

CHAPTER LXXXII.

[H. B. No. 122.]

REGULATION OF INSURANCE COMPANIES.

AN ACT to regulate and license insurance in this state, to repeal existing laws in relation thereto, and declaring an emergency.

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

SECTION 1. The secretary of this state shall be *ex officio* insurance commissioner of this state, and shall receive for his services the compensation hereinafter provided for. All necessary forms, circulars and blanks, together with such pamphlet copies of the insurance laws as may be required for distribution to any person at any time by the provisions of this act, shall be furnished at the expense of the state.

SEC. 2. It shall be the duty of the commissioner to see that all laws of this state respecting insurance companies, corporations and associations are faithfully executed. He shall have power to examine all books and accounts of any existing company, or companies, corporations and associations organized under the laws of this state; to examine their officers and employés under oath; to issue subpoenas for witness[es] to attend and testify before him on business touching the affairs of said companies, corporations and associations, and furnish and produce for examination and investigation, books, papers and documents in relation thereto. Said subpoenas must be served in the same manner as if issued from a superior court, and any person who shall fail, neglect or refuse to obey any such subpoena shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than one hundred (\$100) dollars nor more than five hundred (\$500) dollars, or by imprisonment in the county jail not less than thirty (30) days nor more than (6) months, or by both such fine and imprisonment, in the discretion of the court.

SEC. 3. The commissioner must cause every company, corporation, association or individual before engaging in the business of insurance in this state to file in his office as follows: *First*, If incorporated under the laws of this state,

Duties of commissioner.

Subpoenas, served.

Original filings, when made.

a copy of the articles of incorporation and charter of the company, corporation or association, together with any amendments or alterations made therein; *second*, if incorporated under the laws of any other state or country, a copy of its articles of incorporation and charter, duly certified by the officer having the custody of such articles that such company, corporation or association is organized under the laws of such state or country and that it is authorized to do business therein; a certificate showing the amount of capital stock and assets required by this act; *third*, if not incorporated, a certificate setting forth the nature and character of the business, the location of the principal office, the names of persons composing the association, the amount of capital stock therein employed and the names of the officers of the association; and if such association be formed out 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 appointed by the association to manage its affairs in the United States, and the certificate may be made by such manager.

Documents to contain, what.

Certificate of authority to issue, when.

SEC. 4. The commissioner shall issue to any insurance company, corporation or association his certificate of authority to transact business in this state under the following conditions: *First*, If a company, corporation or association organized under the laws of this state, when he is satisfied that the provisions of this act in relation to such company, corporation or association has been complied with; *second*, if a company, corporation or association organized in any of the United States or territories, when he is satisfied that the company, corporation or association has net assets or paid up and unimpaired capital of one hundred thousand dollars; *third*, if a foreign company, corporation or association, when he shall be satisfied that the company, corporation or association has made a deposit with the treasurer of this state, or with the proper officers of some other state, of not less than two hundred thousand dollars, in the bonds of the United States, the bonds of this state or the bonds of the states of New York or Massachusetts, in trust for the benefit of its policyholders in the United States, and that the said two hundred

Deposit required of foreign companies.

thousand dollars is unimpaired and free from all liabilities under the provisions of this act.

SEC. 5. It shall be unlawful for any company, corporation or association to transact the business of insurance in this state, unless the company, corporation or association shall have complied with all of the provisions of this act, and shall have obtained the certificate of authority from the commissioner as provided. Unlawful to act without certificate.

SEC. 6. If any insurance company, corporation or association, its agents or attorney, shall solicit insurance or shall issue a policy without having complied with the laws of this state, the company, corporation or association, or its agent or attorney so issuing the policy or accepting the application for the same, shall be guilty of a misdemeanor, and be subject to a fine of not less than one hundred dollars, or more than five hundred dollars, and imprisonment for a term not exceeding six months, in the discretion of the court. Penalty.

SEC. 7. That the commissioner shall have the same supervision, and is authorized to make the same examination of the business and affairs of every insurance company, corporation or association foreign to this state and doing business herein, as of domestic organizations doing the same kind of business, and of its assets, books, accounts, and general condition. Every organization foreign to this state, its agents and officers, shall always be subject to, and be required to make the same statements and answer the same inquiries and be subject to the same examinations and, in case of default therein, to the same penalties and liabilities as domestic organizations doing the same kind of business, or of any of the agents or officers thereof are or may be liable to under the laws of this state or the regulations of the insurance department. The commissioner may, whenever he deems it necessary, either in person or by his deputy, repair to the general office of such non-resident organization, wherever the same may be, and make an examination and investigation of its affairs and condition. He may cancel and revoke the certificate of any such non-resident organization refusing or neglecting to comply with the provisions of this act, or refusing the Commissioner to examine non-resident companies, when.

examination herein provided for, and prevent such organization from further continuance in business in this state.

Examined
companies
to pay costs
thereof.

SEC. 8. The expense of every examination or other investigation of the affairs of any organization, pursuant to the authority conferred by the provisions of this act, shall be borne and paid by the corporation so examined. No charge shall be made for any examination of an insurance organization except for necessary traveling and other actual expenses incurred. All charges for making an examination shall be presented in detail, and shall be paid by the organization examined. Should payment be refused the bill shall be approved by the commissioner, audited by the state auditor and paid on his warrant drawn in the usual manner on the state treasurer to the person making the examination. The commissioner shall revoke the certificate of authority granted the company that refuses to pay the bill for expenses of examination, and shall not again grant it a certificate of authority until it has paid to the state treasurer the amount of such bill.

Penalty for
failure
so to do.

Commissioner
to examine
local com-
panies, when.

SEC. 9. It shall be the duty of the commissioner to make a detailed examination of all companies, corporations or associations organized under the laws of this state, at least once a year; upon such examination he shall ascertain if the laws relating to payment of capital, investment of moneys and methods of doing business are complied with. If upon such examination he shall find that the capital stock of such company, corporation or association is impaired, he shall order such impairment made good, or the capital reduced the amount of such impairment: *Provided*, That no reduction shall be made which will reduce the capital of any organization to a less amount than is required by this act, and if the organization so required to make good or reduce its capital stock, refuses or neglects within a reasonable time so to do, the commissioner shall revoke its certificate to do business in this state, and shall apply to any judge of a superior court having jurisdiction for an order upon said company, corporation or association to show cause why its charter should not be revoked and a receiver appointed to wind up its affairs.

Impairment of
capital stock.

SEC. 10. If the commissioner has reason to believe that

any company, corporation or association organized outside of this state, has less than the paid up unimpaired cash capital or net assets required by this act, it shall be the duty of the commissioner to make such investigation or require such proof as shall be satisfactory to him concerning the financial condition of such organization: *Provided, however,* The certificate of the insurance officer of any state having an insurance department that such organization has the required paid up and unimpaired cash capital, may be accepted by the commissioner as satisfactory. If such organization does not, within sixty days after demand of the commissioner, produce such certificate, the commissioner shall revoke its certificate of authority to do business in this state, and will withhold the same till said certificate is produced. If any officer or agent of the company, corporation or association upon which such demand is made shall issue or deliver, or solicit and agree to issue and deliver, any policy of the delinquent organization, covering any property or life in this state, while such certificate of authority is withdrawn and withheld, he shall be deemed guilty of a misdemeanor, and on conviction thereof subject to a fine of ten dollars for the first and fifty dollars for the second offense.

Capital stock of non-resident companies, impairment of.

Penalty for failure to respond.

SEC. 11. Every insurance organization doing business in this state shall file a statement with the commissioner on or before the fifteenth day of February in each year, verified by the oath of the principal executive officer or manager residing within the state: *Provided,* That offices of the character named are maintained within the state, otherwise, by the principal executive officer of the company, corporation or association, showing the business done in this state during the year ending the thirty-first day of December next preceding. They shall also make and file with the said commissioner, before the first day of March in each year, a complete statement, showing the condition of every such insurance organization on the thirty-first day of December next preceding, and such statement must show — *First,* The amount of capital stock of the company, corporation or association; *second,* the property or assets held by the same; *third,* the liabilities of the organization,

Annual statements, when filed; to contain what.

which must include the reinsurance reserve, as provided by this act; *fourth*, the income of the organization during the preceding year; *fifth*, the expenditures of the preceding year; *sixth*, the amount of risks written during the same period, the amount of risks expired during the same period, and the total amount at risk on the thirty-first day of December next preceding. If the provisions of this section are not complied with on or before the fifteenth day of March in each year, the commissioner shall revoke the certificate of authority to do business in this state, issued to the company, corporation or association failing to comply with the same.

Penalty for failure to report.

Certificates of authority, expiration of.

SEC. 12. Every certificate of authority heretofore granted, or certificate of authority granted pursuant to the provisions of this act to an insurance company, corporation or association to do business in this state, shall expire on the thirty-first day of December after date of issue. The statements and evidences of investment required by this act to be filed in the office of the commissioner before a certificate of authority is granted to a company, corporation or association, shall be renewed from year to year, as prescribed in section eleven of this act. If the commissioner is not satisfied that the capital, securities and investments remain secure, and that it may be safely entrusted with a continuance of its authority to do business in this state, he shall revoke its certificate of authority.

Renewal of certificate.

Agents' license.

SEC. 13. No person or organization shall act as agent for any insurance company, corporation or association in the transaction of any business in this state, or negotiate for or place risks for any such organization, or in any way or manner aid such organization in effecting insurance in this state, unless such organization shall have fully complied with the provisions of this act. Every such person or agent before commencing business, and on or before the first day of each January thereafter, shall procure a license of authority from the commissioner, which license will grant the privilege of soliciting and writing for any and all kinds of authorized insurance in this state. Any person or organization violating the provisions of this section shall forfeit to the people of the state the sum of five hundred

Penalty for failure to procure same.

dollars for the first offense, and an additional sum of one hundred dollars for each month during which any such person or organization shall continue to act for any company, corporation or association, or aiding to effect unauthorized business or insurance in this state.

SEC. 14. No insurance company, corporation or association organized outside of this state shall be permitted to do business in this state until such organization shall have filed with the commissioner a power of attorney which shall authorize a citizen and resident of this state to make and accept service in any proceedings in any court in this state, or the United States herein. If any attorney of any insurance organization, appointed under the provisions of this act, shall remove from the state, or become disqualified in any manner from accepting service, and if any citizen or resident of this state shall have any claim by virtue of any insurance policy issued by any company or organization not represented by attorney in this state, valid service may be made on such company or organization by service upon the commissioner: *Provided*, That in such case the commissioner shall immediately notify such organization, and the principal agent for the Pacific coast, enclosing a copy of the service by mail, postpaid: *And provided further*, That in such case no proceeding shall be had within forty days after such service on the commissioner.

Non-resident companies to file power of attorney.

Legal process, how served.

SEC. 15. When any state shall require insurance organizations of other states to deposit with some officer of such other state, securities in trust for policyholders of such organizations, as prerequisite to their transacting business in such state, the treasurer of this state shall receive from any insurance organization of such other state the same character and amount of securities required by the laws for such other state on deposit, and hold the same in trust for the policyholders of such organization, but such organization may collect and receive the interest and dividends thereon, and withdraw them on depositing with the said treasurer other securities of like character and value. The treasurer shall issue a certificate, under seal, of such deposit for each state which require the same, which will state the items and amount of securities thus deposited,

Securities deposited, when and where.

Treasurer to issue certificate, when.

and that he is satisfied that they are of the market value represented therein, but no securities shall be estimated above the par value of the same, nor shall any securities be withdrawn except as provided in this section.

Examination
of securities.

SEC. 16. An examination shall be made annually by the treasurer of the securities held by him in trust as aforesaid, from each insurance organization, and if it shall appear at any time that the amount is less than the sum required for the purpose for which such deposit was made, he shall notify said organization thereof, and unless the deficiency is made good within thirty days, shall countermand all the certificates he may have issued to said organizations under the preceding section, and give notice thereof to the officers of the state to whom said certificate may have been transmitted.

Surrender
of securi-
ties, when.

SEC. 17. When said organization shall have caused all of its unexpired policies to be paid, canceled or reinsured, and all its liabilities under such policies thereby to be extinguished, or to be assumed by some other responsible organization, he shall, on application of such organization, verified by the oath of its chief executive officer, and on being satisfied that all its policies are so paid, canceled, extinguished or reinsured, deliver up to it such securities.

Examinations.

SEC. 18. The commissioner must keep and preserve in a permanent form a full record of his proceedings, including a concise statement of the condition of each organization examined by him. It shall be the duty of the commissioner to furnish each of the county clerks of this state, quarterly, a certified statement of all companies, corporations or associations doing business in this state under and by authority of this act, and such certificate shall be posted in the office of such county clerk for the inspection of the public.

List of au-
thorized
companies.

Fees.

SEC. 19. The commissioner shall require in advance the following fees: *First*, For filing articles of incorporation or certified copies of articles, by-laws or other certificates required to be filed in his office, twenty-five dollars; issuing certificate of authority, ten dollars; for each renewal certificate of authority, ten dollars; for filing the annual statement of condition, ten dollars; for filing each annual

statement of business transacted in this state, ten dollars; for filing any other paper, one dollar; for furnishing copies of papers filed in his office, twenty cents per folio; for certifying copies, one dollar each; for each agents' license, two dollars: *Provided*, That all fees so collected shall be paid into the state treasury.

SEC. 20. Any company, corporation or association organized under the laws of this state prior to the taking effect of this act, or under the provisions of this act, for the purpose of engaging in the business of insurance, must have a subscribed capital of not less than one hundred thousand dollars, of which not less than fifty thousand dollars must be paid in in cash before the issuance by such organization of any policy of insurance under the provisions of this act.

Capital stock
of local
companies.

SEC. 21. No company formed under the provisions of this act shall, directly or indirectly, deal or trade in, or sell wares or merchandise or other commodities whatsoever, except such articles as may have been insured by such organization, and claimed to be damaged by fire or water.

Speculation
forbidden.

SEC. 22. No company, corporation or organization organized under this act shall purchase, hold or convey real estate, excepting for the purpose and in the manner herein set forth, to wit: *First*, such as shall be requisite for its accommodation in the transaction of its business; or, *second*, such as shall have been mortgaged to it in good faith as security for loans previously contracted, or for money due; or, *third*, such as shall have been conveyed to it in satisfaction of debts previously contracted in its legitimate business; or, *fourth*, such as shall have been or may be purchased at sales upon judgments, decrees or mortgage foreclosures obtained or made for such debts.

Real estate,
dealing in
prohibited;
exceptions.

SEC. 23. It shall be unlawful for the directors, trustees or managers of any insurance organization, operating under the laws of this state or under the provisions of this act, to make any dividends except from the surplus profits arising from their business, and in estimating such profits there shall be reserved therefrom a sum equal to forty per cent. of the amount received on premiums on all unexpired risks and policies, which amount so reserved is hereby

Dividends de-
clared, when.

declared to be unearned premiums; and there shall also be reserved all sums due the company on bonds, mortgages, stocks and book accounts, of which no part of the money or interest has been paid during the year preceding such estimate of profits, and upon which suit for foreclosure or collection has not been commenced, or judgment obtained thereon, which shall have remained more than two years unsatisfied, and upon which interest shall not have been paid.

Capital stock,
impairment of.

SEC. 24. When the capital stock of any insurance company, organized under the laws of this state, shall be impaired, it may reduce it as provided herein, and the par value of its shares 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 board of directors, and certified under the corporate seal by the secretary, a copy of which shall be filed with the commissioner. The directors, after such reduction of capital, may require each stockholder to surrender his certificate, and in lieu thereof may issue a new certificate for such number of shares as he shall be entitled to.

Capital stock,
increase
thereof.

SEC. 25. Such organization, after its capital shall be so reduced, may increase its capital stock to any amount not exceeding the amount authorized by its charter.

Capital stock,
manner of in-
creasing same.

SEC. 26. Any existing insurance organization, or any company formed under the provisions of this act, may at any time increase the amount of its capital stock, after giving notice once a week for four consecutive weeks in any newspaper having a general circulation, published in the county where the organization is located, of such intention, and by filing with the insurance commissioner a copy of such advertisement, subscribed and sworn to by the publisher or manager of said paper as having been so advertised, together with a 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 so increase the capital.

SEC. 27. No insurance company, corporation or association organized under the laws of this state shall issue its policy upon any one risk for more than ten per cent. of its capital stock, paid up in cash and unimpaired, unless such excess be at once reinsured in some other reliable organization. Risks, limit of.

SEC. 28. Any insurance company, corporation or association organized under the laws of this state, and doing or proposing to do business in any other state, may frame and issue policies in such other state in accordance with the laws thereof, anything in its chart [charter] and by-laws to the contrary notwithstanding.

SEC. 29. In the event of the total destruction on any insured building, on which the amount of the appraised or agreed loss shall be less than the total amount insured thereon, the insurance company or companies shall return to the insured the unearned premium for the excess of insurance over the appraised or agreed loss, to be paid at the same time and in the same manner as the loss shall be paid. Unearned premiums.

SEC. 30. When the license or authority of any insurance company, corporation or association doing business in this state has been revoked by the commissioner, the same shall be published four times in some newspaper of general circulation published in the state. Revocation of authority.

SEC. 31. The commissioner shall appoint a deputy, and in the absence of the commissioner or his inability from any cause to exercise the powers and discharge the duties of his office, the powers and duties of the office shall devolve upon the deputy. Deputy commissioner.

SEC. 32. The commissioner shall transmit to each legislature at the beginning of its session, or within thirty days thereafter, a report containing a summary of the statements and reports made to him pursuant to the provisions of this act, classified, which reports shall also contain: *First*, A statement of all insurance companies, corporations or associations authorized to do business in this state during the biennial period ending the thirty-first day of December next preceding, with their names, locations, cap- Biennial reports, to contain what.

ital stock, dates of organization and of the commencement of business in this state, and kinds of insurance in which they are engaged, respectively; *second*, a statement of the insurance companies, corporations or associations whose business has been closed during such period, and the reason for closing the same; *third*, the receipts and disbursements of the insurance department during the same period; *fourth*, any amendments to the insurance law which, in his judgment, are demanded for the better protection of the insured.

Annual tax,
when and
how paid.

Commissioner
to certify
amount to
treasurer.

Penalty for
neglect or
refusal to pay.

SEC. 33. All insurance companies, corporations or associations now doing business in this state, or that may hereafter do business in this state, must file with the commissioner annually, on or before the fifteenth day of February in each year, a statement, under oath, stating the amount of all premiums received by said companies, corporations or associations during the year ending December thirty-first preceding in this state, and the amounts actually paid policyholders during the same time, and shall pay into the state treasury a tax of two per cent. on all such premiums collected, less the amount actually paid policyholders. The commissioner shall file such verified statement and schedule in his office and certify the amount of such gross receipts, less amounts actually paid policyholders as aforesaid, to the state treasurer. Within ten days thereafter such insurance company, corporation or association shall pay or cause to be paid into the state treasury, a tax of two per cent. upon all such gross receipts, less such amounts actually paid policyholders in the State of Washington, which payment when so made shall be in lieu of all taxes upon the personal property of such company, corporation or association, and the shares of stock therein. Any organization failing or refusing to render such statement and to pay the required two per cent. tax thereon, for more than thirty days after the time so specified, shall be liable to a fine of one hundred dollars for each additional day of delinquency, and the taxes may be collected by distraint and the fine recovered by an action to be instituted by the attorney general, in the name of the state, in any court of competent jurisdiction, and the

commissioner shall revoke and annul the license and authority of such delinquent company until such payment of taxes and fine, should any be imposed, is fully paid and notice given thereof to the said commissioner: *Provided*, That all real property, if any, of such company, corporation or association shall be listed, assessed and taxed the same as real property of like character of individuals.

SEC. 34. The words "insurance company, corporation or association" or "insurance organization," as used in this act, shall be held to mean and does mean and include any company, association, corporation, partnership, individual or attorney engaged in or carrying on in any manner the business of insurance of any character in this state: *Provided*, That the provisions of this act shall not apply to secret or fraternal societies, lodges or councils, which conduct their business and secure membership on the lodge system, having ritualistic work and ceremonies in their societies, lodges, or councils; nor to any mutual or benefit association: *Provided*, That the provisions of this act pertaining to capital stock shall not apply to assessment life and accident insurance companies maintaining an absolute and unimpaired reserve fund of at least twenty thousand dollars in cash or available securities.

Terms used;
construed to
mean, what.

Applications
and excep-
tions.

SEC. 35. In addition to two hundred copies of the insurance report for the use of the legislature, there shall be printed and bound by the state printer three hundred and fifty copies of such report for the use of the insurance department.

SEC. 36. Title LII of insurance, Hill's Code, approved March 27, 1890 and section forty-three of chapter CXXIV, session laws of 1893, and all other acts or parts of acts in conflict with this act are hereby repealed.

SEC. 37. Whereas, the existing laws of this state relating to insurance and insurance companies are defective and insufficient, an emergency is hereby declared to exist, and, therefore, this act shall take effect and be in force from and after its passage and approval by the governor.

Passed the house March 8, 1895.

Passed the senate March 13, 1895.

Approved March 19, 1895.