

thorized under the laws of this state and maintains securities deposited with the state in an amount of not less than the minimum capital required of domestic stock insurance companies transacting business in a like classification of insurance.

Passed the House February 18, 1937.

Passed the Senate February 24, 1937.

Approved by the Governor March 1, 1937.

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## CHAPTER 39.

[H. B. 262.]

### QUALIFICATIONS OF MUTUAL INSURANCE COMPANIES.

AN ACT relating to insurance and amending section 86, chapter 49, Laws of 1911, as amended by section 86, chapter 108, Laws of 1915 (section 7131 Remington's Revised Statutes).

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

Amends  
§ 7131, Rem.  
Rev. Stat.  
(§ 2993 P. C.)

SECTION 1. Section 86, chapter 49, Laws of 1911, as amended by section 86, chapter 108, Laws of 1915 (sec. 7131 Rem. Rev. Stat.) is hereby amended to read as follows:

Qualifica-  
tions.

Section 7131. 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:

Fire insur-  
ance on cash  
premium  
plan.

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 reinsurance 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 policyholders, other than to pay the amount of the premium stated in the policy, and which premium 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 policyholders 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 savings must be apportioned equitably among the policyholders in the classifications in which it is actually earned;

Surplus  
assets.

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

Companies  
limited to  
insuring  
specific kind  
of property  
or business.

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, premium[s] received in cash to an amount of at least eight thousand dollars and six thousand dollars must be on hand, above all liabilities, except reinsurance, 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 [in] 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;

Fire insurance on assessment plan.

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

Single risks.

Working capital.

amount of not less than four thousand dollars, which sum shall be on hand, above liabilities except reinsurance 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;

Exceptions  
as to  
fraternal  
societies.

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 reinsurance reserve, and the remainder and the additional premium liability of the applicant must be paid as provided in the by-laws of the company;

Business  
outside  
incorporated  
towns.

Fifth. If it is formed to transact business as inter-insurer only, by means of reciprocal or inter-insurance contracts between the several parties who are

Inter-insur-  
ers only.

or shall become subscribers and who shall comprise and be recognized as the company, such company shall not transact any business as insurer until at least twenty-five subscribers shall have first subscribed to and adopted the terms and conditions under which they shall operate and be governed and shall have executed contracts or *bona fide* applications therefor to become concurrently and simultaneously effective for the exchange of indemnities by not less than twenty-five separate subscribers and shall have and maintain at all times assets in a sum sufficient to discharge all liabilities and to provide a surplus over all accrued liabilities of one hundred thousand dollars, which surplus shall consist of cash or securities approved by the commissioner.

**Reciprocal contracts.**

Any parties may exchange reciprocal contracts of insurance with each other providing insurance other than life or accident and health, among and between themselves, against any loss which may be insured against under the provisions of law. Such parties are termed subscribers. Such contracts may be executed by an attorney in fact, agent or other representative duly authorized and acting for such subscribers separately and not jointly under such power of attorney, and may be a corporation.

**Subscribers.**

**Liability of subscribers.**

The maximum liability of any subscriber for all losses and expenses shall be fixed and determined by the terms of the power of attorney, which shall provide that the contingent assessment liability of the subscriber shall be a sum equal to not less than one nor more than five times the premium deposit, which contingent assessment liability shall apply only to actual losses and expenses incurred during the time that the policy of insurance shall have been in force: *Provided, however,* When the company shall have accumulated a surplus at least equal to the minimum capital required of a stock company transacting a like class or classes of insurance business which it

**Surplus assets.**

must maintain in cash or securities approved by the insurance commissioner, deposited with the state treasurer through the office of the insurance commissioner, and while it maintains such surplus on deposit it may issue policies of insurance without assessment liability other than the payment of the premium specified in the policy.

Such company may sue or be sued in its own name and any judgment against the company shall be binding upon each subscriber to the full extent only of his agreement. Any and every subscriber shall be held and bound individually and severally and not jointly. Actions.

The body exercising the subscribers' rights shall be selected under such rules and regulations as the subscribers may, from time to time, adopt.

The principal office of the attorney-in-fact, agent or representative shall be maintained at a place designated by the subscribers in the power of attorney.

Wherever in this act the word "parties" is used it shall include any person, association, corporation or legal entity having the right by law to contract. Parties.

Any company organized to transact business as inter-insurer may be authorized to transact insurance in this state in like manner and upon the same terms and conditions as are required of domestic inter-insurance companies: *Provided, further,* That the deposit hereinbefore required shall be deemed complied with if it shall appear to the satisfaction of the commissioner that such deposit has been made in a state of the United States in a depository satisfactory to and approved by the insurance commissioner of this state; Foreign companies.

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 copartnerships, citizens of the United States and two thirds of them residents of "Lloyds" plan.

this state, each of whom must be 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 persons 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 1 of section 7128 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 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 man-

Assets  
required.

Deposit with  
State  
Treasurer.

ner as deposits required to be made and kept by stock insurance companies as provided in this act;

Seventh. If it is formed to transact insurance against injury, disablement, or death resulting from traveling or general accident or against disablement resulting from sickness, and every insurance appertaining thereto, it must have *bona fide* written applications severally signed by not less than five hundred applicants for health and accident, or health, or accident insurance for one year in amounts of not less than one thousand dollars each, from residents of this state, and who shall each have paid in one full annual premium in cash upon the insurance subscribed for; 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 reinsurance reserve: *Provided*, That when any such company shall accumulate from its underwriting and earnings cash assets of not less than one hundred thousand dollars of which amount not less than fifty thousand dollars shall be surplus assets, which it must maintain in securities, of a character designated by the insurance code, deposited with the state treasurer through the office of the insurance commissioner, and while it maintains such surplus assets on deposit, it may issue its policies without liability on the part of its policyholders other than to pay the amount of the premium stated in the policy and which premium shall be not less than the premium charged by solvent 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 its loss ratio, expense of management, or any other source may be returned to the policyholders in the various classifications at the end of any policy year for which premiums have been paid, according to the

Accident and health insurance companies.

Assets required.

Deposit with State Treasurer.

Savings to policyholders.



Insurance  
permitted in  
other classes.

experience of the company in said classes and as determined by its board of directors: *Provided*, That such saving must be apportioned equitably among the policyholders in the classifications in which it is actually earned. Such company may make insurance in any other class specified in said section 7128 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.

Passed the House February 25, 1937.

Passed the Senate February 24, 1937.

Approved by the Governor March 1, 1937.

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## CHAPTER 40.

[H. B. 302.]

### LIVE STOCK RUNNING AT LARGE.

AN ACT relating to stock running at large and amending sections 3068, 3069, 3070, 3070-1, and 3083 of Remington's Revised Statutes, and declaring an emergency.

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

SECTION 1. Section 3068, Remington's Revised Statutes, is hereby amended to read as follows:

Section 3068. The Board of County Commissioners of any county of this state shall have the power to designate by an order made and published, as provided in section 3070, certain territory as stock

Amends  
§ 3068, Rem.  
Rev. Stat.  
(§ 1948 P. C.)  
Livestock  
area.