

CHAPTER 34.

[H. B. 149.]

INSURANCE COMPANY INVESTMENTS.

AN ACT relating to insurance and amending section 6059-23 of Rem. & Bal. Code.

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

SECTION 1. That section 6059-23 of Rem. & Bal. Code be amended to read as follows:

Amends Rem.-Bal. § 6059-33, by adding proviso to subdivision 8.

Section 6059-23. *Authorized Investments.*

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,

Bonds, warrants and securities.

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.

Real estate mortgages.

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

Investments of foreign companies.

kept invested 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.

Surplus
invested.

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:

Limit on
real estate
loans.

Provided, That the amount loaned on mortgages on 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:

Corporate
stocks and
bonds.

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

Irrigation
district
bonds.

water to properly irrigate 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, wind storms and cyclones in a reasonable amount for the benefit of the mortgagee.

Limit on
mortgage
loans.

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 investment 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

Restriction
on invest-
ments.

loaned to 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.

Title In-
surance,
guaranty,
and indem-
nity com-
panies.

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.

Foreign
investments.

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.

Loans to
policy
holders

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: *Provided*, That a domestic insurance company may, with the approval of the insurance commissioner, dispose of its own, or acquire all or part of the business, assets, investments, property, or capital stock of another insurance company for the purpose of amalgamation, merger or consolidation.

Merger of
companies
authorized.

Real estate
investments.

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 required 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:

Limit of
loan to one
person.

Loan periods.

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

Disposal of
unauthorized
investments.

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 reinvested 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.

Reports of
loans and
investments.

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.

Business
under cor-
porate name.

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 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.

Profits by
officers or
agents
prohibited.

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.

Approval of
directors as
to depositary,
sales and
investments.

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 applica-

Real and
personal
property
acquired.

Disposal.

tion, may extend such period a reasonable time, not exceeding two years.

Passed the House March 1, 1915.

Passed the Senate March 3, 1915.

Approved by the Governor March 6, 1915.

CHAPTER 35.

[H. B. 86.]

EXAMINATION OF STATE BANKS.

AN ACT relating to banks, powers and duties and examination thereof and amending sections 3292, 3299, 3301, 3308, 3324 and 3343 of Remington & Ballinger's Annotated Codes and Statutes of Washington.

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

SECTION 1. That section 3292 of Remington & Ballinger's Annotated Codes and Statutes of Washington be amended to read as follows:

Amends
Rem.-Bal.
§ 3292.

Section 3292. The state bank examiner may appoint three deputies and revoke such appointment at pleasure, who shall have the qualifications and possess the powers, and perform the duties attached by law to the office of the state bank examiner. He may also employ from time to time such clerical assistance as shall be necessary to the proper conduct of his office; but in no case shall the expenses incident to the conduct of the office exceed the appropriation provided by legislative action.

Appointment
of deputies.

SEC. 2. That section 3299 of Remington & Ballinger's Annotated Codes and Statutes of Washington be amended to read as follows:

Amends
Rem.-Bal.
§ 3299.

Section 3299. The state bank examiner shall receive and place on file in his office the reports required to be made by banks under this act, prepare and furnish to all such banks the blank forms for such statements or reports as may be by this act required of them; make on or before the first day of February of each year, a report for the preceding year to the governor of this state showing:

Bank re-
ports to
examiner.