directly or indirectly, examine, stamp, or pass upon any "daily report" of policies issued by any company on property located within this state.

Not to pass
on daily
report.

Any person or party who knowingly violates any provision of this or the preceding section shall be punished by a fine of not less than fifty dollars nor more than five hundred dollars.

SEC. 75. *Unauthorized Companies—Agents—Surplus Line—Service.*

The commissioner, in consideration of the yearly payment of one hundred dollars, and the furnishing of a bond as hereinafter provided, may issue to any citizen in this state, not exceeding fifty in any one city, a license revokable at any time, permitting the party named in such license to place or effect insurance upon risks located in this state with insurance companies not licensed to do business in this state. No person, firm, or corporation, shall place, procure or effect insurance upon any risk located in this state in any company not licensed to do business in this state, or place, procure, or effect insurance in any marine risk destined for or departing from any port in this state, until such person, firm, or corporation shall have first procured a license from the commissioner as provided in this section, and has furnished a bond to the State of Washington in the penal sum of not less than five hundred dollars nor more than two thousand dollars, the amount thereof to be fixed by the commissioner, with

Unauthorized
companies.

Bond to
state.

sureties thereon to be approved by the commissioner, conditioned that he or it will conduct such business in accordance with the provisions of this section, and will pay to the state treasurer through the insurance commissioner's office the taxes provided by this section. Every such agent must keep a true and complete record of the business transacted by him, showing: First, The exact amount of such insurance; second, the gross premiums charged therefor; third, the return premium paid thereon; fourth, the rate of premium charged for such insurance upon the different items of the property; fifth, the date of such insurance and terms thereof; sixth, the name and address of the company making such insurance; seventh, the name and address of the assured, and a brief and general description of the property insured, where located, and if a marine risk, the name of the ship, vessel, boat, or craft, and voyage covered by such insurance; and such other facts and information as the commissioner may direct and require; which record shall at all times be open and subject to the inspection and examination of the commissioner, his deputy, or examiner.

Record of
business.

Every policy procured and delivered under the provisions of this section shall have stamped upon it and be initialed by the agent clearing the same in this state, the following: "This policy is registered and delivered at, Washington, thisday of, 19 . . . , under the provisions of section seventy-five of chapter, of the Session Laws of the State of Washington for nineteen hundred eleven."

Policy
registered.

Every agent who places, procures, effects, or delivers any insurance or insurance policy, as provided in this section, shall annually on or before the fifteenth day of February in each year, make and file with the commissioner a verified statement upon a form to be prescribed and furnished by the commissioner, which shall exhibit the true amount of all such business transacted by such agent during the year ending on the thirty-first day of December next preceding the making of such annual statement, showing the gross amount of each kind of insurance, the

gross premiums charged for such insurance, the aggregate amount of returned premiums paid to the insured, the amount of the net premiums, and such other facts and information as the commissioner may prescribe and require.

The commissioner shall file a copy of such verified statement with the state treasurer, and the agent making such statement shall pay to the state treasurer, through the commissioner's office, the same tax that is required of admitted companies, which tax shall be due and payable on the first day of March succeeding the filing of such statement.

Statement
filed with
treasurer.

Before any insurance, except marine insurance, shall be procured or affected, under or by virtue of said license, there shall be executed by such licensed agent and by the party or his authorized agent desiring insurance, an affidavit which shall be filed with the commissioner within thirty days after the procuring of such insurance. Such affidavit shall set forth that the party desiring insurance is, after diligent effort, unable to procure the insurance required to protect the property owned or controlled by him, from the companies licensed to transact business in this state. Every company making insurance under the provisions of this section, shall be deemed and held to be doing business in this state as an unlicensed company, and may be sued upon any cause of action, arising under any policy of insurance so issued and delivered by it, in the superior court of the county where the agent who registered or delivered such policy resides, or transacts business, by the service of summons and complaint made upon such agent for such company. Any such agent, being served with summons and complaint in any such cause, shall forthwith mail such summons and complaint, or a true and complete copy thereof, by registered letter with proper postage affixed, properly addressed to the company sued, and such company shall have forty days from the date of the service of such summons and complaint upon said agent in which to plead, answer or defend any

Affidavit
executed.

such cause; upon service of summons and complaint being had upon such agent for such company the court in which such action is begun shall be deemed to have duly acquired jurisdiction in *personam* of the defendant company so served.

Every such agent who fails or refuses to make and file said annual statement, and to pay the taxes required to be paid thereon, prior to the first day of April after such tax is due, shall be liable for a fine of twenty-five dollars for each day of said delinquency, beginning with the first day of April, and said tax may be collected by distraint, or such tax and such fine may be recovered by an action, to be instituted by the commissioner, in the name of the state, the attorney general representing him, in any court of competent jurisdiction, and the fine, when so collected, shall be paid to the state treasurer, and placed to the credit of the general fund. If any such agent shall fail to make and file said annual statement and pay the said taxes, or shall refuse to allow the commissioner to inspect and examine his records of the business transacted by him, pursuant to this section, or keep such records in manner as required by the commissioner, or shall refuse or neglect to immediately notify the insurance company for whom he has placed, registered, or delivered a policy, of the commencement of any action or proceeding in any court in this state against such company, the license of such agent shall be immediately revoked by the commissioner, and no license shall be issued to such agent within one year from the date of such revocation, nor until all taxes and fines are paid and the commissioner shall be satisfied that full compliance with the provisions of this section will be had.

SEC. 76. *Business to Be Placed with Solvent Companies—Penalties.*

Every agent, or broker, transacting business under the provisions of the preceding section shall ascertain the financial condition of each company before he procures a policy of insurance from or places any insurance with such company. Any such agent, or broker, who shall

Penalty
\$25.00.

May revoke
license.

knowingly place any insurance except marine with, or procure any insurance from, any insurance company whose unimpaired capital and surplus assets, after providing a re-insurance reserve on the *pro rata* basis, are less than two hundred thousand dollars, or from any insurance company, other than a stock company, whose cash assets are less than one hundred and fifty thousand dollars, of which amount not less than fifty thousand dollars must be net surplus, after providing for a re-insurance reserve on the *pro rata* basis, shall be fined in any sum not less than twenty-five dollars, nor more than two hundred and fifty dollars, and his license shall be immediately revoked by the commissioner, and no license shall be issued to such agent within two years from the date of revocation for such cause.

Penalty
for failure
to comply.

SEC. 77. *Examinations—Expense—How Paid.*

The expense of every examination, or other investigation of the affairs of any insurance company, doing business in this state, which the commissioner is by law authorized or required to investigate or examine, shall be paid by the state out of the general fund. The commissioner, his deputy, or examiner, in making such investigation or examination, shall be allowed only his actual traveling and necessary expenses required by such examination, and shall not charge any fee, nor receive any compensation, for such examination other than the salary allowed by law. In cases where the examination is made by other than an employee of the department he shall be compensated for his services in addition to the expenses as stated herein. The commissioner, his deputy, or examiner, upon making such examination or investigation, shall prepare an itemized statement of the expenses involved in making such examination, and upon the presentation of such vouchers to the state auditor, properly signed by the person making such examination and countersigned by the commissioner, the state auditor is hereby authorized to draw his warrants against the general fund in the same manner in which warrants are drawn for the payment of other bills: *Provided,*

Examina-
tions.

Exception. That the provisions of this section shall apply to those companies only that are required to pay a tax on their premium income.

Any company not required to pay taxes on its premium income shall pay the expense of any examination required by law.

SEC. 78. *Policies May Be Issued in Other States.*

Any domestic insurance company doing business in any other state may frame and issue policies in such other states in accordance with the laws thereof, anything in its articles of incorporation or by-laws to the contrary notwithstanding.

SEC. 79. *Existing Companies—Continue.*

Existing
companies
continue.

Every domestic insurance company previously organized, and licensed to transact insurance business in this state at the time this act goes into effect, is hereby recognized as an existing company, and shall have the right to continue such business under the provisions of this act: *Provided*, That any such company whose capital does not meet the requirements of this act shall have two years from the first day of January, nineteen hundred and twelve, in which to conform to the requirements of this act relating thereto: *Provided further*, That any such company whose charter or articles of incorporation permit it to make life, accident, health and liability insurance, and shall have been licensed to transact such business in this state prior to the first day of February, 1911, having a capital of not less than three hundred and fifty thousand dollars, shall be permitted to continue to transact such kind of business under the provisions of this act.

SEC. 80. *Policy Requirements—In Effect—When.*

Date for
qualifying.

Every insurance company admitted and doing business in this state, at the time this act goes into effect, shall have until the first day of January, nineteen hundred and twelve, in which to comply with the requirements of this act relating to policies or contracts of insurance.

SEC. 81. *Retiring Companies—Approval of Re-insurance.*

No insurance company, impaired, insolvent, or retiring from business in this state, shall re-insure its business in this state until its plan to effect such re-insurance shall have been first submitted to the commissioner, and approved by him, and no such re-insurance shall be effected in a company not admitted to this state. In effecting such re-insurance, the re-insuring company shall become liable to the original insured, for any loss or damage occurring under the policies re-insured, and shall, within a reasonable time, replace such policies with its own, or by indorsement thereon acknowledge liability thereunder; and, in case of cancellation, shall be liable to the original insured for all return premiums.

Retiring
companies.

SEC. 82. *Liability of Stockholders.*

Each stockholder of a domestic insurance company shall be individually and personally liable, equally and ratably, and not one for another, for all contracts, debts and engagements of such company accruing while they remain such stockholders, to the extent of the amount of their stock therein at the par value thereof, in addition to the amount invested in such shares. The assets of such company shall be first applied in the payment and discharge of the debts and liabilities of the company and the remainder thereof remaining unpaid shall be paid by the stockholders, equally and ratably, and not one for another.

Liability
of stock-
holders.

SEC. 83. *Insurance Classified.*

All insurance business in this state is hereby classified as follows:

(1) Fire and marine insurance, upon buildings and other property against loss or damage by fire, lightning, wind storms, cyclones, tornadoes, hail, or earthquakes, water from the breakage or leakage of sprinklers, pumps, or other apparatus erected for extinguishing fires, and water pipes; and against accidental injury to such sprinklers, pumps or other apparatus; and against loss or damage arising from the prevention or suspension of rent or

Classifica-
tion.

use and occupation of any building, plant, or manufacturing establishment due to the hazard or peril insured against; and upon vessels, boats, cargoes, goods, merchandise, freight, and other property against loss or damage by the risks of lake, river, canal, and inland transportation and navigation; including insurance upon automobiles, whether stationary or being operated under their own power, and re-insurance of any risks taken in this class; but not upon ocean marine risks, and other casualty insurance risks.

(2) Marine insurance, including ocean and inland risks, transportation and automobiles, but not including any other casualty insurance as hereinafter provided.

(3) Life insurance, including endowments and annuities, but not including health or accident or sickness insurance, or any casualty insurance as hereinafter provided.

(4) Accident insurance, and either sickness or health insurance, including insurance against injury, disablement or death resulting from traveling or general accident, and against disablement resulting from sickness and every insurance appertaining thereto.

(5) Fidelity and surety insurance, including the guaranteeing of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; or guaranteeing and executing all bonds, undertakings, and contracts of suretyship.

(6) Liability insurance, including all insurance against loss or damage resulting from accident to or injury, fatal or non-fatal, suffered by an employee or other person for and which the insured is liable.

(7) Plate glass insurance, including all insurance against breakage of glass, whether local or in transit.

(8) Boiler and machinery insurance, including insurance upon steam boilers, and upon pipes, engines and machinery connected therewith and operated thereby, against explosion and accident, and against loss or damage to life, person or property, resulting therefrom.

(9) Burglary insurance, including insurance against loss by burglary, house-breaking, or theft.

(10) Sprinkler insurance, including insurance against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers or water pipes.

(11) Credit insurance, including insurance or guaranty either by agreement to purchase uncollectible debts, or otherwise to insure against loss or damage from the failure of persons indebted or to become indebted to the insured, or to meet existing or contemplated liabilities.

(12) Title insurance, insuring or guaranteeing owners of property, or others interested therein, against loss by encumbrance, or defective titles, or adverse claim to title, either together with or without examination of title, or furnishing information relative thereto.

Classification
continued.

(13) Team and vehicle insurance, including insurance against loss or legal liability for loss because of damage to property caused by the use of teams or vehicles, whether by accident or collision, or by explosion of any engine, tank, boiler, pipe or tire of any vehicle, and including insurance against theft of the whole or any part of any vehicle. The term vehicle, as here used, includes in addition to its ordinary meaning, elevators, automobiles and bicycles, but does not include ships, vessels, boats, nor railroad rolling stock.

(14) Miscellaneous insurance, including insurance upon any risk not included within or under either of the foregoing classes, and which is a proper subject of insurance, not prohibited by law or contrary to sound public policy.

SEC. 84. *Class or Classes of Insurance Permitted.*

Any insurance company having the required amount of capital, or assets, when permitted by its articles of incorporation or charter, may be authorized and licensed by the commissioner to make insurance in this state under one or more of the classes prescribed in the several paragraphs in section eighty-three of this act, as follows:

Insurance
permitted.

(1) Fire and Inland Marine Companies—Qualifications. No stock insurance company shall make insurance

in this state under class one of section eighty-three of this act, without having capital stock of at least two hundred thousand dollars, of which not less than one-half must be paid in in cash or like securities authorized by this act, and the remainder, in cash or like securities, paid within one year after the company is incorporated, and a surplus of not less than fifty thousand dollars, nor shall such company make insurance in this state, in any other of said classes of insurance specified in said section, except in classes two and thirteen; and is not to make insurance in class two without having additional capital of at least one hundred thousand dollars, and is not to make insurance in class thirteen in addition to class one without having additional capital of at least fifty thousand dollars; or in addition to classes one and two without having a capital stock of at least three hundred and fifty thousand dollars.

Relating
to capital
stock.

Additional
capital.

(2) Marine Insurance Company—Qualifications. No stock insurance company shall make insurance in this state under class two of section eighty-three without having a capital stock of at least one hundred thousand dollars fully paid and a surplus of not less than fifty thousand dollars, nor shall such company make insurance in this state in any other of said classes of insurance except in classes one and thirteen; nor make insurance in class one without having additional capital of at least one hundred thousand dollars; nor make insurance in class thirteen in addition to class two without having additional capital of at least fifty thousand dollars, nor in addition to classes one and two without having a capital stock of at least three hundred fifty thousand dollars.

Marine
insurance.

(3) Life Insurance Companies—Qualifications. No stock insurance company shall make insurance in this state under class three of section eighty-three without having a capital stock fully paid of at least one hundred thousand dollars with a surplus of not less than fifty thousand dollars, nor shall such company make insurance in this state in any other of said classes of insurance except in class four; nor to make insurance in class four without having

Life
insurance.

additional capital of at least fifty thousand dollars, except as provided in section 79 of this act.

(4) Title Insurance Companies—Qualifications. No company shall issue contracts of guaranty or title insurance in this state, under class twelve of section eighty-three, until and unless it deposit and maintain on deposit through the office of the insurance commissioner, with the state treasurer, a guaranty fund in securities authorized by this act as legal investments for the capital or funds of insurance companies, in amounts as follows: (a) In counties having a population of five hundred thousand or more as evidenced by the last official census of the United States or of the State of Washington, the guaranty fund shall be not less than two hundred thousand dollars; (b) In counties having a population of not less than three hundred thousand nor more than five hundred thousand, as evidenced by said census, the guaranty fund shall not be less than one hundred and fifty thousand dollars; (c) In counties having a population of not less than one hundred and fifty thousand nor more than three hundred thousand, as evidenced by said census, the guaranty fund shall not be less than one hundred thousand dollars; (d) In counties having a population of not less than one hundred thousand nor more than one hundred and fifty thousand, as evidenced by said census, the guaranty fund shall be not less than seventy-five thousand dollars; (e) In counties having a population of not less than sixty thousand nor more than one hundred thousand, as evidenced by said census, the guaranty fund shall be not less than fifty thousand dollars; (f) In counties having a population of not less than thirty-five thousand nor more than sixty thousand, as evidenced by said census, the guaranty fund shall be not less than twenty-five thousand dollars; (g) In counties having a population of not less than fifteen thousand nor more than thirty-five thousand, as evidenced by said census, the guaranty fund shall be not less than fifteen thousand dollars; (h) And in counties having a population of less than fifteen thousand, as evidenced by said

Title insurance.

Based on population.

Provisions
for less
population.

census, the guaranty fund shall be not less than ten thousand dollars. Any company authorized to issue contracts of guaranty, or title insurance in this state may be permitted to make title insurance in one or more counties having a less population than the county in which such company is authorized to make title insurance. The provisions of this act shall in no wise be interpreted to apply to persons, co-partnerships, or corporations engaged in the business of preparing and issuing abstracts of, but not guaranteeing or insuring, title to property and certifying to the correctness thereof.

Fidelity
insurance.

(5) Fidelity and Surety Insurance Companies—Qualifications. No stock insurance company shall make insurance in this state under class five of section eighty-three without having a capital stock fully paid of at least two hundred thousand dollars and a surplus of not less than one hundred thousand dollars, nor shall such company make insurance in this state in any other of said classes of insurance specified in section eighty-three, except in classes four, six, seven, nine, eleven, thirteen, and fourteen; and it shall not make insurance in class six without having additional capital of at least one hundred thousand dollars; such company may make insurance in classes seven, nine, eleven, thirteen, and fourteen when it has additional capital of at least fifty thousand dollars.

Liability
insurance.

(6) Liability Insurance Companies—Qualifications. No stock insurance company shall make insurance in this state under class six of section eighty-three without having a capital stock of at least two hundred thousand dollars fully paid and a surplus of not less than one hundred thousand dollars; nor shall such company make insurance in this state in any other of said classes of insurance specified in said section except in classes four, five, seven, nine, eleven, thirteen, and fourteen; and it shall not make insurance in class five without having additional capital of at least one hundred thousand dollars. Such company may make insurance in one or all of the following classes: Four, seven, nine, eleven, thirteen, or fourteen when it

has additional capital of at least fifty thousand dollars, except as provided in section 79 of this act.

(7) Other Companies—Requirements. No stock insurance company shall make insurance in this state in either of the following classes specified in section eighty-three: Four, seven, eight, nine, ten, eleven, thirteen, and fourteen, without having a capital stock of at least one hundred thousand dollars fully paid nor shall such company make insurance in more than one of said classes unless it shall have additional capital of not less than fifty thousand dollars: *Provided, however,* That the requirement of a surplus as provided in this section shall only apply to domestic insurance companies organizing and commencing to transact the business of making insurance and that such company may use such surplus in establishing the company in business without impairment of the company.

Capital
required.

(8) Assessment—Mutual—Fraternal Companies. The provisions of this section shall not apply to life or fire insurance companies operating on the mutual, or assessment, or fraternal plan.

Assessments.

SEC. 85. *Incorporation of Companies.*

The following number of citizens of the United States, two-thirds of which number shall be residents of the State of Washington, may incorporate a company as follows: For a stock company, not less than five; for a mutual company, not less than ten; for an organization on the plan known as "Lloyds," not less than twenty; for an organization of "Inter-Insurers," not less than twenty-five; for one or more of the purposes specified in section eighty-three of this act by making and subscribing written articles of incorporation in quadruplicate and acknowledging the same before an officer authorized to take acknowledgment of deeds, and after having the same approved by the commissioner, by filing one of such articles in the office of the secretary of state, another in the office of the insurance commissioner, another in the office of the auditor of the county in which the principal office of the company

Relating
to incor-
porating.

is to be located, and retaining the fourth in the possession of the company, which articles shall state:

First. The names and the addresses of the incorporators.

Second. The name of the company.

Kind of
company.

Third. (a) The object for which the company is formed; (b) whether it is a stock or mutual company, and if a mutual company, whether it will insure on the cash premium or assessment plan; (c) the class or classes of risks wherein it will make insurance, according to the divisions made in this act.

Amount of
capital
stock.

Fourth. (a) If a stock company, the amount of the capital stock, and the number of shares, which shall be of the par value of one hundred dollars each; (b) if it be a mutual company, the minimum and maximum liability of its members or policy holders for the payment of losses occurring under its policies, which liability shall be not less than two nor more than six times the amount of the premium usually charged by solvent stock insurance companies for insuring like or similar risks for the same term, and if that premium is not known, then the premium used shall be according to either the "Dean" schedule or the "Universal Mercantile" schedule for fire risks, and such schedule for other class or classes of risks as may be approved by the commissioner.

Period of
existence.

Fifth. The time of its existence, not to exceed fifty years: *Provided*, That this limit of existence shall not apply to any life insurance company.

Sixth. The number of trustees or directors, which shall not be less than five nor more than eleven, and their names and addresses, who shall manage the affairs of the company for such length of time, not less than two nor more than six months, as may be designated in such articles of incorporation.

Place of
business.

Seventh. The name of the city or town in which the principal place of business of the company is to be located in this state, and in what country or countries it intends to transact business.

Amendments may be made to the articles of incorporation of a stock company, by a majority vote of its trustees or directors, and the vote or written assent of two-thirds of the capital stock of the company, and, if a mutual company, by the majority vote of its trustees or directors and the vote or written assent of two-thirds of the members or policy holders of such company. If the written assent of two-thirds of the capital stock of a stock company, or members or policy holders of a mutual company has not been obtained, then the vote of the said stock, or of said members may be taken, at any regular meeting of the stockholders or members called for that purpose in the manner provided in the by-laws of such company for special meetings of stockholders or members.

Amendment
requirements.

The president and secretary of said company shall certify said amendments in quadruplicate under the seal of said company to be correct, and shall file and keep the same as in the case of original articles of incorporation, and from the time of filing said amendments such company shall have the same powers, and the stockholders thereof shall be subject to the same liabilities as if said amendments had been embraced in the original articles of incorporation. A policy holder in a mutual insurance company has the same character of interest and occupies the same relation to the company as the stockholder has and occupies to a stock insurance company.

Relation of
policy
holder.

Nothing in this section shall be construed to cure or amend any defect existing in any articles of incorporation in that such articles did not set forth the matters required to make the same valid at the time of filing, nor to cure or amend any defect in the execution thereof. The time of existence of such company shall not be extended by amendments beyond the time fixed in the original articles of incorporation.

No such company shall take the name of a domestic company theretofore organized, nor that of an alien or foreign company admitted to this state, nor one so nearly resembling that of either as to be misleading. The ex-

Duplicate
names
prohibited.

penses of incorporation and organization, including the placing of the capital stock of any such company incorporated after January first, 1911, shall not exceed seven and one-half per centum of the par value of the stock actually sold.

SEC. 86. *Mutual Companies—Qualifications.*

Mutual
companies.

No domestic mutual insurance company hereafter formed under the laws of this state shall be authorized to transact business as an insurer until it shall have first qualified itself as follows:

First. If it is formed to transact as insurer, a general fire insurance business on the cash premium plan, it must have *bona fide* written applications severally signed by applicants for fire insurance for one year, and, on risks usually written for a term, not more than five years, from residents of this state, on property owned by the applicant, situate within this state, in separate risks of not to exceed two thousand dollars each, amounting in the aggregate to not less than five hundred thousand dollars; and must have, own, and possess in its own name and exclusive right premiums actually received in cash, to an amount of at least eight thousand dollars and six thousand dollars must be on hand above all liabilities except re-insurance reserve, estimated on the *pro rata* basis, and premium liability due in installments as demanded, severally and unconditionally executed and delivered by a solvent applicant for the insurance he applies for, all in the aggregate amount, unimpaired, of not less than twenty-five thousand dollars: *Provided*, That when a mutual fire insurance company accumulates from its underwriting and earnings cash assets of not less than two hundred thousand dollars, of which amount not less than one hundred thousand dollars shall be surplus assets which it must maintain in securities deposited as required of domestic stock insurance companies, and while it maintains such surplus assets on deposit it may issue its policies without liability on the part of its policy holders, other than to pay the amount of the premium stated in the policy, and which premium

Relating
to surplus.

shall be not less than the premium charged by solvent stock companies for insuring similar risks. The company may classify its risks according to the various hazards covered, and any saving experienced by the company in loss ratio, expense of management, or from any other source, may be returned to the policy holders in the various classifications, according to the experience of the company in said classes and as determined by the board of directors of the company: *Provided*, That such saving must be apportioned equitably among the policy holders in the classifications in which it is actually earned.

Savings to
policy
holders.

Second. If it is formed to transact, as insurer, a fire insurance business under the cash premium plan on one stated specific kind or class of manufacturing, mercantile, or other business or property, it must have *bona fide* written applications severally signed by applicants for fire insurance for one year on property owned by the applicant and situate within this state in separate risks of not to exceed two thousand dollars each, amounting in the aggregate to not less than three hundred thousand dollars; and must have, own, and possess in its own name and exclusive right, premiums received in cash to an amount of at least eight thousand dollars and six thousand dollars must be on hand, above all liabilities, except re-insurance, reserve, and premium liability, settled by premium notes due in installments as demanded, severally and unconditionally executed and delivered by a solvent applicant for the insurance he applies for to the aggregate amount of not less than twenty-five thousand dollars: *Provided*, That when any ten or more persons, partnerships, corporations, or associations engaged in a like class of manufacturing, mercantile or other business shall have organized a company hereunder, it may begin to issue policies under such conditions as may be provided by the board of trustees or managing board thereof, and shall be approved by the commissioners.

Capital re-
quirements.

Third. If it is formed to transact as insurer, a general fire insurance business on the assessment plan, it must have

Fire
insurance.

Relating
to require-
ments.

bona fide written applications severally signed by applicants for fire insurance for one year, and, on risks usually written for a term, not more than five years, from residents of this state on property owned by the applicant situate within this state in separate risks of not to exceed twelve hundred and fifty dollars each, and amounting in the aggregate to not less than five hundred thousand dollars; and must have, own, and possess in its own name and exclusive right premiums on the insurance applied for, of which not less than fifty per centum thereof must be paid in cash to the aggregate amount of not less than four thousand dollars, which sum shall be on hand, above liabilities except re-insurance reserve, and the remainder and additional premium liability of the applicant must be paid as provided in the by-laws of the company: *Provided*, That any domestic fire insurance company doing business on the assessment plan and composed exclusively of members of a specified fraternal society, which conducts its business and secures its membership on the lodge system, having ritualistic form of work and ceremonies in such society shall be exempt from the provisions of this act governing the amount of insurance a company may carry on a single risk, financial qualifications, annual meeting, taxes, fees, and licenses, except that it shall pay for its annual license and filing its annual statement the sum of ten dollars.

Premiums
required.

Fourth. If it is formed to transact as insurer a fire insurance business on the assessment plan outside of incorporated towns in this state, it must have *bona fide* written applications severally signed by applicants for fire insurance for one year, and, on risks usually written for a term, not more than five years, from residents of this state on property owned by the applicant situate within this state in separate risks of not to exceed fifteen hundred dollars each, amounting in the aggregate to not less than two hundred thousand dollars; and must have, own, and possess in its own name and exclusive right premiums on the insurance applied for of which not less than fifty per centum thereof must be paid in cash and to be on

hand above liabilities except re-insurance reserve, and the remainder, and the additional premium liability of the applicant must be paid as provided in the by-laws of the company.

Fifth. If it is formed to transact business as inter-insurers only between the parties forming the company and all parties who shall become members and inter-insurers therein, no such company shall be formed nor transact any business as insurers until not less than twenty-five persons or parties, each of whom must be worth in his or its own right not less than twenty thousand dollars above all liabilities, in property located within this state, such fact to be determined by the commissioner, and in determining the same he may take the verified statement of such parties, and the signed reports of a reputable commercial agency having upwards of one hundred thousand subscribers, which person or parties shall first prescribe and adopt the terms and conditions upon which they will be governed and become inter-insurers each with the other, and each shall be individually liable with every other solvent member of such company to ratably pay and discharge all losses and legal claim accruing against such company: *Provided*, That the terms and conditions prescribed, adopted and entered into by such persons in becoming inter-insurers shall embrace the terms and conditions which experience of similar companies has found to be efficient and adequate to promptly and equitably pay and discharge its obligations of which the commissioner shall be the judge: *Provided further*, That the provisions of this paragraph shall only apply to inter-insurers associations hereafter organized or hereafter applying for admission and authority to transact business in this state as inter-insurers.

Incor-
porators
must have
certain
amount.

Terms and
conditions.

Sixth. If it is formed to transact business as insurer in this state upon the plan known as "Lloyds," no such company shall be formed with less than twenty persons or co-partnerships, citizens of the United States and two-thirds of them residents of this state, each of whom must be

"Lloyds"
plan.

Commis-
sioner to
verify
statement.

worth not less than twenty thousand dollars above all liabilities in real property and securities such as an insurance company is authorized to invest its capital and funds in as provided in this act, such fact to be determined by the commissioner and in determining the same he may take the verified statement of such parties and the signed reports of a reputable commercial agency having upwards of one hundred thousand subscribers, which person or parties shall first prescribe and adopt the terms and conditions upon which they will be governed and become insurers. If such company be formed to transact business as insurer as specified in class one of section eighty-three of this act it must have not less than one hundred fifty thousand dollars, in *bona fide* unimpaired assets in excess of all liabilities, of which assets not less than seventy-five thousand dollars must be in cash and securities such as the funds of an insurance company may be invested in as provided in this act, and the remainder of said assets must consist of cash or such authorized securities, or the legal promissory notes severally made, signed, and delivered by solvent parties payable to the company whenever required for the payment and discharge of losses or legal obligations accruing against such company; and where notes are used to make up the amount of said assets the commissioner shall determine the sufficiency of each note, and he shall have the right to require that the payment of any note shall be secured by good and sufficient collateral, and it shall be his duty to require ample security to be furnished for the payment of such note when the makers thereof are not personally known by him to be solvent and good for the payment of the same. Such company shall deposit not less than two-thirds of its assets and keep the same on deposit through the insurance commissioner's office with the state treasurer in the same manner as deposits are required to be made and kept by stock insurance companies as provided in this act.

Deposit
required.

Such company may make insurance in any other class specified in said section eighty-three when permitted by

the commissioner upon furnishing additional assets of the kind herein specified in the amounts required of a stock insurance company to make insurance in like classes as provided by this act.

The plan, terms, and conditions prescribed and adopted by such company must be such as the experience of similar companies has 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.

Commissioner to judge.

SEC. 87. *Mutual Company—By-Laws.*

The directors of a mutual insurance company shall adopt such by-laws, not in conflict with the laws of this state, as they may deem proper for the government of its officers and the conduct of its business. Said by-laws shall provide for the liability of its members or policy holders for the payment of its losses and expenses, which liability, including the amount of the premium, shall not be less than two times the amount of the premium nor more than six times the amount of the premium charged by solvent stock companies for like risks and terms. The by-laws shall limit the expenses to not more than forty per centum of the net premiums charged and collected for insurance, which expense must include all sums paid by the insured for his insurance including any membership, policy, survey, or inspection fee, or other fee or charge, if any.

Mutual company.

SEC. 88. *Qualifications—Foreign—Alien—Mutuals.*

No alien, or foreign mutual insurance company shall be licensed to make insurance in this state until it shall have accumulated from its underwriting business and earnings surplus assets of not less than one hundred thousand dollars, and shall have a re-insurance reserve computed on a *pro rata* basis, which surplus assets, if an alien, shall be maintained on deposit in a depository or depositories for insurance company funds in some state or states of the United States. Such company shall not carry insurance on a single risk for an amount in excess of ten per centum of its surplus assets, as shown by the last report to the in-

Foreign company requirements.

insurance commissioner, without protecting such excess by re-insurance in a solvent company.

SEC. 89. *Impairment—Reduction of Capital Stock.*

Reduction
of capital
stock.

When the capital stock of any domestic insurance company shall be impaired, it may reduce its capital stock as provided herein to such an amount as shall be justified by its assets; but no part of its assets shall be distributed to its stockholders, and no reduction shall be made except upon the vote of the stockholders approved by at least two-thirds of the directors and certified under the corporate seal by the secretary, a duly certified copy of which shall be filed in the office of the secretary of state, and in the office of the insurance commissioner, and in the office of the auditor of the county in which the principal office of the company is located, and one retained at the principal office of the company. The directors, after such reduction of capital, may require each stockholder to surrender his stock, and, in lieu thereof, may issue a new certificate for such number of shares as he shall be entitled to: *Provided*, That the capital of such company when so reduced shall not be less than the minimum capital required of a company to transact like business in this state.

SEC. 90. *Increase of Capital Stock.*

Increase
of stock.

Any domestic insurance company may at any time increase the amount of its capital stock, by giving notice once a week for four consecutive weeks, in any newspaper having a general circulation, published in the county where the company is located, of such intention; and by filing with the secretary of state a copy of such advertisement with due proof of publishing the same, together with the declaration under its corporate seal, signed by its president and two-thirds of its board of directors, and by the stockholders representing three-fourths of its capital stock, of their desire to increase the capital, and file like copies and proof in the office of the insurance commissioner, and in the office of the auditor of the county in which the principal office of such company is located, and retain a similar copy and proof in its principal office:

Provided, That such increase of capital stock shall be fully subscribed and paid for in lawful money of the United States within six months after the date of filing such papers in the office of the secretary of state, and, when said increase of capital shall have been fully subscribed and paid in full in cash, the president and secretary of such company shall make and verify under oath a certificate under the seal of the company stating that such increase in stock has been fully subscribed and paid in full in cash, as required by this act, and file such certificate in the office of the secretary of state and in the office of the insurance commissioner, and in the office of the auditor of the county in which the principal office of the company is located, and retain a similar copy in its principal office, and thereupon such increase in capital shall be effectual. Time limit.

SEC. 91. *Examination—Reserve—Liability.*

In ascertaining the condition of a fire insurance company, under the provisions of this act, 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 authorized by the laws of this state at the date of the examination, but unpaid premiums on policies written within three months shall be admitted as available resources. In ascertaining its liability, there shall be charged in addition to the capital stock and all outstanding claims, a sum equal to the total unearned premiums on the policies in force, computed on a *pro rata* basis. Examinations.

SEC. 92. *Life—Legal Reserve.*

The commissioner shall annually make valuation of all outstanding policies, additions thereto, unpaid dividends, and all other obligations of every life insurance company doing business in this state; and all such valuations made by him or his authority shall be 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: *Provided further*, That no such standard of valuation whether on the net level premium, preliminary term, or select and ultimate reserve basis, for Legal reserve.

Standard of valuation.

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 centum interest. The commissioner may vary the standard of valuation in particular cases of invalid lives and other extra hazards: *Provided*, The same is on basis of at least three and one-half per centum, value policies in groups, use approximate average for fractions of a year, and assume as accurate the valuation of the department of insurance of any other state or country, if the insurance officer of such other state or country likewise accredits the valuation made by the commissioner of this state: *Provided*, That when the preliminary term basis is used it shall not exceed one year.

Tables.

The legal minimum standard for the valuation of annuities issued after January first, nineteen hundred and twelve, shall be "McClintock's Table of Mortality Among Annuitants," or the American Experience Table of Mortality, with interest at three and one-half per centum per annum, but annuities deferred ten or more years and written in connection with life or term insurance shall be valued in the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per centum per annum.

Legal standard.

The legal minimum standard for the valuation of annuities issued after the first day of January, nineteen hundred and twelve, shall be the American Experience Table of Mortality with interest and three and one-half per centum per annum: *Provided*, That any life insurance company may voluntarily value its industrial policies written on the weekly premium payment plan according to the "Standard Industrial Mortality Table" or the "Sub-Standard Industrial Mortality Table."

Any life insurance company may voluntarily value its policies, or any class thereof, according to the American Experience Table of Mortality; or if industrial, at its option, according to the "Standard Industrial Mortality Table," or "Sub-Standard Industrial Mortality Table,"

at a lower rate of interest than that above prescribed but not lower than three per centum per annum, and in such case shall report the standards used by it in making the same, to the commissioner in its annual statement: *Provided*, That no such standards, if adopted, shall be abandoned without the consent of the commissioner first being obtained in writing.

Maintain
standard.

SEC. 93. *Investments Allowed—Life.*

In estimating the condition of any life insurance company, under the provisions of this act, 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 authorized by the laws of this state, at the date of examination, and shall charge as liabilities in addition to the capital stock, all outstanding indebtedness of the company; and the premium reserve on policies, and additions thereto in force computed according to the table of mortality and rate of interest prescribed in this act. The total assets invested and otherwise in every domestic life insurance company shall be held to be accumulations for the exclusive benefit of policy holders, and no payment to stockholders shall be made therefrom, until all obligations to policy holders, and creditors have been fully provided for including the reserve required by the preceding section of this act to be determined by the commissioner.

Investments
allowed.

SEC. 94. *Health—Reserve.*

The commissioner shall annually make valuations of all outstanding policies of every company insuring against disablement by sickness, on the net premium basis, according to the "British Friendly Society Tables, eighteen hundred and eighty," or the "Manchester Unity Friendly Society Tables," eighteen hundred and ninety-three to eighteen hundred and ninety-seven, with interest at three and one-half per centum per annum. He may, in his discretion, vary the standard in particular cases, and may also require additional reserve because of hazardous occupations, impairment of the lives of the insured or insufficient net premiums. This provision shall not apply to

Health
insurance.

Standard
may be
varied.

policies insuring for not longer than one year without privileges of renewal.

SEC. 95. *Liability—Reserve.*

The indebtedness for outstanding losses under insurance against loss or damage resulting from accident to or injuries suffered by an employee or other person and for which the insured is liable, and under insurance against loss from liability on account of the death of or injury to an employee not caused by the negligence of the employer, shall be determined as follows: Each corporation which writes policies covering any of said kinds of insurance shall include in the annual statement required by section twenty-six of this act a schedule of its experience thereunder, in the United States and foreign countries in the case of corporations organized in the United States, and in the United States only in the case of corporations organized outside of the United States, giving each calendar year's experience separately, and crediting or charging each item to the year in which the policy to which it relates was written, as follows: (1) the earned premiums on all such policies written during the period of ten years immediately preceding the date as of which the statement is made, being the gross premiums on all such policies including excess and additional premiums and premiums in course of collection, less return premiums and premiums on canceled policies, and less the unearned premiums on policies in force as shown in such annual statement; (2) the amount of all payments of whatsoever nature made by reason or on account of injuries covered by such policies written during said period. This amount shall include medical and surgical attendance, payments to claimants, legal expenses, salaries and expenses of investigators, adjusters, and field men, rents, stationery, telegraph and telephone charges, postage, salaries and expenses of office employees, home-office expenses, and all other payments made on account of such injuries, whether such payments are allocated to specific claims or are unallocated; (3) the number of suits being defended at the date as of which the statement is made under policies writ-

Provide
schedule.

Amounts
include.

Items
included.

ten during said period, except suits in which liability is not dependent upon negligence of the insured, and a charge of seven hundred and fifty dollars for each suit; (4) the number of deaths for which the insured are liable without proof of negligence, covered by policies written during said period, and not paid for at the date as of which the statement is made and a charge of the amount necessary to pay for such deaths; (5) the number of unpaid claims at the date as of which the statement is made on account of non-fatal injuries for which the insured are liable without proof of negligence, covered by policies written during said period, and a charge equal to the present value of the estimated future payments; (6) the loss ratio determined from the foregoing as to each year separately, using as the divisor the earned premiums shown in item (1) and as the dividend the amount of payments shown in item (2) plus the amounts charged in items (3), (4) and (5); (7) the number of suits being defended at the date as of which the statement is made under policies written more than ten years prior to such date, except suits in which liability is not dependent upon negligence of the insured; (8) the number of deaths for which the insured are liable without proof of negligence, covered by policies written more than ten years prior to the date as of which the statement is made, and not paid for at such date; (9) the number of unpaid claims at the date as of which the statement is made on account of non-fatal injuries for which the insured are liable without proof of negligence, covered by policies written more than ten years prior to such date.

All unallocated payments in item (2) made in a given calendar year subsequent to the first four years in which a corporation has been issuing such policies shall be distributed as follows: thirty-five per centum shall be charged to the policies written in that year, forty per centum to the policies written in the preceding year, ten per centum to the policies written in the second year preceding, ten per centum to the policies written in the third year preceding and five per centum to the policies written in the fourth year

Distribution.

preceding; and such payments made in the first four calendar years in which a corporation has been issuing such policies shall be distributed as follows: in the first calendar year one hundred per centum shall be charged to the policies written in that year; in the second calendar year fifty per centum shall be charged to the policies written in that year and fifty per centum to the policies written in the preceding year; in the third calendar year forty per centum shall be charged to the policies written in that year, forty per centum to the policies written in the preceding year and twenty per centum to the policies written in the second year preceding; and in the fourth calendar year thirty-five per centum shall be charged to the policies written in that year, forty per centum to the policies written in the preceding year, fifteen per centum to the policies written in the second year preceding and ten per centum to the policies written in the third year preceding, and a schedule showing such distribution shall be included in such annual statement.

Items
chargeable.

Each such corporation shall be charged with indebtedness for outstanding losses upon such policies determined as follows: (10) for all suits being defended under policies written more than ten years prior to the date as of which the statement is made, except suits in which liability is not dependent upon negligence of the insured; one thousand dollars for each suit; (11) for all suits being defended under policies written more than five years and less than ten years prior to the date as of which the statement is made, except suits in which the liability is not dependent upon negligence of the insured, seven hundred and fifty dollars for each suit; (12) for all deaths for which the insured are liable without proof of negligence covered by policies written more than five years prior to the date as of which the statement is made, the amount necessary to pay for such deaths; (13) for all unpaid claims on account of non-fatal injuries for which the insured are liable without proof of negligence under policies written more than five years prior to the date as of which the statement is made, the present value of the estimated future payments; (14) for the poli-

Segregations.

cies written in the five years immediately preceding the date as of which the statemnt is made an amount determined as follows: multiply the earned premiums of each of such five years as shown in item (1) by the loss ratio ascertained as in item (6) on all the policies written in the first five years of the said ten-year period, using as the divisor the sum of the earned premiums shown in item (1) for such first five years, and as the dividend the sum of the payments shown in item (2) for such first five years plus the sum of the charges in items (3), (4) and (5) for such first five years; but the ratio to be used shall in no event be less than fifty per centum at and after December thirty-first, nineteen hundred and eleven, nor less than fifty-one per centum at and after December thirty-first, nineteen hundred and twelve, nor less than fifty-two per centum at and after December thirty-first, nineteen hundred and thirteen, nor less than fifty-three per centum at and after December thirty-first, nineteen hundred and fourteen, nor less than fifty-four per centum at and after December thirty-first, nineteen hundred and fifteen, nor less than fifty-five per centum at and after December thirty-first, nineteen hundred and sixteen; and from the amount so ascertained in each of the last five years of said ten-year period deduct all payments made under policies written in the corresponding year as shown in item (2), and the remainder in the case of each year shall be deemed the indebtedness for that year: *Provided, however,* That if the remainder in the case of any year of the first three years of the five years immediately preceding the date as of which the statement is made shall be less than the sum of the three following items for that year at that date,—(a) the number of suits, except suits in which liability is not dependent upon negligence of the insured, being defended under policies written in that year, and a charge of seven hundred and fifty dollars for each suit; (b) the amount necessary to pay for all deaths for which the insured are liable without proof of negligence, covered by policies written in that year; and (c) the present value of estimated unpaid claims on account of non-fatal

Date to
report.

Report
to contain.

injuries for which the insured are liable without proof of negligence, covered by policies written in that year—then the sum of said items (a), (b) and (c) shall be the indebtedness for that year.

Annual
statement.

A corporation which has been issuing such policies for a period of less than ten years shall nevertheless include in its annual statement a schedule as hereinbefore required for the years in which it shall have issued such policies, and shall be charged with an indebtedness determined in the same manner; but in determining the indebtedness for policies written in the five years immediately preceding the date as of which the statement is made, the minimum ratios hereinbefore prescribed shall be used, subject to the same deductions and provisions as in the case of corporations that have been issuing such policies for ten years or more.

In estimating and ascertaining the assets, liabilities, and financial condition of all other insurance companies, not otherwise provided for by the provisions of this act, the commissioner, his deputy, or examiner shall allow as assets only such investments, cash, and accounts as are authorized by the existing laws of this state, or under the existing laws of the state or country under which such company is organized and which investments he may approve or reject, at the date of the investigation, and in estimating the liabilities there shall be added, in addition to the capital stock, all outstanding claims and a sum equal to the unearned premiums on the policies in force, calculated on the gross sum without any deduction on any account, charged to the policy holder on each respective risk from the date of the issuance of the policy.

Commis-
sioner may
form rules.

If the commissioner finds this rule to be impracticable in estimating and ascertaining the condition of certain kinds of insurance companies, he shall formulate such rules as he shall deem proper and efficient and consistent with law, having due regard to such rules as may be used in other states or approved by the National Convention of Insurance Commissioners or Superintendents: *Provided*, That in relation to the affairs of any foreign company, he may,

in lieu of such examination and investigation, accept a certificate of the insurance commissioner or superintendent of such state or district, as to its condition.

SEC. 96. *Valuations—Exceptions.*

The provisions of this act relating to the valuation of policies shall not apply to policies issued prior to the date at which this act goes into effect. Valuations.

SEC. 97. *Liabilities of Directors and Corporators.*

The directors, corporators, and organizers of any company organized under this act, and those entitled to a participation of the profits of such company, shall be jointly and severally liable for all debts or liabilities of such company, until it has qualified and been admitted to make insurance in this state. Liabilities.

SEC. 98. *Re-Insurance in Non-Admitted Alien Companies Prohibited.*

No insurance company authorized to transact business in this state and no manager or agent thereof shall reinsure, transfer, or cede in any manner whatsoever the whole or any part of its liability under a policy covering property within this state, except marine risks, in any alien company not having a duly appointed attorney in fact in the United States to accept service of legal process, or not admitted to transact business in the United States and having a deposit in some state in the United States. Re-insurance.

Any company, or manager, or agent who violates the provisions of this section, shall be fined in any sum not exceeding five hundred dollars, and the license of such company, manager or agent shall be revoked during the time such fine remains unpaid. Valuation and penalty.

SEC. 99. *Attorney General—Prosecuting Attorneys—Duties.*

In all proceedings instituted in any court, or otherwise, under the provisions of this act, it shall be and hereby is made the duty of the attorney general and of the several prosecuting attorneys throughout the state, to prosecute Legal advisor.

or defend all such proceedings when requested by the commissioner, his deputy, or examiner so to do.

SEC. 100. *Brokerage—License Required—Agents May Exchange Business.*

Brokerage.

Any person or party who solicits fire, marine, casualty, liability, or surety business to be placed in an insurance company other than represented by him shall be deemed and considered as transacting a brokerage business and shall be required to procure a broker's license: *Provided*, That nothing in this act shall be considered as prohibiting an exchange of business between duly licensed recording agents.

SEC. 101. *Inspection Bureau.*

Inspection bureau.

After the first day of January, nineteen hundred thirteen, the commissioner, if he deem it necessary for the detection and correction of errors or discovery of violations of this act in effecting insurance, if any be committed, may permit an inspecting or stamping bureau to be maintained under the supervision of a deputy commissioner for the purpose of inspecting all daily reports of fire insurance risks located in this state.

SEC. 102. *General Penalties.*

Penalties.

Any company or person who knowingly violates any provision of this act for which no penalty is provided, shall be deemed guilty of a misdemeanor and shall be punished as provided by law.

ARTICLE II.

FIRE AND MARINE.

SEC. 103. *Over-Insurance—Unlawful.*

Over insurance.

It shall be unlawful for any insurance company or any agent to knowingly issue any fire insurance policy upon property within this state for an amount which with any existing insurance exceeds the fair value of the property or of the interest of the insured therein, or for a longer time than for five years.

SEC. 104. *Over-Insurance—Procuring—Unlawful.*

It shall be unlawful for any party having an insurable interest in property located in this state to knowingly pro-

cure any fire insurance policy upon his interest in such property for an amount in excess of the fair value of his interest in the property, or for an amount which, with any existing insurance thereon, exceeds the fair value of his interest in the property.

Procuring
unlawful.

SEC. 105. *Over-Insurance—Penalties.*

Every insurer who makes insurance upon any building or property or interest therein against loss or damage by fire, and every agent who issues a fire insurance policy covering on any building or property or interest therein, and every insured who procures a policy of fire insurance upon any building or property or interest therein owned by him, is presumed to know the insurable value of such building or property or interest therein at the time such insurance is effected. Any insurer who knowingly makes insurance on any building or property or interest therein against loss or damage by fire in excess of the insurable value thereof, shall be fined in a sum not less than fifty dollars nor more than one hundred dollars. Any agent who knowingly effects insurance on a building or property or interest therein in excess of the insurable value thereof, shall be fined in a sum not less than fifteen nor more than twenty-five dollars. Any person or party who knowingly procures insurance against loss or damage by fire on any building or property or interest therein owned by him in excess of its insurable value shall be fined in a sum not less than twenty-five dollars nor more than one hundred dollars.

Fine \$50.00
to \$100.00.

SEC. 105½. Whenever any policy of insurance shall be hereafter written or renewed insuring real property or any building or structure erected thereon or connected therewith, and the property insured shall be wholly destroyed, without criminal fault on the part of the insured, or his assigns, the amount of insurance written in such policy shall be taken conclusively to be the true value of the property when insured, and the true amount of the loss and measure of damages when destroyed. In case there is a partial destruction of the property insured, no greater amount shall be collected than the injury sustained: *Pro-*

Total
loss.

Option.

vided, That the insurer shall have the option to repair, rebuild or replace the property lost or damaged with other of like kind and quality if he gives notice of his intention so to do within twenty days after the receipt of notice of loss: *Provided*, Such insurer shall, within thirty days from the receipt of notice above, commence such rebuilding or replacing and shall diligently prosecute the same to completion, and shall pay to the insured the reasonable rental value of the premises with the buildings thereon from the date of loss to the date of such completion.

SEC. 106. *Policy Standard Form—What to Contain.*

Policy, what to contain.

On and after January first, nineteen hundred and twelve, no fire insurance company shall issue any fire insurance policy covering on property or interest therein in this state other than on form known as the New York Standard as now or may be hereafter constituted, except as follows:

First. A company may print on or in its policy its name, location and date of incorporation, plan of operation, whether stock or mutual, and if mutual whether on cash premium or assessment plan; and if it be a stock company, the amount of its paid-up capital stock, the names of its officers and agents, the number and date of the policy, and, if it is issued by an agent, the words, "This policy shall not be valid until countersigned by the duly authorized agent of the company at," and, if a mutual company, must state the contingent mutual liability of its policy holders or members for payment of losses and expenses not provided for by its cash funds until it shall have accumulated surplus assets of not less than fifty thousand dollars, which it must maintain in securities deposited as required of stock companies, and, while it maintains such surplus assets on deposit, it may issue its policies with the statement thereon that the liability of the policy holder is limited to the premium paid, as hereinafter provided.

Surplus assets.

Second. A company may print or use in its policies printed forms of description and specifications of the property insured.

Third. A company insuring against damage by light-

ning may print in the clause enumerating the perils insured against, the additional words, "also any damage by lightning whether fire ensues or not," and in the clause providing for an apportionment of loss in case of other insurance the words, "whether by fire, lightning or both."

Additional
clause.

Fourth. A domestic company may print in its policies any provisions which it is authorized or required by the law to insert therein, and any foreign or alien company may, with the approval of the commissioner, so print any provision required by its charter or deed of settlement, or by the laws of its own state or country, not contrary to the laws of this state; but the commissioner shall require any provision which, in his opinion, modifies the contract of insurance in such a way as to affect the question of loss to be appended to the policy by an endorsement or rider as hereinafter provided.

Fifth. The blanks in said standard form may be filled in in print or writing.

Sixth. A company may print upon policies issued in compliance with the preceding provisions of this section the words, "Washington Standard Policy."

May print
on policy.

Seventh. A company may write upon the margin or across the face of the policy, or write or print in type not smaller than nonpareil upon a slip, slips, rider or riders to be attached thereto, provisions adding to or relating to those contained in the Standard Form; and all such slips, riders, endorsements, and provisions must be signed by the officers or agents of the company so using them.

Riders
attached.

Eighth. If the policy be made by a mutual or other company having special regulations lawfully applicable to its organization, membership, policies or contracts of insurance such regulation shall apply to and form a part of the policy as the same may be written or printed upon, attached, or appended thereto.

Ninth. If the policy be made by a company operating on the plan known as "Lloyds" it shall have the name and address of each underwriter printed on the back of the policy.

Tenth. Every policy shall have legibly inscribed upon its face and filing back suitable words to designate whether the company making such insurance be a stock, or mutual company, or "Lloyds," or Inter-Insurers Association.

Noon
defined.

The word "noon" occurring in the policy shall be construed to be the noon of standard time of the place where the property covered by the policy is situated.

SEC. 107. *Limitation of Risk.*

No insurance company authorized to transact business in this state, unless otherwise provided by this act, shall insure a single risk, or a single block in the congested district of any city or town, for a larger amount than one-tenth of its paid-up capital in the United States, unless it provides for re-insurance of the excess simultaneously with the original contract; and if any insurance company violates this provision, the commissioner may revoke its authority to transact business in this state.

SEC. 108. *Policy—Cancelled—Return Premium.*

Policy
cancelled.

Any fire insurance policy may be cancelled at any time by the insurer giving the insured or his representative in charge of the property insured, and the mortgagee, if the insurance is for the benefit of the mortgagee, five days notice of such cancellation, and if the premium has been actually paid, by paying in cash or mailing by registered letter with proper postage affixed thereto, addressed to the insured at his usual or last known post office address, a post office or express company money order or bank draft for the return premium computed at *pro rata* rate for the time the insurance has yet to run, or customary short rate where the insurance is cancelled by the insured, or, where the premium has not been paid, by the insured giving the insurer or its agent or agency who issued the policy notice of such cancellation and paying the premium for the time the insurance has been in force computed at the customary short rate: *Provided*, That in case the insurer is a mutual company, such cancellation shall not relieve the insured from his statutory liability in common with every other

Payment,
how made.

policy holder of such company for losses sustained by such company at or prior to the time of the cancellation.

SEC. 109. *Premium—To Be Stated.*

Every fire insurance policy must state on its face the amount and the rate of the premium. Premium stated.

SEC. 110. *Foreign Inter-Insurance.*

Associations of individuals, citizens of the United States, incorporated within the United States to transact business as inter-insurers only between the parties forming the association, and all parties forming the association and all parties who shall become members and inter-insurers therein, may be authorized to transact insurance in this state in like manner and upon the same terms and conditions as required of domestic inter-insurance associations. Foreign inter-insurance.

SEC. 111. *Demoralization of Business—Prohibited.*

Any company which precipitates, or aids in precipitating or conducting a rate war and by so doing writes or issues a policy of insurance at a less rate than permitted under their schedules filed with the commissioner, or below the rate deemed by him to be proper and adequate to cover the class of risk insured, shall have its license, and those of its agents, to do business in this state, suspended until such time as the commissioner is satisfied that it is charging a proper rate of premium. Rat. war prohibited.

SEC. 112. *Rate War—Offending Company—Agent's Commission.*

Any company which has precipitated, or aided in precipitating or conducting a rate war for the purpose of punishing or eliminating competitors or stifling competition, or demoralizing the business, or for any other purpose, and has ordered the cancellation or re-writing of policies at a rate lower than that provided by its rating schedules where such rate war is not in operation, and has paid or attempted to pay to the assured any return premium, on any risk so to be re-written, on which their agent has received or is entitled to receive his regular commission, such company shall not be allowed to charge back to such agent Offending company.

any portion of his commission on the ground that the same has not been earned.

SEC. 113. *Adjuster to Report Violations.*

Adjuster
report.

Every adjuster, who investigates any loss claim in this state, shall ascertain whether there be double or over-insurance upon such risk and the facts and circumstances so far as practical pertaining to the origin or happening of the hazard or peril insured against, and in case he believes fraud has been committed or attempted to be committed, he shall promptly report the premises to the commissioner, and in case of fire insurance, to the fire marshal as well.

SEC. 114. *Insurable Interest in a Ship.*

Insurable
interest.

The owner of a ship has in all cases an insurable interest in it, even when it has been chartered by one who covenants to pay him its value in case of loss.

SEC. 115. *Interest Reduced by Bottomry.*

Bottomry.

The insurable interest of the owner of a ship hypothecated by bottomry is only the excess of its value over the amount secured by bottomry.

SEC. 116. *Freight—What.*

Defining
freight.

Freight, in the sense of a policy of marine insurance, signifies all the benefit derived by the owner, either from the chartering of the ship or its employment for the carriage of his own goods or those of others.

SEC. 117. *Expected Freight.*

Expected
freight.

The owner of a ship has an insurable interest in expected freight which he would have certainly earned but for the intervention of the peril insured against.

SEC. 118. *Interest in Expected Freight—What.*

Defining
various
insurable
interests.

The interest mentioned in the last section exists, in the case of a charter party, when the ship has broken ground on the chartered voyage, and if a price is to be paid for the carriage of goods when they are actually on board or there is some contract for putting them on board, and both ship and goods are ready for the specified voyage.

SEC. 119. *Insurable Interest in Profits.*

One who has an interest in the thing from which profits are expected to proceed, has an insurable interest in the profits.

SEC. 120. *Insurable Interest of Charterer.*

The charterer of a ship has an insurable interest in it, Charterer.
to the extent that he is liable to be damnified by its loss.

SEC. 121. *Information—Communicated.*

In marine insurance each party is bound to communicate, in good faith, all facts within his knowledge which are, or which he believes to be, material to the contract, and which the other has not the means of ascertaining, and as to which he makes no warranty, and all the information which he possesses, material to the risk, except that neither party to a contract of marine insurance is bound to communicate information of the matters following, unless it Information
communi-
cated.
be in answer to the inquiries of the other:

First. Those which the other knows;

Second. Those which, in the exercise of ordinary care, the other ought to know, and of which the former has no reason to suppose him ignorant;

Third. Those of which the other waives communication;

Fourth. Those which prove or tend to prove the existence of a risk excluded by a warranty, and which are not otherwise material; and

Fifth. Those which relate to a risk excepted from the policy, and which are not otherwise material.

He shall also state the exact and whole truth in relation to all matters that he represents, or upon inquiry assumes to disclose.

SEC. 122. *Material Information.*

In marine insurance, information of the belief or expectation of a third person, in reference to a material fact, Material
information.
is material.

SEC. 123. *Presumption of Knowledge of Loss.*

Knowledge
of loss.

A person insured by a contract of marine insurance is presumed to have had knowledge, at the time of insuring, of a prior loss, if the information might possibly have reached him in the usual mode of transmission, and at the usual rate of communication.

SEC. 124. *Concealment Affecting Risk Only.*

Concealment.

A concealment in a marine insurance, in respect of any of the following matters, does not vitiate the entire contract, but merely exonerates the insurer from a loss resulting from the risk concealed;

First. The national character of the insured.

Second. The liability of the thing insured to capture and detention;

Third. The liability to seizure from breach of foreign laws of trade;

Fourth. The want of necessary documents; and,

Fifth. The use of false and simulated papers.

SEC. 125. *Intentional Falsity—Effect.*

Intentional
falsity.

If a representation, by a person insured under a contract of marine insurance, is intentionally false in any respect, whether material, or immaterial, the insurer may rescind the entire contract.

SEC. 126. *Representation of Expectation.*

Expectation.

The eventual falsity of a representation as to expectation does not, in the absence of fraud, avoid a contract of insurance.

SEC. 127. *Seaworthiness—Warranty.*

Seaworthi-
ness.

In every marine insurance upon a ship or freight, or freightage, or upon anything which is the subject of marine insurance, a warranty is implied that the ship is seaworthy.

SEC. 128. *Seaworthiness—What.*

Seaworthi-
ness.

A ship is seaworthy when reasonably fit to perform the services, and to encounter the ordinary perils of the voyage, contemplated by the parties to the policy.

SEC. 129. *Seaworthiness—Compliance With—Exceptions.*

An implied warranty of seaworthiness is complied with if the ship be seaworthy at the time of the commencement of the risk, except in the following cases:

First. When the insurance is made for a specified length of time, the implied warranty is not complied with, unless the ship be seaworthy at the commencement of every voyage she may undertake during that time; and,

Second. When the insurance is upon the cargo, which, by the terms of the policy, or the description of the voyage, or the established custom of the trade, is to be trans-shipped at an intermediate port, the implied warranty is not complied with, unless each vessel upon which the cargo is shipped, or trans-shipped, be seaworthy at the commencement of its particular voyage. Trans-shipment.

SEC. 130. *Seaworthiness—Constitute—Things.*

A warranty of seaworthiness extends not only to the condition of the structure of the ship itself, but requires that it be properly laden, and provided with a competent master, a sufficient number of competent officers and seamen, and the requisite appurtenances and equipments, such as ballast, cables, and anchors, cordage, and sails, food, water, fuel, and lights, and other necessary or proper stores and implements for the voyage. Warranty.

SEC. 131. *Seaworthiness—Degrees—Stages—Voyage.*

Where different portions of the voyage contemplated by a policy, differ in respect to the things requisite to make the ship seaworthy therefor, a warranty of seaworthiness is complied with if, at the commencement of each portion, the ship is seaworthy with reference to that portion. Degrees.

SEC. 132. *Unseaworthiness During Voyage.*

When a ship becomes unseaworthy during the voyage to which an insurance relates, an unreasonable delay in repairing the defect exonerates the insurer from liability from any loss arising therefrom. Unseaworthiness.

SEC. 133. *Seaworthiness—As to Insurance on Cargo.*

Cargo.

A ship which is seaworthy for the purpose of an insurance upon the ship may, nevertheless, by reason of being unfitted to receive the cargo, be unseaworthy for the purpose of insurance upon the cargo.

SEC. 134. *Neutral Papers.*

Neutral papers.

Where the nationality or neutrality of a ship or cargo is expressly warranted, it is implied that the ship will carry the requisite documents to show such nationality or neutrality, and that it will not carry any documents which cast reasonable suspicion thereon.

SEC. 135. *Voyage Insured—Determined.*

Voyage.

When the voyage contemplated by a policy is described by the places of beginning and ending, the voyage insured is one which conforms to the course of sailing fixed by mercantile usage between those places.

SEC. 136. *Sailing—Course—Determined.*

Course of sailing.

If the course of sailing is not fixed by mercantile usage, the voyage insured by a policy is the way between the places specified which, to a master of ordinary skill and discretion, would seem the most natural, direct, and advantageous.

SEC. 137. *Deviation—What.*

Deviation.

Deviation is a departure from the course of the voyage insured, mentioned in the last two sections, or an unreasonable delay in pursuing the voyage, or the commencement of an entirely different voyage.

SEC. 138. *Deviation—Proper.*

A deviation is proper:

Deviation permitted.

First. When caused by circumstances over which neither the master nor the owner of the ship has any control;

Second. When necessary to comply with a warranty, or to avoid a peril, whether insured against or not;

Third. When made in good faith, and upon reasonable grounds of belief in its necessity to avoid a peril; or,

Fourth. When made in good faith, for the purpose of saving human life, or relieving another vessel in distress.

SEC. 139. *Deviation—Improper.*

Every deviation not specified in the last section is improper. Improper.

SEC. 140. *Proper Deviation Exonerates—Insurer,*

An insurer is not liable for any loss happening to a thing insured subsequently to an improper deviation. Exoneration.

SEC. 141. *Total—Partial—Loss.*

A loss may be either total or partial. Loss.

SEC. 142. *Actual and Constructive Total Loss.*

A total loss may be either actual or constructive. Constructive loss.

SEC. 143. *Actual Total Loss—What.*

An actual total loss is caused by:

First. A total destruction of the thing insured; Total loss.

Second. The loss of the thing by sinking, or by being broken up;

Third. Any damage to the thing which renders it valueless to the owner for the purposes for which he held it; or,

Fourth. Any other event which entirely deprives the owner of the possession, at the port of destination, of the thing insured.

SEC. 144. *Constructive Total Loss.*

A constructive total loss is one which gives to a person insured a right to abandon, as hereinafter provided. Defining losses.

SEC. 145. *Actual Loss—Presumed.*

An actual loss may be presumed from the continued absence of a ship without being heard of; and the length of time which is sufficient to raise this presumption depends on the circumstances of the case. Actual loss.

SEC. 146. *Insurance—Cargo—Voyage—Broken.*

When a ship is prevented, at an intermediate port, from completing the voyage, by the perils insured against, the master must make every exertion to procure, in the same or a contiguous port, another ship, for the purpose of conveying the cargo to its destination; and the liability of a marine insurer thereon continues after they are thus re-shipped. Voyage changed.

SEC. 147. *Reshipment—Cost, Etc.*

Re-shipment. In addition to the liability mentioned in the last section, a marine insurer is bound for damages, expenses of discharging, storage, re-shipment, extra freight, and all other expenses incurred in saving cargo re-shipped pursuant to the last section, up to the amount insured.

SEC. 148. *Insurer—Entitled—Payment—When.*

Abandonment. Upon an actual total loss, a person insured is entitled to payment without notice of abandonment.

SEC. 149. *Average Loss.*

Average loss. Where it has been agreed that an insurance upon a particular thing, or class of things, shall be free from particular average, a marine insurer is not liable for any particular average loss not depriving the insured of the possession, at the port of destination, of the whole of such thing, or class of things, even though it become entirely worthless; but he is liable for his proportion of all general average loss assessed upon the thing insured.

SEC. 150. *Insurance Against Total Loss.*

Extent of total loss. An insurance confined in terms to an actual total loss, does not cover a constructive total loss, but covers any loss which necessarily results in depriving the insured of the possession, at the port of destination, of the thing insured.

SEC. 151. *Abandonment—What.*

Abandonment. Abandonment is the act by which, after a constructive total loss, a person insured by contract of marine insurance declares to the insurer that he relinquishes to him his interest in the thing insured.

SEC. 152. *Insured May Abandon.*

A person insured by a contract of marine insurance may abandon the thing insured, or any particular portion thereof separately valued by the policy, or otherwise separately insured, and recover for a total loss thereof, when the cause of the loss is a peril insured against:

First. If more than half thereof in value is actually lost, or would have to be expended to recover it from the peril;

Second. If it is injured to such an extent as to reduce its value more than one-half;

Third. If the thing insured, being a ship, the contemplated voyage cannot be lawfully performed without incurring an expense to the insured of more than half the value of the thing abandoned, or without incurring a risk which a prudent man would not take under the circumstances; or,

Fourth. If the thing insured, being cargo or freight, the voyage cannot be performed nor another ship procured by the master, within a reasonable time and with reasonable diligence, to forward the cargo, without incurring the like expense or risk. But freight cannot in any case be abandoned, unless the ship is also abandoned.

Both freight and ship abandoned.

SEC. 153. *Abandonment—Unqualified.*

An abandonment must be neither partial nor conditional.

Abandonment complete.

SEC. 154. *Abandonment—When May Be.*

Abandonment must be made within a reasonable time after the information of the loss, and after the commencement of the voyage, and before the party abandoning has information of its completion.

Time of abandonment.

SEC. 155. *Abandonment—When Defeated.*

Where the information upon which an abandonment has been made proves incorrect, or the thing insured was so far restored when the abandonment was made that there was then in fact no total loss, the abandonment becomes ineffectual.

Abandonment ineffectual.

SEC. 156. *Abandonment—How Made.*

Abandonment is made by giving notice thereof to the insurer, which may be done orally, or in writing.

Notice.

SEC. 157. *Notice—Requisition of.*

A notice of abandonment must be explicit, and must specify the particular cause of the abandonment, but need state only enough to show that there is probable cause therefor, and need not be accompanied with proof of interest or of loss.

Notice.

SEC. 158. *Abandonment—Sustained—Cause Specified.*

An abandonment can be sustained only upon the cause specified in the notice thereof.

SEC. 159. *Abandonment—Effect.*

An abandonment is equivalent to a transfer, by the insured, of his interest, to the insurer, with all the chances of recovery and indemnity.

SEC. 160. *Abandonment—Formal Waiver.*

Entitled to salvage.

If a marine insurer pays for a loss as if it were an actual total loss, he is entitled to whatever may remain of the thing insured, or its proceeds, or salvage, as if there had been a formal abandonment.

SEC. 161. *Agent—Insured—Become Agent—Insurer.*

Upon an abandonment, acts done in good faith by those who were agents of the insured in respect to the thing insured, subsequent to the loss, are at the risk of the insurer, and for his benefit.

SEC. 162. *Acceptance Not Necessary.*

An acceptance of an abandonment is not necessary to the rights of the insured, and is not to be presumed from the mere silence of the insurer, upon his receiving notice of abandonment.

SEC. 163. *Acceptance Conclusive.*

Acceptance conclusive.

The acceptance of an abandonment, whether expressed or implied, is conclusive upon the parties, and admits the loss and the sufficiency of the abandonment.

SEC. 164. *Abandonment—Accepted—Irrevocable.*

An abandonment once made and accepted is irrevocable, unless the ground upon which it was made proves to be unfounded.

SEC. 165. *Abandonment—Freight—Affected.*

On an accepted abandonment of a ship, freight earned previous to the loss belongs to the insurer thereof; but freight subsequently earned belongs to the insurer of the ship.

SEC. 166. *Refusal to Accept.*

If an insurer refuses to accept a valid abandonment, he is liable as upon an actual total loss, deducting from the amount any proceeds of the thing insured which may have come to the hands of the insured. Refusal
to accept.

SEC. 167. *Omission to Abandon.*

If a person insured omits to abandon, he may nevertheless recover his actual loss.

SEC. 168. *Valuation—When Conclusive.*

A valuation in a policy of marine insurance is conclusive between the parties thereto in the adjustment of either a partial or total loss, if the insured has some interest at risk, and there is no fraud on his part; except that when a thing has been hypothecated by bottomry or respondentia, before its insurance, and without the knowledge of the person actually procuring the insurance, he may show the real value. But a valuation fraudulent in fact entitles the insurer to rescind the contract. Valuation.

SEC. 169. *Loss—Partial.*

A marine insurer is liable upon a partial loss only for such proportion of the amount insured by him as the loss bears to the value of the whole interest of the insured in the property insured.

SEC. 170. *Profits.*

When profits are separately insured in a contract of marine insurance, the insured is entitled to recover, in case of loss, a proportion of such profits equivalent to the proportion which the value of the property lost bears to the value of the whole. Profits.

SEC. 171. *Valuation—Apportioned.*

In case of a valued policy of marine insurance on freight or cargo, if a part only of the subject is exposed to risk, the valuation applies only in proportion to such part.

SEC. 172. *Valuation—Profits.*

When profits are valued and insured by a contract of marine insurance, a loss of them is conclusively presumed

from a loss of the property out of which they were expected to arise, and the valuation fixes their amount.

SEC. 173. *Estimating Loss—Open Policy.*

Estimating
loss.

In estimating a loss under an open policy of marine insurance, unless otherwise provided in the policy, the following rules are to be observed:

First. The value of a ship is its value at the beginning of the risk, including all articles or charges which add to its permanent value, or which are necessary to prepare it for the voyage insured;

Value of
cargo.

Second. The value of the cargo is its actual cost to the insured, when laden on board, or where that cost cannot be ascertained, its market value at the time and place of lading, adding the charges incurred in purchasing and placing it on board, but without reference to any losses incurred in raising money for its purchase, or to any drawback on its exportation or to the fluctuations of the market at the port of destination, or to expenses incurred on the way or on arrival;

Third. The value of freight is the gross freight, exclusive of primage, without reference to the cost of earning it; and,

Fourth. The cost of insurance is in each case to be added to the value thus estimated.

SEC. 174. *Arrival—Damaged.*

Arrival
damaged.

If the cargo insured against partial loss arrives at the port of destination in a damaged condition, unless otherwise provided in the policy, the loss of the insured is deemed to be the same proportion of the value which the market price at that port, of the thing so damaged, bears to the market price it would have brought if sound.

SEC. 175. *Insurer—Liable—Expenses.*

Liability.

A marine insurer is liable for all the expenses attendant upon a loss which forces the ship into port to be repaired; and where it is agreed that the insured may labor for the recovery of the property, the insurer is liable for the expense incurred thereby, such expense, in either case, being in addition to a total loss if that afterwards occurs.

SEC. 176. *Insurer—Liable — Contribution — General Average.*

A marine insurer, unless otherwise provided in the policy, is liable for a loss falling upon the insured, through a contribution in respect to the thing insured, required to be made by him toward a general average loss called for by a peril insured against.

SEC. 177. *Contribution.*

Where a person insured by a contract of marine insurance has a demand against others for contribution, he may claim the whole loss from the insurer, subrogating him to his own right to contribution. But no such claim Claims. can be made upon the insurer after the separation of the interests liable to contribution, nor when the insured, having the right and opportunity to enforce contribution from others, has neglected or waived the exercise of that right.

SEC. 178. *One-Third—New—Old.*

In the case of a partial loss of a ship or its equipment, the old materials are to be applied towards payment for the new, and whether the ship is new or old, a marine insurer is liable for only two-thirds of the remaining cost of the repairs, except that he must pay for anchors and cannon in full, and for sheathing metal at a depreciation of only two and one-half per centum for each month that it has been fastened to the ship. Per cent. of liability.

SEC. 179. *Other Laws—Usages Made Applicable by Contract.*

A policy of marine insurance may provide that it shall be interpreted and applied according to the laws, usages and practices of any other government, and when so provided the policy shall be interpreted and applied according to the laws, usages and practices of such government.

ARTICLE III.

LIFE, HEALTH AND ACCIDENT.

SEC. 180. *Discrimination Prohibited.*

No life insurance company doing business in this state shall make or permit any distinction or discrimination in favor of individuals, between insurants of the same class and equal 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 agent, sub-agent, or broker, make any contract of 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 benefits to accrue thereon, or any other valuable consideration or inducement whatsoever not specified in the policy contract of insurance.

No life insurance company shall issue in this state, nor permit its agents, officers, or employees to issue in this state, agency company stock, or other stock or securities, or any special or advisory board contract, or other contract of any kind promising returns and profits, as an inducement to insurance; and no life insurance company shall be authorized, nor permitted to do business, in this state, which issues or permits its agents, officers, or employees, to issue in this state or in any other state or territory, agency company stock, or other stock or securities, or any special advisory board contract, 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 employees, shall be permitted to agree to sell, offer to sell, or give or offer to give, directly or indirectly,

Discrimination prohibited.

No special contracts.

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.

SEC. 181. *Policies—By Whom Signed.*

All life insurance policies delivered in this state shall be signed by the secretary or assistant secretary; or, in their absence, by a secretary *pro tempore*, and by the president or vice-president, or, in their absence, by two directors, of the company issuing same.

Policies,
who sign.

SEC. 182. *Medical Examination Must Be Made.*

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 premiums are payable monthly or oftener, without having previously made, or caused to be made, a prescribed medical examination of the insured by a legally qualified practicing physician.

Medical-ex-
amination.

SEC. 183. *Policy Must Be Filed.*

On and after January first, nineteen hundred twelve, 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 commissioner, unless before the expiration of said thirty days the commissioner shall have approved the same in writing; nor if the commissioner notifies the company in writing, that, in his opinion, the form of said policy does not comply with the requirements of the laws of this state, specifying the reasons for his opinion: *Provided*, That upon the petition of the company the opinion of the commissioner shall be subject to review by any court of competent jurisdiction.

Form filed.

SEC. 184. *Terms of Policy.*

No life insurance policy, except policies of industrial insurance or where the premiums are payable monthly or oftener, shall be issued or delivered in this state on and after January first, nineteen hundred and twelve, unless it contains in substance the following provisions:

Terms.

(1) A provision that the insured is entitled to a grace of at least thirty days within which the payment of any premium after the first year may be paid, subject, at the option of the company, to an interest charge not in excess of six per centum 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 before the overdue premium or the deferred premiums of the policy year, if any, are paid, the amount of such premiums, with interest on any overdue premium, may be deducted from any amount payable under the policy in settlement.

Provisions.

(2) A provision that [the] policy, so far as it relates to life or endowment insurance, shall be incontestable after two years from its date of issue except for non-payment of premiums, and except for violation of the conditions of the policy relating to military or naval service in time of war.

(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.

Provisions
continued.

(4) A provision that if the age of the insured has been mis-stated 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 annually or quinquennially.

(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 after the policy has been in force for three full years, the company at any time, while the policy is in force, will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest not exceeding six per centum

per annum, a sum equal to, or at the option of the owner of the policy less than, ninety per centum of the reserve at the end of the current policy year on the policy and on any dividend additions thereto, less a sum not more than two and one-half per centum of the amount insured by the policy and of any dividend additions thereto; and that the company will deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for the current policy year and may collect interest in advance on the loan to the end of the current policy year; which provision may further provide that such loan may be deferred for not exceeding six months after the application therefor is made.

(8) A table showing in figures the loan value, if any, and the options available under the policy each year upon default in premium payments, during at least the first twenty years of the policy, or for its life if maturity is less than twenty years, beginning with the year in which such values and options first become available.

Default in
payments.

(9) In case the proceeds of a policy are payable in installments or as an annuity, a table showing the amounts of the installments or 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 the cash value has been duly paid, or the extension period expired, 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 a rate not exceeding six per centum per annum payable annually.

Reinstated.

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.

SEC. 185. *Policy Binding on Company.*

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

Policy
binding .

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 the said minor, the statements made in the application as to 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, including all answers made by the applicant, and unless so attached the same shall not be considered a part of the policy or received in evidence.

SEC. 186. *Assessment Life Insurance.*

Assessment life insurance.

No life insurance company or association, other than fraternal beneficiary associations, which issues contracts, the performance of which is contingent upon the payment of assessments or calls made upon its members, shall do business within this state, except such companies or associations as are now licensed to do business within this state, and which shall value their assessment policies, or certificates of membership as yearly renewable term contracts according to the standard of valuation of life insurance policies prescribed by the laws of this state.

Assets required.

Every such company or association must have assets of at least two hundred thousand dollars invested in securities such as are approved by this act, and must have paid in full all legal death claims for the last twelve months.

Every such company or association shall, on or before February fifteenth of each year, file with the commissioner a statement, upon a form to be prescribed and furnished by him, showing the true condition of the company or association as of December thirty-first next preceding, and shall pay a premium tax as otherwise provided in this act.

SEC. 187. *Health and Accident Insurance.*

No policy of insurance against loss or damage from disease or by bodily injury by accident, or both, of the as-

sured, shall be issued or delivered in this state until a copy of the form thereof and the table of rates or manual of risks of the company has been filed at least thirty days with the commissioner, unless before the expiration of said thirty days the commissioner shall have approved the same in writing; nor if the commissioner notifies the company in writing that in his opinion the form of said policy does not comply with the requirements of the laws of this state, specifying the reasons for his opinion: *Provided*, That upon the petition of the company, the opinion of the commissioner shall be subject to review by any court of competent jurisdiction; nor shall such policy be so issued or delivered unless every portion except the questions and answers in the application is plainly printed in type not smaller than long primer or ten point type, nor unless all exceptions and conditions are printed with the same prominence as the benefits to which such exceptions and conditions apply, nor unless it contains in substance the following provisions:

Health and
accident
insurance.

Subject to
review.

(1) A provision that such policy, with a copy of the application thereof, if any, and of such other papers as may be attached thereto or endorsed thereon shall constitute the entire contract of insurance; except as it may be affected by any table of rates or classification of risks filed by the company with the commissioner; and except that this provision shall not be required upon policies of industrial insurance, or where the premiums are payable monthly or oftener.

Constitutes
contract.

(2) A provision that specifies the time within which notice of accident or disability shall be given, which time shall be not less than ten days from the date of the accident or the beginning of the disability from sickness upon which claim is based: *Provided, however*, That in case of accidental death, immediate notice thereof may be required; unless the notices herein specified may be shown not to have been reasonably possible.

Notice
required.

(3) A provision that notice of a claim for indemnity shall be deemed sufficient when given to the company.

(4) If a past due premium shall be accepted by the company, or by a branch office, or by an authorized agent of the company in the city, town, or county in which the insured shall reside, such acceptance shall reinstate the policy in full as to disability resulting from accidental bodily injuries thereafter sustained, but shall only reinstate the policy as to disability from disease beginning more than ten days after the date of such acceptance.

(5) A provision that if the insured is injured or contracts disease after having changed his occupation to one classified by the company as more hazardous than that stated in the policy, or while he is doing any act pertaining to any occupation so classified, the company shall pay such proportion of the indemnities provided in the policy as the premium paid would have purchased at the rate, but within the limits fixed by the company, for such more hazardous occupation according to the company's rates and classification of risks filed with the commissioner in this state at, or prior to the date of issuance of the policy under which indemnity is claimed.

(6) A provision that the company will pay the benefits promised within sixty days of the receipt by it of due proofs of death or disability.

(7) A provision that the policy may be cancelled at any time by the company by giving the insured written notice of cancellation, and paying in cash or mailing by registered letter with proper postage affixed thereon, addressed to the insured at his usual or last known post office address, a postoffice or express company money order or bank draft for the unearned portion of the premium, but that the cancellation shall be without prejudice to any claim arising on account of disability commencing prior to the date on which the cancellation takes effect.

SEC. 188. *Prohibitions.*

No such policy insuring against accidental bodily injuries or disease or death shall be issued or delivered in this state, if it contains in substance any of the following provisions:

Rates on
hazardous
risks.

Provisions.

Prohibitions.

(1) A provision limiting the time within which proofs of claims shall be furnished to the company to a period less than ninety days from the date of death, dismemberment, or loss of sight or from the termination of any other disability.

(2) A provision that such policy shall authorize the deduction of any premium or assessment from any indemnity payable under the terms of the policy, except such premium or assessment as may be due or covered by written order or note at the time of payment of the indemnity.

(3) A provision limiting the amount of indemnity to be paid to a sum less than the indemnity as stated in the policy and for which the premium has been paid: *Provided, however,* If the assured shall carry other insurance covering the same hazard without giving written notice to the companies issuing the policies, then, and in that case, each company shall be liable only for such proportionate amount of benefits as the indemnity promised bears to the total amount of indemnity in all the policies covering such hazard, and for the return of such part of the premium paid as shall exceed the *pro rata* of the premium for the benefits paid.

Other
insurance.

SEC. 189. *Blanket Policies Not Affected.*

Nothing in this act shall affect any general or blanket policy of insurance issued to any municipal corporation or department thereof, or to any corporation, co-partnership, association, or individual employer, police or fire department, underwriters' corps, salvage bureau, or like associations or organizations, when the officers, members, or employees or classes or departments thereof are insured against specified accidental bodily injuries or diseases while exposed to the hazards of the occupation or otherwise, for a premium intended to cover the risks of all persons insured under such policy; nor shall anything in section 187 and 188 of this act apply to or affect contracts of life insurance, or contracts supplemental thereto, which shall contain provisions intended to safeguard such life insurance against lapse, or that shall provide a special surren-

Blanket
policies.

der value therefor in the event that the assured thereunder shall, by reason of accidental bodily injury or disease, be unable to continue the premium payments thereon.

SEC. 190. *Immediate Disposal of Notes Prohibited.*

Disposal prohibited.

I shall be unlawful for any company or agent thereof to hypothecate, sell, or dispose of a promissory note, received in payment for any part of a premium on a policy of insurance applied for under the provisions of this article, prior to the delivery of the policy to the applicant.

SEC. 191. *Penalties.*

Any insurance company knowingly and wilfully violating any of the provisions of this article shall be fined in any sum not exceeding one thousand dollars.

Any insurance agent knowingly and wilfully violating any of the provisions of this article shall be fined in any sum not exceeding five hundred dollars and shall have his license revoked.

SEC. 192. *Fraternal Exempt.*

Exemptions.

Nothing in this article shall be construed as applying to fraternal beneficiary associations, societies, or orders with representative form of government, operating on a lodge system, or the beneficiary certificate or policy issued by them.

ARTICLE IV.

BONDING, CASUALTY, LIABILITY, AND SURETY INSURANCE.

SEC. 193. *Surety Companies May Execute Bond, Etc.*

Liability, bonding, casualty and surety insurance.

Whenever any bond, recognizance, obligation, stipulation, or undertaking is by law, state, municipal, or otherwise, or by the rules, or regulations of any board, court, judge, body, or organization, or officer, state, municipal, or otherwise, required or permitted to be made, given, tendered, or filed, for the security or protection of any person or persons, corporation, municipality, state, or any department thereof, or any other organization whatever, conditioned for the doing or not doing of anything in such bond, recognizance, obligation, stipulation, or under-

taking, specified, any and all heads of departments, public officers, state, county, town, school district, or other municipality, and any and all boards, courts, judges, and municipalities, now or hereafter required or permitted to accept or approve of the sufficiency of any such bond, recognizance, obligation, stipulation, or undertaking, may, in the discretion of such head of department, court, judge, public officer, board, or municipality, accept such bond, recognizance, obligation, stipulation, or undertaking, and approve the same whenever the same is executed, or the conditions thereof are guaranteed, solely by a company admitted and authorized to transact such business in this state in accordance with the requirements of this act, but no such security shall be accepted on any bond for an amount in excess of ten per cent. of the paid-up cash capital, and surplus.

Whenever any such bond, recognizance, obligation, stipulation, or undertaking is so required to be made, given, tendered, or filed with one surety, or with two or more sureties, the execution of the same, or the guaranteeing of the performance of the conditions thereof, shall be sufficient when executed or guaranteed solely by such company, so authorized, and shall be in all respects a full and complete compliance with every requirement of every law, ordinance, rule or regulation, that such bond, undertaking, recognizance, obligation or stipulation shall be executed or guaranteed by one surety, or by two or more sureties, or that such sureties shall be residents, householders, or freeholders, or both, and a full and complete compliance with every other requirement of every law, ordinance, rule, or regulation, relating to the same, and no justification by such company shall be necessary or required, and any and all heads of departments, court, judges, public officers, boards, and municipalities, whose duties it may be, or shall hereafter be, to accept or approve the sufficiency of any such bond, recognizance, obligation, stipulation, or undertaking, may accept and approve the same, when executed or guaranteed solely by such company.

Requirements.

SEC. 194. *Premium—May Be Taxed as Costs.*

Premiums.

Any receiver, assignee, trustee, guardian, executor, administrator, committee, or other fiduciary, required by law to give bond as such, may include as a part of his lawful expenses, such reasonable sum paid to such company for such suretyship, not exceeding the current rate of premium per annum reasonably chargeable for similar suretyship, as the head of the department, court, judge, or other officer by whom, or the court or body by which he was appointed allows, and in all actions and proceedings, the party entitled to recover costs may include therein such reasonable sum as may have been paid such company for executing or guaranteeing any such bond or undertaking therein as may be allowed by the court or judge before whom the action or proceeding is pending.

SEC. 195. *Release from Liability.*Release
from
liability.

Any company executing any bond, recognizance, obligation, stipulation, or undertaking, and any such surety may be released from its liability on the same terms and conditions as are or may be by law prescribed for the release of individuals upon any such bond, recognizance, obligation, stipulation, or undertaking; it being the true intent and meaning of this act to enable companies created for the purpose to execute and become surety on bonds, recognizances, obligations, stipulations, or undertakings, required, or permitted by law, state, or municipal, or otherwise, or by the rules or regulations of any court, judge, officer, board, city charter, village, town, organization, or otherwise to be released from liability thereon in like manner and upon like terms and conditions as sureties are or may be.

SEC. 196. *Failure to Discharge Contract—Forfeiture.*

If any such company shall neglect, fail, or refuse to pay any final judgment or decree, rendered against it, upon any such recognizance, bond, stipulation, or undertaking made or guaranteed by it, in this state, for the period of thirty days after any such judgment or decree shall have been finally determined in case of an appeal, or within

thirty days after the time for taking an appeal has expired when no appeal is taken from such judgment or decree, or in case an appeal be taken and the same be dismissed before final determination on appeal, then within thirty days from such dismissal, it shall forfeit all right to do business in this state and the commissioner shall thereupon revoke its license and the license of its agent.

Forfeited
rights.

ARTICLE V.

TITLE INSURANCE.

SEC. 197. *Formation of Company—Purposes—Requirements.*

Every domestic or foreign company organized for the purpose of insuring or guaranteeing the owners or encumbrancers of property within this state against loss by reason of any incorrect statement in the guaranteed certificate of title or policy of title insurance, or other guaranty of title, issued thereon, or by reason of any unexcepted lien or encumbrance upon, or defect in the title thereto, shall from and after the taking effect of this act and before issuing any guaranteed certificate of title, or policy of title insurance, or other guaranty of title deposit with the state treasurer, as a guaranty fund, securities to the amount specified in this act and of the character hereinafter set forth: *Provided*, That every such company must, before it may issue any policy of title insurance or guaranteed certificates of title, and for so long a time as it may continue to issue any policies of title insurance or guaranteed certificates of title, own and maintain a complete set of tract indexes of the county in which its principal office within this state is located.

Title
insurance.

Tract
indexes.

SEC. 198. *Classes of Securities.*

Such guaranty fund shall be composed of securities specified as authorized investments in this act: *Provided*, That any domestic company, owning, at the time this act takes effect, stocks of any national or state bank doing business in this state, which according to its latest report to the comptroller of the currency or the state bank ex-

Classes.

aminer, has its capital fully paid, and has in addition thereto a surplus fund amounting to not less than twenty per cent. of its capital, may deposit such stocks at par value thereof with the state treasurer, in lieu of the securities authorized by this act, until the same under the provisions of this act, can be exchanged or converted into securities authorized by this act: *Provided, however,* That not to exceed forty per cent. of the total capital stock of any such bank shall be deposited with the state treasurer as part or whole of any such guaranty fund. All such securities shall be registered in the name of or endorsed or assigned to said state treasurer officially, as the occasion and the due and orderly course of business may require. The securities so deposited shall be held by the state treasurer as a special guaranty fund, securing the faithful performance on the part of any such company of all its undertakings and liabilities upon its guaranteed certificates of title, policies of title insurance, or other guarantees of title to property and to the extent of any outstanding liabilities thereon, shall not be subject to any other outstanding liabilities of the company.

Per cent.
deposited.

SEC. 199. *Conditions of Deposit.*

That such deposit shall be by the state treasurer held subject to the following conditions:

(1) The state treasurer shall deliver to the company depositing such guaranty fund a receipt in full for all securities so deposited with him. The company may from time to time withdraw securities or any part thereof on depositing with said state treasurer cash or other authorized securities, so as at all times to maintain the value of said guaranty fund deposit at not less than the amount required by this act.

Conditions
of deposit.

(2) All interest or dividends accruing on said securities deposited with the state treasurer under authority of this act shall belong to and at all times be available to the company making said deposit and the said state treasurer shall permit said company so long as it shall continue solvent to collect the interest or dividends on said

securities so deposited. The state treasurer shall be the agent of both parties to receive, receipt for and pay over said interest or dividends when the same are paid to him by reason of the custody of said deposit, and he is hereby authorized to make such endorsements on said securities as the occasion and the due and orderly course of business may require. The rights of said company to demand of and receive from the state treasurer said interest or dividends, shall be subject, however, to the provisions of the following paragraph.

Treasurer
act as
agent.

Rights of
company

(3) If, pursuant to liability on a guaranteed certificate of title, or policy of title insurance or other guaranty of title to property, a judgment shall be entered in a court of general jurisdiction in this state against a company which has made a deposit of securities with the state treasurer subject to the provisions of this act and such judgment shall have become final either by failure to appeal, dismissal of appeal, or by affirmance on appeal, or otherwise, and such judgment shall not be paid and satisfied in full within thirty days after the finality of said judgment has become fixed, then in every such case said judgment may be enforced against said securities so deposited with the state treasurer upon petition of the judgment creditor in the same cause wherein judgment was obtained, setting forth the facts aforesaid, whereupon it shall be the duty of the court wherein said judgment is entered to direct the issuance of a special execution directed to the sheriff of the county in which the capitol of the state is situated, which execution shall be as near as may be in the usual form and shall require on the part of said sheriff, the sale of said securities or so much thereof as may be necessary to the satisfaction of said judgment. When application is made for the issuance of said special execution herein provided for, and the court allows the same, the order in which said special execution is authorized, shall direct that service of a copy of the said judgment and the said petition shall be made within five days thereafter upon the state treasurer. All proceedings re-

Service
on state
treasurer.

lating to the enforcement of said writ of execution against said securities shall conform as near as may be to the practice in ordinary cases except as herein otherwise specially provided. Proceedings under said execution shall be a sufficient authority where notices aforesaid have been served on said state treasurer for the delivery by said state treasurer to the sheriff of the securities to be sold upon said execution.

Treasurer
hold
securities.

(4) Except as herein provided, the state treasurer shall hold intact the securities deposited with him and shall retain the same until such time as all liabilities under any guaranteed certificate of title, or policy of title insurance, or other guaranty of title, issued by the company having deposited such securities, shall have legally terminated, or until such time as all liabilities of said company under such guaranteed certificates of title or policies of title insurance or other guarantees of title, shall have been assumed by some other title insurance company of equal financial standing and responsibility, authorized to transact business in this state, upon which conditions alone and on application of said company verified by the oath of its president and of its secretary, and upon satisfactory examination of its books, and of its officers under oath that such conditions have been met, the state treasurer is authorized and it shall be his duty to forthwith return the securities to the said company. On return of the securities, the certificates of authority issued to said company by the state insurance commissioner shall be revoked and notice thereof given in the same manner as provided for in the next succeeding paragraph:

Commis-
sioner revoke
certificate

(5) *Provided, however,* That if the aforesaid guaranty fund is at any time impaired by reason of the payment of any judgment against the company depositing such funds or by reason of the nonpayment of the annual fee as herein provided, or at all, and remains so impaired for a period of thirty days after notice to the company, the commissioner is hereby authorized and it shall be his duty to immediately revoke the certificate of authority granted said company, and to publish a notice

of such revocation in a daily paper of general circulation, published in the city wherein said company has its principal office at least once in each week for six successive weeks, the expense of such publication to be chargeable against the said guaranty fund of said company.

SEC. 200. *Annual Fee.*

That the company so depositing such securities shall on or before the second Monday in January of each year that such securities or any part thereof remain on deposit with the state treasurer as provided by this act, pay to the state treasurer for the use of the state an annual fee equal in amount to one-tenth of one per centum of the value of the securities so deposited by it, and should the same not be paid within thirty days thereafter, the state treasurer is hereby authorized to sell sufficient of said securities to pay the same.

Annual
fee.

SEC. 201. *Penalty for Non-Compliance.*

It shall be unlawful for any company to engage in said business of insuring or guaranteeing the owners or encumbrancers of property against loss as hereinbefore specified, unless such company shall have complied with all of the provisions of this act; and if any company, its agent or attorney shall issue any guaranteed certificate of title, or policy of title insurance, or other guaranty of title to property, or guarantee or insure any owner or encumbrancer of property against loss as hereinbefore specified, without having complied with the laws of this state with regard thereto, such company, or its agent, or attorney, issuing such guaranteed certificate of title, or policy of title insurance, or other guaranty of title, or undertaking such guarantee or insurance shall be guilty of a misdemeanor and be subject to a fine of not less than one hundred dollars nor more than five hundred dollars for each such offense, in the discretion of the court.

Penalty
and fine.

SEC. 202. *Annual Financial Statements.*

Every company engaged in part or wholly in said business of insuring or guaranteeing the owners or encumbrancers of property against loss as hereinbefore speci-

Annual
statements.

Statement
shall show.

fied, shall on or before the first day of February in each and every year make and file with the commissioner a statement verified by oath of the president and secretary of such company, showing the financial condition of such company on the thirty-first day of December next preceding, and shall show:

(1) The amount of the capital stock of the company.

(2) The property or assets held by the same, including securities on deposit with the state treasurer as a guaranty fund.

(3) The income of said company from title insurance during the preceding year.

(4) The amount and character of risks written during the same period, the amount and character of risks expired during the same period, and the total amount and character of risks outstanding on the thirty-first day of December next preceding.

If the provisions of this section are not complied with on or before the fifteenth day of February in each year, the commissioner shall revoke the certificate of authority issued to the company.

SEC. 203. *Expiration of Certificate of Authority—Renewal—Suspension.*

Expiration
renewal
suspension.

Every certificate of authority granted in pursuance of the provisions of this act to a company engaged wholly or in part in said business of insuring or guaranteeing the owners or encumbrancers of property against loss as hereinbefore specified, shall expire on the first day of April after the date of issue. The certificate of authority may be renewed from year to year upon application to the commissioner and upon evidence of compliance by the company with the provisions of this act. If the commissioner is not satisfied that the securities composing the guaranty fund of any such company remain secure, he may suspend the authority of such company to do a title insurance business until any impairment or depreciation of such guaranty fund is made good.

SEC. 204. *Taxation.*

Every such company engaged wholly or in part in said business of insuring or guaranteeing the owners or encumbrancers of property against loss as hereinbefore specified, shall be taxed on the basis of the physical property owned by it in the county where such property is located, in accordance with the general laws relating to taxation in this state, and not otherwise.

Taxation.

SEC. 205. *Owner and Encumbrancer Defined.*

The terms "owner" and "encumbrancer" as used throughout this article shall be construed to include any one having an insurable interest in property.

Defining terms.

ARTICLE VI.**FRATERNAL.****SEC. 206. *Fraternal Benefit Societies Defined.***

Any corporation, society, order, or voluntary association, without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries, and not for profit, and having a lodge system with ritualistic form of work and representative form of government, and which shall make provision for the payment of benefits in accordance with section two hundred ten hereof, is hereby declared to be a fraternal benefit society.

Fraternal societies defined.

SEC. 207. *Lodge System Defined.*

Any society having a supreme governing or a legislative body and subordinate lodges or branches by whatever name known, into which members shall be elected, initiated, and admitted in accordance with its constitution, laws, rules, regulations, and prescribed ritualistic ceremonies, which subordinate lodges or branches shall be required by the laws of such societies to hold regular or stated meetings at least once in each month, shall be deemed to be operating on the lodge system.

Lodge system defined.

SEC. 208. *Representative Form of Government Defined.*

Any such society shall be deemed to have a representative form of government when it shall provide in its con-

Government defined.

stitution and laws for a supreme legislative or governing body, composed of representatives elected either by the members or by delegates elected directly or indirectly by the members, together with such other members as may be prescribed by its constitution and laws: *Provided*, That the elective members shall constitute a majority in the number and have not less than two-thirds of the votes, nor less than the votes required to amend its constitution and laws: *Provided further*, That the meetings of the supreme or governing body, and the election of officers, representatives, or delegates shall be held as often as once in four years. The members, officers, representatives, or delegates of a fraternal benefit society shall not vote by proxy.

SEC. 209. *Exemptions.*

Exemptions.

Except as herein provided, such societies shall be governed by the provisions of this article and shall be exempt from all other provisions of the insurance laws of this state, not only in governmental relations with the state, but for every other purpose, and no law hereinafter enacted shall apply to them unless they be expressly designated therein.

SEC. 210. *Benefits.*

Benefits.

(1) Every society transacting business under this article shall provide for the payment of death benefits, and may provide for the payment of benefits in case of temporary or permanent physical disability, either as the result of disease, accident, or old age: *Provided*, That the period of life at which the payment of benefits for disability on account of old age shall commence, shall not be under seventy years, and may provide for monuments or tombstones to the memory of the deceased members and for the payment of funeral benefits. Such society shall have the power to give a member, when permanently disabled or on attaining the age of seventy, all or such portion of the face value of his certificates as the laws of the society may provide: *Provided*, That nothing in this article contained shall be so construed as to prevent the

Age limit.

issuing of benefit certificates for a term of years less than the whole of life which are payable upon the death or disability of the member occurring within the terms for which the benefit certificate may be issued. Such society shall, upon written application of the members, have the power to accept a part of the periodical contributions in cash, and charge the remainder, not exceeding one-half of the periodical contributions, against the certificate with interest payable or compounded annually at a rate not lower than four per cent. per annum: *Provided*, That this privilege shall not be granted except to societies which have readjusted or may hereafter readjust their rates of contribution and to contracts affected by such readjustment.

(2) Any society which shall show by the annual valuation hereinafter provided for, that it is accumulating and maintaining the reserve necessary to enable it to do so, under a table of mortality not lower than the American Experience Table and four per cent. interest, may grant to its members, extended and paid-up protection or such withdrawal equities as its constitution and laws may provide: *Provided*, That such grants shall in no case exceed in value the portion of the reserve to the credit of such members to whom they are made.

May grant
paid-up
protection.

SEC. 211. *Beneficiaries.*

The payment of death benefits shall be confined to wife, husband, relative by blood to the fourth degree ascending or descending, father-in-law, mother-in-law, son-in-law, daughter-in-law, step-father, step-mother, step-children, children by legal adoption, or to a person or persons dependent upon the member: *Provided*, That if after the issuance of the original certificate the member shall become dependent upon a home maintained by the society for the dependent members or upon a subordinate lodge or society of the order of which he is a member, or upon an incorporated charitable institution, he shall have the privilege with the consent of the society, of making such home, lodge, society or institution his beneficiary. Within

Beneficiaries.

Right to
name
beneficiary.

the above restrictions each member shall have the right to designate his beneficiary, and, from time to time, have the same changed in accordance with the laws, rules, or regulations of the society, and no beneficiary shall have or obtain any vested interest in the said benefit until the same has become due and payable upon the death of the said member: *Provided*, That any society may, by its laws, limit the scope of beneficiaries within the above classes.

SEC. 212. *Qualifications for Membership.*

Qualifications. Any society may admit to beneficial membership any person not less than sixteen and not more than sixty years of age, who has been examined by a legally qualified practicing physician and whose examination has been supervised and approved in accordance with the laws of the society: *Provided*, That any beneficiary member of such society who shall apply for a certificate providing for disability benefits, need not be required to pass an additional medical examination therefor. Nothing herein contained shall prevent such society from accepting general or social members.

SEC. 213. *Certificate.*

Certificate. Every certificate issued by any such society shall specify the amount of benefit provided thereby, and shall provide that the certificate, the charter, or articles of incorporation, or, if a voluntary association, the articles of association, the constitution and laws of the society and the application for membership and medical examination, signed by the applicant, and all amendments to each thereof, shall constitute the agreement between the society and the member, and copies of the same certified by the secretary of the society, or corresponding officer, shall be received in evidence of the terms and conditions thereof, and any changes, additions, or amendments to said charter or articles of incorporation, or articles of association, if a voluntary association, constitution, or laws duly made or enacted subsequent to the issuance of the benefit certificates, shall bind the member and his beneficiaries, and

shall govern and control the agreement in all respects the same as though such changes, additions, or amendments had been made prior to and were in force at the time of the application for membership.

SEC. 214. *Funds.*

(1) Any society may create, maintain, invest, disburse, and apply an emergency, surplus, or other similar fund in accordance with its law. Unless otherwise provided in the contract, such funds shall be held, invested, and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment or the surrender of any part thereof, except as provided in section two hundred ten of this article. The funds from which benefits shall be paid and the funds from which the expenses of the society shall be defrayed, shall be derived from periodical or other payments by the members of the society and accretions of said funds: *Provided*, That no society, domestic or foreign, shall hereafter be incorporated or admitted to transact business in this state, which does not provide for stated periodical contributions sufficient to provide for meeting the mortuary obligations contracted, when valued upon the basis of the National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress, August twenty-third, eighteen hundred and ninety-nine, or any higher standard with interest assumption not more than four per cent. per annum, nor write or accept members for temporary or permanent disability benefits except upon tables based upon reliable experience, with an interest assumption not higher than four per cent. per annum.

Funds.

Basis for calculating.

(2) Deferred payments or installments of claims shall be considered as fixed liabilities on the happening of the contingency upon which such payments or installments are thereafter to be paid. Such liability shall be the present value of such future payments or installments upon the rate of interest and mortality assumed by the society for valuation, and every society shall maintain a fund

Deferred payments.

sufficient to meet such liability regardless of proposed future collections to meet any such liabilities.

SEC. 215. *Investments.*

Investments.

Every society shall invest its funds only in securities permitted by the laws of this state for the investment of the assets of life insurance companies: *Provided*, That any foreign society permitted or seeking to do business in this state, which invests its funds in accordance with the laws of the state in which it is incorporated, shall be held to meet the requirements of this article for the investment of funds.

SEC. 216. *Distribution of Funds.*

Distribution of funds.

Every provision of the laws of the society for payment by members of such society, in whatever form made, shall distinctly state the purpose of the same and the proportion thereof which may be used for expenses, and no part of the money collected for mortuary or disability purposes, or the net accretions of either or any of said funds, shall be used for expenses.

SEC. 217. *Organization.*

Organization.

Seven or more persons, citizens of the United States, and a majority of whom are citizens of this state, who desire to form a fraternal benefit society, as defined by this article, may make and sign, giving their addresses, and acknowledge before some officer competent to take acknowledgment of deeds, articles of incorporation, in which shall be stated:

First. The proposed corporate name of the society, which shall not so closely resemble the name of any society or insurance company already transacting business in this state as to mislead the public or to lead to confusion.

Purpose shall not include.

Second. The purpose for which it is formed, which shall not include more liberal powers than are granted in this article: *Provided*, That any lawful social, intellectual, educational, charitable, benevolent, moral, or religious advantages may be set forth among the purposes

of the society, and the mode in which its corporate powers are to be exercised.

Third. The names, residences, and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control and management of the affairs and funds of the society for the first year or until the ensuing election at which all such officers shall be elected by the supreme legislative or governing body, which election shall be held not later than one year from the date of the issuance of the permanent certificate. Such articles of incorporation and duly certified copies of the constitution and laws, rules and regulations, and copies of all proposed forms of benefit certificates, applications therefor and circulars to be issued by such society, and a bond in the sum of five thousand dollars, with sureties approved by the commissioner, conditioned upon the return of the advanced payments, as provided in this section, to applicants, if the organization is not completed within one year, shall be filed with the commissioner, who may require such further information as he deems necessary, and if the purposes of the society conform to the requirements of this article, and all provisions of law have been complied with, the commissioner shall so certify and retain and record, or file, the articles of incorporation, and furnish the incorporators a preliminary certificate authorizing said society to solicit members as hereinafter provided.

Bond
required.

Upon receipt of said certificate from the commissioner, said society may solicit members for the purpose of completing its organization and shall collect from each applicant the amount of not less than one regular monthly payment, in accordance with its table of rates as provided by its constitution and laws, and shall issue to each such applicant, a receipt for the amount so collected. But no such society shall incur any liability other than for such advanced payments, nor issue any benefit certificate, nor pay or allow, or offer or promise to pay or allow, to any person any death or disability benefit until actual *bona fide* applications for death benefit certificates have been

Applications
required.

secured upon at least five hundred lives for at least one thousand dollars each, and all such applicants for death benefits shall have been regularly examined by legally qualified practicing physicians, and certificates of such examinations have been duly filed and approved by the chief medical examiner of such society, nor until there shall be established ten subordinate lodges or branches into which said five hundred applicants have been initiated, nor until there has been submitted to the commissioner, under oath of the president and secretary, or corresponding officers of such society, a list of such applicants, giving their names, addresses, date examined, date approved, date initiated, name and number of the subordinate branch of which each applicant is a member, amount of benefits to be granted, rate of stated periodical contributions which shall be sufficient to provide for meeting the mortuary obligation contracted, when valued for death benefits upon the basis of the National Fraternal Congress Table of Mortality, as adopted by the National Fraternal Congress, August twenty-third, eighteen hundred and ninety-nine, or any higher standard at the option of the society, and for disability benefits by tables based upon reliable experience and for combined death and permanent total disability benefits by tables based upon reliable experience, with an interest assumption not higher than four per cent. per annum, nor until it shall be shown to the commissioner by the sworn statement of the treasurer, or corresponding officer of such society, that at least five hundred applicants have each paid in cash at least one regular monthly payment as herein provided per one thousand dollars of indemnity to be effected, which payments in the aggregate shall amount to at least twenty-five hundred dollars, all of which shall be credited to the mortuary or disability fund on account of such applicants, and no part of which may be used for expenses.

Per cent. of
interest.

Said advanced payments shall, during the period of organization, be held in trust, and, if the organization is not completed within one year as hereinafter provided; returned to said applicants.

Payments
held in
trust.

The commissioner may make such examination and require such further information as he deems advisable, and upon presentation of satisfactory evidence that the society has complied with all the provisions of law, he shall issue to such society a certificate to that effect. Such certificate shall be *prima facie* evidence of the existence of such society at the date of such certificate. The commissioner shall cause a record of such certificate to be made and a certified copy of such record may be given in evidence with like effect as the original certificate.

No preliminary certificate granted under the provisions of this section shall be valid after one year from its date, or after such further period, not exceeding one year, as may be authorized by the commissioner, upon cause shown, unless the five hundred applicants herein required have been secured and the organization has been completed as herein provided, and the articles of incorporation and all proceedings thereunder shall become null and void in one year from the date of said preliminary certificate, or at the expiration of said extended period, unless such society shall have completed its organization and commenced business as herein provided. When any domestic society shall have discontinued business for the period of one year, or has less than four hundred members, its charter shall become null and void.

Certificate
valid one
year.

Every society shall have the power to make a constitution and by-laws for the government of the society, the admission of its members, the management of its affairs, and the fixing and readjusting of the rates of contribution of its members from time to time; and it shall have the power to change, alter, add to or amend such constitution and by-laws and shall have such other powers as are necessary and incidental to carrying into effect the objects and purposes of the society.

Powers.

SEC. 218. *Powers Retained—Reincorporation—Amendments.*

Any society now engaged in transacting business in this state may exercise, after the passage of this act, all of

Not to re-
incorporate.

the rights conferred thereby, and all of the rights, powers and privileges now exercised or possessed by it under its charter or articles of incorporation not inconsistent with this act, if incorporated; or, if it be a voluntary association, it may incorporate hereunder. But no society already organized shall be required to reincorporate hereunder, and any such society may amend its articles of incorporation from time to time in the manner provided herein or in its constitution and laws and all such amendments shall be filed as original articles of incorporation are required to be filed, and shall become operative upon such filing, unless a later time be provided in such amendments or in its articles of incorporation, constitution or laws.

SEC. 219. *Mergers and Transfers.*

Mergers
and
transfers.

No domestic society shall merge with or accept the transfer of the membership or funds of any other society unless such merger or transfer is evidenced by a contract in writing, setting out in full the terms and conditions of such merger or transfer which shall be filed as original articles of incorporation are required to be filed, together with a sworn statement of the financial condition of each of said societies, by its president and secretary, or corresponding officers, and a certificate of such officers duly verified under oath of said officers of each of the contracting societies, that such merger or transfer has been approved by a vote of two-thirds of the members of the supreme legislative or governing body of each of said societies.

Examine
contract.

Upon the submission of said contract, financial statements and certificates, the commissioner shall examine the same, and, if he shall find such financial statements to be correct and the said contract to be in conformity with the provisions of this section, and that such merger or transfer is just and equitable to the members of each of said societies, he shall approve said merger or transfer, issue his certificate to that effect and thereupon the said contract of merger or transfer shall be of full force and effect.

In case such contract is not approved, the fact of its submission and its contents shall not be disclosed by the state insurance commissioner.

SEC. 220. *Annual License.*

Societies which are now authorized to transact business in this state may continue such business until the first day of April next succeeding the passage of this act, and the authority of such societies may thereafter be renewed annually, but in all cases to determine on the first day of the succeeding April: *Provided*, That the license shall continue in full force and effect until the new license be issued or specifically refused. For each such license or renewal the society shall pay the commissioner ten dollars. A duly certified copy or duplicate of such license shall be *prima facie* evidence that the licensee is a fraternal benefit society within the meaning of this article.

Annual
license.

SEC. 221. *Admission of Foreign Society.*

No foreign society now transacting business, organized prior to the passage of this act, which is not now authorized to transact business in this state, shall transact any business herein without a license from the commissioner. Any such society shall be entitled to a license to transact business within this state upon filing with the commissioner a duly certified copy of its charter or articles of association; a copy of its constitution and laws, certified by its secretary or corresponding officer, a power of attorney to the commissioner as hereinafter provided; a statement of its business under oath of its president and secretary, or corresponding officers, in the form required by the commissioner, duly verified by an examination made by the supervising insurance official of its home state or other state satisfactory to the commissioner of this state; a certificate from the proper official in its home state, province, or country that the society is legally organized; a copy of its contract, which must show that benefits are provided for by periodical, or other payments by persons holding similar contracts, and upon

Admission.

furnishing the commissioner such other information as he may deem necessary to a proper exhibit of its business and plan of working, and upon showing that its assets are invested in accordance with the laws of the state, territory, district, province, or country where it is organized, he shall issue a license to such society to do business in this state until the first day of the succeeding April: *Provided*, That such license shall continue in full force and effect until the new license be issued or specifically refused. Any foreign society desiring admission to this state shall have the qualifications required of domestic societies organized under this article and have its assets invested as required by the laws of the state, territory, district, country, or province where it is organized. For each such license or renewal the society shall pay the commissioner ten dollars. When the commissioner refuses to license any society, or revoke its authority to do business in this state, he shall reduce his ruling, order or decision to writing and file the same in his office, and shall furnish a copy thereof, together with a statement of his reasons, to the officers of the society, upon request, and the action of the commissioner shall be reviewable by proper proceedings in any court of competent jurisdiction within the state: *Provided*, That nothing contained in this or the preceding section shall be taken or construed as preventing any such society from continuing in good faith all contracts made in this state during the time such society was legally authorized to transact business herein.

SEC. 222. *Power of Attorney and Service of Process.*

Every society, whether domestic or foreign, now transacting business in this state shall, within thirty days after this act takes effect, and every such society hereafter applying for admission, shall before being licensed, appoint in writing the insurance commissioner and his successors in office to be its true and lawful attorney, upon whom all legal process in any action or proceeding against it shall be served, and in such writing shall agree that any lawful process against it which is served upon such attorney shall

be of the same legal force and validity as if served upon the society and that the authority shall continue in force so long as any liability remains outstanding in this state.

Copies of such appointment, certified by said commissioner, shall be deemed sufficient evidence thereof, and shall be admitted in evidence with the same force and effect as the original thereof might be admitted. Service shall only be made upon such attorney, must be made in duplicate upon the commissioner, in his absence upon the person in charge of his office, and shall be deemed sufficient service upon such society: *Provided*, That no such service shall be valid or binding against any such society when it is required thereunder to file its answer, pleading or defense in less than forty days from the date of mailing the copy of such service to such society. When legal process against any such society is served upon said commissioner, he shall forthwith forward by registered mail, one of the duplicate copies prepaid and directed to its secretary or corresponding officer. Legal process shall not be served upon any such society except in the manner provided herein.

Service
valid,
when.

SEC. 223. *Place of Meeting—Location of Office.*

Any domestic society may provide that the meetings of its legislative or governing body may be held in any state, district, province, or territory wherein such society has subordinate branches and all business transacted at such meetings shall be as valid in all respects as if such meetings were held in this state. But its principal office shall be located in this state.

SEC. 224. *No Personal Liability.*

Officers and members of the supreme, grand, or any subordinate body of any such incorporated society shall not be individually liable for the payment of any disability or death benefit provided for in the laws and agreements of such society, but the same shall be payable only out of the funds of such society and in the manner provided by its laws.

Personal
liability.

SEC. 225. *Waiver of the Provisions of the Laws.*

Waiver.

The constitution and laws of the society may provide that no subordinate body, nor any of its subordinate officers or members shall have the power or authority to waive any of the provisions of the laws and constitution of the society, and the same shall be binding on the society and each and every member thereof and on all beneficiaries of members.

SEC. 226. *Benefits Not Attachable.*

Benefits not attachable.

No money or other benefit, charity or relief or aid to be paid, provided, or rendered by any such society shall be liable to attachment, garnishment, or other process, or to be seized, taken, appropriated, or applied by any legal or equitable process, or operation of law to pay any debt or liability of a member or beneficiary, or any other person who may have a right thereunder, either before or after payment.

SEC. 227. *Constitution and Laws—Amendment.*

Shall file copy of constitution and laws.

Every society transacting business under this act, shall file with the commissioner a duly certified copy of all amendments of or additions to its constitution and laws, within ninety days after the enactment of the same. Printed copies of the constitution and laws as amended, changed, or added to, certified by the secretary or corresponding officer of the society shall be *prima facie* evidence of the legal adoption thereof.

SEC. 228. *Annual Reports.*

Annual reports.

Every society transacting business in this state, shall annually, on or before the fifteenth day of February, file with the commissioner, in such form as he may require, a statement under oath of its president and secretary or corresponding officers, of its condition and standing on the thirty-first day of December next preceding, and of its transactions for one year ending on that date and also shall furnish such other information as the commissioner may deem necessary to a proper exhibit of its business and plan of working. The commissioner may at other times

require any further statement he may deem necessary to be made relating to such society.

In addition to the annual report herein required, each society shall annually report to the commissioner, a valuation of its certificates in force on the thirty-first day of December, last preceding, excluding those issued within the year for which the report is filed, in cases where the contributions for the first year in whole or in part are used for current mortality and expenses: *Provided*, That the first report of valuation shall be made as of December thirty-first, nineteen hundred and twelve. Such report of valuation shall show, as contingent liabilities, the present mid-year value of the promised benefits provided in the constitution and laws of such society under certificates then subject to valuation; and, as contingent assets, the present mid-year value of the future net contributions provided in the constitution and laws as the same are in practice actually collected. At the option of any society, in lieu of the above, the valuation may show the net value of the certificates subject to valuation hereinbefore provided, and said net value, when computed in case of monthly contributions, may be the mean of the terminal values for the end of the preceding and of the current insurance years.

Report shall show condition.

Such valuation shall be certified by a competent accountant or actuary, or, at the request and expense of the society, verified by the actuary of the department of insurance of the home state of the society, and shall be filed with the commissioner within ninety days after the submission of the last preceding annual report. The legal minimum standard of valuation for all certificates, except for disability benefits, shall be the National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress, August twenty-third, eighteen hundred and ninety-nine, or, at the option of the society, any higher table, or at its option, it may use a table based upon the society's own experience of at least twenty years and covering not less than one hundred thousand lives with interest assumption not more than four per cent. per annum.

Standard of valuation.

Each such valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation. Any society providing for disability benefits shall keep the net contributions for such benefits in a fund separate and apart from all other benefit and expense funds and the valuation of all other business of the society: *Provided*, That where a combined contribution table is used by a society for both death and permanent total disability benefits, the valuation shall be according to tables of reliable experience and in such case a separation of the funds shall not be required.

Separate
funds.

The valuation herein provided for shall not be considered or regarded as a test of the financial solvency of the society, but each society shall be held to be legally solvent so long as the funds in its possession are equal to or in excess of its matured liabilities.

Beginning with the year nineteen hundred and fourteen, a report of such valuation and an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each beneficiary member of the society not later than June first of each year, or, in lieu thereof, such report of valuation and showing of the society's condition as thereby disclosed may be published in the society's official paper and the issue containing the same mailed to each beneficiary member of the society. The laws of such society shall provide that if the stated periodical contributions of the members are insufficient to pay all matured death and disability claims in full and to provide for the creation and maintenance of the funds required by its laws additional, increased or extra rates of contribution shall be collected from the members to meet such deficiency; and such laws may provide that, upon the written application or consent of the member, his certificate may be charged with its proportion of any deficiency disclosed by valuation, with interest not exceeding five per cent. per annum.

Printed
report
mailed.

Increased
rates.

SEC. 229. *Provisions to Insure Future Security,*

If the valuation of the certificates, as hereinbefore provided, on December thirty-first, nineteen hundred and sev-

enteen, shall show that the present value of future net contributions, together with the admitted assets, is less than ninety per cent. of the present value of the promised benefits and accrued liabilities, such society shall be required thereafter to reduce such deficiency not less than five per centum of the total deficiency on said December thirty-first, nineteen hundred and seventeen, at each succeeding triennial valuation. If at any succeeding triennial valuation such society does not show such percentage of improvement, the commissioner shall direct that it thereafter comply with the requirements herein specified. If the next succeeding triennial valuation after the receipt of such notice shall show that the society has not made the percentage of improvement required herein, the commissioner may, in the absence of good cause shown for such failure, institute proceedings for the dissolution of such society, in accordance with the provision of section two hundred thirty of this act, or, in the case of a foreign society, he may cancel its license to transact business in this state.

Reduce
deficiency.

May cancel
license.

Any such society, shown by any triennial valuation subsequent to December thirty-first, nineteen hundred and seventeen, not to have made the improvement herein required shall, within one year thereafter, complete such deficient improvement, or thereafter, as to all new members admitted, be subject, so far as stated rates of contribution are concerned, to the provisions of section two hundred seventeen of this act, applicable in the organization of new societies: *Provided*, That the contributions and funds of such new members shall be kept separate and apart from the other funds of the society until the required improvement shall be shown by valuation. If such required improvement is not shown by the succeeding triennial valuation, then the said new members may be placed in a separate class and their certificate valued as an independent society in respect to contributions and funds.

Funds
kept
separate.

SEC. 230. *Examination of Domestic Societies.*

The commissioner, or his deputy or examiner shall have the power of visitation and examination into the affairs of

any domestic society. He may employ assistants for the purpose of such examinations, and he or his deputy, or examiner, shall have free access to all the books, papers, and documents that relate to the business of the society and may summon and qualify as witness under oath and examine its officers, agents, and employees or other persons in relation to the affairs, transactions, and condition of the society.

The expense of such examination shall be paid by the society examined, upon statement furnished by the commissioner, and the examination shall be made at least once in three years.

Whenever after examination the commissioner is satisfied that any domestic society has failed to comply with any provisions of this act, or is exceeding its powers, or is not carrying out its contracts in good faith, or is transacting business fraudulently, or whenever any domestic society, after the existence of one year or more, shall have a membership of less than four hundred, or shall determine to discontinue business, the commissioner may present the facts relating thereto to the attorney general, who shall, if he deem the circumstances warrant, commence an action in *quo warranto* in a court of competent jurisdiction, and such court shall thereupon notify the officers of such society of a hearing, and if it shall then appear that such society should be closed, said society shall be enjoined from carrying on any further business, and the commissioner shall be appointed receiver of such society, as is provided in case of insolvency of insurance companies, and shall proceed at once to take possession of the books, papers, moneys and other assets of the society, and shall forthwith, under the direction of the court, proceed to close the affairs of the society and to distribute its funds to those entitled thereto.

Attorney
general
commence
action.

No such proceedings shall be commenced by the attorney general against any such society until, after notice has been duly served on the chief executive officers of the society and a reasonable opportunity given to it, on a date to

Notice
served.

be named in said notice, to show cause why such proceedings should not be commenced.

SEC. 231. *Application for Receiver, Etc.*

No application for injunction against or proceedings for the dissolution of or appointment of a receiver for any such domestic society or branch thereof shall be entertained by any court in this state unless the same is made by the attorney general. Receiver.

SEC. 232. *Examination of Foreign Societies.*

The commissioner, or any person whom he may appoint, may examine any foreign society transacting or applying for admission to transact business in this state. The said commissioner may employ assistants, and he, or any person he may appoint, shall have free access to all the books, papers, and documents that relate to the business of the society, and may summon and qualify as witness under oath and examine its officers, agents, and employees and other persons in relation to the affairs, transactions and condition of the society. He may, in his discretion, accept in lieu of such examinations, the examination of the insurance department of the state, territory, district, province, or country where such society is organized. The actual expenses of examiners making any such examination, shall be paid by the society upon statement furnished by the commissioner. Examination.
Expense,
how borne.

If any such society or its officers refuses to submit to such examination or to comply with the provisions of the section relative thereto, the authority of such society to write new business in this state shall be suspended or license refused until satisfactory evidence is furnished the commissioner, relating to the condition and affairs of the society, and during such suspension the society shall not write new business in this state. Authority
suspended.

SEC. 233. *No Adverse Publications.*

Pending, during or after an examination or investigation of any such society, either domestic or foreign, the commissioner shall make public no financial statement, report or finding, nor shall he permit to become public

Finding and
answer.

any financial statement, report, or finding affecting the status, standing, or rights of any such society, until a copy thereof shall have been served upon such society, at its home office, nor until such society shall have been afforded a reasonable opportunity to answer any such financial statement, report, or finding and to make such showing in connection therewith as it may desire.

SEC. 234. *Revocation of License.*

License
revoked.

When the commissioner on investigation is satisfied that any foreign society transacting business under this act has exceeded its powers, or has failed to comply with any provisions of this act, or is conducting business fraudulently, or is not carrying out its contracts in good faith he shall notify the society of his findings, and state in writing the grounds of his dissatisfaction and after reasonable notice require said society, on a date named, to show cause why its license should not be revoked. If on the date named in said notice such objections have not been removed to the satisfaction of the said commissioner or the society does not present good and sufficient reasons why its authority to transact business in this state should not at that time be revoked, he may revoke the authority of the society to continue business in this state. All decisions and findings of the commissioner made under the provisions of this section may be reviewed by proper proceedings in any court of competent jurisdiction as provided in section two hundred and twenty-one of this act.

Authority
may be
revoked.

SEC. 235. *Exemption of Certain Societies.*

Exempting
certain
societies.

Nothing contained in this act shall be construed to affect or apply to grand or subordinate lodges of Masons, Odd Fellows, or Knights of Pythias, exclusive of the insurance department of the Supreme Lodge of Knights of Pythias, and the Junior Order of United American Mechanics, exclusive of the beneficiary degree or insurance branch of the National Council Junior Order United American Mechanics, or societies which limit their membership to any one hazardous occupation, nor to similar

societies which do not issue insurance certificates, nor to any association of local lodges of a society now doing business in this state which provides death benefits not exceeding three hundred dollars to any one person, or disability benefits not exceeding three hundred dollars in any one year to any one person, or both, nor to any contracts of re-insurance business on such plan in this state, nor to domestic societies which limit their membership to the employees of a particular city or town, designated firm, business house or corporation, nor to domestic lodges, orders, or associations of a purely religious, charitable, and benevolent description, which do not provide for a death benefit of more than one hundred dollars, or for disability benefits of more than one hundred and fifty dollars to any one person in any one year: *Provided, always,* That any such domestic order or society which has more than five hundred members, and provides for death or disability benefits, and any such domestic lodge, order, or society which issues to any person a certificate providing for the payment of benefits, shall not be exempt by the provisions of this section, but shall comply with all the requirements of this article. The commissioner may require from any society such information as will enable him to determine whether such society is exempt from the provisions of this article.

Provision
on mem-
bership.

Not exempt,
when.

No society, which is exempt by the provisions of this section from the requirement of this article shall give or allow or promise to give or allow, to any person any compensation for procuring new members.

Any fraternal benefit society, heretofore organized and incorporated and operating within the definition set forth in sections two hundred six, two hundred seven, and two hundred eight of this act, providing for benefits in case of death or disability resulting solely from accidents, but which does not obligate itself to pay death or sick benefits, may be licensed under the provisions of this act, and shall have all the privileges and shall be subject to all the provisions and regulations of this article, except that

Relating
to certain
provisions.

the provisions of this article requiring medical examinations, valuations of benefit certificates, and that the certificate shall specify the amount of benefits, shall not apply to such society.

SEC. 236. *Taxation.*

Taxation.

Every fraternal benefit society organized or licensed under this act is hereby declared to be a charitable and benevolent institution, and all of its funds shall be exempt from all and every state, county, district, municipal, and school tax, other than taxes on real estate and office equipment.

SEC. 237. *Penalties.*

Penalties.

Any person who shall solicit membership for, or in any manner assist in procuring membership in any fraternal benefit society not licensed to do business in this state, or who shall solicit membership for, or in any manner assist in procuring membership in any such society not authorized as herein provided, to do business as herein defined in this state, shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than fifty nor more than two hundred dollars.

Misdemeanor and penalty.

Any society, or any officer, agent, or employee thereof neglecting or refusing to comply with, or violating any of the provisions of this article, the penalty for which neglect, refusal, or violation is not specified in this section shall be fined not exceeding two hundred dollars upon conviction thereof.

SEC. 238. *Existing Insurance Laws Repealed.*

This is "The Insurance Code" and repeals all former laws.

This act may be referred to and shall be known as "The Insurance Code" and shall supersede all prior acts on the subject of the organization and government of insurance companies and insurance business, and all such prior acts are hereby repealed.

Passed by the Senate February 24, 1911.

Passed by the House March 2, 1911.

Approved by the Governor March 10, 1911.