

## CHAPTER 79.

[ S. B. 47. ]

## INSURANCE CODE.

AN ACT to provide an Insurance Code for the State of Washington; to regulate insurance companies and the insurance business; to provide for an Insurance Commissioner; to establish the office of State Fire Marshal; to provide penalties for the violation of the provisions of this act; to repeal certain existing laws and to amend section 73 of chapter 49, Laws of 1911 as last amended by section 1 of chapter 103, Laws of 1939.

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

## ARTICLE ONE

## INITIAL PROVISIONS

SECTION .01.01 *Short Title:* This act constitutes the insurance code. Short title.

SEC. .01.02 *Scope of Code:* All insurance and insurance transactions in this state, or affecting subjects located wholly or in part or to be performed within this state, and all persons having to do therewith are governed by this code. Scope of code.

SEC. .01.03 *Public Interest:* The business of insurance is one affected by the public interest, requiring that all persons be actuated by good faith, abstain from deception, and practice honesty and equity in all insurance matters. Upon the insurer, the insured, and their representatives rests the duty of preserving inviolate the integrity of insurance. Public interest.

SEC. .01.04 *"Insurance" Defined:* Insurance is a contract whereby one undertakes to indemnify another or pay a specified amount upon determinable contingencies. "Insurance" defined.

SEC. .01.05 *"Insurer" Defined:* "Insurer" as used in this code includes every person engaged in the business of making contracts of insurance, other than a fraternal benefit society. A reciprocal or inter-insurance exchange is an "insurer" as used in this code. "Insurer" defined.

"Insurance Transaction." SEC. .01.06 "*Insurance Transaction*" Defined: "Insurance transaction" includes any:

- (1) Solicitation.
- (2) Negotiations preliminary to execution.
- (3) Execution of an insurance contract.
- (4) Transaction of matters subsequent to execution of the contract and arising out of it.
- (5) Insuring.

"Person." SEC. .01.07 "*Person*" Defined: "Person" means any individual, company, insurer, association, organization, reciprocal or inter-insurance exchange, partnership, business trust, or corporation.

Penalties. SEC. .01.08 *Penalties*: Violation of any provision of this code is punishable by a fine of not less than ten dollars (\$10) nor more than one thousand dollars (\$1,000), or by imprisonment for not more than one (1) year, or both fine and imprisonment, in addition to any other penalty or forfeiture provided herein or otherwise by law.

Constitutionality. SEC. .01.09 *Constitutionality*: If any provision of this code or the application thereof to any circumstance is held invalid, the remainder of the code, or the application of the provision to other circumstances, is not affected thereby.

Existing officers. SEC. .01.10 *Existing Officers*: Continuation by this code of any office existing under any act repealed herein preserves the tenure of the individual holding the office at the effective date of this code.

Existing licenses. SEC. .01.11 *Existing Licenses*: Every license or certificate of authority in force immediately prior to the effective date of this code and existing under any act herein repealed is valid until its original expiration date, unless earlier terminated in accordance with this code.

Existing insurance forms. SEC. .01.12 *Existing Insurance Forms*: Every form of insurance document in use at the effective date of this code in accordance with the Commissioner's ap-

proval pursuant to any act herein repealed, may continue to be so used unless the Commissioner otherwise prescribes in accordance with this code.

SEC. .01.13 *Existing Actions, Violations*: No action or proceeding commenced, and no violation of law existing, under any act herein repealed is affected by the repeal, but all procedure hereafter taken in reference thereto shall conform to this code as far as possible. Existing actions, violations.

SEC. .01.14 *Headings*: The meaning or scope of any provision is not affected by article, section, or paragraph headings. Headings.

SEC. .01.15 *Particular Provisions Prevail*: Provisions of this code relating to a particular kind of insurance or a particular type of insurer or to a particular matter prevail over provisions relating to insurance in general or insurers in general or to such matter in general. Particular provisions prevail.

SEC. .01.16 *Repealed Acts Not Revived*: Repeal by this code of any act shall not revive any law heretofore repealed or superseded. Repealed acts not revived.

SEC. .01.17 *Effective Date*: This code shall become effective on the first day of October, nineteen hundred and forty-seven. Effective date.

## ARTICLE TWO

### INSURANCE COMMISSIONER

SEC. .02.01 *Insurance Commissioner*: 1. There shall be an Insurance Commissioner of this state who shall be elected at the time and in the manner that other state officers are elected. Insurance Commissioner.

2. The Commissioner in office at the effective date of this code shall continue in office for the remainder of the term for which he was elected and until his successor is duly elected and qualified. Continues in office.

3. "Commissioner," where used in this code means the Insurance Commissioner of this state. Commissioner means Insurance Commissioner.

Term of office.

SEC. .02.02 *Term of Office*: The term of office of the Commissioner shall be four (4) years, commencing on the Wednesday after the second Monday in January after his election.

Bond.

SEC. .02.03 *Bond*: Before entering upon his duties the Commissioner shall execute a bond to the state in the sum of twenty-five thousand dollars (\$25,000), to be approved by the State Treasurer and the Attorney General, conditioned upon the faithful performance of the duties of his office.

Salary.

SEC. .02.04 *Salary*: The Commissioner shall receive an annual salary of seven thousand five hundred dollars (\$7,500).

Seal.

SEC. .02.05 *Seal*: The official seal of the Commissioner shall be a vignette of George Washington, with the words "Insurance Commissioner, State of Washington" surrounding the vignette.

General powers, duties.

SEC. .02.06 *General Powers, Duties*: 1. The Commissioner shall have the authority expressly conferred upon him by or reasonably implied from the provisions of this code.

Enforce this code.

2. The Commissioner shall execute his duties and shall enforce the provisions of this code.

3. The Commissioner may:

Make rules and regulations.

(1) Make reasonable rules and regulations for effectuating any provision of this code, except those relating to his election, qualifications, or compensation. No such rules and regulations shall be effective prior to their being filed for public inspection in the Commissioner's office.

Investigate.

(2) Conduct investigations to determine whether any person has violated any provision of this code.

Conduct hearings.

(3) Conduct examinations, investigations, hearings, in addition to those specifically provided for, useful and proper for the efficient administration of any provision of this code.

Orders to be in writing.

SEC. .02.07 *Order, Notice*: 1. Orders of the Commissioner shall not be effective unless made in writ-

ing and signed by him or by his authority. Every order shall contain a concise statement of the grounds upon which it is based.

2. Every notice required to be given by the Commissioner to any person shall: Notice in writing.

(1) Be in writing in detail sufficient reasonably to inform the person of the action taken or proposed; and

(2) Designate the provisions of this code pursuant to which action is so taken or proposed; and Refer to statute.

(3) State the grounds for such action. State grounds.

3. An order or a notice may be given by delivery to the person to be ordered or notified or by mailing it, postage prepaid, addressed to him at his residence or principal place of business as last of record in the Commissioner's office. Delivery.

SEC. .02.08 *Enforcement*: 1. The Commissioner may prosecute an action in any court of competent jurisdiction to enforce any order made by him pursuant to any provision of this code. Enforcement in courts.

2. If the Commissioner has cause to believe that any person has violated any penal provision of this code or of other laws relating to insurance he shall certify the facts of the violation to the public prosecutor of the jurisdiction in which the offense was committed. Prosecution.

3. If the Commissioner has cause to believe that any person is violating or is about to violate any provision of this code or any order of the Commissioner, he may bring an action in any court of competent jurisdiction to enjoin the person from continuing the violation or doing any action in furtherance thereof. Injunction.

4. The Attorney General and the several Prosecuting Attorneys throughout the state shall prosecute or defend all proceedings brought pursuant to the provisions of this code when requested by the Commissioner. Attorney General and Prosecuting Attorneys.

Deputies,  
employees.

SEC. .02.09 *Deputies, Employees:* 1. The Commissioner may appoint a Chief Deputy Commissioner, who shall have power to perform any act or duty conferred upon the Commissioner. The Chief Deputy Commissioner shall take and subscribe the same oath of office as the Commissioner, which oath shall be endorsed upon the certificate of his appointment and filed in the office of the Secretary of State.

Additional  
deputies.

2. The Commissioner may appoint additional Deputy Commissioners for such purposes as he may designate.

Commis-  
sioner  
responsible.

3. The Commissioner shall be responsible for the official acts of his deputies, and may revoke at will the appointment of any deputy.

May employ  
assistants  
and clerks.

4. The Commissioner may employ examiners, and such actuarial, technical, and administrative assistants and clerks as he may need for proper discharge of his duties.

No interest  
in insurers.

5. The Commissioner, or any deputy or employee of the Commissioner, shall not be interested, directly or indirectly, in any insurer except as a policyholder.

Employees  
may be  
bonded.

6. The Commissioner may require any deputy or employee to be bonded as he shall deem proper but not to exceed in amount the sum of twenty-five thousand dollars (\$25,000). The cost of any such bond shall be borne by the state.

Delegation  
of powers  
and duties.

SEC. .02.10 *Commissioner May Delegate:* Any power or duty vested in the Commissioner by any provision of this code may be exercised or discharged by any deputy, assistant, examiner, or employee of the Commissioner acting in his name and by his authority.

Offices.

SEC. .02.11 *Offices:* The Commissioner shall have an office at the State Capitol, and may maintain such offices elsewhere in this state as he may deem necessary.

Records.

SEC. .02.12 *Records:* 1. The Commissioner shall preserve in permanent form records of his proceed-

ings, hearings, investigations, and examinations, and shall file such records in his office.

2. The records of the Commissioner and insurance filings in his office shall be open to public inspection, except as otherwise provided by this code.

Open for inspection.

3. Five (5) years after conclusion of transactions to which they relate, the Commissioner may destroy any correspondence, claim files, working papers of examinations of insurers, reports of examination of insurers by insurance supervisory officials of other states, void or obsolete filings relating to rates, license applications, cards, and records, expired bonds, records of hearings, investigations, and any similar records, documents, or memoranda now or hereafter in his possession.

Records which may be destroyed after five years.

4. Ten (10) years after the year to which they relate, the Commissioner may destroy any foreign or alien insurer's annual statements, valuation reports, tax reports, or similar records or reports now or hereafter in his possession.

Destruction after ten years.

5. The Commissioner shall concurrently execute and file in a separate, permanent office file a certificate listing and giving a summary description of the records, files, documents, memoranda, as they are destroyed.

Summary of destroyed records.

SEC. .02.13 *Certificates, As Evidence:* 1. Any certificate or license issued by the Commissioner shall bear the seal of his office.

Certificates, as evidence.

2. Copies of records or documents in his office certified to by the Commissioner shall be received as evidence in all courts in the same manner and to the same effect as if they were the originals.

Admissible as evidence.

3. When required for evidence in court, the Commissioner shall furnish his certificate as to the authority of an insurer or other licensee in this state on any particular date, and the court shall receive the certificate in lieu of the Commissioner's testimony.

In lieu of Commissioner's testimony.

Interstate  
cooperation.

SEC. .02.14 *Interstate Cooperation*: 1. The Commissioner shall to the extent he deems useful for the proper discharge of his responsibilities under the provisions of this code:

Consult and  
cooperate.

(1) Consult and cooperate with the public officials having supervision over insurance in other states.

Joint em-  
ployment of  
technicians.

(2) Share jointly with other states in the employment of actuaries, statisticians, and other insurance technicians whose services or the products thereof are made available and are useful to the participating states and to the Commissioner.

Joint estab-  
lishment of  
offices.

(3) Share jointly with other states in establishing and maintaining offices and clerical facilities for purposes useful to the participating states and to the Commissioner.

Arrange-  
ments in  
writing.

2. All arrangements made jointly with other states under items (2) and (3) of paragraph one of this section shall be in writing executed on behalf of this state by the Commissioner. Any such arrangement, as to participation of this state therein, shall be subject to termination by the Commissioner at any time upon reasonable notice.

"National  
Association  
of Insurance  
Commis-  
sioners."

3. For the purposes of this code "National Association of Insurance Commissioners" mean that voluntary organization of the public officials having supervision of insurance in the respective states, districts, and territories of the United States, whatever other name such organization may hereafter adopt, and in the affairs of which each of such public officials is entitled to participate subject to the constitution and by-laws of such organization.

Commis-  
sioner to  
purchase  
supplies.

SEC. .02.15 *Supplies, "Convention Blanks"*: The Commissioner shall purchase at the expense of the state and in the manner provided by law:

Equipment  
and supplies.

(1) Printing, books, reports, furniture, equipment, and supplies as he deems necessary to the proper discharge of his duties under this code.



(2) "Convention form" insurers' annual statement blanks, which he may purchase from any printer manufacturing the forms for the various states.

"Convention form."

SEC. .02.16 *Special Duties:* The Commissioner shall:

Special duties.

(1) Obtain and publish for the use of courts and appraisers throughout the state, tables showing the average expectancy of life and values of annuities and of life and term estates.

Publish tables.

(2) Disseminate information concerning the insurance laws of this state.

Give information.

SEC. .02.17 *Annual Report:* The Commissioner shall as early each year as accurate preparation enables, transmit to the legislature a report of his official transactions during the preceding calendar year, containing for the year reported:

Annual report.

(1) A list of all insurers authorized to transact insurance in this state, showing for each insurer its name, location, date of incorporation, date of admission into this state, capital funds, and kinds of insurance transacted.

Information concerning all insurers.

(2) Tabulated abstracts of the annual statements of all authorized insurers as filed with the Commissioner.

Abstracts of statements of insurers.

(3) A statement as to insurers whose authority to transact insurance in this state was terminated, the reasons for each termination, and if for insolvency the amount of the insurer's assets and liabilities as latest ascertained.

(4) A statement of his receipts and the sum of his expenditures.

Receipts and expenditures.

(5) His recommendations for amendment of this code, and additional information and recommendations relative to insurance as he deems proper.

Recommendation for amendment of code.

ARTICLE THREE  
EXAMINATIONS

Examination of insurers.

SEC. .03.01 *Examination of Insurers, Bureaus:* 1. The Commissioner shall examine the affairs, transactions, accounts, records, documents, and assets of each authorized insurer as often as he deems advisable. He shall so examine each domestic insurer not less frequently than every three (3) years. Examination of an alien insurer may be limited to its insurance transactions in the United States.

Rating organizations.

2. As often as he deems advisable and at least once in five (5) years, the Commissioner shall fully examine each rating organization and examining bureau licensed in this state. As often as he deems it advisable he may examine each advisory organization and each joint underwriting or joint reinsurance group, association, or organization.

Examining bureaus.

Advisory organizations.

Joint reinsurance group.

Applicants.

3. The Commissioner shall in like manner examine each insurer or rating organization applying for authority to do business in this state.

Commissioner may accept other reports.

4. In lieu of making his own examination, the Commissioner may accept a full report of the last recent examination of a non-domestic insurer or rating or advisory organization, or joint underwriting or joint reinsurance group, association or organization, certified to by the insurance supervisory official of the state of domicile or of entry.

Purpose and frequency of examination.

SEC. .03.02 *Examination of Agents, Managers, Promoters:* For the purpose of ascertaining its condition, or compliance with this code, the Commissioner may as often as he deems advisable examine the accounts, records, documents, and transactions of:

Agents.

(1) Any insurance agent, solicitor, broker or adjuster.

Managers.

(2) Any person having a contract under which he enjoys in fact the exclusive or dominant right to manage or control a stock or mutual insurer.

(3) Any person holding the shares of capital stock or policyholder proxies of a domestic insurer for the purpose of control of its management either as voting trustee or otherwise.

Persons  
owning  
control.

(4) Any person engaged in or proposing to be engaged in or assisting in the promotion or formation of a domestic insurer, or an insurance holding corporation, or a stock corporation to finance a domestic mutual insurer or the production of its business, or a corporation to be attorney-in-fact for a domestic reciprocal insurer.

Promoters.

SEC. .03.03 *Accounts Open, Corrected:* 1. Every person being examined, its officers, employees, and representatives shall produce and make freely accessible to the Commissioner the accounts, records, documents, and files in his possession or control relating to the subject of the examination, and shall otherwise facilitate the examination.

Records to  
be available.

2. If the Commissioner finds the accounts to be inadequate, or improperly kept or posted, he may employ experts to rewrite, post or balance them at the expense of the person being examined.

May be  
balanced at  
expense of  
examinee.

SEC. .03.04 *Examination Reports:* 1. The Commissioner shall make a full written report of each examination made by him containing only facts ascertained from the accounts, records, and documents examined and from the sworn testimony of individuals.

Report  
of each  
examination.

2. The report shall be certified by the Commissioner or by his examiner in charge of the examination, and shall be filed in the Commissioner's office subject to paragraph three of this section.

Certified  
and filed.

3. The Commissioner shall furnish a copy of the examination report to the person examined not less than ten (10) days prior to the filing of the report for public inspection in the Commissioner's office. If such person so requests in writing within such ten-day period, the Commissioner shall hold a hearing to

Copy to  
examinee.

Hearing on  
report.

consider objections of such person to the report as proposed, and shall not so file the report until after such hearing and until after any modifications in the report deemed necessary by the Commissioner have been made.

Reports withheld.

SEC. .03.05 *Reports Withheld*: The Commissioner may withhold from public inspection any examination or investigation report for so long as he deems it advisable.

Examination expense.

SEC. .03.06 *Examination Expense*: 1. Examinations within this state of any insurer domiciled or having its home offices in this state, other than a title insurer, made by the Commissioner or his examiners and employees shall, except as to fees, mileage, and expense incurred as to witnesses, be at the expense of the state.

Examination in state.

Examination outside state.

2. Every other examination, whatsoever, or any part of the examination of any person domiciled or having its home offices in this state requiring travel and services outside this state, shall be made by the Commissioner or by examiners designated by him and shall be at the expense of the person examined; but a domestic insurer shall not be liable for the compensation of examiners employed by the Commissioner for such services outside this state.

Payment of expenses.

3. The person examined and liable therefor shall pay to the Commissioner's examiners upon presentation of itemized statement thereof, their actual travel expenses, their reasonable living expense allowance, and their per diem compensation at a reasonable rate approved by the Commissioner, incurred on account of the examination. Except, that a domestic title insurer shall pay the examination expense and costs to the Commissioner as itemized and billed by him.

No additional emoluments for examination.

The Commissioner or his examiners shall not receive or accept any additional emolument on account of any examination.

**SEC. .03.07 *Witnesses Subpoenaed:*** 1. The Commissioner may take depositions, may subpoena witnesses or documentary evidence, administer oaths, and examine under oath any individual relative to the affairs of any person being examined, or relative to the subject of any hearing or investigation.

Witnesses and documents subpoenaed.

2. The subpoena shall have the same force and effect and shall be served in the same manner as if issued from a court of record.

Effect of subpoena.

3. Witness fees and mileage, if claimed, shall be allowed the same as for testimony in a court of record. Witness fees, mileage, and the actual expense necessarily incurred in securing attendance of witnesses and their testimony shall be itemized, and shall be paid by the person as to whom the examination is being made, or by the person if other than the Commissioner, at whose request the hearing is held.

Witness fees and mileage.

Payment.

4. If any individual fails to obey the subpoena, or obeys the subpoena but refuses to testify when required concerning any matter under examination or investigation of the subject of the hearing, the Commissioner shall file his written report thereof and proof of service of his subpoena, in any court of competent jurisdiction in the county where the examination, hearing, or investigation is being conducted. Thereupon the court shall forthwith cause the individual to be brought before it and shall punish him as if the failure or refusal related to a subpoena from or testimony in that court.

Failure to appear or testify.

Contempt proceedings.

**SEC. .03.08 *Testimony Compelled:*** A person shall not be excused from attending and testifying or producing any evidence upon any examination, hearing, or investigation conducted by or under authority of the Commissioner, on the ground that his testimony or the evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. No person shall be prosecuted or punished in any criminal action or proceeding for or on account of any act, transaction, matter or thing concerning which he is

Self incrimination no excuse.

No punishment for offenses admitted.

Perjury is exception.

so compelled to produce evidence or to testify under oath, except for perjury committed in such testimony.

ARTICLE FOUR

HEARINGS AND APPEALS

Hearings.

SEC. .04.01 *Hearings*: 1. The Commissioner may hold a hearing for any purpose within the scope of this code as he may deem necessary. He shall hold a hearing:

If required by law. Upon demand.

- (1) if required by any provision of this code, or
- (2) upon written demand for a hearing made by any person aggrieved by any act, threatened act, or failure of the Commissioner to act, if such failure is deemed an act under any provision of this code, or by any report, promulgation, or order of the Commissioner other than an order on a hearing of which such person was given actual notice or at which such person appeared as a party, or order pursuant to the order on such hearing.

Demand must state grounds.

2. Any such demand for a hearing shall specify in what respects such person is so aggrieved and the grounds to be relied upon as basis for the relief to be demanded at the hearing.

Within thirty days.

3. The Commissioner shall hold such hearing demanded within thirty (30) days after his receipt of the demand, unless postponed by mutual consent.

Action stayed automatically.

SEC. .04.02 *Stay of Action*: 1. Such demand for a hearing received by the Commissioner prior to the effective date of action taken or proposed to be taken by him shall stay such action pending the hearing, except as to action taken or proposed:

Exceptions.

- (1) under an order on hearing, or
- (2) under an order pursuant to an order on hearing, or
- (3) under an order to make good an impairment of the capital funds of an insurer.

2. In any case where an automatic stay is not provided for, and if the Commissioner after written

request therefor fails to grant a stay, the person aggrieved thereby may apply to the Superior Court for Thurston County for a stay of the Commissioner's action.

Court may grant stay.

SEC. .04.03 *Hearing Place, Public*: The hearing shall be held at the place designated by the Commissioner, and at his discretion it may be open to the public.

Hearing place, public.

SEC. .04.04 *Notice of Hearing*: 1. The Commissioner shall, not less than ten (10) days in advance, give notice to each person to be affected by the hearing, of the time and place thereof and specifying the matters to be considered at the hearing.

Notice of hearing.

Ten days.

2. If under paragraph one of this section notice of a hearing would be required to be given to more than one hundred (100) persons, in lieu of the notice provided for in such paragraph and for the purposes of section .30.01 only, the Commissioner may give notice of the hearing by publishing the notice in five (5) daily newspapers at least once each week during the four (4) weeks immediately preceding the week in which the hearing is to be held. One of such newspapers must be published in the eastern part of this state; one of such newspapers must be published in the general central or south-central portion of this state; one of such newspapers must be published in the general northwestern portion of this state; one of such newspapers must be published in the general west-central portion of this state, and one of such newspapers must be published in the general southwestern portion of this state.

Notice by publication in certain cases.

Published in five daily newspapers.

Any such published notice shall state the time and place of the hearing and shall specify the matters to be considered thereat.

Contents of notice.

SEC. .04.05 *Show Cause Notice*: If any person is entitled to a hearing by any provision of this code before any proposed action is taken, the notice of the

Show cause notice.

proposed action may be in the form of a notice to show cause stating that the proposed action may be taken unless such person shows cause at a hearing to be held as specified in the notice, why the proposed action should not be taken, and stating the basis of the proposed action.

Adjourned hearing.

SEC. .04.06 *Adjourned Hearing*: The Commissioner may adjourn any hearing from time to time and from place to place without other notice of the adjourned hearing than announcement thereof at the hearing.

Non-attendance.

SEC. .04.07 *Non-attendance*: The validity of any hearing held in accordance with the notice thereof shall not be affected by failure of any person to attend or to remain in attendance.

Procedure.

SEC. .04.08 *Procedure*: 1. The Commissioner shall preside at the hearing and shall keep a true and concise record of the proceedings thereat. Formal rules of pleading or evidence need not be observed in the hearing.

Stenographic record.

2. At the expense of and at the written request seasonably made by any person affected by the hearing, the Commissioner shall cause a full stenographic record of the proceedings to be made by a competent stenographic reporter and if transcribed such record shall be made a part of the Commissioner's record of the hearing.

Who may testify.

3. The Commissioner shall allow any person affected by the hearing to be present during the giving of all testimony and shall allow him a reasonable opportunity to inspect all documentary evidence, to examine witnesses, and to present evidence in support of his interest. Upon good cause shown, the Commissioner may permit any person to intervene, appear, and be heard at the hearing.

Intervention.

Full disclosure.

4. Any person heard shall make full disclosure of facts pertinent to the subject of inquiry as requested



by the Commissioner or by any person affected by the hearing.

SEC. .04.09 *Order on Hearing:* 1. Within thirty (30) days after the termination of a hearing the Commissioner shall make his order thereon and shall, subject to paragraph four of this section, give a copy of the order to each person to whom notice of the hearing was given or required to be given.

Order on hearing.

2. The order shall contain:

Contents of order.

(1) A concise statement of the action taken.

(2) The effective date of such action.

(3) A designation of the provisions of this code pursuant to which the action is taken.

(4) A concise statement of the findings of the Commissioner in support of the action.

3. An order on hearing may confirm, modify, or nullify action taken under an existing order, or may constitute the taking of any new action coming within the scope of the notice of such hearing.

Scope of order.

4. If notice of such hearing was given by publication as provided for in section .04.04, the Commissioner may publish the order on hearing once each week for four (4) successive weeks in the same newspapers in which such notice was published, the first such publication to be made on the date of the order. Such publication of the order on hearing shall be in lieu of the requirement that a copy of such order be given to each person as provided in paragraph one of this section.

Publication of order.

SEC. .04.10 *Appeal from Commissioner's Order:*

Appeal from Commissioner's order.

1. Any person aggrieved on account of any official action or threatened action of the Commissioner, or of his failure to act if such failure is deemed to constitute an act under any provision of this code, may demand a hearing thereon as provided in section .04.01, and may appeal from the Commissioner's order made pursuant thereto. Such appeal shall be taken only to the superior court for Thurston County

To Superior Court for Thurston County.

and only from an order refusing a hearing or an order on hearing. An appeal may be so taken by any person aggrieved by such order refusing a hearing or by such order on hearing.

Time for appeal.

2. The appeal must be taken within thirty (30) days after the order complained of was given by the Commissioner, or, if the order was published as provided in section .04.09, within thirty (30) days after the date of the last such publication. If not so taken, the right to appeal from or restrain action under the order shall conclusively be deemed to have been waived.

How appeal taken.

SEC. .04.11 *How Appeal Taken:* The appeal shall be taken by filing with the clerk of the superior court for Thurston County a petition for a review of the Commissioner's order, containing a copy of the order and a statement of the particulars in which it is claimed that the order is in error and a statement of the relief prayed for, and by serving upon the Commissioner a copy of the petition, certified by the clerk of the court to be a true copy.

Record to court.

SEC. .04.12 *Record to Court:* Upon being served with a copy of the petition for review of an order on hearing, the Commissioner shall forthwith prepare and file with the clerk of the court a true and complete transcript of his record of the hearing on which the order appealed from was made. The cost of the transcript may be included in the costs allowed by the court.

Hearing the appeal.

SEC. .04.13 *Hearing the Appeal:* The court shall give precedence to and may summarily hear and determine the appeal. The court shall hear the appeal upon the transcript of the record of the Commissioner's hearing and on such additional proper evidence as may be offered by any party. After considering the evidence the court may affirm, modify, or set aside the order appealed from. Costs shall be awarded as in civil cases.

SEC. .04.14 *Stay of Action on Appeal*: 1. The taking of an appeal shall not stay any action taken or proposed to be taken by the Commissioner under the order appealed from unless a stay is granted by the court at a hearing held as part of the proceedings on appeal.

Stay of  
action on  
appeal.

2. A stay shall not be granted by the court in any case where the granting of a stay would tend to injure the public interest. In granting a stay, the court may require of the person taking the appeal such security or other conditions as it deems proper.

No stay if  
public  
interest  
injured.

3. If the order appealed from is one suspending, revoking, or refusing to renew an agent's, broker's, solicitor's or adjuster's license, the appellant by filing a bond with the clerk of the court, subject to approval of the court, in the sum of five hundred dollars (\$500), conditioned to pay all costs that may be awarded against him, may, if filed prior to the effective date of such order, supersede the order appealed from until the final determination of the appeal.

When order  
affects  
licenses.

SEC. .04.15 *Appeals to Supreme Court*: An appeal may be taken to the Supreme Court of this state as in civil actions from a judgment of the Superior Court made pursuant to any provision of this article. Such appeals shall be advanced upon the trial calendar of the Supreme Court and be heard at the earliest convenient date.

Appeals to  
Supreme  
Court.

## ARTICLE FIVE

### INSURERS—GENERAL REQUIREMENTS

SEC. .05.01 *"Domestic"—"Foreign"—"Alien" Insurers*: 1. A "domestic" insurer is one formed under the laws of this state.

"Domestic"  
insurer.

2. A "foreign" insurer is one formed under the laws of the United States, of a state or territory of the United States other than this state, or of the District of Columbia.

"Foreign"  
insurer.

3. An "alien" insurer is one formed under the laws of a nation other than the United States.

"Alien"  
insurer.

"United States."

4. For the purposes of this code, "United States," when used to signify place, means only the states of the United States, the Territories of Alaska and Hawaii, the government of Puerto Rico and the District of Columbia.

Certificate of authority required.

SEC. .05.03 *Must Have Authority:* 1. No person shall act as an insurer and no insurer shall transact insurance in this state other than as authorized by a certificate of authority issued to it by the Commissioner and then in force; except, as to such transactions as are expressly otherwise provided for in this code.

Contents of certificate.

2. Every certificate of authority shall specify the name of the insurer, the location of its principal office, the name of and location of the principal office of its attorney-in-fact if a reciprocal insurer, and the kind or kinds of insurance it is authorized to transact in this state.

Adjusting not deemed transacting insurance.

3. The investigation and adjustment of any claim in this state arising under an insurance contract issued by an unauthorized insurer, shall not be deemed to constitute the transacting of insurance in this state.

Qualifications for authority.

SEC. .05.04 *Qualifications for Authority:* To qualify for and hold a certificate of authority an insurer must:

Nature of organization.

(1) Be a stock, mutual, or reciprocal insurer of the same general type as may be formed as a domestic insurer under the provisions of article six of this code; and

Capital funds.

(2) Have capital funds as required by this code, based upon the type and domicile of the insurer and the kinds of insurance proposed to be transacted; and

Nature of transactions.

(3) Transact or propose to transact in this state insurances authorized by its charter, and only such insurance as meets the standards and requirements of this code; and

Comply with code.

(4) Fully comply with, and qualify according to, the other provisions of this code.

SEC. .05.05 "*Charter*" Defined: "Charter" means articles of incorporation, articles of agreement, articles of association of a corporation, or other basic constituent document of a corporation, or subscribers' agreement and attorney-in-fact agreement of a reciprocal insurer. "Charter."

SEC. .05.06 "*Capital Funds*" defined: "Capital funds" means the excess of the assets of an insurer over its liabilities. Capital stock, if any, shall not be deemed to be a liability for the purposes of this section. "Capital Funds."

SEC. .05.07 *Application for Authority*: To apply for an original certificate of authority an insurer shall: Application for authority.

(1) File with the Commissioner its request therefor showing: Contents of request.

(a) Its name, home office location, type of insurer, organization date, and state or country of its domicile.

(b) The kinds of insurance it proposes to transact.

(c) Additional information as the Commissioner may reasonably require. Additional information.

(2) File with the Commissioner:

(a) A copy of its charter as amended, certified, if a foreign or alien insurer, by the proper public officer of the state or country of domicile. Charter.

(b) A copy of its by-laws, certified by its proper officer. By-laws.

(c) A statement of its financial condition, management, and affairs on a form satisfactory to or furnished by the Commissioner. Financial statement.

(d) If a foreign or alien insurer, or a domestic reciprocal insurer, an appointment of the Commissioner as its attorney to receive service of legal process. Appointment of attorney.

(e) If an alien insurer, a copy of the appointment

Appointment of United States manager.

and authority of its United States manager, certified by its proper officer.

Proof of organization.

(f) If a foreign or alien insurer, a certificate from the proper public official of its state or country of domicile showing that it is duly organized and is authorized to transact the kinds of insurance proposed to be transacted.

Declaration.

(g) If a domestic reciprocal insurer, the declaration required by section .10.09 of this code.

Other documents.

(h) Other documents or stipulations as the Commissioner may reasonably require to evidence compliance with the provisions of this code.

Fees.

(3) Deposit with the Commissioner the fees required by this code to be paid for filing the accompanying documents, and for the certificate of authority, if granted.

Foreign insurers—deposit.

SEC. .05.08 *Foreign Insurers—Deposit:* 1. Prior to the issuance of a certificate of authority to a foreign insurer, it shall make a deposit of assets with the State Treasurer through the Commissioner for the protection of all its policyholders, or of all of its policyholders and obligees or its policyholders and obligees within the United States, in amount and kind, subject to section .14.04, the same as is required of a like domestic insurer transacting like kinds of insurance.

Certificate in lieu of deposit.

2. In lieu of such deposit or part thereof the Commissioner may accept the certificate of the public official having supervision over insurers in any other state to the effect that a like deposit by such insurer or like part thereof in equal or greater amount is held in public custody in such state.

Alien insurers—assets required.

SEC. .05.09 *Alien Insurers—Assets Required:* 1. An alien insurer shall not be authorized to transact insurance in this state unless it maintains within the United States assets in amount not less than its outstanding liabilities arising out of its insurance transactions in the United States, of which assets there

is deposited in trust an amount not less than the required reserves under its policies in force in the United States after deducting, in the case of a life insurer, the amount of outstanding policy loans on such policies, and which assets shall be in addition to the larger of the following sums:

(1) The largest amount of deposit required by this code to be made in this state by any type of domestic insurer transacting like kinds of insurance; or

Amount of deposit required of domestic insurer or

(2) Two hundred thousand dollars (\$200,000).

\$200,000, whichever is larger.

2. The trust deposit shall be for the security of all policyholders or policyholders and obligees of the insurer in the United States. It shall not be subject to diminution below the amount currently determined in accordance with paragraph one of this section so long as the insurer has outstanding any liabilities arising out of its business transacted in the United States.

3. The trust deposit shall be maintained with public depositaries or trust institutions within the United States approved by the Commissioner.

Maintenance of trust deposit.

SEC. .05.10 *Deposit Resolution*: An alien insurer shall file with the Commissioner a certified copy of the resolution of its governing board by which the trust deposit was established, together with a certified copy of any trust agreement under which the deposit is held.

Deposit resolution.

SEC. .05.11 *Authority Issued*: If the Commissioner finds that an insurer has met the requirements for and is fully entitled thereto under this code, he shall issue to it a proper certificate of authority. If the Commissioner does not so find, the authority shall be refused within a reasonable length of time following completion by the insurer of the application therefor.

Authority issued.

SEC. .05.12 *Expiration, Renewal, Amendment*:  
1. All certificates of authority shall expire on the

Expiration.

**Annual renewal.** thirty-first day of March next succeeding date of issue or renewal, and if the insurer qualifies therefor its certificate shall be renewed annually for a period of not more than one (1) year.

**Amendment.** 2. The Commissioner may amend a certificate of authority at any time in accordance with changes in the insurer's charter or insuring powers.

**Refusal or revocation.** **Mandatory grounds.** SEC. .05.13 *Refusal or Revocation—Mandatory Provisions:* The Commissioner shall refuse to renew or shall revoke or suspend an insurer's certificate of authority, in addition to other grounds therefor in this code, if the insurer:

**Foreign or alien insurer.** (1) Is a foreign or alien insurer and no longer qualifies or meets the requirements for the authority; or, is a domestic mutual or domestic reciprocal insurer, and fails to make good a deficiency of assets as required by the Commissioner.

**Domestic stock insurer.** (2) Is a domestic stock insurer and has assets less in amount than its liabilities, including its capital stock as a liability, and has failed to make good such deficiency as required by the Commissioner.

**Exceeds its authority.** (3) Knowingly exceeds its charter powers or its certificate of authority.

**Refusal, suspension, revocation.** **Discretionary grounds.** SEC. .05.14 *Refusal, Suspension, Revocation—Discretionary Provisions:* The Commissioner may refuse, suspend, or revoke an insurer's certificate of authority, in addition to other grounds therefor in this code, if the insurer:

**Falls to comply with code or orders.** (1) Fails to comply with any provision of this code other than those for violation of which refusal, suspension, or revocation is mandatory, or fails to comply with any proper order of the Commissioner.

**Hazardous condition.** (2) Is found by the Commissioner to be in such condition that its further transaction of insurance in this state would be hazardous to policyholders and the people in this state.



(3) Refuses to remove or discharge a director or officer who has been convicted of any crime involving fraud, dishonesty, or like moral turpitude.

Officer or director convicted of crime not removed.

(4) Usually compels claimants under policies either to accept less than the amount due them or to bring suit against it to secure full payment of the amount due.

Poor settlements.

(5) Is affiliated with and under the same general management, or interlocking directorate, or ownership as another insurer which transacts insurance in this state without having a certificate of authority therefor, except as is permitted by this code.

No certificate of authority.

(6) Refuses to be examined, or if its directors, officers, employees or representatives refuse to submit to examination or to produce its accounts, records, and files for examination by the Commissioner when required, or refuse to perform any legal obligation relative to the examination.

Refuses to be examined.

(7) Fails to pay any final judgment rendered against it in this state upon any policy, bond, recognition, or undertaking issued or guaranteed by it, within thirty (30) days after the judgment became final or within thirty (30) days after time for taking an appeal has expired, or within thirty (30) days after dismissal of an appeal before final determination, whichever date is the later.

Fails to pay final judgment.

SEC. .05.15 *Notice of Intent*: The Commissioner shall give an insurer notice of his intention to suspend, revoke, or refuse to renew its certificate of authority not less than ten (10) days before the order of suspension, revocation or refusal is to become effective; except that no advance notice of intention is required where the order results from a domestic insurer's failure to make good a deficiency of assets as required by the Commissioner.

Notice of intent.

SEC. .05.16 *Suspension Period*: The Commissioner shall not suspend an insurer's certificate of authority for a period in excess of one (1) year, and

Suspension period.

he shall state in his order of suspension the period during which it shall be effective.

Revival.

SEC. .05.17 *Revival*: No insurer whose certificate of authority has been suspended, revoked, or refused shall subsequently be authorized unless the grounds for such suspension, revocation, or refusal no longer exist and the insurer is otherwise fully qualified.

Notice, agent's licenses.

SEC. .05.18 *Notice, Agent's Licenses*: Upon the suspension, revocation or refusal of an insurer's certificate of authority, the Commissioner shall give notice thereof to the insurer and shall likewise suspend, revoke or refuse the authority of its agents to represent it in this state and give notice thereof to the agents.

Insurer's name.

SEC. .05.19 *Insurer's Name*: 1. Every insurer shall conduct its business in its own legal name.

Similar names not permitted.

2. No insurer shall assume or use a name deceptively similar to that of any other authorized insurer.

Commissioner appointed attorney.

SEC. .05.20 *Commissioner Appointed Attorney*: 1. Each authorized foreign or alien insurer shall appoint the Commissioner as its attorney to receive service of, and upon whom shall be served, all legal process issued against it in this state upon causes of action arising within this state. Service upon the Commissioner as attorney shall constitute service upon the insurer. Service of legal process against such an insurer can be had only by service upon the Commissioner.

Service of legal process.

Designation of person to whom process forwarded.

2. With the appointment the insurer shall designate by name and address the person to whom the Commissioner shall forward legal process so served upon him. The insurer may change such person by filing a new designation.

Appointment irrevocable.

3. The appointment of the Commissioner as attorney shall be irrevocable, shall bind any successor in interest or to the assets or liabilities of

the insurer, and shall remain in effect as long as there is in force in this state any contract made by the insurer or liabilities or duties arising therefrom.

SEC. .05.21 *How Service Made:* 1. Duplicate copies of legal process against an insurer for whom the Commissioner is attorney shall be served upon him either by a person competent to serve a summons, or by registered mail. At the time of service the plaintiff shall pay to the Commissioner two dollars (\$2), taxable as costs in the action.

How service made.

2. The Commissioner shall forthwith send one of the copies of the process, by registered mail with return receipt requested, to the person designated for the purpose by the insurer in its most recent such designation filed with the Commissioner.

Commissioner forwards copy of process.

3. The Commissioner shall keep a record of the day and hour of service upon him of all legal process. No proceedings shall be had against the insurer, and the insurer shall not be required to appear, plead, or answer until the expiration of forty (40) days after the date of service upon the Commissioner.

Commissioner to keep records.

Insurer has forty days to plead.

SEC. .05.22 *Venue:* Suit upon causes of action arising within this state against an insurer upon an insurance contract shall be brought in the county where the cause of action arose.

Venue.

SEC. .05.23 *Agents Required, Countersignature:* 1. No insurer shall issue an insurance contract covering a subject of insurance resident, located, or to be performed in this state unless the insurance contract or countersignature endorsement is countersigned by its licensed agent, or manager or general agent, resident in this state, except as provided in section .05.24. The Commissioner may suspend or revoke the certificate of authority of any insurer violating this provision.

Agents required, countersignature.

2. An agent, general agent, or manager shall not sign or countersign any insurance contract or

No countersignature in blank.

countersignature endorsement in blank. The Commissioner may suspend or revoke the license of any agent or general agent violating this provision.

Insurance policies not invalidated.

3. Such violations shall not invalidate any insurance contract.

Exceptions.

SEC. .05.24 *Exceptions:* The provisions of section .05.23 shall not apply to reinsurance contracts between insurers, to life or disability insurances, or to insurance contracts:

Surplus line exempted.

(1) Issued as a surplus line under section .15.04, or exempted under section .15.16.

Certain carriers.

(2) Covering the rolling stock, vessels, or aircraft of any common carrier in interstate or foreign commerce, or any vehicle principally garaged and used in another state, or covering any liability or other risks incident to the ownership, maintenance, or operation thereof.

Interstate or foreign trade.

(3) Covering any property in course of transportation interstate or in foreign trade, or any liability or risk incident thereto.

Insurers not using agents.

(4) Issued by insurers not using agents in the general solicitation of business.

Annual statement.

SEC. .05.25 *Annual Statement:* 1. Each authorized insurer shall annually before the first day of March, file with the Commissioner a true statement of its financial condition, transactions, and affairs as at the thirty-first day of December preceding. The statement shall be on forms and shall contain information as required by this code and by the Commissioner, and shall be verified by the oaths of at least two (2) of the insurer's principal officers

Commissioner to furnish forms.

2. The Commissioner shall annually during November and December furnish each such insurer duplicate copies of annual statement forms as next required to be filed. The statement forms shall be in general form and context as approved by the National Association of Insurance Commissioners for

the kinds of insurance to be reported upon, and as supplemented for additional information required by the Commissioner.

3. The annual statement of an alien insurer shall relate only to its transactions and affairs in the United States unless the Commissioner requires otherwise. The statement shall be verified by the insurer's United States manager or by its officers duly authorized.

Alien  
insurers.

4. The Commissioner shall suspend or revoke the certificate of authority of any insurer failing to file its annual statement when due or during any extension of time therefor which the Commissioner, for good cause, may grant.

Penalty.

SEC. .05.27 *Determination of Capital Funds of Alien Insurer:* 1. The capital funds of an alien insurer shall be deemed to be the amount by which its assets, deposited and otherwise held as provided in section .05.09 exceed its liabilities with respect to its business transacted in the United States.

Amount  
assets  
exceeds  
liabilities  
in United  
States.

2. Assets of such insurer held in any state for the special protection of policyholders and obligees in such state shall not constitute assets of the insurer for the purposes of this code. Liabilities of the insurer so secured by such assets, but not exceeding the amount of such assets, may be deducted in computing the insurer's liabilities for the purpose of this section.

Computation.

SEC. .05.28 *Accounts, Records:* Every insurer shall keep full and adequate accounts and records of its assets, obligations, transactions, and affairs.

Accounts,  
records.

SEC. .05.29 *Reinsurance Upon Withdrawal:* 1. No insurer shall withdraw from this state until its direct liability to its policyholders and obligees under all its insurance contracts then in force in this state has been assumed by another authorized insurer under an agreement approved by the Commissioner.

Reinsurance  
upon  
withdrawal.

In the case of a life insurer, its liability pursuant to contracts issued in this state in settlement of proceeds under its policies shall likewise be so assumed.

Commissioner may waive.

2. The Commissioner may waive this requirement if he finds upon examination that a withdrawing insurer is then fully solvent and that the protection to be given its policyholders in this state will not be impaired by the waiver.

Assuming insurer.

3. The assuming insurer shall within a reasonable time replace the assumed insurance contracts with its own, or by endorsement thereon acknowledge its liability thereunder.

Alien reinsurers.

SEC. .05.30 *Alien Reinsurers*: 1. No credit shall be allowed to any insurer, as an asset or as a deduction from liability for reinsurance ceded to an alien insurer, other than under a contract of ocean marine insurance, covering a subject of insurance resident, located, or to be performed in this state unless the alien insurer:

Requirements.

Authorized to do business in United States.

(1) Is authorized to transact insurance in a state of the United States, and

Adequate guaranty deposit.

(2) maintains an adequate guaranty deposit in a state of the United States for the protection of its insurance obligees in the United States, or

Attorney in fact.

(3) has an attorney-in-fact resident in the United States upon whom service of legal process may be made.

General agents and managers.

SEC. .05.31 *General Agents and Managers*: 1. An insurer appointing any person as its general agent or manager to represent it as such in this state shall file notice of the appointment with the Commissioner on forms prescribed and furnished by the Commissioner.

Authority.

2. Any such general agent or manager shall have such authority, consistent with this code, as may be conferred by the insurer. A general agent

resident in this state and licensed, as in this section provided, may exercise the powers conferred by this code upon agents licensed for the kinds of insurance which the general agent is authorized to transact for the insurer so appointing him.

3. The appointment of a resident general agent shall not be effective unless the person so appointed is licensed as the general agent of such insurer by the Commissioner upon application and payment of the fee therefor as provided in section .14.01.

Must be licensed.

4. Every such license shall expire as at close of business on the thirty-first day of March next following the date of issue, and may be renewed for an additional year upon application and payment of the fee therefor.

Annual licenses.

5. The Commissioner may deny, suspend, or revoke any such license for any cause specified in section .17.53 and in the manner provided in section .17.54.

Denial, suspension, or revocation.

SEC. .05.32. *Report of Losses:* 1. Each authorized insurer shall promptly report to the Commissioner, upon forms as prescribed and furnished by him, each fire loss of property in this state reported to it and of undetermined or suspected criminal origin.

Report of losses.

2. As may be requested by the Commissioner, each such insurer shall likewise report to him upon claims paid by it for loss or damage by fire in this state.

Report of claims paid.

ARTICLE SIX

ORGANIZATION OF DOMESTIC INSURERS

SEC. .06.01 *Types of Insurers Permitted:* An insurer formed in this state shall be either

Types of insurers permitted.

- (1) an incorporated stock insurer, or
- (2) an incorporated mutual insurer, or
- (3) an incorporated specific risks mutual property insurer, or

Stock.

Mutual.

Specific risks.

Mutual-assessment.

(4) an incorporated mutual-assessment property insurer only, or

Farm mutual-assessment

(5) an incorporated farm mutual-assessment property insurer only, or

reciprocal.

(6) a reciprocal insurer, with respective powers, duties, and restrictions as provided in this code.

Assessment mutuals prohibited.

SEC. .06.02 *Assessment Mutuals Prohibited, Exceptions:* No insurer shall be formed or be authorized in this state to issue contracts of insurance the performance of which is contingent upon the payment of assessments, assessment-premiums, or calls made upon its members. Mutual assessment property insurers and farm mutual assessment property insurers shall be the only exceptions to this provision.

Exceptions.

Solicitation permit.

SEC. .06.03 *Solicitation Permit:* 1. No person forming or proposing to form in this state an insurer, or insurance holding corporation, or stock corporation to finance an insurer or insurance production therefor, or corporation to manage an insurer, or corporation to be attorney-in-fact for a reciprocal insurer, or a syndicate for any of such purposes, shall advertise, or solicit or receive any funds, agreement, stock subscription, or membership on account thereof unless he has applied for and has received from the Commissioner a solicitation permit.

Penalty.

2. Any person violating this section shall be subject to a fine of not more than ten thousand dollars (\$10,000) or imprisonment for not more than ten (10) years, or by both fine and imprisonment.

Application for solicitation permit.

SEC. .06.04 *Application for Solicitation Permit:* To apply for a solicitation permit the person shall:

Contents.

(1) File with the Commissioner a request therefor showing,

Name, type and purpose.

(a) name, type, and purpose of insurer, corporation or syndicate proposed to be formed;



(b) names, addresses, and business records of each person associated or to be associated in the formation of the proposed insurer, corporation, or syndicate;

Persons in syndicate.

(c) full disclosure of the terms of all understandings and agreements existing or proposed among persons so associated relative to the proposed insurer, corporation, or syndicate, or the formation thereof;

Terms of agreements.

(d) the plan according to which solicitations are to be made;

Plan.

(e) such additional information as the Commissioner may reasonably require.

Additional information.

(2) File with the Commissioner,

(a) original and copies in triplicate of proposed articles of incorporation, or syndicate agreement; or, if the proposed insurer is a reciprocal, original and duplicate of the proposed subscribers' agreement and attorney-in-fact agreement;

Additional papers to be filed with request.

(b) original and duplicate copy of any proposed by-laws;

(c) copy of any security proposed to be issued and copy of application or subscription agreement therefor;

(d) copy of any insurance contract proposed to be offered and copy of application therefor;

(e) copy of any prospectus, advertising, or literature proposed to be used;

(f) copy of proposed form of any escrow agreement required.

(3) Deposit with the Commissioner the fees required by law to be paid for the application, for filing of the articles of incorporation of an insurer, for filing the subscribers' agreement and attorney-in-fact agreement if the proposed insurer is a reciprocal, for the solicitation permit, if granted, and for filing articles of incorporation with the Secretary of State.

Deposit fees.

Application examined.

SEC. .06.05 *Application Examined:* The Commissioner shall expeditiously examine the application for a solicitation permit and make any investigation relative thereto deemed necessary. If the Commissioner finds that

- (1) the application is complete; and
- (2) the documents therewith filed are equitable in terms and proper in form; and

Notice of issuance of permit.

(3) the agreements made or proposed are equitable to present and future shareholders, subscribers, members or policyholders, he shall give notice to the applicant that he will issue a solicitation permit, stating the terms to be contained therein, upon the filing of the bond required by section .06.11 of this code.

Denial of application.

If the Commissioner does not so find, or if he finds that any of the persons named in the application as being associated or to be associated in the formation of the insurer, corporation or syndicate are untrustworthy, he shall give notice to the applicant that the permit will not be granted, stating the grounds therefor, and shall refund to the applicant all sums so deposited except the application fee.

Bond filed.

SEC. .06.06 *Permit Issued:* Upon the filing of the bond required by section .06.11 after notice by the Commissioner, the Commissioner shall

Articles filed.

(1) file the articles of incorporation of the proposed incorporated insurer or other corporation with the Secretary of State, and

Permit issued.

(2) issue to the applicant a solicitation permit.

Expiration.

SEC. .06.07 *Expiration and Contents:* Every solicitation permit issued by the Commissioner shall:

(1) Expire two (2) years from its date, unless earlier terminated by the Commissioner, and shall so state.

Identify securities or contract.

(2) State the securities for which subscriptions are to be solicited, the number, classes, par value, and selling price thereof, or identify the insurance

contract for which applications and advance premiums or deposits are to be solicited.

(3) Limit the portion of funds received on account of stock or syndicate subscriptions, if any are proposed to be taken, which may be used for promotion and organization expenses to such amount as he deems adequate, but in no event to exceed fifteen per cent (15%) of such funds as and when actually received.

Limit promotion and organization expense for stock or syndicate subscriptions.

(4) If to be a mutual or reciprocal insurer, limit the portion of funds received on account of applications for insurance which may be used for promotion or organization expenses to a reasonable commission upon such funds, giving consideration to the kind of insurance and policy involved and to the costs incurred by insurers generally in the production of similar business, and provide that no such commission shall be deemed to be earned nor be paid until the insurer has received its certificate of authority and the policies applied for and upon which such commission is to be based, have been actually issued and delivered.

Limit promotion and organization expense of mutual or reciprocal insurers.

(5) Contain such other information required by this article or reasonable conditions relative to accounting and reports or otherwise as the Commissioner deems necessary.

Other information.

**SEC. .06.08 *Permit as Inducement:*** The granting of a solicitation permit is permissive only and shall not constitute an endorsement by the Commissioner of any person or thing related to the proposed insurer, corporation, or syndicate and the existence of the permit shall not be advertised or used as an inducement in any solicitation. The substance of this section in bold faced type not less than ten point shall be printed at the top of each solicitation permit.

Permit as inducement.

**SEC. .06.09 *Organization Solicitor's License:*** Solicitations under a solicitation permit shall be made

Organization solicitor's license.

only by individuals licensed by the Director of Licenses of this state pursuant to the provisions of the Securities Act.

Revocation  
for cause.

SEC. .06.10 *Revocation:* 1. The Commissioner may, for cause, modify a solicitation permit, or may, after a hearing, revoke any solicitation permit for violation of any provision of this code, or of the terms of the permit, or of any proper order of the Commissioner, or for misrepresentation.

Revocation  
by request.

2. The Commissioner shall revoke a solicitation permit if requested in writing by a majority of the syndicate members, or by a majority of the incorporators and two-thirds of the subscribers to stock or applicants for insurance in the proposed incorporated insurer or corporation, or if he is so requested by a majority of the subscribers of a proposed reciprocal insurer.

Bond.

SEC. .06.11 *Bond or Cash Deposit:* 1. The Commissioner shall not issue a solicitation permit until the person applying therefor files with him a corporate surety bond in the penalty of ten thousand dollars (\$10,000), in favor of the state and for the use and benefit of the state and of subscribers and creditors of the proposed organization.

Conditions.

The bond shall be conditioned upon the payment of costs incurred by the state in event of any legal proceedings for liquidation or dissolution of the proposed organization before completion of organization or in event a certificate of authority is not granted; and upon a full accounting for funds received until the proposed insurer has been granted its certificate of authority, or until the proposed corporation or syndicate has completed its organization as defined in the solicitation permit.

Deposit  
of cash or  
Government  
bonds.

2. In lieu of filing such bond, the person may deposit with the State Treasurer through the Commissioner ten thousand dollars (\$10,000) in cash or in United States Government bonds at par value,

to be held in trust upon the same conditions as required for the bond.

3. The Commissioner may waive the requirement for a bond or deposit in lieu thereof if the permit provides that: Waiver.

(1) The proposed securities are to be distributed solely and finally to those few persons who are the active promoters intimate to the formation of the insurer, or other corporation or syndicate, or Grounds for waiver.

(2) the securities are to be issued in connection with subsequent financing as provided in section .06.18, and distribution thereof is not to be made to the general public.

4. Any bond filed or deposit or remaining portion thereof held under this section shall be released and discharged upon settlement or termination of all liabilities against it. Release.

SEC. .06.12 *Escrow of Funds*: 1. All funds received pursuant to a solicitation permit shall be deposited and held in escrow in a bank or trust company under an agreement approved by the Commissioner. No part of any such deposit shall be withdrawn, except: Escrow of funds.

(1) For the payment of promotion and organization expenses as authorized by the solicitation permit; or Withdrawal.

(2) for the purpose of making any deposit with the Commissioner required for the issuance of a certificate of authority to an insurer; or Payment of expense.

(3) if the proposed organization is not to be an insurer, upon completion of payments on stock or syndicate subscriptions made under the solicitation permit and deposit or appropriation of such funds to the purposes specified in the solicitation permit; or Making a deposit.

(4) for making of refunds as provided in section .06.17. When organization not an insurer.

2. When the Commissioner has issued a cer- Making refunds.

Release to  
an insurer.

tificate of authority to an insurer any such funds remaining in escrow for its account shall be released to the insurer.

Joint and  
several  
liability.

SEC. .06.13 *Expense Pending Completion:* 1. The incorporators of any insurer or other corporation, or the persons proposing to form a reciprocal insurer, or a syndicate, shall be jointly and severally liable for its debts or liabilities until it has secured a certificate of authority, if an insurer, or has completed its organization if a corporation other than an insurer or a syndicate.

Concurrent  
payment of  
expense.

2. Any portion of funds received on account of stock or syndicate subscriptions which is allowed therefor under the solicitation permit, may be applied concurrently toward the payment of promotion and organization expense theretofore incurred.

Stock  
issued.

SEC. .06.15 *Stock Issued — Forfeiture:* 1. No such proposed stock insurer, corporation, or syndicate shall issue any share of stock or participation agreement except for payment in cash or in securities eligible for investment of funds of insurers. No such shares or agreement shall be issued until all subscriptions received under the solicitation permit have been so fully paid, nor, if an insurer, until a certificate of authority has been issued to it.

Forfeiture.

2. Every subscription contract to shares of a stock insurer or other corporation calling for payment in installments, together with all amounts paid thereon may be forfeited at the option of the corporation, upon failure to make good a delinquency in any installment upon not less than forty-five (45) days' notice in writing, and every such contract shall so provide.

Insurance  
applications.

SEC. .06.16 *Insurance Applications:* All applications for insurance obtained in forming a mutual or reciprocal insurer shall provide that:

(1) Issuance of the policy is contingent upon

completion of organization of the insurer and issuance to it of a certificate of authority; and Completion of organization.

(2) the prepaid premium or deposit will be refunded in full to the applicant if the organization is not completed and certificate of authority issued prior to the solicitation permit's date of expiration; and Refund.

(3) the agreement for insurance is not effective until a policy has been issued under it. No insurance until policy issued.

**SEC. .06.17 *Failure to Complete or Qualify:*** The Commissioner shall withdraw all funds held in escrow and refund to subscribers or applicants all sums paid in on stock or syndicate subscriptions, less that part of such sums paid in on subscriptions as has been allowed and used for promotion and organization expenses, and all sums paid in on insurance applications, and shall dissolve the proposed insurer, corporation, or syndicate if Failure to complete or qualify.

(1) the proposed insurer, corporation or syndicate fails to complete its organization and obtain full payment for subscriptions and applications, and, if an insurer, it fails to secure its certificate of authority, all before expiration of the solicitation permit; or Failure to secure certificate of authority.

(2) the Commissioner revokes the solicitation permit. Revocation.

**SEC. .06.18 *Subsequent Financing:*** 1. No domestic insurer, or insurance holding corporation, or stock corporation for financing operations of a mutual insurer, or attorney-in-fact corporation of a reciprocal insurer, after Subsequent financing.

(1) it has received a certificate of authority, if an insurer; or Solicitation permit necessary.

(2) it has completed its initial organization and financing if a corporation other than an insurer, shall solicit or receive funds in exchange for any new issue of its corporate securities, other than through a stock dividend, until it has applied to the

Commissioner for, and has been granted, a solicitation permit.

Issuance of permit.

2. The Commissioner shall issue such a permit unless he finds that:

Grounds for not issuing.

(1) the funds proposed to be secured are excessive in amount for the purpose intended, or

(2) the proposed securities or the manner of their distribution are inequitable, or

(3) the issuance of the securities would jeopardize the interests of policyholders or the holders of other securities of the insurer or corporation.

Duration and terms.

3. Any such solicitation permit granted by the Commissioner shall be for such duration, and shall contain such terms and be issued upon such conditions as the Commissioner may reasonably specify or require.

False exhibits.

SEC. .06.19 *False Exhibits:* Every person who, with intent to deceive, knowingly exhibits any false account, or document, or advertisement, relative to the affairs of any insurer, or of any corporation or syndicate of the kind enumerated in section .06.03, formed or proposed to be formed, shall be guilty of a felony.

Section not retroactive.

SEC. .06.20 *Articles of incorporation:* 1. This section applies to insurers hereafter incorporated in this state.

Incorporators.

2. The incorporators shall be individuals who are United States citizens, of whom two-thirds shall be residents of this state. The number of incorporators shall be not less than five (5) if a stock insurer, nor less than ten (10) if a mutual insurer.

Execution of articles.

3. The incorporators shall execute articles of incorporation in quadruplicate and acknowledge their signatures thereunto before an officer authorized to take acknowledgments of deeds.

Filing of articles.

4. After approval of the articles by the Commissioner, one copy shall be filed in the office of the Secretary of State, another in the office of the



Commissioner, another in the office of the County Auditor of the county in which the insurer's principal offices are to be located, and the fourth copy shall be retained by the insurer.

5. The articles of incorporation shall state:

Contents of articles. Incorporators.

First: The names and addresses of the incorporators.

Second: The name of the insurer. If a mutual insurer the name shall include the word "mutual".

Name.

Third: (1) The objects for which the insurer is formed;

Objects.

(2) whether it is a stock or mutual insurer, and if a mutual property insurer only, whether it will insure on the cash premium or assessment plan;

Stock or mutual company.

(3) the kinds of insurance it will issue, according to the designations made in this code.

Kinds of insurance.

Fourth: If a stock insurer, the amount of its capital, the aggregate number of shares, and the par value of each share, which par value shall be not less than ten dollars (\$10). If a mutual insurer, the minimum and maximum contingent liability of its policyholders for the payment of losses occurring under its policies.

If stock insurer.

If mutual insurer.

Fifth: The duration of its existence, which may be perpetual.

Duration.

Sixth: The names and addresses of the directors, not less than five (5) in number, who shall constitute the board of directors of the insurer for the initial term, not less than two (2) nor more than six (6) months, as designated in the articles of incorporation.

Directors.

Seventh: The name of the city or town of this state in which the insurer's principal place of business is to be located.

Principal place of business.

Eighth: Other provisions not inconsistent with law as may be deemed proper by the incorporators.

Other provisions.

## ARTICLE SEVEN

## DOMESTIC INSURERS—POWERS

Existing  
insurers.

SEC. .07.01 *Existing Insurers*: Existing authorized domestic insurers shall continue to insure only in accordance with the provisions of this code.

Principal  
offices.

SEC. .07.02 *Principal Offices*: Every domestic insurer shall establish and maintain in this state its principal office and place of business.

Corporation  
law applies  
in general.

SEC. .07.03 *Corporation Law Applies in General*: The laws of this state relating to private corporations, except where inconsistent with the express provisions of this code, shall govern the corporate powers, duties, and relationships of incorporated domestic insurers.

Annual  
meeting.

SEC. .07.04 *Annual Meeting*: Each incorporated domestic insurer shall, in the month of January, or February, or March, hold the annual meeting of its shareholders or members for the purpose of receiving reports of its affairs and to elect directors.

Directors  
citizens.

SEC. .07.05 *Directors Citizens*: Not less than three-fourths of the directors of an incorporated domestic insurer shall be United States citizens, and a majority of the board of directors shall be residents of this state.

Corrupt  
practices.

SEC. .07.06 *Corrupt Practices*: No person shall buy or sell or barter a vote or proxy, relative to any meeting of shareholders or members of an incorporated domestic insurer, or engage in any corrupt or dishonest practice in or relative to the conduct of any such meeting. Violation of this section shall constitute a gross misdemeanor.

Amendments  
to articles  
of incor-  
poration.Vote  
necessary.

SEC. .07.07 *Amendments to Articles of Incorporation*: 1. Amendments to the articles of incorporation of a domestic insurer shall be made by a majority vote of its board of directors and the vote or written assent of two-thirds of its voting capital stock, or

two-thirds of the members (if a mutual insurer) voting at a valid meeting of members.

2. The president and secretary of the insurer shall, under the corporate seal, certify the amendment in quadruplicate, and file it in the offices of the Secretary of State, the Commissioner, the County Auditor, and the insurer, as required under this code for original articles of incorporation. Thereupon, subject to the requirements of section .08.01 relative to increase of capital stock of a stock insurer, the amendment shall become effective.

Execution  
and filing.

SEC. .07.08 *Prohibited Guaranty*: No domestic insurer or its affiliates or subsidiaries shall guarantee the financial obligation of any director or officer of such insurer or affiliate or subsidiary in his personal capacity, and any such guaranty attempted shall be void.

Prohibited  
guaranty.

This prohibition shall not apply to obligations of the insurer under surety bonds or insurance contracts issued in the regular course of business.

SEC. .07.09 *Management and Exclusive Agency Contracts*: 1. No incorporated domestic insurer shall enter into any contract the effect of which would be to grant or surrender the control and management of the insurer to any person.

Management  
may not be  
surrendered.

2. No incorporated domestic insurer shall make any contract whereby any person is granted or is to enjoy in fact the controlling or preemptive right to produce substantially all insurance business for the insurer unless such contract is filed with and approved by the Commissioner. The contract shall be deemed approved unless disapproved by the Commissioner within thirty (30) days after date of filing. Any disapproval shall be delivered to the insurer in writing, stating the grounds therefor.

Exclusive  
agency  
contracts.

Approval  
required.

3. The Commissioner shall not approve any contract referred to in paragraph two of this section which:

Grounds for disapproval.

(1) Subjects the insurer to excessive charges for expenses or commissions; or,

(2) vests in any person any control over the general affairs of the insurer tantamount to the exclusion of control by its board of directors or officers; or,

(3) is to extend for an unreasonable length of time; or,

(4) contains other inequitable provisions or provisions which may jeopardize the security of policyholders.

Vouchers for expenditures.

SEC. .07.10 *Vouchers for Expenditures*: 1. No domestic insurer shall make any disbursement of twenty-five dollars (\$25) or more, unless evidenced by a voucher correctly describing the consideration for the payment and supported by a cheque or receipt endorsed or signed by or on behalf of the person receiving the money.

For services.

2. If the disbursement is for services and reimbursement, the voucher shall describe the services and itemize the expenditures.

Matters before public bodies.

3. If the disbursement is in connection with any matter pending before any legislature or public body or before any public official, the voucher shall also correctly describe the nature of the matter and of the insurer's interest therein.

Depositaries.

SEC. .07.11 *Depositaries*: The funds of a domestic insurer shall not be deposited in any bank or banking institution which has not first been approved as a depositary by the insurer's board of directors or by a committee thereof designated for the purpose.

No fees to individuals.

SEC. .07.13 *Fees on Use of Funds*: 1. No person having any authority in the investment or disposition of the funds of a domestic insurer shall accept, except for the insurer, or be the beneficiary of any fee, brokerage, gift, or other emolument because of any investment, loan, deposit, purchase, sale, payment, or exchange made by or for the insurer, or be pecuniarily interested therein in any capacity; except, that

such a person may procure a loan from the insurer direct upon approval by two-thirds of its directors and upon the pledge of securities eligible for the investment of the insurer's funds under this code.

2. This section does not prohibit a life insurer from making a policy loan to such person on a life insurance contract issued by it and in accordance with the terms thereof.

Policy loans permitted.

3. The Commissioner may, by regulations from time to time, define and permit additional exceptions to the prohibition contained in paragraph one of this section solely to enable payment of reasonable compensation to a director who is not otherwise an officer or employee of the insurer, or to a corporation or firm in which the director is interested, for necessary services performed or sales or purchases made to or for the insurer in the ordinary course of the insurer's business and in the usual private professional or business capacity of such director or such corporation or firm.

Commissioner may prescribe exceptions.

SEC. .07.14 *Comply With Foreign Laws:* Any domestic insurer doing business in another state, territory or sovereignty may design and issue insurance contracts and transact insurance in such state, territory or sovereignty as required or permitted by the laws thereof, any provision of the insurer's articles of incorporation or by-laws notwithstanding.

Comply with foreign laws.

SEC. .07.15 *Solicitation in Other States:* 1. No domestic insurer shall knowingly solicit insurance business in any reciprocating state in which it is not then licensed as an authorized insurer.

Must be licensed in reciprocating state.

2. This section shall not prohibit advertising through publications and radio broadcasts originating outside such reciprocating state, if the insurer is licensed in a majority of the states in which such advertising is disseminated, and if such advertising is not specifically directed to residents of such reciprocating state.

When advertising permitted.

What insurance permitted.

3. This section shall not prohibit insurance, covering persons or risks located in a reciprocating state, under contracts solicited and issued in states in which the insurer is then licensed. Nor shall it prohibit insurance effectuated by the insurer as an unauthorized insurer in accordance with the laws of the reciprocating state.

"Reciprocating state."

4. A "reciprocating" state, as used herein, is one under the laws of which a similar prohibition is imposed upon and is enforced against insurers domiciled in that state.

Penalty.

5. The Commissioner shall suspend or revoke the certificate of authority of a domestic insurer found by him, after a hearing, to have violated this section.

ARTICLE EIGHT

DOMESTIC STOCK INSURERS

Increase of capital.

SEC. .08.01 *Increase of Capital:* 1. Increase of the capital stock of a domestic stock insurer shall be by amendment to its articles of incorporation. The increase shall not be effective unless and until within six (6) months after filing such amendment with the Secretary of State, as required by section .07.07,

When increase effective.

(1) the increased capital has been fully paid in, in cash, and

(2) a certificate verifying such payments has been made in quadruplicate under oath and the corporate seal by the insurer's president and secretary and filed in the public offices named in section .07.07.

Extension of time for payment.

2. If the entire increase of the capital stock is purchased in good faith by employees, directors, and agents of the insurer or of its affiliated corporations under an installment purchase plan approved by the Commissioner in advance of the amendment, the Commissioner may extend to a period not exceeding twelve (12) months the time

within which such increase of capital must be so fully paid in and such certificate so filed.

3. If the increased capital stock is to be distributed as a stock dividend, such increased capital stock may be fully paid in out of any available surplus funds as is provided in section .08.03, and such payment shall be effected by a transfer on the insurer's books from its surplus account to its capital account.

When increase given by stock dividend.

SEC. .08.02 *Reduction of Capital:* 1. Reduction of the capital stock of a domestic stock insurer shall be by amendment of its articles of incorporation. No such reduction shall be made which results in capital stock less in amount than the minimum required by this code for the kinds of insurance thereafter to be transacted by the insurer.

Reduction of capital.

Limitation.

2. No surplus funds of the insurer resulting from a reduction of its capital stock shall be distributed to stockholders, except as a stock dividend on a subsequent increase of capital stock, or upon dissolution of the insurer, or upon approval of the Commissioner of a distribution upon proof satisfactory to him that the distribution will not impair the interests of policyholders or the insurer's solvency.

Distribution of surplus.

3. Upon such reduction of capital stock, the insurer's directors shall call in any outstanding stock certificates required to be changed pursuant thereto, and issue proper certificates in their stead.

New certificates.

SEC. .08.03 *Dividends to Stockholders:* 1. No domestic stock insurer shall pay any cash dividend to stockholders except out of that part of its available surplus funds which is derived from any realized net profits on its business.

Dividends to stockholders.

2. Such an insurer may pay a stock dividend out of any available surplus funds.

From surplus.

3. Payment of any dividend to stockholders of a domestic stock insurer shall also be subject to all

Private corporation law governs.

the limitations and requirements governing the payment of dividends by other private corporations.

Limitation.

4. No dividend shall be declared or paid which would reduce the insurer's surplus to an amount less than the minimum required for the kinds of insurance thereafter to be transacted.

"Surplus funds."

5. For the purposes of this article "surplus funds" means the excess of the insurer's assets over its liabilities, including its capital stock as a liability.

"Available surplus."

6. Available surplus means the excess over the minimum amount of surplus required for the kinds of insurance the insurer is authorized to transact.

Illegal dividends, reductions.

SEC. .08.04 *Illegal Dividends, Reductions:* Any director of a domestic stock insurer who votes for or concurs in the declaration or payment of any dividend to stockholders or a reduction of capital stock not authorized by law shall in addition to any other liability imposed by law, be guilty of a gross misdemeanor.

Capital impaired.

SEC. .08.05 *Capital Impaired:* 1. If the capital stock of a domestic stock insurer becomes impaired, the Commissioner shall at once determine the amount of the deficiency and serve notice upon the insurer to require its stockholders to make good the deficiency within ninety (90) days after service of such notice.

Demand on shareholders.

Mode of payment.

2. The deficiency shall be made good in cash, or in assets eligible under this code for the investment of the insurer's funds, or by reduction of the insurer's capital stock to an amount not below the minimum required for the kinds of insurance to be thereafter transacted.

Insolvency.

3. If the deficiency is not made good and proof thereof filed with the Commissioner within such ninety-day period, the insurer shall be deemed insolvent and shall be proceeded against as authorized by this code.



4. If the deficiency is not made good the insurer shall not issue or deliver any policy after the expiration of such ninety-day period. Any officer or director who violates or knowingly permits the violation of this provision shall be subject to a fine of from fifty dollars (\$50) to one thousand dollars (\$1,000) for each violation.

No policies to be issued.

Penalty.

SEC. .08.06 *Repayment of Contributed Surplus:* Contributions to the surplus of a domestic stock insurer other than resulting from sale of its capital stock, shall not be subject to repayment except out of surplus in excess of the minimum surplus initially required of such an insurer transacting like kinds of insurance.

Repayment of contributed surplus.

SEC. .08.07 *Participating Policies:* 1. Any domestic stock insurer may, if its charter so provides, issue policies entitled to participate from time to time in the earnings of the insurer through dividends.

Participating policies.

Authorized.

2. Any classification of its participating policies and of risks assumed thereunder which the insurer may make shall be reasonable. No dividend shall be paid which is inequitable or which unfairly discriminates as between such classifications or as between policies within the same classification.

Classification.

3. No such insurer shall issue in this state both participating and non-participating policies for the same class of risks; except, that both participating and non-participating life insurance policies may be issued if the right or absence of the right to participate is reasonably related to the premium charged.

Both type policies may not be issued.

Exception.

4. Dividends to participating life insurance policies issued by such insurer shall be paid only out of its surplus funds as defined in paragraph five of section .08.03. Dividends to participating policies for other kinds of insurance shall be paid only out

Dividends.

of that part of such surplus funds which is derived from any realized net profits from the insurer's business.

Not to be contingent on renewal.

5. No dividend, otherwise earned, shall be made contingent upon the payment of renewal premium on any policy.

Mutualization of stock insurers.

SEC. .08.08 *Mutualization of Stock Insurers:* 1. Any domestic stock insurer may become a domestic mutual insurer pursuant to such plan and procedure as are approved by the Commissioner in advance of such mutualization.

Approval by commissioner.

2. The Commissioner shall not approve any such plan, procedure, or mutualization unless:

Equitable.

(1) It is equitable to both shareholders and policyholders.

Approval by shareholders and policy holders.

(2) It is approved by vote of the holders of not less than three-fourths of the insurer's capital stock having voting rights, and by vote of not less than two-thirds of the insurer's policyholders who vote on such plan, pursuant to such notice and procedure as may be approved by the Commissioner. Such vote may be registered in person, by proxy, or by mail.

Limitation of voting rights.

(3) If a life insurer, the right to vote thereon is limited to those policyholders whose policies have face amounts of not less than one thousand dollars (\$1,000) and have been in force one (1) year or more.

Retirement of stock.

(4) Mutualization will result in retirement of shares of the insurer's capital stock at a price not in excess of the fair value thereof as determined by competent disinterested appraisers.

Appraisal of shares.

(5) The plan provides for appraisal and purchase of the shares of any non-consenting stockholder in accordance with the laws of this state relating to the sale or exchange of all the assets of a private corporation.

Time schedules.

(6) The plan provides for definite conditions to

be fulfilled by a designated early date upon which such mutualization will be deemed effective.

(7) The mutualization leaves the insurer with surplus funds reasonably adequate to preserve the security of its policyholders and its ability to continue successfully in business in the states in which it is then authorized, and in the kinds of insurance it is then authorized to transact.

Surplus to remain.

ARTICLE NINE  
MUTUAL INSURERS

SEC. .09.01 *Initial Qualification, Mutual Insurers:*

Qualifications.

1. The Commissioner shall not issue a certificate of authority to a domestic mutual insurer unless it has fully qualified therefor under this code, and unless it has met the minimum requirements for the kind of insurance it proposes to transact as provided in this article.

2. All applications for insurance submitted by such an insurer as fulfilling qualification requirements shall be bona fide applications from persons resident in this state covering lives, property, or risks resident or located in this state.

Applications.

3. All qualifying premiums collected and initial surplus funds of such an insurer shall be in cash. Any deposit made by such an insurer in lieu of applications, premiums, and initial surplus funds, shall be in cash or in securities eligible for the investment of the capital of a domestic stock insurer transacting the same kind of insurance.

Premiums or deposits in cash.

SEC. .09.02 *Mutual Property Insurer:* When applying for a certificate of authority a domestic mutual property insurer on the cash premium plan must:

Mutual property insurer.

(1) Have applications from at least one hundred (100) persons for insurance covering at least two hundred and fifty (250) nonadjacent properties, with a maximum of two thousand dollars (\$2,000) of insurance on each property; and

Applications.

Premiums collected.

(2) have collected from each applicant the proper premium at a rate then charged by stock property insurers, for a term of at least one (1) year; and

Surplus.

(3) have a surplus over all liabilities, as at completion of issuance of the insurance contracts so applied for, amounting to at least five thousand dollars (\$5,000).

Surplus fund.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of fifty thousand dollars (\$50,000).

Specific risks, mutual property insurer.

SEC. .09.03 *Specific Risks, Mutual Property Insurer*: When applying for a certificate of authority, a domestic mutual property insurer formed to insure on the cash premium plan, one stated specific kind or class of manufacturing, mercantile, or other business or industrial property, or to insure property meeting designated standards of protection against fire and other hazards must:

Applications.

(1) Have applications from at least fifty (50) persons for insurance covering at least one hundred and fifty (150) nonadjacent properties, with a maximum of two thousand dollars (\$2,000) of insurance on each property; and

Premiums collected.

(2) have collected from each applicant the proper premium, at a rate then charged by stock property insurers, for a term of at least one (1) year; and

Surplus.

(3) have a surplus over all liabilities, as at completion of issuance of the insurance contracts so applied for, amounting to at least five thousand dollars (\$5,000).

Surplus fund.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of twenty-five thousand dollars (\$25,000).

SEC. .09.04 *Mutual Assessment Property Insurer:* Mutual assessment property insurer.  
 When applying for a certificate of authority, a domestic mutual property insurer on the assessment premium plan must:

(1) Have applications from at least three hundred (300) persons for insurance covering at least four hundred (400) nonadjacent properties, with a maximum of twelve hundred and fifty dollars (\$1,250) of insurance on each property; and Applications.

(2) have collected from each applicant the proper premium at a rate then charged by stock property insurers, for a term of at least one (1) year; and Premiums collected.

(3) have a surplus over all liabilities, as at completion of issuance of the insurance contracts so applied for, amounting to at least two thousand five hundred dollars (\$2,500). Surplus.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of fifty thousand dollars (\$50,000). Surplus fund.

SEC. .09.05 *Mutual Assessment Farm Property Insurer:* Mutual assessment farm property insurer.  
 When applying for a certificate of authority, a domestic mutual property insurer formed to insure only properties lying outside incorporated towns and cities on the assessment premium plan must:

(1) Have applications from at least fifty (50) persons for insurance covering at least one hundred (100) nonadjacent properties, with a maximum of fifteen hundred dollars (\$1,500) of insurance on each property; and Applications.

(2) have collected from each applicant the proper premium deposit for one (1) year at the rate of not less than forty cents (\$.40) for each one hundred dollars (\$100) of insurance; and Premium deposit.

(3) have a surplus over all liabilities, as at completion of issuance of the insurance contracts Surplus.

so applied for, amounting to at least one thousand dollars (\$1,000).

Surplus fund.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of ten thousand dollars (\$10,000).

Mutual vehicle insurer.

SEC. .09.06 *Mutual Vehicle Insurer*: When applying for a certificate of authority, a domestic mutual insurer formed to transact vehicle insurance must:

Applications.

(1) Have applications from at least two hundred (200) persons for insurance covering at least five hundred (500) separate vehicles, for a maximum of retained liability not in excess of ten thousand dollars (\$10,000) for any one accident or other liability; and

Premiums collected.

(2) have collected from each applicant the proper premium for insurance for one (1) year according to its schedule of premium rates approved by the Commissioner; and

Surplus.

(3) have a surplus over all liabilities as at completion of issuance of the insurance contracts so applied for, amounting to not less than one hundred and fifty thousand dollars (\$150,000), and of which surplus one hundred and fifty thousand dollars (\$150,000) shall be deposited and maintained on deposit with the Commissioner.

Surplus fund.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of two hundred thousand dollars (\$200,000).

Mutual life insurer.

SEC. .09.07 *Mutual Life Insurer*: When applying for a certificate of authority a domestic mutual life insurer must:

Applications.

(1) Have at least five hundred (500) applications for life insurance, other than on term plan for term of ten (10) years or less, covering at least five hundred (500) separate insurable lives on an indi-

vidual basis for a maximum of one thousand dollars (\$1,000) each; and

(2) have collected from each applicant the proper annual premium for one (1) year, and have so received from all applicants premiums aggregating at least seven thousand five hundred dollars (\$7,500); and

Premiums collected.

(3) have a surplus over all liabilities, as at completion of issuance of the insurance contracts so applied for, amounting to at least five thousand dollars (\$5,000).

Surplus.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of fifty thousand dollars (\$50,000).

Surplus fund.

Sec. .09.08 *Mutual Disability Insurer*: When applying for a certificate of authority a domestic mutual disability insurer must:

Mutual disability insurer.

(1) Have at least five hundred (500) applications from at least five hundred (500) persons for individual disability insurance providing not more than one thousand dollars (\$1,000) of accidental death benefit and not more than twenty-five dollars (\$25) of weekly indemnity for each applicant; and

Applications.

(2) have collected from each applicant the proper premium for one quarter of a year or more, and have so received from all applicants premiums aggregating at least five thousand dollars (\$5,000); and

Premiums collected.

(3) have a surplus over all liabilities, as at completion of issuance of the insurance contracts so applied for, amounting to at least five thousand dollars (\$5,000).

Surplus.

In lieu of such applications, premiums, and surplus, it may deposit and maintain on deposit with the Commissioner a surplus fund of fifty thousand dollars (\$50,000).

Surplus fund.

Additional kinds of insurance.

SEC. .09.09 *Additional Kinds of Insurance:* A domestic mutual insurer may be authorized to transact kinds of insurance in addition to that for which it was originally authorized, if it has otherwise complied with the provisions of this code therefor, and possesses surplus funds in aggregate amount not less than

Surplus.

(1) the surplus required for its existing certificate of authority, or if solely a disability or property insurer a surplus of not less than fifty thousand dollars (\$50,000), as provided in paragraph five of section .11.11, and

(2) additional surplus as required under section .11.12.

Minimum surplus.

SEC. .09.10 *Minimum Surplus:* A domestic mutual insurer on the cash premium plan shall at all times have and maintain surplus funds, representing the excess of its assets over its liabilities, in amount not less than the aggregate of

(1) the amount of any surplus funds deposited by it with the Commissioner to qualify for its original certificate of authority, and

Amount required.

(2) the amount of any additional surplus required of it pursuant to sections .09.09, .11.11, and .11.12 for authority to transact additional kinds of insurance.

Membership.

SEC. .09.11 *Membership:* 1. Each holder of one or more insurance contracts issued by a domestic mutual insurer, other than a contract of reinsurance, is a member of the insurer, with the rights and obligations of such membership, and each insurance contract so issued shall effectively so stipulate.

Who may be member.

2. Any person, government or governmental agency, state or political subdivision thereof, public or private corporation, board, association, estate, trustee or fiduciary, may be a member of a mutual insurer.



SEC. .09.12 *Rights of Members:* 1. A domestic mutual insurer is owned by and shall be operated in the interest of its members.

Rights of members.

2. Each member is entitled to one (1) vote in the election of directors and on matters coming before corporate meetings of members, subject to such reasonable minimum requirements as to duration of membership and amount of insurance held as may be made in the insurer's by-laws. The person named as the policyholder in any group insurance policy issued by such insurer shall be deemed the member, and shall have but one such vote regardless of the number of individuals insured by such policy.

Voting.

3. With respect to the management, records, and affairs of the insurer, a member shall have the same character of rights and relationship as a stockholder has toward a domestic stock insurer.

Similar to stockholders' rights.

SEC. .09.13 *By-Laws:* A domestic mutual insurer shall adopt by-laws for the conduct of its affairs. Such by-laws, or any modification thereof, shall forthwith be filed with the Commissioner. The Commissioner shall disapprove any such by-laws, or as so modified, if he finds after a hearing thereon, that it is not in compliance with the laws of this state, and he shall forthwith communicate such disapproval to the insurer. No such by-law, or modification, so disapproved shall be effective during the existence of such disapproval.

By-laws.

SEC. .09.14 *Notice of Annual Meetings:* 1. Notice of the time and place of the annual meeting of members of a domestic mutual insurer shall be given by imprinting such notice plainly on the policies issued by the insurer.

Notice of annual meetings.

2. Any change of the date or place of the annual meeting shall be made only by an annual meeting of members. Notice of such change may be given:

Change of date

(1) By imprinting such new date or place on

on policies

all policies which will be in effect as of the date of such changed meeting; or

or on new policies and premium notices and renewal certificates.

(2) unless the Commissioner otherwise orders, notice of the new date or place need be given only through policies issued after the date of the annual meeting at which such change was made and in premium notices and renewal certificates issued during the twenty-four (24) months immediately following such meeting.

Proxies authorized.

SEC. .09.15 *Members' Proxies:* 1. A member of a domestic mutual insurer may vote in person or by proxy given another member on any matter coming before a corporate meeting of members.

Officer may not hold proxy.

2. An officer of the insurer shall not hold or vote the proxy of any member.

Duration of proxy.

3. No such proxy shall be valid beyond the earlier of the following dates:

(1) The date of expiration set forth in the proxy; or

(2) the date of termination of membership; or

(3) five (5) years from the date of execution of the proxy.

When new proxy required.

4. No member's vote upon any proposal to divest the insurer of its business and assets, or the major part thereof, shall be registered or taken except in person or by a proxy newly executed and specific as to the matter to be voted upon.

Directors.

SEC. .09.16 *Directors:* No individual shall be a director of a domestic mutual insurer by reason of his holding public office. Adjudication as a bankrupt or taking the benefit of any insolvency law or making a general assignment for the benefit of creditors disqualifies an individual from being or acting as a director.

Expenses, property and casualty.

SEC. .09.18 *Expenses, Property and Casualty:* 1. For any calendar year after its first two (2) full calendar years of operation, no domestic mutual in-

surer on the cash premium plan, other than one issuing nonassessable policies, shall incur any costs or expense in the writing or administration of property and casualty insurances (other than boiler and machinery or elevator) transacted by it which, exclusive of losses paid, loss adjustment expenses, investment expenses, dividends, and taxes, exceeds the sum of

Limitation of expenses.

(1) forty per cent (40%) of the net premium income during that year after deducting therefrom net earned reinsurance premiums for such year, plus

(2) all of the reinsurance commissions received on reinsurance ceded by it.

2. The by-laws of every domestic mutual property insurer on the assessment premium plan shall impose a reasonable limitation upon its expenses.

What by-laws shall provide.

SEC. .09.19 *Violation of Expense Limitations:* The officers and directors of an insurer violating section .09.18 shall be jointly and severally liable to the insurer for any excess of expenses incurred. If the insurer fails to exercise reasonable diligence or refuses to enforce such liability, the Commissioner may prosecute action thereon for the benefit of the insurer. Such failure or refusal constitutes grounds for revocation of the insurer's certificate of authority.

Violation of expense limitations

SEC. .09.21 *Actions on Officers' Salaries:* No action to recover, or on account of, any salary or other compensation due or claimed to be due any officer or director of a domestic mutual insurer, or on any note or agreement relative thereto, shall be brought against such insurer after twelve (12) months after the date on which such salary or compensation, or any installment thereof, first accrued.

Actions on officers' salaries.

SEC. .09.22 *Contingent Liability of Members:* 1. Each member of a domestic mutual insurer, except as otherwise provided in this article, shall have a

Contingent liability of members.

contingent liability, pro rata and not one for another, for the discharge of its obligations. The contingent liability shall be in such maximum amount as is stated in the insurer's articles of incorporation, but shall be not less than one (1), nor more than five (5), additional premiums for the member's policy at the annual premium rate and for a term of one (1) year.

Policy to contain statement.

2. Every policy issued by the insurer shall contain a statement of the contingent liability.

Liability remains after cancellation of policy.

3. Except as to life insurance, cancellation of the policy of any such member shall not relieve the member of contingent liability for his proportion of the obligations of the insurer which accrued while the policy was in force.

Accrual of liability.

SEC. .09.23 *Accrual of Liability*: 1. If at any time the assets of a domestic mutual insurer doing business on the cash premium plan are less than its liabilities and the minimum surplus required of it by this code as prerequisite for continuance of its certificate of authority, and the deficiency is not cured from other sources, its directors may make an assessment only on its members who at any time within the twelve (12) months immediately preceding the date such assessment was authorized by its directors held policies providing for contingent liability.

Computation of individual liability.

2. A member's proportionate part of any deficiency shall be computed by applying to the premium earned within such twelve-month period on his contingently liable policy or policies the ratio of the total deficiency to the total premium earned during such period on all contingently liable policies.

No offset for losses or unearned premium.

3. No member shall have an offset against any assessment for which he is liable, on account of any claim for unearned premium or losses payable.

SEC. .09.24 *Mutual-Assessment Liability*: The contingent liability of members of a domestic mutual insurer doing business on the assessment premium plan shall be called upon and enforced by its directors as provided in its by-laws.

Mutual-assessment liability.

SEC. .09.25 *Contingent Liability as Asset*: Any contingent liability of members of a domestic mutual insurer to assessment does not constitute an asset of the insurer in any determination of its financial condition, except that as to life insurance the actual recoverable contingent liability of policyholders may, in the discretion of the Commissioner, be allowed to the extent of the excess of liabilities over other assets.

Contingent liability as asset.

SEC. .09.26 *Lien on Reserves*: As to life insurance, any contingent liability of policyholders shall first be asserted by placing a lien on the reserves held by the insurer to the credit of such policyholders.

Lien on reserves.

SEC. .09.27 *Non-Assessable Policies*: 1. A domestic mutual insurer on the cash premium plan, after it has established a surplus not less in amount than the minimum capital funds required of a domestic stock insurer to transact like kinds of insurance, and for so long as it maintains such surplus, may extinguish the contingent liability of its members to assessment and omit provisions imposing contingent liability in all policies currently issued.

Contingent liability of members may be extinguished.

2. Any deposit made with the Commissioner as a prerequisite to the insurer's certificate of authority may be included as part of the surplus required in this section.

Deposit included in surplus.

3. When the surplus has been so established and the Commissioner has so ascertained, he shall issue to the insurer, at its request, his certificate authorizing the extinguishment of the contingent liability of its members and the issuance of policies free therefrom.

Certificate of authority.

Non-assess-  
able policies  
may be  
issued.

4. While it maintains surplus funds in amount not less than the minimum capital required of a domestic stock insurer authorized to transact like kinds of insurance, and subject to the requirements of paragraph three of section .11.12 as to special surplus, a foreign or alien mutual insurer on the cash premium plan may, if consistent with its charter and the laws of its domicile, issue non-assessable policies covering subjects located, resident, or to be performed in this state.

Applies to  
all policies.

SEC. .09.28 *Applies to All Policies:* The Commissioner shall not authorize a domestic mutual insurer so to extinguish the contingent liability of any of its members or in any of its policies to be issued, unless it qualifies to and does extinguish such liability of all its members and in all such policies for all kinds of insurance transacted by it. Except, that if required by the laws of another state in which such an insurer is transacting insurance as an authorized insurer, the insurer may issue policies providing for the contingent liability of such of its members as may acquire such policies in such state, and need not extinguish the contingent liability applicable to policies theretofore in force in such state.

Revocation  
of authority.

SEC. .09.29 *Revocation of Authority:* 1. The Commissioner shall revoke the authority of a domestic mutual insurer so to extinguish the contingent liability of its members if

(1) At any time the insurer's assets are less than the sum of its liabilities and the surplus required for such authority, or

When  
revoked.

(2) the insurer, by resolution of its directors approved by its members, requests that the authority be revoked.

New or  
renewed  
policies.

2. Upon revocation of such authority for any cause, the insurer shall not thereafter issue any policies without contingent liability, nor renew any

policies then in force without written endorsement thereon providing for contingent liability.

SEC. .09.30 *Dividends*: 1. The directors of a domestic mutual insurer on the cash premium plan may from time to time apportion and pay to its members as entitled thereto, dividends only out of that part of its surplus funds which are in excess of its required minimum surplus and which represent net realized savings and net realized earnings from its business. Dividends.

2. Any classification of its participating policies and of risks assumed thereunder which the insurer may make shall be reasonable. No dividend shall be paid which is inequitable, or which unfairly discriminates as between such classifications or as between policies within the same classification. Classification.

3. No dividend, otherwise earned, shall be made contingent upon the payment of renewal premium on any policy. Dividend not contingent on renewal premium.

SEC. .09.31 *Non-Participating Policies*: 1. If its articles of incorporation so provide, a domestic mutual insurer on the cash premium plan may, while it is authorized to issue policies without contingent liability to assessment, issue policies not entitled to participate in the insurer's savings and earnings. Non-participating policies.

2. Such insurer shall not issue in this state both participating and non-participating policies for the same class of risks; except, that both participating and non-participating life insurance policies may be issued if the right or absence of the right to participate is reasonably related to the premium charged. May not issue both.

Exception.

SEC. .09.32 *Borrowed Capital*: 1. A domestic mutual insurer on the cash premium plan may, with the Commissioner's advance approval and without the pledge of any of its assets, borrow money to defray the expenses of its organization or for any purpose required by its business, upon an agreement that Borrowed capital.

such money and such interest thereon as may be agreed upon, but not exceeding six per cent (6%) per annum, shall be repaid only out of the insurer's earned surplus in excess of its required minimum surplus.

To show in financial statement.

2. Any money so borrowed shall not form a part of the insurer's legal liabilities or be the basis of any set-off; but until repaid, financial statements filed or published by the insurer shall show as a footnote thereto the amount thereof then unpaid together with interest thereon accrued but unpaid.

Commissioner's approval.

3. The Commissioner's approval of such loan, if granted, shall specify the amount to be borrowed, the purpose for which the money is to be used, the terms and form of the loan agreement, the date by which the loan must be completed, and such other related matters as the Commissioner shall deem proper. If the money is to be borrowed upon multiple agreements, the agreements shall be serially numbered. No loan agreement or series thereof shall have or be given any preferential rights over any other such loan agreement or series. No commission or promotional expense shall be incurred or be paid on account of any such loan.

Repayment of borrowed capital.

SEC. .09.33 *Repayment of Borrowed Capital:* 1. The insurer may repay any loan made pursuant to section .09.32, only out of its realized net earned surplus in excess of the minimum surplus required for the kinds of insurance transacted. No such loan shall be repaid out of borrowed money.

When repayable.

2. The insurer shall repay any such loan or a part thereof when its realized net earned surplus has become adequate to so repay without unreasonable impairment of the insurer's operations.

When more than one loan.

3. If there is more than one loan, or if the loan is represented by multiple agreements, the loan agreement shall provide, in addition to any other time of repayment specified thereon, that any part of the loan may be so repaid at any time by selec-



tion by lot, under supervision of the Commissioner, of those loan agreements, out of all similar agreements then outstanding, to be then repaid in part or in whole.

4. No repayment of such loan shall be made unless approved by the Commissioner. The insurer shall notify the Commissioner in writing not less than sixty (60) days in advance of its intention to repay such loan or any part thereof, and the Commissioner shall forthwith ascertain whether the insurer's financial condition is such that the repayment can properly be made.

Commissioner to approve repayment.

5. Upon dissolution and liquidation of the insurer, after the retirement of all its other outstanding obligations the holders of any such loan agreements then remaining unpaid shall be entitled to payment before any distribution to the insurer's members.

Repayment upon dissolution.

SEC. .09.34 *Impairment of Surplus*: 1. If the surplus of a domestic mutual insurer on the cash premium plan falls below the amount required by this code for the kinds of insurance authorized to be transacted, the Commissioner shall at once ascertain the amount of the deficiency and serve notice upon the insurer to cure the deficiency within ninety [ninety] days after such service of notice.

Impairment of surplus.

2. If the deficiency is not made good in cash or in assets eligible under this code for the investment of the insurer's funds, and proof thereof filed with the Commissioner within such ninety-day period, the insurer shall be deemed insolvent and shall be proceeded against as authorized by this code.

When deemed insolvent.

3. If the deficiency is not made good the insurer shall not issue or deliver any policy after the expiration of such ninety-day period. Any officer or director who violates or knowingly permits the violating of this provision shall be subject to a fine of from fifty dollars (\$50) to one thousand dollars (\$1,000) for each violation.

No more policies issued.

Penalty.

Cannot change from mutual to stock.

SEC. .09.35 *Conversion or Reinsurance:* 1. No domestic mutual insurer shall hereafter be converted, changed, or reorganized as a stock corporation.

May be wholly reinsured.

2. Such an insurer may be wholly reinsured in and its assets transferred to and its liabilities assumed by another mutual or stock insurer under such terms and conditions as are approved by the Commissioner in advance of such reinsurance.

Commissioner to approve.

3. The Commissioner shall not approve any such reinsurance agreement which does not determine the amount of and make adequate provision for paying to policyholders of such mutual insurer, reasonable compensation for their equities as owners of such insurer, such compensation to be apportioned to policyholders as identified and in the manner prescribed in section .09.36.

Members' share of assets.

SEC. .09.36 *Members' Share of Assets:* 1. Upon the liquidation of a domestic mutual insurer, its assets remaining after discharge of its indebtedness and policy obligations shall be distributed to its members who were such within the thirty-six (36) months prior to the last termination of its certificate of authority.

Proportionate share.

2. The distributive share of each such member shall be in the proportion that the aggregate premiums earned by the insurer on the policies of the member during the combined periods of his membership, bear to the aggregate of all premiums so earned on the policies of all such members. If a life insurer, the insurer shall make a reasonable classification of its life insurance policies so held by such members and a formula based upon such classification for determining the equitable distributive share of each such member. Such classification and formula shall be subject to the Commissioner's approval.

ARTICLE TEN  
RECIPROCAL INSURERS

SEC. .10.01 *"Reciprocal" Insurance Defined:* "Reciprocal" insurance is that resulting from an inter-exchange among persons, known as "subscribers," of reciprocal agreements of indemnity, the inter-exchange being effectuated through an "attorney-in-fact" common to all such persons. "Reciprocal" insurance.

SEC. .10.02 *"Reciprocal Insurer" Defined:* A "reciprocal insurer" means an unincorporated aggregation of subscribers operating individually and collectively through an attorney-in-fact to provide reciprocal insurance among themselves. "Reciprocal Insurer."

SEC. .10.03 *Scope of Article:* All authorized reciprocal insurers shall be governed by those sections of this article not expressly made applicable to domestic reciprocal insurers. Scope of article.

SEC. .10.05 *Insuring Powers of Reciprocals:* 1. A reciprocal insurer may, upon qualifying therefor as provided by this code, transact any kind or kinds of insurance defined by this code, other than life or title insurances. Insuring powers of reciprocals.

2. A reciprocal insurer may purchase reinsurance upon the risk of any subscriber, and may grant reinsurance as to any kind of insurance which it is authorized to transact direct. Reinsurance.

SEC. .10.06 *Name, Suits:* A reciprocal insurer shall:

(1) Have and use a business name. The name shall include the word "reciprocal," or "inter-insurer," or "inter-insurance," or "exchange," or "underwriters," or "underwriting." Name.

(2) Sue and be sued in its own name. Suits.

SEC. .10.07 *Surplus Funds Required:* 1. A domestic reciprocal insurer hereafter formed, if it has otherwise complied with the provisions of this code, may be authorized to transact insurance if it de- Surplus funds required.

posits and maintains on deposit with the Commissioner surplus funds as follows:

Property insurance.

(1) To transact property insurance, surplus funds of not less than one hundred thousand dollars (\$100,000).

Vehicle insurance.

(2) To transact vehicle insurance, surplus funds of not less than two hundred thousand dollars (\$200,000).

Other kinds.

2. A domestic reciprocal insurer may be authorized to transact other kinds of insurance in addition to that for which it was originally authorized, if it has otherwise complied with the provisions of this code therefor and possesses and maintains additional surplus funds in amount as required under section .11.12. Such additional surplus funds need not be deposited with the Commissioner.

Deposit.

3. A domestic reciprocal insurer heretofore formed shall maintain on deposit with the Commissioner surplus funds of not less than the sum of one hundred thousand dollars (\$100,000), and shall have additional surplus in the amount of any additional surplus funds required by this code for authority to transact kinds of insurance transacted by it in addition to that authorized by its original certificate of authority. Such additional surplus funds need not be deposited with the Commissioner.

"Attorney."

SEC. .10.08 "Attorney": "Attorney" as used in this article refers to the attorney-in-fact of a reciprocal insurer.

Twenty-five persons.

SEC. .10.09 *Organization of Reciprocal Insurer*:  
1. Twenty-five (25) or more persons domiciled in this state may organize a domestic reciprocal insurer and in compliance with this code make application to the Commissioner for a certificate of authority to transact insurance.

Declaration.

2. When applying for a certificate of authority, the original subscribers and the proposed attorney shall fulfill the requirements of and shall execute

and file with the Commissioner a declaration setting forth:

- |  |                         |
|--|-------------------------|
| (1) the name of the insurer;   | Name.                   |
| (2) the location of the insurer's principal office, which shall be the same as that of the attorney and shall be maintained within this state;   | Office.                 |
| (3) the kinds of insurance proposed to be transacted;  | Insurance.              |
| (4) the names and addresses of the original subscribers;   | Subscribers.            |
| (5) the designation and appointment of the proposed attorney and a copy of the power of attorney;  | Attorney.               |
| (6) the names and addresses of the officers and directors of the attorney, if a corporation, or of its members, if a firm;   | Officers and directors. |
| (7) the powers of the subscribers' advisory committee and the names and terms of office of the members thereof;  | Advisory committee.     |
| (8) that all monies paid to the reciprocal, after deducting therefrom any sum payable to the attorney, shall be held in the name of the insurer and for the purposes specified in the subscriber's agreement;  | Holding money.          |
| (9) a copy of the subscriber's agreement;  | Agreement.              |
| (10) a statement that each of the original subscribers has in good faith applied for insurance of the kind proposed to be transacted, and that the insurer has received from each such subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than six (6) months at the rate theretofore filed with and approved by the Commissioner; | Premiums received.      |
| (11) a statement of the financial condition of the insurer, a schedule of its assets, and a statement that the surplus as required by section .10.07 is on hand;   | Financial statement.    |
| (12) a copy of each policy, endorsement, and application form it then proposes to issue or use.  | Forms.                  |

Such declaration shall be acknowledged by each such subscriber and by the attorney in the manner

required for the acknowledgment of deeds to real estate.

Policies effective.

SEC. .10.10 *Policies Effective*: Any policy applied for by an original subscriber shall become effective coincidentally with the issuance of a certificate of authority to the reciprocal insurer.

Issuance.

SEC. .10.11 *Certificate of Authority*: 1. The certificate of authority of a reciprocal insurer shall be issued to its attorney in the name of the insurer.

Refusal. Suspension. Revocation.

2. The Commissioner may refuse, suspend, or revoke the certificate of authority, in addition to other grounds therefor, for failure of its attorney to comply with any provision of this code.

Power of Attorney.

SEC. .10.12 *Power of Attorney*: 1. The rights and powers of the attorney of a reciprocal insurer shall be as provided in the power of attorney given it by the subscribers.

Contents.

2. The power of attorney must set forth:

Powers.

(1) The powers of the attorney;

Service of process.

(2) that the attorney is empowered to accept service of process on behalf of the insurer and to authorize the Commissioner to receive service of process in actions against the insurer upon contracts exchanged;

Services.

(3) the services to be performed by the attorney in general;

Deduction.

(4) the maximum amount to be deducted from advance premiums or deposits to be paid to the attorney;

Liability of subscribers.

(5) except as to nonassessable policies, a provision for a contingent several liability of each subscriber in a specified amount which amount shall be not less than one (1) nor more than ten (10) times the premium or premium deposit stated in the policy;

Optional provisions.

3. The power of attorney may:

(1) Provide for the right of substitution of the

attorney and revocation of the power of attorney and rights thereunder; Substitution.

(2) impose such restrictions upon the exercise of the power as are agreed upon by the subscribers; Restrictions.

(3) provide for the exercise of any right reserved to the subscribers directly or through their advisory committee; Exercise rights of subscribers.

(4) contain other lawful provisions deemed advisable. Other provisions.

4. The terms of any power of attorney or agreement collateral thereto shall be reasonable and equitable, and no such power or agreement or any amendment thereof, shall be used or be effective in this state until approved by the Commissioner. Reasonable and equitable.

SEC. .10.13 *Modifications:* Modification of the terms of the subscriber's agreement or of the power of attorney of a domestic reciprocal insurer shall be made jointly by the attorney and the subscribers' advisory committee. No such modification shall be effective retroactively, nor as to any insurance contract issued prior thereto. Modifications.

SEC. .10.14 *Attorney's Bond:* 1. Concurrently with the filing of the declaration provided for in section .10.09, (or, if an existing domestic reciprocal insurer, within ninety (90) days after the effective date of this code) the attorney of a domestic reciprocal shall file with the Commissioner a bond running to the State of Washington. The bond shall be executed by the attorney and by an authorized corporate surety, and shall be subject to the Commissioner's approval. Attorney's bond.

2. The bond shall be in the penal sum of twenty-five thousand dollars (\$25,000), conditioned that the attorney will faithfully account for all monies and other property of the insurer coming into his hands, and that he will not withdraw or appropriate for his own use from the funds of the insurer any monies Amount.

or property to which he is not entitled under the power of attorney.

Cancellation. 3. The bond shall provide that it is not subject to cancellation unless thirty (30) days advance notice in writing of intent to cancel is given to both the attorney and the Commissioner.

Deposit in lieu. SEC. .10.15 *Deposit in Lieu:* In lieu of such bond, the attorney may maintain on deposit with the Commissioner a like amount in cash or in value of securities qualified under this code as insurers' investments, and subject to the same conditions as the bond.

Actions on bond. SEC. .10.16 *Actions on Bond:* Action on the attorney's bond or to recover against any such deposit made in lieu thereof may be brought at any one time by one (1) or more subscribers suffering loss through a violation of the conditions thereof or by a receiver or liquidator of the insurer. Amounts so recovered shall be deposited in and become part of the insurer's funds.

Legal process. SEC. .10.17 *Legal Process:* 1. A certificate of authority shall not be issued to a domestic reciprocal insurer unless prior thereto the attorney has executed and filed with the Commissioner the insurer's irrevocable authorization of the Commissioner to receive legal process issued in this state against the insurer upon any cause of action arising within this state.

Service on Commissioner. 2. The provisions of section .05.21 shall apply to service of such process upon the Commissioner.

Service on Attorney. 3. In lieu of service on the Commissioner, legal process may be served upon a domestic reciprocal insurer by serving the insurer's attorney at his principal offices.

Effect of judgment. 4. Any judgment against the insurer based upon legal process so served shall be binding upon each of the insurer's subscribers as their respective interests



may appear and in an amount not exceeding their respective contingent liabilities.

SEC. .10.18 *Annual Statement*: The annual statement of a reciprocal insurer shall be made and filed by the attorney. Annual statement.

SEC. .10.19 *Repayment of Contribution*: No contribution to a domestic reciprocal insurer's surplus by the attorney shall be retrievable by the attorney except under such terms and in such circumstances as the Commissioner approves. Repayment of contribution.

SEC. .10.20 *Determining Financial Condition*: In determining the financial condition of a reciprocal insurer the Commissioner shall apply the following rules: Determining financial condition.

1. He shall charge as liabilities the same reserves as are required of incorporated insurers issuing nonassessable policies on a reserve basis. Rules. Reserves as liabilities.

2. The surplus deposits of subscribers shall be allowed as assets, except that any premium deposit delinquent for ninety (90) days shall first be charged against such surplus deposit. Surplus deposits as assets.

3. The surplus deposits of subscribers shall not be charged as a liability. Not a liability.

4. All premium deposits delinquent less than ninety (90) days shall be allowed as assets. Premium deposits.

5. An assessment levied upon subscribers, and not collected, shall not be allowed as an asset. Assessments.

6. The contingent liability of subscribers shall not be allowed as an asset. Contingent liability.

7. The computation of reserves shall be based upon premium deposits other than membership fees and without any deduction for the compensation of the attorney. Computation of reserves.

SEC. .10.22 *Subscribers*: Any person, government or governmental agency, state or political subdivision thereof, public or private corporation, board, association, estate, trustee, or fiduciary may be a subscriber of a reciprocal insurer. Subscribers.

Subscribers' advisory committee.

**SEC. .10.23 *Subscribers' Advisory Committee:***

Selection.

1. The advisory committee of a domestic reciprocal insurer exercising the subscribers' rights shall be selected under such rules as the subscribers adopt.

Membership.

2. Not less than three-fourths of such committee shall be composed of subscribers other than the attorney, or any person employed by, representing, or having a financial interest in the attorney.

Duties.

3. The committee shall:

Finances.

(1) Supervise the finances of the insurer;

Operations.

(2) supervise the insurer's operations to such extent as to assure their conformity with the subscribers' agreement and power of attorney;

Audit.

(3) procure the audit of the accounts and records of the insurer and of the attorney at the expense of the insurer;

Other duties.

(4) have such additional powers and functions as may be conferred by the subscribers' agreement.

Subscriber's liability.

**SEC. .10.25 *Subscriber's Liability:*** 1. The liability of each subscriber subject to assessment for the obligations of the reciprocal insurer shall not be joint, but shall be individual and several.

Several.

Contingent assessment liability.

2. Each subscriber who is subject to assessment shall have a contingent assessment liability, in the amount provided for in the power of attorney or in the subscribers' agreement, for payment of actual losses and expenses incurred while his policy was in force. Such contingent liability may be at the rate of not less than one (1) nor more than ten (10) times the premium or premium deposit stated in the policy, and the maximum aggregate thereof shall be computed in the manner set forth in section .10.29.

Statement in policy.

3. Each assessable policy issued by the insurer shall plainly set forth a statement of the contingent liability.

Subscriber's liability on judgments.

**SEC. .10.26 *Subscriber's Liability on Judgments:***

1. No action shall lie against any subscriber upon any obligation claimed against the insurer until a

final judgment has been obtained against the insurer and remains unsatisfied for thirty (30) days. Judgment against insurer.

2. Any such judgment shall be binding upon each subscriber only in such proportion as his interests may appear and in an amount not exceeding his contingent liability, if any. Binds subscribers proportionately.

SEC. .10.27 *Assessments:* 1. Assessments may be levied from time to time upon the subscribers of a domestic reciprocal insurer, other than as to non-assessable policies, by the attorney upon approval in advance by the subscribers' advisory committee and the Commissioner; or by the Commissioner in liquidation of the insurer. Assessments.  
Levy.

2. Each such subscriber's share of a deficiency for which an assessment is made, not exceeding in any event his aggregate contingent liability as computed in accordance with section .10.29, shall be computed by applying to the premium earned on the subscriber's policy or policies during the period to be covered by the assessment, the ratio of the total deficiency to the total premiums earned during such period upon all policies subject to the assessment. Computation of deficiency.

3. In computing the earned premiums for the purposes of this section, the gross premium received by the insurer for the policy shall be used as a base, deducting therefrom solely charges not recurring upon the renewal or extension of the policy. Computation of earned premium.

4. No subscriber shall have an offset against any assessment for which he is liable, on account of any claim for unearned premium or losses payable. No offset.

SEC. .10.28 *Time Limit for Assessment:* Every subscriber of a domestic reciprocal insurer having contingent liability shall be liable for, and shall pay his share of any assessment, as computed and limited in accordance with this article, if, Time limit for assessment.

(1) while his policy is in force or within one (1) year after its termination, he is notified by either the Notice of intention to levy.

attorney or the Commissioner of his intentions to levy such assessment, or

Show cause order issued.

(2) if an order to show cause why a receiver, conservator, rehabilitator, or liquidator of the insurer should not be appointed is issued pursuant to section .31.19 while his policy is in force or within one (1) year after its termination.

Aggregate liability.

SEC. .10.29 *Aggregate Liability:* No one policy or subscriber as to such policy, shall be assessed or be charged with an aggregate of contingent liability as to obligations incurred by a domestic reciprocal insurer in any one (1) calendar year, in excess of the number of times the premium as stated in the policy as computed solely upon premium earned on such policy during that year.

Nonassessable policies.

SEC. .10.30 *Nonassessable Policies:* 1. Subject to the special surplus requirements of paragraph three of section .11.12, if a reciprocal insurer has a surplus of assets over all liabilities at least equal to the minimum capital stock required of a domestic stock insurer authorized to transact like kinds of insurance, upon application of the attorney and as approved by the subscribers' advisory committee the Commissioner shall issue his certificate authorizing the insurer to extinguish the contingent liability of subscribers under its policies then in force in this state, and to omit provisions imposing contingent liability in all policies delivered or issued for delivery in this state for so long as all such surplus remains unimpaired.

Extinguishment of contingent liability.

Revocation.

2. Upon impairment of such surplus, the Commissioner shall forthwith revoke the certificate. No policy shall thereafter be issued or renewed without providing for the contingent assessment liability of subscribers.

Extinguished to all policies.

3. The Commissioner shall not authorize a domestic reciprocal insurer so to extinguish the contingent liability of any of its subscribers or in any

of its policies to be issued, unless it qualifies to and does extinguish such liability of all its subscribers and in all such policies for all kinds of insurance transacted by it. Except, that if required by the laws of another state in which the insurer is trans-

Exception.

SEC. .10.31 *Share in Savings:* A reciprocal insurer may from time to time return to its subscribers any savings or credits accruing to their accounts. Any such distribution shall not unfairly discriminate between classes of risks, or policies, or between subscribers.

Share in savings.

SEC. .10.32 *Subscriber's Share of Assets:* Upon the liquidation of a domestic reciprocal insurer, its assets remaining after discharge of its indebtedness and policy obligations, the return of any contribution of the attorney to its surplus made as provided in section .10.19, and the return of any unused deposits, savings, or credits, shall be distributed to its subscribers who were such within the twelve (12) months prior to the last termination of its certificate of authority according to such formula as may have been approved by the Commissioner.

Subscriber's share of assets.

SEC. .10.33 *Merger or Conversion:* 1. A domestic reciprocal insurer, upon affirmative vote of not less than two-thirds of the subscribers who vote upon such merger pursuant to such notice as may be approved by the Commissioner and with the approval of the Commissioner of the terms therefor, may merge with another reciprocal insurer or be converted to a stock or mutual insurer.

Merger or conversion.

2. Such a stock or mutual insurer shall be subject to the same capital requirements and shall have

Same requirements as domestic insurer.

the same rights as a like domestic insurer transacting like kinds of insurance.

Plan must be equitable.

3. The Commissioner shall not approve any plan for such merger or conversion which is inequitable to subscribers, or which, if for conversion to a stock insurer, does not give each subscriber preferential right to acquire stock of the proposed insurer proportionate to his interest in the reciprocal insurer as determined in accordance with section .10.32 and a reasonable length of time within which to exercise such right.

Impaired reciprocals.

SEC. .10.34 *Impaired Reciprocals*: 1. If the assets of a domestic reciprocal insurer are at any time insufficient to discharge its liabilities other than any liability on account of funds contributed by the attorney, and to maintain the surplus required for the kinds of insurance it is authorized to transact, its attorney shall forthwith levy an assessment upon subscribers made subject to assessment by the terms of their policies for the amount needed to make up the deficiency.

Failure to make assessment or pay deficiency.

2. If the attorney fails to make the assessment within thirty (30) days after the Commissioner orders him to do so, or if the deficiency is not fully made up within sixty (60) days after the date the assessment was made, the insurer shall be deemed insolvent and shall be proceeded against as authorized by this code.

Liquidation.

3. If liquidation of such an insurer is ordered, an assessment shall be levied upon the subscribers for such an amount, subject to limits as provided by this article, as the Commissioner determines to be necessary to discharge all liabilities of the insurer, exclusive of any funds contributed by the attorney, but including the reasonable cost of the liquidation.

ARTICLE ELEVEN  
INSURING POWERS

SEC. .11.01 *Kinds of Insurance and Capital Required:* 1. Domestic stock insurers may transact kinds of insurance in this state upon qualifying therefor and by having paid-in capital and surplus represented by assets, all as follows:

Kinds of insurance and capital required.

	<i>Minimum Capital Required</i>	<i>Minimum Surplus Initially Required</i>	
(1) Life insurance . . . . .	\$100,000.00	\$50,000.00	
(2) Disability insurance . . .	\$100,000.00	\$25,000.00	
(a) Life and Disability in- surance . . . . .	\$125,000.00	\$75,000.00	
(3) Property insurance . . . .	\$200,000.00	\$50,000.00	
(4) Marine and Transpor- tation insurance . . . . .	\$250,000.00	\$150,000.00	
(5) Casualty insurances:			
(a) Vehicle only . . . . .	\$200,000.00	\$100,000.00	
(b) General casualty . . . . .	\$300,000.00	\$150,000.00	
(6) Surety insurances			
(a) Surety . . . . .	\$300,000.00	\$100,000.00	
(b) Bail bonds only . . . . .	\$50,000.00	\$25,000.00	
(7) Title insurance:			
In accordance with the provisions of article twenty-nine of this code.			
(8) All insurances, except life and title insurances	\$450,000.00	\$250,000.00	

Minimum capital and surplus required.

SEC. .11.02 *Life Insurance Defined:* Life insurance is insurance on human lives and insurances appertaining thereto or connected therewith. For the purposes of this code the transacting of life insurance includes the granting of annuities and endowment benefits; additional benefits in event of death by accident; additional benefits in event of the total and permanent disability of the insured; and optional modes of settlement of proceeds.

Life insurance

SEC. .11.03 *Disability Insurance Defined:* Disability insurance is insurance against bodily injury, disablement or death by accident, against disablement resulting from sickness, and every insurance appertaining thereto.

Disability insurance.

Property insurance.

SEC. .11.04 *Property Insurance Defined:* Property insurance is insurance against loss of or damage to real or personal property of every kind and any interest therein, from any or all hazard or cause, and against loss consequential upon such loss or damage.

Marine and transportation insurance.

SEC. .11.05 *Marine and Transportation Insurance Defined:* Marine and transportation insurance is:

(1) Insurance against loss of or damage to:

Vessels, vehicles, goods, choses in action, bottomry, etc.

(a) Vessels, craft, aircraft, vehicles, goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, evidences of debt, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, transshipment, or reshipment incident thereto, including war risks, marine builder's risks, and all person [personal] property floater risks.

Person or property appertaining to such insurance.

(b) Person or property in connection with or appertaining to a marine, transit or transportation insurance, including liability for loss of or damage to either incident to the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or surety bonds nor insurance against loss by reason of bodily injury to any person arising out of the ownership, maintenance, or use of automobiles).

Precious stones.

(c) Precious stones, jewels, jewelry, precious metals, whether in course of transportation or otherwise.

Bridges, tunnels.

(d) Bridges, tunnels and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishings, fixed con-



tents and supplies held in storage); piers, wharves, docks and slips, and other aids to navigation and transportation, including dry docks and marine railways, dams and appurtenant facilities for the control of waterways.

Aids to navigation.

(2) "Marine protection and indemnity insurance," meaning insurance against, or against legal liability of the insured for, loss, damage, or expense incident to ownership, operation, chartering, maintenance, use, repair or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

"Marine protection and indemnity insurance."

SEC. .11.06 *Vehicle Insurance Defined:* 1. Vehicle insurance is insurance against loss or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded or unloaded therein or therefrom, and against any loss or liability resulting from or incident to ownership, maintenance, or use of any such vehicle or aircraft or animal.

Vehicle insurance defined.

2. Insurance against accidental death or accidental injury to individuals while in, entering, alighting from, adjusting, repairing, cranking, or caused by being struck by a vehicle, aircraft, or draft or riding animal, if such insurance is issued as part of insurance on the vehicle, aircraft, or draft or riding animal, shall be deemed to be vehicle insurance.

When death or accident insurance included.

SEC. .11.07 *General Casualty Insurance Defined:* General casualty insurance includes vehicle insurance as defined in section .11.06, and in addition is insurance:

General casualty insurance.

Vehicle insurance.

(1) Against legal liability for the death, injury, or disability of any human being, or for damage to property.

Legal liability.

(2) Of medical, hospital, surgical and funeral benefits to persons other than the insured, injured,

Medical expenses.

irrespective of legal liability of the insured, when issued with or supplemental to insurance against legal liability for the death, injury or disability of human beings.

Workmen's compensation.

(3) Of the obligations accepted by, imposed upon, or assumed by employers under law for workmen's compensation.

Burglary, theft, conversion, etc.

(4) Against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation or wrongful conversion, disposal or concealment, or from any attempt of any of the foregoing; also insurance against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptances or any other valuable papers or documents, resulting from any cause, except while in the custody or possession of and being transported by any carrier for hire or in the mail.

Personal effects.

(5) Upon personal effects against loss or damage from any cause.

Glass.

(6) Against loss or damage to glass, including its lettering, ornamentation and fittings.

Accidents or explosions of boilers, etc.

(7) Against any liability and loss or damage to property resulting from accidents to or explosions of boilers, pipes, pressure containers, machinery, or apparatus and to make inspection of and issue certificates of inspection upon elevators, boilers, machinery, and apparatus of any kind.

Water damage.

(8) Against loss or damage to any property caused by the breakage or leakage of sprinklers, water pipes and containers, or by water entering through leaks or openings in buildings.

Credit insurance.

(9) Against loss or damage resulting from failure of debtors to pay their obligations to the insured (credit insurance).

Other kinds.

(10) Against any other kind of loss, damage, or liability properly the subject of insurance and not within any other kind or kinds of insurance as defined in this article, if such insurance is not contrary to law or public policy.

SEC. .11.08 *Surety Insurance Defined:* Surety insurance includes: Surety insurance.

(1) Credit insurance as defined in item (9) of section .11.07. Credit.

(2) Bail bond insurance as defined in section .11.09. Bail-bond.

(3) Fidelity insurance, which is insurance guaranteeing the fidelity of persons holding positions of public or private trust. Fidelity.

(4) Guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings, and contracts of suretyship. Performance and suretyship.

(5) Indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against loss resulting from any cause of bills of exchange, notes, bonds, securities, evidence of debts, deeds, mortgages, warehouse receipts, or other valuable papers, documents, money, precious metals and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, including any loss while the same are being transported in armored motor vehicles, or by messenger, but not including any other risks of transportation or navigation; also against loss or damage to such an insured's premises, or to his furnishings, fixtures, equipment, safes and vaults therein, caused by burglary, robbery, theft, vandalism or malicious mischief, or any attempt thereat. Loss of negotiable instruments, gems, etc., by financial institutions.

Damage to premises by burglary, etc.

SEC. .11.09 *Bail Bond Insurance Defined:* Bail bond insurance is the guaranteeing that any person, in or in connection with any proceedings in any court, will Bail bond.

(1) attend in court when required, or Attend court.

(2) will obey the orders or judgment of the court, as a condition to the release of such person from confinement, and the execution of bail bonds for any such purpose. The making of property or Obey orders of court.

cash bail does not constitute the transacting of bail bond insurance.

Title insurance defined.

SEC. .11.10 *Title Insurance Defined:* Title insurance is insurance of owners of property or others having an interest therein, against loss by encumbrance, or defective titles, or adverse claim to title, and services connected therewith.

Authority for additional powers.

SEC. .11.11 *Authority for Additional Powers:* Authority shall be granted or denied insurers, already authorized to transact one kind of insurance, to transact additional kinds of insurance as follows:

Life insurer.

(1) An insurer authorized to transact life insurance shall not be authorized to transact any additional kind of insurance other than disability insurance; except, that any life insurer which immediately prior to the effective date of this code, held a certificate of authority to transact in this state certain kinds of insurance in addition to life and disability insurance, may continue to be so authorized by the Commissioner.

Exception.

Title insurance only.

(2) An insurer authorized to transact title insurance shall not be authorized to transact any additional kind of insurance.

Mutual insurers—property insurance only.

(3) Mutual insurers on the assessment premium plan shall not be authorized to transact any kind of insurance other than property insurance.

Domestic mutual insurers—specific property insurance only.

(4) Domestic mutual insurers formed under section .09.03 to insure a stated specific kind or class of property or property meeting designated standards of protection, shall not be authorized to transact insurance other than property insurance, and that only within the specific kind or class so stated or meeting such designated standards.

Domestic mutual disability or general property insurer may transact other insurance business—when.

(5) A domestic mutual disability or general property insurer shall not be authorized to transact any additional kinds of insurance unless it has and maintains surplus in the amount of fifty thousand dollars (\$50,000) in addition to the surplus required for such additional kinds of insurance.

(6) An insurer authorized to transact general casualty insurance shall be authorized to transact disability insurance and fidelity insurance without requiring additional financial qualifications.

Casualty-insurer may transact disability and fidelity insurance.

SEC. .11.12 *Capital, Surplus, for Additional Insuring Powers:* 1. Insurers, except as provided in section .11.11, shall be authorized to transact kinds of insurance in addition to kinds already authorized upon otherwise qualifying therefor and, subject to special surplus requirements set forth in paragraph three of this section, possessing capital stock, if a stock insurer, or surplus, if a mutual or reciprocal insurer, in addition to that required under this code to be maintained to qualify for the kinds of insurance theretofore authorized, in amount as required under the following schedule "A".

Capital, surplus, for additional insuring powers.

2. Schedule "A":

Schedule  
A.

CAPITAL, SURPLUS, FOR ADDITIONAL INSURING POWERS

If Authorized to transact:	Additional minimum paid-in capital stock required (if a stock insurer) or surplus required (if a mutual or reciprocal insurer) for authority to transact additional kinds of insurance:							
	Disability	Property	Vehicle	General Casualty	Marine and Transport.	Surety	Bail Bond	Fidelity
Disability insurance .....	.....	\$150,000	\$150,000	\$200,000	\$200,000	\$250,000	\$50,500	\$50,000
Property insurance .....	\$50,000	.....	100,000	150,000	100,000	150,000	50,000	50,000
Vehicle insurance .....	50,000	100,000	.....	100,000	100,000	150,000	50,000	50,000
General Casualty insurance .....	None	50,000	None	.....	50,000	50,000	25,000	None
Marine and Transportation insurance .....	50,000	50,000	50,000	100,000	.....	100,000	25,000	50,000
Surety insurance .....	50,000	50,000	50,000	50,000	50,000	.....	None	None
Bail Bond insurance .....	100,000	200,000	200,000	275,000	225,000	250,000	.....	50,000

A Domestic Mutual Life or Disability Insurer may be authorized to transact both life and disability insurances when it has acquired and while it maintains surplus funds in amount not less than one hundred thousand dollars (\$100,000).

3. Special surplus shall be possessed as follows:

Special surplus.

(1) An insurer shall not be authorized to transact any one of the following insurances,—vehicle, or general casualty (other than disability and fidelity), or marine and transportation, or surety (other than bail bond and fidelity),—with any additional kind of insurance unless it maintains at all times a special surplus of not less than one hundred thousand dollars (\$100,000) in addition to the capital stock (if a stock insurer) or surplus (if a mutual or reciprocal insurer) otherwise required.

Vehicle, general casualty. Marine and transportation. Surety.

(2) An insurer shall not be authorized to transact all kinds of insurance exclusive of life, title, and disability insurance, unless it possesses when first so authorized, a special surplus of not less than two hundred and fifty thousand dollars (\$250,000) in addition to the capital stock (if a stock insurer) or surplus (if a mutual or reciprocal insurer) otherwise required. Such special surplus shall be inclusive of the special surplus required pursuant to item one of this paragraph. For the purpose of this paragraph, general casualty insurances as defined in section .11.07, and surety insurances as defined in section .11.08, shall not be subdivided. The insurer after being so authorized, may use in the development of its business that part of such special surplus which exceeds the amount required pursuant to item one of this paragraph.

All kinds except life, title and disability.

4. In applying the schedule set forth in paragraph two of this section to a domestic reciprocal insurer or to a domestic mutual insurer, the additional surplus required is the lesser amount thereof as determined by using either property or vehicle insurance, if a reciprocal insurer, or property or disability insurance, if a mutual insurer, if such insurance is to be included in the kinds proposed to be transacted, as the initial kind authorized; and to which such lesser amount shall be added any additional surplus required pursuant to paragraph three of this section.

Applying schedule to domestic reciprocal or mutual insurer.

Reinsurance.

SEC. .11.13 *Reinsurance*: A domestic mutual assessment insurer shall not have authority to accept reinsurance. Any other domestic insurer may accept reinsurance only of such kinds of insurance as it is authorized to transact direct.

Limit of risk.

SEC. .11.14 *Limit of Risk*: 1. No insurer shall retain any fire or surety risk on any one subject of insurance, whether located or to be performed in this state or elsewhere, in an amount exceeding ten per cent (10%) of its surplus to policyholders, except that:

Domestic mutual insurers.

(1) Domestic mutual insurers on the cash premium plan may insure up to the applicable limits provided by sections .09.02, .09.03, or .09.06, if greater.

Domestic mutual property insurer.

(2) A domestic mutual property insurer on the assessment premium plan may retain fire risk on any one subject in an amount not in excess of the applicable limit provided in section .09.04 or section .09.05, or ten per cent (10%) of its surplus, whichever is the greater.

Fire risks.

(3) In the case of fire risks adequately protected by automatic sprinklers or fire risks principally of non-combustible construction and occupancy, an insurer may retain fire risks as to any one subject in an amount not exceeding twenty-five per cent (25%) of the sum of (a) its unearned premium reserve and (b) its surplus to policyholders.

"Subject of insurance."

2. For the purposes of this section, a "subject of insurance" as to insurance against fire includes all properties insured by the same insurer which are reasonably subject to loss or damage from the same fire.

Reinsurance in an alien reinsurer.

3. Reinsurance in an alien reinsurer not qualified under section .05.30 may not be deducted in determining risk retained for the purposes of this section.



4. In the case of surety insurance, the net retention shall be computed after deduction of reinsurances, the amount assumed by any co-surety, the value of any security deposited, pledged, or held subject to the consent of the surety and for the protection of the surety.

Surety insurance.

5. This section shall not apply to insurance of marine risks or marine protection and indemnity risks.

Where section not applicable.

SEC. .11.17 *Use of Surplus:* After qualifying for authority to transact a kind of insurance, a domestic stock insurer may make use of its surplus for the development of its business, subject to paragraph three of section .11.12, to the extent that such use does not result in impairment of its capital stock. The amount of the largest minimum surplus required under section .11.01 for any one of the kinds of insurance such an insurer is authorized to transact shall not be diminished by conversion into capital stock.

Use of surplus.

SEC. .11.18 *Capital Funds Required of Foreign, Alien Insurers:* 1. Subject to the special surplus requirements of paragraph three of section .11.12, foreign stock insurers may be authorized to transact insurance in this state upon otherwise qualifying therefor and while possessing capital stock in amount not less than the minimum capital required of a domestic insurer authorized to transact like kinds of insurance.

Capital funds required of foreign, alien insurers.

Foreign stock insurers.

2. Subject to special surplus requirements provided by paragraph three of section .11.12, alien insurers and foreign mutual insurers and foreign reciprocal insurers may be authorized to transact insurance in this state upon otherwise qualifying therefor and while possessing capital funds in amount not less than the minimum capital required of a domestic stock insurer authorized to transact like kinds of insurance.

Alien insurers, foreign mutual insurers, foreign reciprocal insurers.

Additional requirements for insurers less than five years old.

3. Except, that a foreign or alien insurer which as an authorized insurer has transacted insurance in the state or country of its domicile for less than five (5) years shall not be authorized to transact insurance in this state unless it possesses, when first so authorized in this state:

Foreign stock insurer.

(1) Capital stock and surplus, if a foreign stock insurer in amounts not less than that required under section .11.01 of a newly formed domestic stock insurer to transact like kinds of insurance; or

Alien insurer.

(2) Surplus or capital funds, if an alien insurer or foreign mutual or reciprocal insurer, in amount not less than the aggregate of the capital stock and surplus required under section .11.01 of a newly formed domestic stock insurer to transact like kinds of insurance.

ARTICLE TWELVE  
ASSETS AND LIABILITIES

"Assets "

SEC. .12.01 "Assets" Defined: In any determination of the financial condition of any insurer there shall be allowed as assets only such assets as belong wholly and exclusively to the insurer, which are registered, recorded, or held under the insurer's name, and which consist of:

Cash.

(1) Cash in the possession of the insurer or in transit under its control, and the true balance of any deposit of the insurer in a solvent bank or trust company;

Investments, securities, properties, and loans.

(2) Investments, securities, properties, and loans acquired or held in accordance with this code, and in connection therewith the following items:

Interest on bonds.

(a) Interest due or accrued on any bond or evidence of indebtedness which is not in default and which is not valued on a basis including accrued interest.

Unpaid dividends.

(b) Declared and unpaid dividends on stocks and shares unless such amount has otherwise been allowed as an asset.

(c) Interest due or accrued upon a collateral loan in an amount not to exceed one (1) year's interest thereon. .

Interest on collateral loans.

(d) Interest due or accrued on deposits in solvent banks and trust companies, and interest due or accrued on other assets if such interest is in the judgment of the Commissioner a collectible asset.

Interest on deposits.

(e) Interest due or accrued on a mortgage loan, in amount not exceeding in any event the amount, if any, of the difference between the unpaid principal and the value of the property less delinquent taxes thereon; but if any interest on the loan is in default more than eighteen (18) months, or if any interest on the loan is in default and any taxes or any installment thereof on the property are and have been due and unpaid for more than eighteen (18) months, no allowance shall be made for any interest on the loan.

Interest on mortgage loans.

(f) Rent due or accrued on real property if such rent is not in arrears for more than three (3) months.

Rent.

(3) Premium notes, policy loans, and other policy assets and liens on policies of life insurance, in amount not exceeding the legal reserve and other policy liabilities carried on each individual policy;

Policy assets.

(4) The net amount of uncollected and deferred premiums in the case of a life insurer which carries the full annual mean tabular reserve liability;

Uncollected life insurance premiums.

(5) Premiums in the course of collection, other than for life insurance, not more than ninety (90) days past due, less commissions payable thereon. The foregoing limitation shall not apply to premiums payable directly or indirectly by the United States government or any of its instrumentalities;

Other uncollected premiums.

(6) Installment premiums other than life insurance premiums, in accordance with regulations prescribed by the Commissioner consistent with practice formulated or adopted by the National Association of Insurance Commissioners.

Installment premiums other than life.

Notes for premiums other than life.

(7) Notes and like written obligations not past due, taken for premiums other than life insurance premiums, on policies permitted to be issued on such basis, to the extent of the unearned premium reserves carried thereon and unless otherwise required by regulation prescribed by the Commissioner;

Reinsurance recoverable.

(8) The full amount of reinsurance recoverable by a ceding insurer from a solvent reinsurer not disqualified to take such reinsurance under this code; or, in the case of reinsurers disqualified under this code, so much of reinsurance recoverable from such reinsurer as does not exceed the liabilities carried by the ceding insurer for amounts withheld under a reinsurance treaty with such reinsurer as security for the payment of obligations thereunder if such funds are held subject to withdrawal by, and under the control of, the ceding insurer;

Amounts receivable by an assuming insurer.

(9) Amounts receivable by an assuming insurer representing funds withheld by a solvent ceding insurer under a reinsurance treaty;

Equities recoverable from underwriting associations.

(10) Deposits or equities recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the Commissioner available for the payment of losses and claims and at values to be determined by him; and,

Other assets.

(11) other assets, not inconsistent with the foregoing provisions, deemed by the Commissioner available for the payment of losses and claims, at values to be determined by him.

"Assets" not allowed.

SEC. .12.02 "Assets" Not Allowed: In addition to assets impliedly excluded under section .12.01, the following expressly shall not be allowed as assets in any determination of the financial condition of an insurer:

Certain intangible assets.

(1) Goodwill, trade names, agency plants and other like intangible assets.

- (2) Prepaid or deferred charges for expenses and commissions paid by the insurer. Prepaid expenses.
- (3) Advances to officers (other than policy loans or loans made pursuant to section .07.13), whether secured or not, and advances to employees, agents and other persons on personal security only. Unsecured advances to officers and employees.
- (4) Stock of such insurer, owned by it, or any equity therein or loans secured thereby, or any proportionate interest in such stock through the ownership by such insurer of an interest in another firm, corporation or business unit. Stock of insurer.
- (5) Furniture, furnishings, fixtures, safes, equipment, vehicles, library, stationery, literature, and supplies; except, such personal property as the insurer is permitted to hold pursuant to item five of paragraph two of section .13.16, or which is acquired through foreclosure of chattel mortgages acquired pursuant to section .13.15, or which is reasonably necessary for the maintenance and operation of real estate lawfully acquired and held by the insurer other than real estate used by it for home office, branch office, and similar purposes. Furniture, fixtures, supplies, etc.
- (6) The amount, if any, by which the aggregate book value of investments as carried in the ledger assets of the insurer exceeds the aggregate value thereof as determined under this code. Investments.
- SEC. .12.03 *Liabilities:*** In any determination of financial condition of an insurer, liabilities to be charged against its assets shall include: Liabilities.
- (1) The amount of its capital stock outstanding, if any; and, Capital stock.
- (2) the amount, estimated consistent with the provisions of this article, necessary to pay all of its unpaid losses and claims incurred on or prior to the date of statement, whether reported or unreported, together with the expense of adjustment or settlement thereof; and, Unpaid losses.
- (3) with reference to life and disability insurances, and annuity contracts, Life, disability and annuities.

Reserves on life insurance and annuity contracts.

(a) the amount of reserves on life insurance policies and annuity contracts in force, valued according to the tables of mortality, rates of interest, and methods adopted pursuant to this article which are applicable thereto;

Reserves for disability benefits.

(b) reserves for disability benefits, for both active and disabled lives;

Reserves for death benefits.

(c) reserves for accidental death benefits, and

Other reserves required by commissioner.

(d) any additional reserves which may be required by the Commissioner, consistent with practice formulated or approved by the National Association of Insurance Commissioners, on account of such insurances; and

Reserves for certain other insurances.

(4) with reference to insurances other than those specified in item three of this section, and other than title insurance, the amount of reserves equal to the unearned portions of the gross premiums charged on policies in force, computed in accordance with this article; and

Taxes, expenses.

(5) taxes, expenses, and other obligations accrued at the date of the statement; and

Reserve for specific liability.

(6) any additional reserve set up by the insurer for a specific liability purpose or required by the Commissioner consistent with practices adopted or approved by the National Association of Insurance Commissioners.

Unearned premium reserve.

SEC. .12.04 *Unearned Premium Reserve*: 1. With reference to insurances against loss or damage to property, except as provided in section .12.05, and with reference to all general casualty insurances, disability insurance except as provided in section .12.06, and surety insurances, every insurer shall maintain an unearned premium reserve on all policies in force.

Maintained on all policies of certain kinds.

Power of commissioner.

2. The Commissioner may require that such reserve shall be equal to the unearned portions of the gross premiums in force after deducting authorized reinsurance, as computed on each respective

risk from the policy's date of issue. If the Commissioner does not so require, the portions of the gross premiums in force, less authorized reinsurance, to be held as a premium reserve, shall be computed according to the following table:

If not required by Commissioner.

<i>Term for Which Policy Was Written</i>	<i>Reserve for Unearned Premium</i>	
One year, or less.....		1/2
Two years .....	First year	3/4
	Second year	1/4
Three years .....	First year	5/6
	Second year	1/2
	Third year	1/6
Four years .....	First year	7/8
	Second year	5/8
	Third year	3/8
	Fourth year	1/8
Five years .....	First year	9/10
	Second year	7/10
	Third year	1/2
	Fourth year	3/10
	Fifth year	1/10
Over five years.....	Pro rata	

Computed according to table.

3. In lieu of computation according to such table, all of such reserves may be computed, at the insurer's option, on a monthly pro-rata basis.

May be computed on monthly pro-rata basis.

4. After adopting any one of the methods for computing such reserve an insurer shall not change methods without the Commissioner's approval.

**SEC. .12.05 *Unearned Premium Reserve—Marine and Transportation:*** With reference to marine and transportation insurances, premiums on trip risks not terminated shall be deemed unearned and the Commissioner may require the insurer to carry a reserve thereon equal to one hundred per cent (100%) on trip risks written during the month ended as of the date of statement; and computed upon a pro rata basis or, with the Commissioner's consent, in accordance with the alternative methods provided in section .12.04 for all other risks.

Unearned premium reserve—marine and transportation.

**SEC. .12.06 *Reserves—Noncancellable Disability Insurance:*** 1. The legal minimum standard for computing the active life reserve, including the unearned

Reserves—noncancellable disability insurance.

Legal minimum standard.

premium reserve, of noncancellable disability policies shall be based on Conference Modification of Class III Disability Experience with interest at not to exceed three and one-half per cent ( $3\frac{1}{2}\%$ ) per annum on the full preliminary term basis.

When tables extended on basis approved by commissioner.

2. For policies with a waiting period of less than three (3) months or providing benefits at ages beyond the limits of Conference Modification of Class III Disability Experience, the tables shall be extended to cover the provisions of such policies on such basis as the Commissioner may approve.

Basis.

3. The reserve for losses under noncancellable disability policies shall be based on Conference Modification of Class III Disability Experience, except that for claims of less than twenty-seven (27) months duration the reserve may be taken as equivalent to the prospective claim payments for three and one-half ( $3\frac{1}{2}$ ) times the elapsed period of disability; but in no case shall the reserve be less than the equivalent of seven (7) weeks claim payments.

Exception.

When commissioner modifies tables.

4. The Commissioner shall modify the application of the tables and requirements prescribed in this section to policies or to claims arising under policies in accordance with the waiting period contained in such policies and in accordance with any limitation as to the time for which indemnity is payable.

Loss records.

SEC. .12.07 *Loss Records*: An insurer shall maintain a complete and itemized record showing all losses and claims as to which it has received notice, including with regard to property, casualty, surety, and marine and transportation insurances, all notices received of the occurrence of any event which may result in a loss.

Increased reserves.

SEC. .12.08 *Increased Reserves*: 1. If the Commissioner determines that an insurer's unearned premium reserves, however computed, are inadequate, he may require the insurer to compute such reserves

Commissioner may require re-computation.



or any part thereof according to such other method or methods as are prescribed in this article.

2. If the loss experience of an insurer shows that its loss reserves, however estimated, are inadequate, the Commissioner shall require the insurer to maintain loss reserves in such increased amount as is needed to make them adequate.

Increased loss reserves required.

SEC. .12.09 *Loss Reserve—Liability Insurances:* The reserves for outstanding losses and loss expenses under policies of personal injury liability insurance and under policies of employer's liability insurance shall be computed as follows:

Loss reserve—liability insurance, s.

Computation of loss reserves.

(1) For all liability suits being defended under policies written:

Liability suits defended.

(a) Ten (10) years or more prior to the date of determination, one thousand five hundred dollars (\$1,500) for each suit;

Policies written ten years or more.

(b) Five (5) or more and less than ten (10) years prior to the date of determination, one thousand dollars (\$1,000) for each suit;

Policies written five to ten years.

(c) Three (3) or more and less than five (5) years prior to the date of determination, eight hundred fifty dollars (\$850) for each suit.

Policies written three to five years.

In any event the total loss and loss expense reserves for all such liability policies written more than three (3) years prior to the date of determination shall be not less than the aggregate of the estimated unpaid losses and loss expenses under such policies computed on an individual case basis.

Minimum loss reserves on policies written three years or more.

(2) For all liability policies written during the three (3) years immediately preceding the date of determination, such reserves shall be the sum of the reserves for each such year, which shall be sixty per cent (60%) of the earned premiums on liability policies written during such year less all loss and loss expense payments made under such policies written in such year. In any event such reserves for each of such three (3) years shall be not less

Policies written less than three years and minimum loss reserves.

than the aggregate of the estimated unpaid losses and loss expenses for claims incurred under liability policies written in the corresponding year computed on an individual case basis.

Distribution of unallocated liability loss expense.

SEC. .12.10 *Unallocated Liability Loss Expense:*

1. All unallocated liability loss expense payments shall be distributed as follows:

Distribution made after first four years.

(1) If made in a given calendar year subsequent to the first four (4) years in which an insurer has been issuing liability policies, thirty-five per cent (35%) shall be charged to the policies written that year, forty per cent (40%) to the policies written in the preceding year, ten per cent (10%) to the policies written in the second year preceding, ten per cent (10%) to the policies written in the third year preceding and five per cent (5%) to the policies written in the fourth year preceding.

Distribution made during first four years.

(2) If made in each of the first four (4) calendar years in which an insurer issues liability policies, in the first calendar year one hundred per cent (100%) shall be charged to the policies written in that year; in the second calendar year fifty per cent (50%) shall be charged to the policies written in that year and fifty per cent (50%) to the policies written in the preceding year; in the third calendar year forty per cent (40%) shall be charged to the policies written in that year, forty per cent (40%) to the policies written in the preceding year, and twenty per cent (20%) to the policies written in the second year preceding; and in the fourth calendar year thirty-five per cent (35%) shall be charged to the policies written in that year, forty per cent (40%) to the policies written in the preceding year, fifteen per cent (15%) to the policies written in the second year preceding and ten per cent (10%) to the policies written in the third year preceding.

2. A schedule showing such distribution shall be included in the annual statement.

Schedule of distribution required.

SEC. .12.11 *Schedule of Experience*: Any insurer transacting any liability or Workmen's Compensation insurances shall include in its annual statement filed with the Commissioner, a schedule of its experience thereunder in such form as the Commissioner may prescribe.

Schedule of experience required.

SEC. .12.12 *Loss Reserve—Workmen's Compensation Insurance*: The loss reserve for Workmen's Compensation insurance shall be as follows:

Loss reserve—Workmen's Compensation insurance.

(1) For all compensation claims under policies of compensation insurance written more than three (3) years prior to the date as of which the statement is made, the loss reserve shall be the present values at four per cent (4%) interest of the determined and the estimated future payments.

Claims under policies written more than three years.

(2) For all compensation claims under policies of compensation insurance written in the three (3) years immediately preceding the date as of which the statement is made, the loss reserve shall be sixty-five per cent (65%) of the earned compensation premiums of each of such three (3) years, less all loss and loss expense payments made in connection with such claims under policies written in the corresponding years; but in any event such reserve shall be not less than the present value at three and one-half per cent (3½%) interest of the determined and the estimated unpaid compensation claims under policies written during each of such years.

Claims under policies written up to three years.

Minimum loss reserve

SEC. .12.13 *Unallocated Workmen's Compensation Loss Expense*: 1. All unallocated Workmen's Compensation loss expense payments shall be distributed as follows:

Distribution of unallocated Workmen's Compensation loss expense.

(1) If made in a given calendar year subsequent to the first three (3) years in which an insurer has been issuing such compensation policies, forty per cent (40%) shall be charged to the policies

Distribution made after first three years.

written in that year, forty-five per cent (45%) to the policies written in the preceding year, ten per cent (10%) to the policies written in the second year preceding and five per cent (5%) to the policies written in the third year preceding.

Distribution made in first three years.

(2) If made in each of the first three (3) calendar years in which an insurer issues compensation policies, in the first calendar year one hundred per cent (100%) shall be charged to the policies written in that year; in the second calendar year fifty per cent (50%) shall be charged to the policies written in that year, and fifty per cent (50%) to the policies written in the preceding year; in the third calendar year forty-five per cent (45%) shall be charged to the policies written in that year, forty-five per cent (45%) to the policies written in the preceding year and ten per cent (10%) to the policies written in the second year preceding.

Schedule of distribution required.

2. A schedule showing such distribution shall be included in the annual statement.

"Loss Payments"—  
"Loss Expense" defined.

SEC. .12.14 "Loss Payments"—"Loss Expense" Defined: "Loss payments" and "loss expense payments" as used with reference to liability and Workmen's Compensation insurances shall include all payments to claimants, payments for medical and surgical attendance, legal expenses, salaries and expenses of investigators, adjusters and claims 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 claims, whether such payments are allocated to specific claims or are unallocated.

Standard valuation law—life.

SEC. .12.15 *Standard Valuation Law—Life*: 1. This section shall be known as the Standard Valuation Law.

Commissioner annually to value reserve liabilities.

2. Annual Valuation: The Commissioner shall annually value, or cause to be valued, the reserve

liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer doing business in this state, except that in the case of an alien insurer such valuation shall be limited to its insurance transactions in the United States, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in the calculation of such reserves. In calculating such reserves, the Commissioner may use group methods and approximate averages for fractions of a year or otherwise. He may accept, in his discretion, the insurer's calculation of such reserves. In lieu of the valuation of the reserves herein required of any foreign or alien insurer, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the Commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

Limited to transactions in the United States.

Commissioner may certify the amount of reserves.

Methods of calculation which may be used by the Commissioner.

Commissioner may accept valuation made by official of another state.

3. Minimum Valuation Standard:

(1) The minimum standard for the valuation of all such policies and contracts issued prior to the operative date of section .23.35 shall be as follows:

Minimum valuation standard.

Policies and contracts issued prior to operative date of § .23.35.

For policies issued prior to the operative date no standard of valuation for ordinary policies, whether on the net level premium, preliminary term, or select and ultimate reserve basis, shall be less than that determined upon such basis according

Ordinary policies.

American Experience Table of Mortality.

to the American Experience Table of Mortality with three and one-half per cent (3½%) interest; except, that when the preliminary term basis is used it shall not exceed one (1) year. The Commissioner may vary the standard of valuation in particular cases of invalid lives and other extra hazards, provided, that the interest rate used is not greater than three and one-half per cent (3½%).

Commissioner may vary standard.

Annuities.

The legal minimum standard for the valuation of annuities issued on or after January first, nineteen hundred and twelve and prior to the operative date of section .23.35, shall be "McClintock's Table of Mortality Among Annuitants," with interest at three and one-half per cent (3½%) per annum, but annuities deferred ten (10) or more years and written in connection with Life or Term insurance may be valued on the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per cent (3½%) per annum.

McClintock's Table of Mortality Among Annuitants.

Industrial policies.

The legal minimum standard for the valuation of industrial policies issued on or after the first day of January, nineteen hundred and twelve, and prior to the operative date of section .23.35, shall be the American Experience Table of Mortality with interest at three and one-half per cent (3½%) per annum; except, that any life insurer may voluntarily value such industrial policies according to the "Standard Industrial Mortality Table" or the "Sub-standard Industrial Mortality Table."

Standard and Sub-standard Industrial Mortality Tables.

Group life insurance policies.

The legal minimum standard for the valuation of group life insurance policies under which premium rates are not guaranteed for a period in excess of five (5) years shall be, at the option of the life insurer issuing such policies, either the American Men Ultimate Table of Mortality, the Commissioners 1941 Standard Ordinary Mortality Table, or any other

American Men Ultimate Table of Mortality. Commissioners 1941 Standard Ordinary Mortality Table.

table approved by the Commissioner, with interest at three and one-half per cent (3½%) per annum.

Other tables permitted if approved.

(2) The minimum standard for the valuation of all such policies and contracts issued on or after the operative date of section .23.35 shall be the Commissioners Reserve Valuation Method defined in paragraph four of this section, three and one-half per cent (3½%) interest, and the following tables:

Policies and contracts issued on or after operative date of § .23.35.

(a) For all Ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies,—the Commissioners 1941 Standard Ordinary Mortality Table.

Ordinary policies.

(b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies,—the 1941 Standard Industrial Mortality Table.

Industrial life policies.

(c) For Annuity and Pure Endowment contracts, excluding any disability and accidental death benefits in such policies,—the 1937 Standard Annuity Mortality Table.

Annuity and Pure Endowment contracts.

(d) For Total and Permanent Disability benefits in or supplementary to Ordinary policies or contracts,—Class (3) Disability Table (1926) which, for active lives, shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

Total and Permanent Disability under Ordinary policies.

(e) For Accidental Death benefits in or supplementary to policies—the Inter-Company Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life insurance policies.

Accidental Death supplementary to policies.

(f) For Group Life insurance, life insurance issued on the substandard basis and other special benefits,—such tables as may be approved by the Commissioner.

Group Life Insurance.

4. Commissioners Reserve Valuation Method: Reserves according to the Commissioners Reserve

Commissioners Reserve Valuation Method.

Life insurance and endowment benefits of policies providing for uniform insurance and requiring uniform premiums.

Valuation Method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits (excluding extra premiums on a substandard policy) that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (1) over (2) as follows:

(1) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the nineteen-year premium whole life plan for insurance of the same amount at an age one (1) year higher than the age at issue of such policy.

(2) A net one-year term premium for such benefits provided for in the first policy year.

Life insurance policies providing varying amounts of insurance and requiring payment of varying premiums.

Reserves according to the Commissioners Reserve Valuation Method for (1) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (2) annuity and pure endowment contracts, (3) disability and accidental death benefits in all policies and contracts, and (4) all other benefits, except life insurance and endowment benefits in life insurance

Annuity and pure endowment contracts. Disability and accidental death benefits. Other benefits.



policies, shall be calculated by a method consistent with the principles of this paragraph.

5. Minimum Aggregate Reserves: In no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of section .23.35, be less than the aggregate reserves calculated in accordance with the method set forth in paragraph four and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

Minimum  
aggregate  
reserves.

6. Optional Reserve Bases: Reserves for all policies and contracts issued prior to the operative date of section .23.35 may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date.

Optional  
reserve  
bases.  
For policies  
and contracts  
used prior  
to operative  
date of  
§ .23.35.

For any category of policies, contracts or benefits specified in paragraph three of this section, issued on or after the operative date of section .23.35, reserves may be calculated, at the option of the insurer, according to any standard or standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. *Provided, however,* That reserves for participating life insurance policies issued on or after the operative date of section .23.35 may, with the consent of the Commissioner, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the

For policies,  
contracts or  
benefits  
issued on or  
after operative  
date of  
§ .23.35.

Maximum  
interest rate.

Participating  
life insur-  
ance policies.

nonforfeiture benefits by more than one-half per cent ( $1/2\%$ ) the insurer issuing such policies shall file with the Commissioner a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the Commissioner shall approve.

Insurer may adopt lower standard of valuation with approval of Commissioner.

Any such insurer which at any time had adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the Commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided.

Deficiency reserve.

7. Deficiency Reserve: If the gross premium charged by any life insurer on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium-paying period.

Reserve credit for reinsurance.

SEC. .12.16 *Reserve Credit for Reinsurance:* An insurer may take credit for reserves on risks ceded to a reinsurer to the extent reinsured, except that:

Insurer may take credit for reserves: Exception. Reinsurance in alien reinsurer.

(1) No credit shall be taken on account of reinsurance in an alien reinsurer not qualified under section .05.30, and

Ceding insurer.

(2) no credit shall be allowed, as an asset or as a deduction from liability, to any ceding insurer for reinsurance unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the

ceding insurer nor unless under the contract of reinsurance the liability for such reinsurance is assumed by the assuming insurer or insurers as of the same effective date.

A reinsurance agreement may provide that the liquidator or receiver or statutory successor of an insolvent ceding insurer shall give written notice of the pendency of a claim against the insolvent ceding insurer on the policy or bond reinsured within a reasonable time after such claim is filed in the insolvency proceeding and that during the pendency of such claim any assuming insurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses which it may deem available to the ceding insurer or its liquidator or receiver or statutory successor.

Under reinsurance agreement successor to insolvent ceding insurer may interpose certain defenses.

The expense thus incurred by the assuming insurer shall be chargeable subject to court approval against the insolvent ceding insurer as a part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the ceding insurer solely as a result of the defense undertaken by the assuming insurer.

Expenses chargeable to ceding insurer.

Where two or more assuming insurers are involved in the same claim and a majority in interest elect to interpose to such claim, the expense shall be apportioned in accordance with the terms of the reinsurance agreement as though such expense had been incurred by the ceding insurer.

Expenses may be apportioned.

SEC. 12.17 *Valuation of Bonds:* 1. All bonds or other evidences of debt having a fixed term and rate held by any insurer may, if amply secured and not in default as to principal or interest, be valued as follows:

Valuation of bonds. Amply secured and not in default.

- (1) If purchased at par, at the par value.
- (2) If purchased above or below par, on the basis of the purchase price adjusted so as to bring

Par value. Adjusted par value or as approved by Commissioner.

the value to par at the earliest date callable at par or maturing at par and so as to yield in the meantime the effective rate of interest at which the purchase was made; or in lieu of such method, according to such accepted method of valuation as is approved by the Commissioner.

Market value at time of purchase.

(3) Purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase.

Call price of entire issue.

(4) Unless otherwise provided by a valuation established or approved by the National Association of Insurance Commissioners, no such security shall be carried at above call price for the entire issue during any period within which the security may be so called.

Market value for securities not amply secured.

2. Such securities not amply secured or in default as to principal or interest shall be carried at market value.

Full discretion in Commissioner.

3. The Commissioner shall have full discretion in determining the method of calculating values according to the rules set forth in this section, and not inconsistent with any such methods than currently formulated or approved by the National Association of Insurance Commissioners.

Valuation of stocks.

SEC. .12.18 *Valuation of Stocks:* 1. Securities, other than those referred to in section .12.17 held by an insurer shall be valued, in the discretion of the commissioner, at their market value, or at their appraised value, or at prices determined by him as representing their fair market value, all consistent with any current method for the valuation of any such security formulated or approved by the National Association of Insurance Commissioners.

Securities other than those mentioned in § .12.17.

Discretion of Commissioner.

Preferred or guaranteed stocks.

2. Preferred or guaranteed stocks or shares while paying full dividends may be carried at a fixed value in lieu of market value, at the discretion of the Commissioner and in accordance with such method of computation as he may approve.

3. The stock of a subsidiary of an insurer shall be valued on the basis of the value of only such of the assets of such subsidiary as would constitute lawful investments for the insurer if acquired or held directly by the insurer.

Stock of subsidiary of an insurer.

SEC. .12.19 *Valuation of Property*: 1. Real property acquired pursuant to a mortgage loan or a contract for a deed, in the absence of a recent appraisal deemed by the Commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan or contract at the date of such acquisition, together with any taxes and expenses paid or incurred in connection with such acquisition, and the cost of improvements thereafter made by the insurer and any amounts thereafter paid by the insurer on assessments levied for improvements in connection with the property.

Valuation of property.

Real property acquired through mortgage.

2. Other real property held by an insurer shall not be valued at any amount in excess of fair value.

Other real property.

3. Personal property acquired pursuant to chattel mortgages made under section .13.15 shall not be valued at an amount greater than the unpaid balance of principal on the defaulted loan at date of acquisition together with taxes and expenses incurred in connection with such acquisition, or the fair value of such property, whichever amount is the lesser.

Personal property acquired under chattel mortgages.

SEC. .12.20 *Valuation of Purchase Money Mortgages*: Purchase money mortgages shall be valued in an amount not exceeding the acquisition cost of the real property covered thereby or ninety per cent (90%) of the fair value of such real property, whichever is less.

Valuation of purchase money mortgages.

#### ARTICLE THIRTEEN INVESTMENTS

SEC. .13.01 *Eligible Investments—Scope*: 1. Domestic insurers shall invest in or loan their funds on the security of, and shall hold as assets, only eligible investments as prescribed in this article.

Eligible investments—scope.

Domestic insurers.

Investments held prior to effective date of this code.

2. Any particular investment of a domestic insurer held by it on the effective date of this code and which was a legal investment immediately prior thereto, shall be deemed a legal investment hereunder.

Eligibility determined as of date of investment.

3. The eligibility of an investment shall be determined as of the date of its making or acquisition.

Applicable only to domestic insurers.

4. Except as to section .13.36, this article applies only to domestic insurers.

General qualifications.

SEC. .13.02 *General Qualifications:* 1. No security or other investment shall be eligible for purchase or acquisition under this article unless it is interest bearing or interest accruing or dividend or income paying, is not then in default in any respect, and the insurer is entitled to receive for its exclusive account and benefit, the interest or income accruing thereon; except, that it may acquire real property for occupancy by the insurer for home and branch office purposes.

Investments limited to those not in default and those paying income to insurer.

Real property occupied by insurer excepted.

No security eligible if price above market value.

2. No security shall be eligible for purchase at a price above its market value.

Property may be otherwise received by insurer.

3. No provision of this article shall prohibit the acquisition by an insurer of other or additional securities or property if received as a dividend or as a lawful distribution of assets, or if acquired pursuant to a lawful and *bona fide* agreement of bulk reinsurance or consolidation. Any investments so acquired through bulk reinsurance or consolidation, which are not otherwise eligible under this article, shall be disposed of pursuant to section .13.29 if personal property or securities, or pursuant to section .13.17 if real property.

General limitation any one person.

SEC. .13.03 *General Limitation Any One Person:* An insurer shall not, except with the consent of the Commissioner, have at any time any combination of investments in or loans upon the security of the obligations, property, and securities of any one person, institution, or municipal corporation aggregat-

ing an amount exceeding four per cent (4%) of the insurer's assets. This section shall not apply to investments in, or loans upon the security of general obligations of the government of the United States or of any state of the United States, nor to investments in foreign securities pursuant to paragraph one of section .13.18, nor include policy loans made pursuant to section .13.19.

Insurer's investments in one person or institution not to exceed 4% of insurer's assets.

General obligation of states, United States, foreign securities and policy loans excepted.

SEC. .13.04 *Public Obligations:* An insurer may invest any of its funds in bonds or other evidences of debt, not in default as to principal or interest, which are valid and legally authorized obligations issued, assumed or guaranteed by the United States or by any state thereof or by any territory or possession of the United States or by the District of Columbia or by any county, city, town, village, municipality or district therein or by any political subdivision thereof or by any civil division or public instrumentality of one or more of the foregoing, if, by statutory or other legal requirements applicable thereto, such obligations are payable, as to both principal and interest, (1) from taxes levied or required to be levied upon all taxable property or all taxable income within the jurisdiction of such governmental unit or, (2) from adequate special revenues pledged or otherwise appropriated or by law required to be provided for the purpose of such payment, but not including any obligation payable solely out of special assessments on properties benefited by local improvements unless adequate security is evidenced by the ratio of assessment to the value of the property or the obligation is additionally secured by an adequate guaranty fund required by law.

Public obligations.

United States.

Municipal subdivisions.

General obligations.

Obligations payable from revenues.

Special assessments excluded unless secured.

SEC. .13.05 *Corporate Obligations:* An insurer may invest any of its funds in obligations other than those eligible for investment under section .13.11 if they are issued, assumed, or guaranteed by any solvent institution created or existing under the laws

Corporate obligations.

Institutions created by the United States or any state, district or territory thereof.

of the United States or of any state, district or territory thereof, and are qualified under any of the following:

Obligations collaterally secured and bearing interest.

(1) Obligations which are secured by adequate collateral security and bear fixed interest if during each of any three (3), including the last two (2), of the five (5) fiscal years next preceding the date of acquisition by the insurer, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges, as defined in section .13.06, have been not less than one and one-fourth ( $1\frac{1}{4}$ ) times the total of its fixed charges for such year. In determining the adequacy of collateral security, not more than one-third ( $\frac{1}{3}$ ) of the total value of such required collateral shall consist of stock other than stock meeting the requirements of section .13.08.

Fixed interest bearing obligations.

(2) Fixed interest-bearing obligations, other than those described in item (1) of this section, if the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges for a period of five (5) fiscal years next preceding the date of acquisition by the insurer have averaged per year not less than one and one-half ( $1\frac{1}{2}$ ) times its average annual fixed charges applicable to such period and if during the last year of such period such net earnings have been not less than one and one-half ( $1\frac{1}{2}$ ) times its fixed charges for such year.

Adjustment, income, or other contingent obligations.

(3) Adjustment, income or other contingent interest obligations if the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges for a period of five (5) fiscal years next preceding the date of acquisition by the insurer have averaged per year not less than one and one-half ( $1\frac{1}{2}$ ) times the sum of its average annual fixed charges and its average annual maximum contingent interest applicable to such period and if during each of the last two (2) years of such period such net earnings have been not less than one and one-



half (1½) times the sum of its fixed charges and maximum contingent interest for such year.

**SEC. .13.06 *Definitions Pertaining to Investments:***

Definitions  
pertaining to  
investments.

1. Certain terms used are defined for the purposes of this article as follows:

(1) "Obligation" includes bonds, debentures, notes or other evidences of indebtedness. "Obligation."

(2) "Institution" includes corporations, joint-stock associations, and business trusts. "Institution."

(3) "Net earnings available for fixed charges" means net income after deducting operating and maintenance expenses, taxes other than federal and state income taxes, depreciation and depletion, but excluding extraordinary nonrecurring items of income or expense appearing in the regular financial statements of such institution. "Net earnings available for fixed charges."

(4) "Fixed charges" includes interest on funded and unfunded debt, amortization of debt discount, and rentals for leased properties. "Fixed charges."

2. If net earnings are determined in reliance upon consolidated earnings statements of parent and subsidiary institutions, such net earnings shall be determined after provision for income taxes of subsidiaries and after proper allowance for minority stock interest, if any; and the required coverage of fixed charges shall be computed on a basis including fixed charges and preferred dividends of subsidiaries other than those payable by such subsidiaries to the parent corporation or to any other of such subsidiaries, except that if the minority common stock interest in the subsidiary corporation is substantial, the fixed charges and preferred dividends may be apportioned in accordance with regulations prescribed by the Commissioner.

Determina-  
tion of net  
earnings and  
fixed charges.

**SEC. .13.07 *Merged, Reorganized Institutions:*** In applying the earnings test set forth in section .13.06 to any such institution, whether or not in legal existence during the whole of such five (5) years next

Merged,  
reorganized  
institutions.

Earnings of predecessor or re-organized institution may be included.

preceding the date of investment by the insurer, which has at any time during the five-year period acquired substantially all of the assets of any other institution or institutions by purchase, merger, consolidation or otherwise, or has been reorganized pursuant to the bankruptcy law, the earnings of the predecessor or constituent institutions, or of the institution so reorganized, available for interest and dividends for such portion of the five-year period as may have preceded such acquisition, or such reorganization, may be included in the earnings of such issuing, assuming or guaranteeing institution for such portion of such period as may be determined in accordance with adjusted or *pro forma* consolidated earnings statements covering such portion of such period and giving effect to all stock or shares outstanding, and all fixed charges existing, immediately after such acquisition, or such reorganization.

Preferred or guaranteed stocks or shares.

Limitations.

SEC. .13.08 *Preferred or Guaranteed Stocks or Shares:* 1. An insurer may invest any of its funds, in an aggregate amount not exceeding ten per cent (10%) of its assets, if a life insurer, or not exceeding fifteen per cent (15%) of such assets if other than a life insurer, in preferred or guaranteed stocks or shares, other than common stocks, of solvent institutions existing under the laws of the United States or of any state, district or territory thereof, if all of the prior obligations and prior preferred stocks, if any, of such institution at the date of acquisition by the insurer are eligible as investments under this article; and if qualified under either of the following:

Preferred stocks or shares.

(1) Preferred stocks or shares shall be deemed qualified if both these requirements are met:

Qualifications.

(a) The net earnings of the institution available for its fixed charges for a period of five (5) fiscal years next preceding the date of acquisition by the insurer must have averaged per year not less than one and one-half (1½) times the sum of its average

annual fixed charges, if any, its average annual maximum contingent interest, if any, and its average annual preferred dividend requirements applicable to such period; and

Net earnings.

(b) during each of the last two (2) years of such period such net earnings must have been not less than one and one-half ( $1\frac{1}{2}$ ) times the sum of its fixed charges, contingent interest and preferred dividend requirements for such year. The term "preferred dividend requirements" shall be deemed to mean cumulative or noncumulative dividends whether paid or not.

"Preferred dividend requirements."

(2) Guaranteed stocks or shares shall be deemed qualified if the assuming or guaranteeing institution meets the requirements of item (1) of section .13.05, construed so as to include as a fixed charge the amount of guaranteed dividends of such issue or the rental covering the guarantee of such dividends.

Guaranteed stocks or shares.

2. An insurer shall not invest in or loan upon any preferred stock having voting rights, of any one institution, in excess of such proportion of the total issued and outstanding preferred stock of such institution having voting rights, as would, when added to any common shares of such institution, directly or indirectly held by it, exceed fifteen per cent (15%) of all outstanding shares of such institution having voting rights, nor an amount in excess of the limit provided by section .13.03. This limitation shall not apply to such shares of a corporation which is the subsidiary of an insurer, and which corporation is engaged exclusively in a kind of business properly incidental to the insurance business of the insurer.

Preferred stocks having voting rights.

SEC. .13.09 *Trustees' or Receivers' Obligations:* An insurer may invest any of its funds, in an aggregate amount not exceeding two per cent (2%) of its assets, in certificates, notes, or other obligations issued by trustees or receivers of institutions existing under the laws of the United States or of any state,

Trustees' or receivers' obligations.

district or territory thereof, which, or the assets of which, are being administered under the direction of any court having jurisdiction, if such obligation is adequately secured as to principal and interest.

Equipment  
trust obligations.

SEC. 13.10 *Equipment Trust Obligations*: An insurer may invest any of its funds, in an aggregate amount not exceeding ten per cent (10%) of its assets, in equipment trust obligations or certificates which are adequately secured, or in other adequately secured instruments evidencing an interest in transportation equipment wholly or in part within the United States and the right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such transportation equipment.

Mortgage  
loans and  
contracts.

SEC. .13.11 *Mortgage Loans and Contracts*: An insurer may invest any of its funds in:

Bonds or  
debts  
secured.

(1) (a) Bonds or evidences of debt which are secured by first mortgages or deeds of trust on improved unencumbered real property located in the United States;

Chattel  
mortgages.

(b) chattel mortgages in connection therewith pursuant to section .13.15;

Sellers'  
equity.

(c) the equity of the seller of any such property in the contract for a deed, covering the entire balance due on a bona fide sale of such property, in amount not to exceed ten thousand dollars (\$10,000) or the amount permissible under section .13.03, whichever is greater, in any one such contract for deed, nor in any amount in excess of the following percentages of the actual sale price or fair value of the property, whichever is the smaller.

Dwelling.

(i) If a dwelling primarily designed for single family occupancy and occupied by the purchaser under such contract,—seventy-five per cent (75%).

Other cases.

(ii) In all other cases,—sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ).

(2) Purchase money mortgages or like securities received by it upon the sale or exchange of real property acquired pursuant to section .13.16.

Purchase money mortgages.

(3) Bonds or notes secured by mortgage or trust deed guaranteed or insured by the Federal Housing Administration under the terms of an Act of Congress of the United States for June twenty-seventh, nineteen hundred thirty-four, entitled the "National Housing Act," as amended.

Bonds or notes secured, and guaranteed by Federal Housing Administration.

(4) Bonds or notes secured by mortgage or trust deed guaranteed or insured as to principal in whole or in part by the Administrator of Veterans' Affairs pursuant to the provisions of Title III of an Act of Congress of the United States of June twenty-second, nineteen hundred forty-four, entitled the "Service-men's Readjustment Act of 1944," as amended.

Bonds or notes secured, and guaranteed by Veterans' Administration.

(5) Evidences of debt secured by first mortgages or deeds of trust upon leasehold estates, running for a term of not less than fifteen (15) years beyond the maturity of the loan as made or as extended, in improved real property, otherwise unencumbered, and if the mortgagee is entitled to be subrogated to all the rights under the leasehold.

Debts secured on leasehold estates.

SEC. 13.12 *Mortgage Loan Limited by Property Value:* 1. No mortgage loan or investment therein upon any one parcel of real property shall exceed in amount at the time of acquisition:

Mortgage loan limited by property value.

(1) Seventy-five per cent (75%) of the fair value of the property if the property is a dwelling house primarily intended for occupancy by one family and the loan is required to be amortized within not more than twenty (20) years by payment of installments thereon at regular intervals not less frequent than every three (3) months; or

Dwellings.

(2) sixty-six and two-thirds per cent (66 $\frac{2}{3}$ %) of the fair value of the property in all other cases.

Other cases.

2. The extent to which a mortgage loan made under item (4) of section .13.11 is guaranteed by the Administrator of Veterans' Affairs may be de-

Extent of Veterans' Administration guarantee may be deducted.

ducted before application of the limitations contained in paragraph one of this section.

"Encumbrance" defined.

SEC. .13.13 *"Encumbrance" Defined:* 1. Real property shall not be deemed to be encumbered within the meaning of section .13.11 by reason of the existence of instruments reserving mineral, oil, timber or similar rights, rights of way, sewer rights, rights in walls, nor by reason of any liens for taxes or assessments not yet due, or on account of liens not delinquent for community recreational facilities, or for the maintenance of community facilities, nor by reason of building restrictions or other restrictive covenants common to the community in which the property is located, nor by liens for service and maintenance of water rights where not delinquent, nor when such real property is subject to lease under which rents or profits are reserved to the owner if in any event the security for the loan or investment is a first lien upon the real property.

Exceptions.

Deduction from fair value for loan purposes.

2. If under any of the exceptions set forth in paragraph one of this section there is any sum owing but not due or delinquent, the total amount of such sum shall be deducted from the amount which otherwise might be loaned on the property. The value of any mineral, oil, timber or similar right reserved shall not be included in the fair value of the property.

Appraisal at time of investment.

SEC. .13.14 *Appraisal—Insurance—Limit:* 1. The fair value of property shall be determined by appraisal by a competent appraiser at the time of the making or acquiring of a mortgage loan or investing in a contract for the deed thereon.

Improvements to be kept insured.

2. Buildings and other improvements located on the mortgaged premises shall be kept insured for the benefit of the mortgagee against loss or damage from fire in an amount not less than the unpaid

balance of the obligation, or the insurable value of the property, whichever is the lesser.

3. An insurer shall not make or acquire a loan or loans upon the security of any one parcel of real property in aggregate amount in excess of twenty-five thousand dollars (\$25,000) or more than the amount permissible under section .13.03, whichever is the greater.

Maximum  
loan on  
one parcel.

SEC. .13.15 *Chattel Mortgages*: 1. In connection with a mortgage loan on the security of real property designed and used primarily for residential purposes only, acquired pursuant to section .13.11, an insurer may loan or invest an amount not exceeding twenty per cent (20%) of the amount loaned on or invested in such real property mortgage, on the security of a chattel mortgage for a term of not more than five (5) years representing a first and prior lien, except for taxes not then delinquent, on personal property constituting durable equipment owned by the mortgagor and kept and used in the mortgaged premises.

Chattel  
mortgages.

Maximum  
loan on  
chattels.

2. The term "durable equipment" shall include only mechanical refrigerators, mechanical laundering machines, heating and cooking stoves and ranges, mechanical kitchen aids, vacuum cleaners, and fire extinguishing devices; and in addition in the case of apartment houses and hotels, room furniture and furnishings.

Durable  
equipment.

3. Prior to acquisition of a chattel mortgage, items of property to be included shall be separately appraised by a competent appraiser and the fair market value thereof determined. No such chattel mortgage loan shall exceed in amount the same ratio of loan to the value of the property as is applicable to the companion loan on the real property.

Prior  
appraisal.

SEC. .13.16 *Real Property Owned*: 1. An insurer may own and invest or have invested in its home office building any of its funds in aggregate amount

Real prop-  
erty owned.

Home office  
building.

not to exceed five per cent (5%) of its assets unless approved by the Commissioner, or if a mutual or reciprocal insurer not to exceed such amount as would reduce its surplus, exclusive of such investment, below fifty thousand dollars (\$50,000) unless approved by the Commissioner.

Property acquired in satisfaction of obligations.

2. An insurer may own real property acquired in satisfaction or on account of loans, mortgages, liens, judgments, or other debts previously owing to the insurer in the course of its business, and may invest or have invested in aggregate amount not exceeding three per cent (3%) of its assets in other real property, and in the repair, alteration, furnishing, or improvement thereof, as follows only:

Property necessary for transaction of business. Gifts and devises.

(1) Other real property requisite for its accommodation in the convenient transaction of its business if approved by the Commissioner.

(2) Real property acquired by gift or devise.

Exchanges.

(3) Real property acquired in exchange for real property owned by it. If necessary in order to consummate such an exchange, the insurer may put up cash in amount not to exceed twenty per cent (20%) of the fair value of its real property to be so exchanged, in addition to such property.

Property acquired by merger.

(4) Real property acquired through a lawful merger or consolidation with it of another insurer and not required for the purposes specified in paragraph one and in item (1) of paragraph two of this section.

Property and equipment held for protection or incidental purposes.

(5) Upon approval of the Commissioner, in real property and equipment incident to real property, requisite or desirable for the protection or enhancement of the value of other real property owned by the insurer.

Time limit for disposal.

SEC. .13.17 *Time Limit for Disposal:* 1. Real property acquired by an insurer pursuant to item (1) of paragraph two of section .13.16 shall be disposed of within five (5) years after it has ceased



being necessary for the use of the insurer in the transaction of its business. Real property acquired by an insurer pursuant to such loans, mortgages, liens, judgments, or other debts, or pursuant to items (2), (3), (4), and (5) of paragraph two of section .13.16 shall be disposed of within five (5) years after date of acquisition. The time for any such disposal may be extended by the Commissioner for a definite additional period or periods upon application and proof that forced sale of the property, otherwise necessary, would be against the best interests of the insurer.

Commissioner may extend time.

2. Any such real property held by the insurer without the Commissioner's consent beyond the time permitted for its disposal shall not be carried or allowed as an asset.

Property held over time limitation not to be carried as an asset.

SEC. .13.18 *Foreign Securities*: 1. An insurer authorized to transact insurance in a foreign country may invest any of its funds, in aggregate amount not exceeding its deposit and reserve obligations incurred in such country, in securities of or in such country possessing characteristics and of a quality similar to those required pursuant to this article for investments in the United States.

Foreign securities.

Securities similar to those permitted for investment in the United States.

2. An insurer may invest any of its funds, in an aggregate amount not exceeding five per cent (5%) of its assets, in addition to any amount permitted pursuant to paragraph one of this section, in obligations of the governments of the Dominion of Canada or of Canadian provinces or municipalities, and in obligations of Canadian corporations, which have not been in default during the five (5) years next preceding date of acquisition, and which are otherwise of equal quality to like United States public or corporate securities as prescribed in this article.

Canadian obligations.

SEC. .13.19 *Policy Loans*: A life insurer may loan to its policyholder upon the pledge of the policy

Policy loans not to exceed legal reserve.

as collateral security, any sum not exceeding the legal reserve maintained on the policy.

Savings and share accounts limited to extent insured by federal agencies.

SEC. .13.20 *Savings and Share Accounts*: An insurer may invest or deposit any of its funds in share or savings accounts of savings and loan associations, or in savings accounts of banks, and in any one such institution only to the extent that such an account is insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation.

Insurance stocks. Insurer other than life insurer.

SEC. .13.21 *Insurance Stocks*: 1. An insurer other than a life insurer may invest a portion of its surplus funds in an aggregate amount not exceeding fifty per cent (50%) of its surplus over its capital stock and other liabilities, or thirty-five per cent (35%) of its capital funds, whichever is greater, in the stocks of other insurers organized and existing under the laws of states of the United States. Indirect or proportionate interests in insurance stocks held by an insurer through any intermediate subsidiary or subsidiaries shall be included in applying the limitations provided in paragraphs one, two, and three of this section.

Life insurer.

2. A life insurer may invest in such insurance stocks in an aggregate amount not exceeding the smaller of the following amounts: Five per cent (5%) of its assets; or twenty-five per cent (25%) of its surplus over its capital stock and other liabilities, or of surplus over its required minimum surplus if a mutual life insurer.

Maximum voting stock which may be held.

3. An insurer shall not purchase or hold as an investment more than five per cent (5%) of the voting stock of any one other insurer, and subject further to the investment limits of section .13.03. This limitation shall not apply if such other insurer is the subsidiary of, and substantially all its shares having voting powers are owned by, an insurer other than a life insurer.

4. No such insurance stock shall be eligible as an investment unless it meets the qualifications for stocks of other corporations as set forth in section .13.22.

Qualifications for stocks eligible.

5. The limitations on investment in insurance stocks set forth in this article shall not apply to stocks acquired under a plan for merger of the insurers which has been approved by the Commissioner or to shares received as stock dividends upon shares already owned.

Stock acquired through merger or dividends excepted.

SEC. .13.22 *Common Stocks*: 1. An insurer may invest funds in an aggregate amount not in excess of fifty [fifty] per cent (50%) of its surplus if a stock insurer, or in an aggregate amount not in excess of fifty per cent (50%) of its surplus over its minimum required surplus if a mutual or reciprocal insurer, in common shares of stock in solvent United States corporations that qualify as a sound investment.

Common stocks.

United States corporations.

2. The insurer shall not invest in or loan upon the security of more than ten per cent (10%) of the outstanding common shares of any one such corporation, subject further to amount invested as limited by section .13.03. This limitation shall not apply to investment in the securities of any subsidiary corporation of the insurer which is engaged exclusively in a kind of business properly incidental to the insurance business of the insurer.

Maximum investment in one corporation.

Subsidiaries excepted.

SEC. .13.23 *Collateral Loans*: An insurer may loan its funds upon the pledge of securities or evidences of debt eligible for investment under this article. As at date made, no such loan shall exceed in amount ninety per cent (90%) of the market value of such collateral pledged, except that loans upon pledges of United States government bonds may be equal to the market value of the bonds pledged. The amount so loaned shall be included in the maximum percentage of funds permitted to

Collateral loans.

Pledges.

United States bonds.

be invested in the kinds of securities or evidences of debt pledged or permitted by section .13.03.

Miscellaneous investments.

Maximums for aggregate.

SEC. .13.24 *Miscellaneous Investments*: 1. An insurer may loan or invest its funds in an aggregate amount not exceeding the lesser of the following sums: Five per cent (5%) of its assets, or fifty per cent (50%) of its surplus over its capital and other liabilities, or if a mutual or reciprocal insurer fifty per cent (50%) of its surplus over minimum required surplus, in kinds of loans or investments not otherwise specifically made eligible for investment and not specifically prohibited or made ineligible by this or other provisions of this code.

Loans prohibited.

2. No such loan or investment shall be represented by

- (1) any item described in section .12.02; or
- (2) any loan or investment of a kind specifically made eligible under any other provision of this code; or
- (3) any loan, investment, or asset theretofore acquired or held by the insurer under any other category of loans or investments.

Maximum for any one loan.

3. No one such investment or loan shall exceed the amount specified in paragraph one of this section or one per cent (1%) of the insurer's assets, whichever is the lesser.

Record to be kept.

4. The insurer shall keep a separate record of all investments acquired under this section.

Special consent investments.

SEC. .13.25 *Special Consent Investments*: Upon advance approval of the Commissioner and in compliance with section .13.02, an insurer may make any investment or kind of investment or exchange of assets otherwise prohibited or not eligible under any other section of this article. The Commissioner's order of approval if granted shall specify whether the investment or any part thereof may be credited to required minimum capital or surplus investments, or to investment of reserves.

Commissioner's approval.

Commissioner to direct where credited.

**SEC. .13.26 Required Investments for Capital and Reserves:** 1. An insurer shall invest and keep invested its funds aggregating in amount, if a stock insurer, not less than one hundred per cent (100%) of its minimum required capital, or if a mutual or reciprocal insurer, not less than one hundred per cent (100%) of its required minimum surplus, in cash or investments eligible in accordance with section .13.04 (public obligations), and in mortgage loans on real property located within this state, pursuant to section .13.11.

Required investments for capital and reserves.

Capital or surplus.

2. In addition to the investments required by paragraph one of this section, an insurer shall invest and keep invested its funds aggregating not less than one hundred per cent (100%) of its reserves required by this code in cash or premiums in course of collection or in investments eligible in accordance with the following sections: .13.04, .13.05, .13.08, .13.09, .13.10, .13.11, .13.15, .13.16, .13.18, .13.19, .13.20, .13.23, .13.25.

Reserves.

3. This section shall not apply to title insurers nor to mutual insurers on the assessment premium plan.

Title and mutual insurers on assessment plan excepted.

**SEC. .13.27 Prohibited Investments:** In addition to investments excluded under other provisions of this code, an insurer shall not, except with the Commissioner's approval in advance, invest in or loan its funds upon the security of, or hold:

Prohibited investments without approval by Commissioner.

(1) Issued shares of its own capital stock, except for the purpose of mutualization in accordance with section .08.08.

Insurer's capital stock.

(2) Securities issued by any corporation, except as specifically authorized by this article directly or by exception, if a majority of the outstanding stock of such corporation, or a majority of its stock having voting powers, is or will be after such acquisition, directly or indirectly owned by the insurer, or by any combination of the insurer and the insurer's

Securities representing majority of voting stock.

directors, officers, parent corporation, and subsidiaries.

Securities representing majority of voting stock and held by officers of insurer.

(3) Securities issued by any corporation if a majority of its stock having voting power is owned directly or indirectly by or for the benefit of any one or more of the insurer's officers and directors.

Investments ineligible under sec. 13.03.

(4) Any investment or loan ineligible under the provisions of section 13.03.

Insolvent corporations.

(5) Securities issued by any insolvent corporation.

Investments found designed to evade this code.

(6) Any investment or security which is found by the Commissioner to be designed to evade any prohibition of this code.

Securities underwriting, agreements to withhold or repurchase.

SEC. 13.28 *Securities Underwriting, Agreements to Withhold or to Repurchase:* No insurer shall

Prohibitions.

(1) participate in the underwriting of the marketing of securities in advance of their issuance or enter into any transaction for such underwriting for the account of such insurer jointly with any other person; or

(2) enter into any agreement to withhold from sale any of its property, or to repurchase any property sold by it.

Disposal of ineligible property and securities. Time limitation for disposal for property lawfully acquired.

SEC. 13.29 *Disposal of Ineligible Property and Securities:* 1. Any personal property or securities lawfully acquired by an insurer, which it could not otherwise have invested in or loaned its funds upon at the time of such acquisition, shall be disposed of by the insurer within one (1) year from date of acquisition, unless within such period the security has attained to the standard for eligibility. The Commissioner, upon application and proof that forced sale of any such property or security would be against the best interests of the insurer, may extend the disposal period for an additional reasonable time.

Commissioner may extend.

2. While any such property or security remains so ineligible it shall not be allowed as an asset of the insurer.

Not to be allowed as an asset.

3. Any ineligible property or security unlawfully acquired by an insurer shall be disposed of forthwith, and for failure so to do within thirty (30) days after order of the Commissioner requiring such disposal, the Commissioner may revoke or suspend the insurer's certificate of authority.

Property unlawfully acquired.

4. For the purposes of paragraph three of this section, an investment otherwise eligible shall not be deemed ineligible for the reason that it is in excess of the amount permitted under this article to be invested in the category of investments to which it belongs; and any such excess investment shall be disposed of within the time prescribed in paragraph one of this section.

Investments in excess of amount permitted.

SEC. .1334 *Authorization of Investments:* No investment, loan, sale or exchange thereof shall, except as to the policy loans of a life insurer, be made by any domestic insurer unless authorized or approved by its board of directors or by a committee thereof charged by the board of directors or the by-laws with the duty of making such investment, loan, sale or exchange. The minutes of any such committee shall be recorded and reports thereof shall be submitted to the board of directors for approval or disapproval.

Authorization of investments by board of directors or committee authorized by insurer.

Minutes to be kept.

SEC. .1335 *Record of Investments:* 1. As to each investment or loan of the funds of a domestic insurer a written authorization thereof in permanent form shall be made, signed by the officer or chairman of such committee authorizing the investment or loan.

Record of investments to be made in permanent form.

2. As to each such investment or loan the insurer's records shall contain:

Contents of records.

(1) In the case of loans: The name of the borrower; the location and legal description of the

Loans.

property; a physical description, and the appraised value of the security; the amount of the loan, rate of interest and terms of repayment.

Securities.

(2) In the case of securities: The name of the obligor; a description of the security and the record of earnings; the amount invested, the rate of interest or dividend, the maturity and yield based upon the purchase price.

Real estate.

(3) In the case of real estate: The location and legal description of the property; a physical description and the appraised value; the purchase price and terms.

All investments.

(4) In the case of all investments:

Expenses and commissions.

(a) The amount of expenses and commissions if any incurred on account of any investment or loan and by whom and to whom payable if not covered by contracts with mortgage loan representatives or correspondents which are part of the insurer's records.

Officials directly or indirectly interested.

(b) The name of any officer or director of the insurer having any direct, indirect, or contingent interest in the securities or loan representing the investment, or in the assets of the person in whose behalf the investment or loan is made, and the nature of such interest.

Investments of foreign, alien insurers.

SEC. .13.36 *Investments of Foreign, Alien Insurers:* The investments of a foreign or alien insurer shall be as permitted by the laws of its domicile but shall be of a quality substantially as high as those required under this article for similar funds of like domestic insurers.

Requirement.

ARTICLE FOURTEEN

FEEs AND TAXES

Fees for filing and licenses.

SEC. .14.01 *Fees for Filing and Licenses:* 1. The Commissioner shall collect in advance the following fees and licenses:

- (1) For filing charter documents:
  - (a) Original charter documents, by-laws or rec-



- ord of organization of insurers, or certified copies thereof, required to be filed..... \$25.00
- (b) Amended charter documents, or certified copy thereof ..... \$10.00
- (c) No additional charge or fee shall be required for filing any of such documents in the office of the Secretary of State.
- (2) Certificate of authority:
  - (a) Issuance ..... \$10.00
  - (b) Renewal ..... \$10.00
- (3) Annual statement of insurer, filing:..... \$20.00
- (4) Organization or financing of domestic insurers and affiliated corporations:
  - (a) Application for solicitation permit, filing..... \$15.00
  - (b) Issuance of solicitation permit..... \$10.00
- (5) Agent's licenses:
  - (a) Agent's license for life, or disability insurance, only, or both for same insurer, each year..... \$2.00
  - (b) Agent's license for other kind or kinds of insurance, three-year period..... \$10.00
  - Filing appointment of each such agent..... \$5.00
- (c) Limited license as travel insurance agent, each year ..... \$1.00
- (d) Temporary license as agent..... \$2.00
- (6) Broker's licenses:
  - (a) Resident or non-resident broker, each year.... \$100.00
  - (b) Surplus line broker, twelve-month period.... \$100.00
  - (c) Temporary license as broker..... \$25.00
- (7) Solicitor's license, each year..... \$2.00
- (8) Adjuster's licenses:
  - (a) Independent adjuster, each year..... \$10.00
  - (b) Public adjuster, each year..... \$10.00
- (9) Resident general agent's license, each year... \$5.00
- (10) Examination for license, each examination.... \$2.00
- (11) Miscellaneous services:
  - (a) Filing other documents, each..... \$1.00
  - (b) Commissioner's certificate under seal..... \$1.00
  - (c) Copy of documents filed in the Commissioner's office, per folio..... \$0.20

2. All fees and licenses so collected shall be remitted by the Commissioner to the State Treasurer not later than the first business day following, and shall be placed to the credit of the General Fund.

Licenses and fees transmitted to State Treasurer.

SEC. .14.02 *Taxation:* 1. Subject to other provisions of this article, each authorized insurer except title insurers shall on or before the first day of March of each year pay to the State Treasurer through the

Taxation.

When taxes payable.

Commissioner's office a tax on premiums. Except as provided in paragraph two of this section, such tax shall be in the amount of two per cent (2%) of all premiums, excluding amounts returned to or the amount of reductions in premiums allowed to holders of industrial life policies for payment of premiums directly to an office of the insurer, collected or received by the insurer during the preceding calendar year in the case of foreign and alien insurers, and in the amount of one per cent (1%) of all such premiums in the case of domestic insurers, for direct insurances, other than ocean marine and foreign trade insurances, after deducting premiums paid to policyholders as returned premiums, upon risks or property resident, situated, or to be performed in this state. For the purposes of this section the consideration received by an insurer for the granting of an annuity is deemed to be a premium.

Foreign and alien insurers.

Domestic insurers.

Where premium is the same regardless of term of policy.

2. In the case of insurers which require the payment by their policyholders at the inception of their policies of the entire premium thereon in the form of premiums or premium deposits which are the same in amount, based on the character of the risks, regardless of the length of term for which such policies are written, such tax shall be in the amount of two per cent (2%) of the gross amount of such premiums and premium deposits upon policies on risks resident, located, or to be performed in this state, in force as of the thirty-first day of December next preceding, less the unused or unabsorbed portion of such premiums and premium deposits computed at the average rate thereof actually paid or credited to policyholders or applied in part payment of any renewal premiums or premium deposits on one (1)-year policies expiring during such year.

3. Each authorized insurer shall with respect to all ocean marine and foreign trade insurance contracts written within this state during the preceding

calendar year, on or before the first day of March of each year pay to the State Treasurer through the Commissioner's office a tax of three-quarters of one per cent ( $\frac{3}{4}$  of 1%) on its gross underwriting profit. Such gross underwriting profit shall be ascertained by deducting from the net premiums (i. e. gross premiums less all return premiums and premiums for reinsurance) on such ocean marine and foreign trade insurance contracts the net losses paid (i. e. gross losses paid less salvage and recoveries on reinsurance ceded) during such calendar year under such contracts. In the case of insurers issuing participating contracts, such gross underwriting profit shall not include, for computation of the tax prescribed by this paragraph, the amounts refunded, or paid as participation dividends, by such insurers to the holders of such contracts.

Ocean marine and foreign trade insurance contracts.

4. The state does hereby preempt the field of imposing excise or privilege taxes upon insurers, other than title insurers, and no county, city, town or other municipal subdivision shall have the right to impose any such taxes upon such insurers.

State preempts taxation of insurers.

5. If an authorized insurer collects or receives any such premiums on account of policies in force in this state which were originally issued by another insurer and which other insurer is not authorized to transact insurance in this state on its own account, such collecting insurer shall be liable for and shall pay the tax on such premiums.

Collecting insurer liable.

6. This section shall be effective as to and shall govern the payment of all taxes falling due after the effective date of this code.

Effective date.

SEC. .14.03 *Tax Statement*: The insurer shall file with the Commissioner as part of its annual statement a statement of premiums so collected or received according to such form as shall be prescribed and furnished by the Commissioner. In every such statement the reporting of premiums for tax pur-

Tax statement.

poses shall be on a written basis or on a paid-for basis consistent with the basis required by the annual statement.

Retaliatory provision.

SEC. .14.04 *Retaliatory Provision*: 1. If pursuant to the laws of any other state or country, any taxes, fines, penalties, licenses, fees, deposits, or other obligations or prohibitions, in the aggregate, or additional to or at a net rate in excess of any such taxes, fines, penalties, licenses, fees, deposits or other obligations or prohibitions imposed by the laws of this state upon like foreign or alien insurers and their agents and solicitors, are imposed on insurers of this state and their agents doing business in such other state or country, a like rate, obligation or prohibition may be imposed by the Commissioner upon all insurers of such other state or country and their agents doing business in this state, so long as such laws remain in force or are so applied.

Waiver by commissioner.

2. The Commissioner may waive the requirement of paragraph one of this section to the extent that it affects the amount to be charged by him for licenses of agents or solicitors of all like insurers of any state.

Domicile of alien insurer.

3. For the purposes of this section an alien insurer, may be deemed to be domiciled in the state wherein it has established its principal office or agency in the United States. If no such office or agency has been established, the domicile of the alien insurer shall be deemed to be the country under the laws of which it is formed.

"Ocean marine and foreign trade insurances" defined.

SEC. .14.05 "*Ocean Marine and Foreign Trade Insurances*" *Defined*: For the purposes of this code other than as to article nineteen "ocean marine and foreign trade insurances" shall include only:

Vessels.

(1) Insurances upon vessels, crafts, hulls and of interests therein or with relation thereto;

Other marine risks.

(2) Insurance of marine builders' risks, marine war risks, and contracts of marine protection and indemnity insurance;

(3) insurance of freights and disbursements pertaining to a subject of insurance coming within this definition; Freights.

(4) insurance of personal property and interests therein, in course of exportation from or importation into any country, or in course of transportation coastwise, including transportation by land, water or air from point of origin to final destination, in respect to, appertaining to, or in connection with, any and all risks or perils of navigation, transit or transportation, and while being prepared for and while awaiting shipment, and during any delays, storage, transshipment or reshipment incident thereto. Personal property in transportation.

SEC. .14.06 *Failure to Pay Tax*: 1. Any insurer failing to file its tax statement and to pay the specified tax on premiums for more than thirty (30) days after date due shall be liable to a penalty of twenty-five dollars (\$25) for each additional day of delinquency. In such event the tax may be collected by distraint, and the penalty recovered by any action instituted by the Commissioner in any court of competent jurisdiction. The amount of any such penalty collected shall be paid to the State Treasurer and credited to the General Fund. Failure to pay tax.

2. At his discretion the Commissioner may revoke the certificate of authority of any such delinquent insurer, such certificate of authority not to be reissued until all taxes and penalties incurred by the insurer have been fully paid and the insurer has otherwise qualified for the certificate of authority. Penalty.

SEC. .14.07 *Refunds*: In event any person has paid to the Commissioner any tax, license fee or other charge in error or in excess of that which he is lawfully obligated to pay, the Commissioner shall upon written request made to him within six (6) years of the date of such payment, make a refund thereof either by crediting the amount toward payment of charges due or to become due from such person, or Revocation of certificate of authority.

by making a cash refund. To facilitate such cash refunds the Commissioner may establish a revolving fund out of funds appropriated by the legislature for his use.

ARTICLE FIFTEEN  
UNAUTHORIZED INSURERS

No sollicitation by unauthorized insurer.

SEC. .15.02 *No Solicitation by Unauthorized Insurer*: 1. An insurer not thereunto authorized by the Commissioner shall not solicit insurance business in this state, nor transact insurance business in this state except as provided in this article.

Representation of unauthorized insurer.

2. No person shall, in this state, represent an unauthorized insurer except as provided in this article. This provision shall not apply to any adjuster or attorney-at-law representing such an insurer from time to time in this state in his professional capacity.

Penalty.

3. Each violation of this section shall constitute a separate offense punishable by a fine of not less than fifty dollars (\$50) nor more than one thousand dollars (\$1,000).

Validity of contracts illegally effectuated.

SEC. .15.03 *Validity of Contracts Illegally Effectuated*: A contract of insurance effectuated by an unauthorized insurer in violation of the provisions of this code shall be voidable except at the instance of the insurer.

"Surplus line" insurance in unauthorized insurers.

SEC. .15.04 *"Surplus Line" Insurance in Unauthorized Insurers*: If certain insurance coverages cannot be procured from authorized insurers, such coverages, hereinafter designated as "surplus lines," may be procured from unauthorized insurers subject to the following conditions:

Procured through broker.

(1) The insurance must be procured through a licensed surplus line broker.

Not procurable in this state.

(2) The insurance must not be procurable, after diligent effort has been made to do so from among a majority of the insurers authorized to transact that kind of insurance in this state and placing the in-

insurance in an unauthorized insurer must not be for the purpose of securing a lower premium rate than would be accepted by any authorized insurer.

Not to secure lower premium.

(3) At the time of the procuring of any such insurance an affidavit setting forth the facts referred to in item two (2) of this section must be executed by the surplus line broker. Such affidavit shall be filed with the Commissioner within thirty (30) days after the insurance is procured.

Affidavit by broker.

SEC. .15.05 *Endorsement of Contract*: Every insurance contract procured and delivered as a surplus line coverage pursuant to this article shall have stamped upon it and be initialed by or bear the name of the surplus line broker who procured it, the following:

Endorsement of contract.

“This contract is registered and delivered as a surplus line coverage under the insurance code of the State of Washington, enacted in nineteen hundred and forty-seven.”

SEC. .15.06 *Surplus Line—Insurance Valid*: Insurance contracts procured as surplus line coverage from unauthorized insurers in accordance with this article shall be fully valid and enforceable as to all parties, and shall be given recognition in all matters and respects to the same effect as like contracts issued by authorized insurers.

Surplus line—insurance valid.

SEC. .15.07 *Licensing of Surplus Line Brokers*: Any person deemed by the Commissioner to be competent and trustworthy and while maintaining an office at a designated location in this state may be licensed as a surplus line broker, as follows:

Licensing of surplus line brokers.

(1) Application to the Commissioner for the license shall be made on forms furnished by the Commissioner.

Application.

(2) The license fee shall be one hundred dollars (\$100) for each license year during any part of which the license is in force. The license year shall be from the date of issuance of the license.

Fee.

Bond.

(3) Prior to issuance of license the applicant shall file with the Commissioner and thereafter for as long as the license remains in effect he shall keep in force a bond in favor of the State of Washington in the penal sum of fifteen hundred dollars (\$1,500), with authorized corporate sureties approved by the Commissioner, conditioned that he will conduct business under the license in accordance with the provisions of this article and that he will promptly remit the taxes provided by section .15.12. No such bond shall be terminated unless not less than thirty (30) days' prior written notice thereof is filed with the Commissioner.

May accept business from agents.

SEC. .15.08 *May Accept Business from Agents:* A licensed surplus line broker may accept and place surplus line business for any insurance agent or broker licensed in this state for the kind of insurance involved, and may compensate such agent or broker therefor.

Surplus lines in solvent insurers.

SEC. .15.09 *Surplus Lines in Solvent Insurers:* 1. A surplus line broker shall not knowingly place surplus line insurance with insurers unsound financially. The broker shall ascertain the financial condition of the unauthorized insurer before placing insurance therewith. The broker shall not so insure with any stock insurer having capital and surplus amounting to less than two hundred thousand dollars (\$200,000), or with any other type of insurer having assets of less than two hundred thousand dollars (\$200,000) of which not less than fifty thousand dollars (\$50,000) is surplus.

Penalty.

2. For any violation of this section the broker shall be fined not less than twenty-five dollars (\$25) or more than two hundred and fifty dollars (\$250), his surplus line broker's license shall be revoked, and the broker may not again be so licensed within a period of two (2) years thereafter.



SEC. .15.10 *Records of Surplus Line Broker*: Each licensed surplus line broker shall keep in his office in this state a full and true record of each surplus line contract procured by him including a copy of the daily report, if any, showing such of the following items as may be applicable:

Records of surplus line broker.

What records must be kept.

- (1) Amount of the insurance;
- (2) gross premiums charged;
- (3) return premium paid, if any;
- (4) rate of premium charged upon the several items of property;
- (5) effective date of the contract, and the terms thereof;
- (6) name and address of the insurer;
- (7) name and address of the insured;
- (8) brief general description of property insured and where located;
- (9) other information as may be required by the Commissioner. The record shall at all times be open to examination by the Commissioner.

SEC. .15.11 *Surplus Line Broker's Annual Statement*: 1. Each surplus line broker shall on or before the first day of March of each year file with the Commissioner a verified statement of all surplus line insurance transacted by him during the preceding calendar year.

Surplus line broker's annual statement.

2. The statement shall be on forms as prescribed and furnished by the Commissioner and shall show:

What statement must show.

- (1) Gross amount of each kind of insurance transacted;
- (2) aggregate gross premiums charged;
- (3) aggregate of returned premiums paid to insureds;
- (4) aggregate of net premiums;
- (5) additional information as required by the Commissioner.

SEC. .15.12 *Tax on Surplus Lines*: 1. On or before the first day of March of each year each surplus

Tax on surplus lines.

line broker shall remit to the State Treasurer through the Commissioner a tax on the premiums, exclusive of sums collected to cover federal and state taxes and examination fees, on surplus line insurance subject to tax transacted by him during the preceding calendar year as shown by his annual statement filed with the Commissioner, and at the same rate as is applicable to the premiums of authorized foreign insurers under this code. Such tax when collected shall be credited to the general fund.

Allocation of tax to this state.

2. If a surplus line policy covers risks or exposures only partially in this state the tax so payable shall be computed upon the proportion of the premium which is properly allocable to the risks or exposures located in this state.

Penalty for failure to file statement or remit tax.

SEC. 15.13 *Penalty for Failure to File Statement or Remit Tax*: If any surplus line broker fails to file his annual statement, or fails to remit the tax provided by section 15.12, prior to the first day of April after the tax is due, he shall be liable for a fine of twenty-five dollars (\$25) for each day of delinquency commencing with the first day of April. The tax may be collected by distraint, or the tax and fine may be recovered by an action instituted by the Commissioner in any court of competent jurisdiction. Any fine collected by the Commissioner shall be paid to the State Treasurer and credited to the General Fund.

Revocation of license.

SEC. 15.14 *Revocation of License*: 1. The Commissioner shall revoke any surplus line broker's license:

Mandatory revocation.

(1) If the broker fails to file his annual statement or to remit the tax as required by this article; or

(2) if the broker fails to maintain an office in this state, or to keep the records, or to allow the Commissioner to examine his records as required by this article; or

(3) for any of the causes for which a general broker's license may be revoked.

2. The Commissioner may suspend or revoke any such license whenever he deems suspension or revocation to be for the best interests of the people of this state.

Discretionary  
revocation.

3. The procedures provided by this code for the suspension or revocation of general brokers' licenses shall be applicable to suspension or revocation of a surplus line broker's license.

Procedure.

4. No broker whose license has been so revoked or suspended shall again be so licensed within one (1) year thereafter, nor until any fines or delinquent taxes owing by him have been paid.

Re-licensing.

SEC. 15.15 *Legal Process Against Surplus Line Insurer*: 1. An unauthorized insurer shall be sued, upon any cause of action arising in this state under any contract issued by it as a surplus line contract, pursuant to this article, in the superior court of the county in which the cause of action arose.

Legal process  
against  
surplus line  
insurer.

2. Service of legal process against the insurer may be made in any such action by service upon the Commissioner. The Commissioner shall forthwith mail the documents of process served, or a true copy thereof, to the person designated by the insurer in the policy for the purpose by prepaid registered mail with return receipt requested. The insurer shall have forty (40) days from the date of service upon the Commissioner within which to plead, answer, or otherwise defend the action. Upon service of process upon the Commissioner in accordance with this provision, the court shall be deemed to have jurisdiction in *personam* of the insurer.

Service upon  
Commis-  
sioner.

3. An unauthorized insurer issuing such policy shall be deemed thereby to have authorized service of process against it in the manner and to the effect as provided in this section. Any such policy shall

Deemed to  
have author-  
ized service.

contain a provision stating the substance of this section, and designating the person to whom the Commissioner shall mail process as provided in paragraph two of this section.

Exemptions. This article not applicable to reinsurance.

SEC. .15.16 *Exemptions:* 1. The provisions of this article controlling the placing of insurance with unauthorized insurers shall not apply to reinsurance or to the following insurances when so placed by licensed agents or brokers of this state:

This article not applicable to these insurances.

(1) Ocean marine and foreign trade insurances.  
(2) Insurance on subjects located, resident, or to be performed wholly outside of this state, or on vehicles or aircraft owned and principally garaged outside this state.

(3) Insurance on property or operation of railroads engaged in interstate commerce.

(4) Insurance of aircraft owned or operated by manufacturers of aircraft, or of aircraft operated in schedule interstate flight, or cargo of such aircraft, or against liability, other than Workmen's Compensation and employer's liability, arising out of the ownership, maintenance or use of such aircraft.

Agents and brokers to keep and preserve records.

2. Agents and brokers so placing any such insurance with an unauthorized insurer shall keep a full and true record of each such coverage in detail as required of surplus line insurance under this article. The record shall be preserved for not less than five (5) years from the effective date of the insurance and shall be kept available in this state and open to the examination of the Commissioner. The agent or broker shall furnish to the Commissioner at his request and on forms as designated and furnished by him a report of all such coverages so placed in a designated calendar year.

Records of insureds.

SEC. .15.17 *Records of Insureds:* Every person for whom insurance has been placed with an unauthorized insurer pursuant to or in violation of this

article shall, upon the Commissioner's order, produce for his examination all policies and other documents evidencing the insurance, and shall disclose to the Commissioner the amount of the gross premiums paid or agreed to be paid for the insurance. For each refusal to obey such order, such person shall be liable to a fine of not more than five hundred dollars (\$500).

ARTICLE SIXTEEN  
DEPOSITS OF INSURERS

SEC. .16.01 *Deposits of Insurers:* The State Treasurer shall accept, when made through the Commissioner, deposits of securities or funds by insurers as follows:

Deposits of insurers.

(1) Deposits in amount as required to be made as prerequisite to a certificate of authority to transact insurance in this state.

Deposits which State Treasurer shall accept from Commissioner.

(2) Deposits of domestic or alien insurers in amount as required to be made by the laws of other states as prerequisite for authority to transact insurance in such other states.

(3) Deposits in amounts as result from application of the retaliatory provision, section .14.04.

(4) Deposits in other additional amounts permitted to be made by this code.

SEC. .16.02 *In Trust for Policyholders:* Each such deposit shall be held by the State Treasurer in trust for the protection of all policyholders in the United States of the insurer making it; except that deposits of alien insurers shall be so held for the security of such insurer's obligations arising out of its insurance transactions in the United States, and except as to deposits the purpose of which may be further limited pursuant to the retaliatory provision, section .14.04.

Held in trust for policyholders.

SEC. .16.03 *Securities Eligible for Deposit:* All such deposits shall consist of cash funds or other

Securities eligible for deposit.

assets comprised of securities which are eligible for the investment of the funds of insurers under article thirteen, and representing public obligations, corporate bonds, and mortgages on real property located in this state.

State  
Treasurer to  
give receipt.

SEC. .16.05 *Record of Deposits:* The State Treasurer shall deliver to the insurer a receipt for all funds and securities so deposited by it.

Commis-  
sioner to  
keep record.

2. The Commissioner shall keep a record in permanent form of all funds and securities so deposited. This record shall be open to the inspection of the State Treasurer during all office hours.

State  
Treasurer to  
keep record.

3. The State Treasurer shall keep a record in permanent form of all such funds and securities, and which record shall be open to the inspection of the Commissioner during all office hours. The State Treasurer shall state in his report to the legislature the aggregate amount of all such deposits held by him and of any transfers thereof countersigned by him.

Transfer of  
securities.

SEC. .16.06 *Transfer of Securities:* 1. No transfer of any funds or security so held on deposit, whether voluntary or by operation of law, shall be valid unless approved in writing by the Commissioner and countersigned by the State Treasurer or by his authorized deputy or agent.

Record of  
transfer.

2. A statement of each such transfer shall be entered on the records of the State Treasurer and of the Commissioner, showing the name of the insurer from whose deposit such transfer is made, the name of the transferee, the par value of securities having par value, and the asset value of other securities as at last recent valuation.

Treasurer  
may  
designate  
depository.

SEC. .16.07 *Treasurer May Designate Depository:* The State Treasurer may designate any solvent trust company or other solvent financial institution having trust powers domiciled in this state, as the State Treasurer's depository to receive

and hold any such deposit of a domestic insurer, or of an alien insurer for which this state is the port of entry into the United States. Any deposit so held shall be at the expense of the insurer.

SEC. .16.08 *State Responsible*: The State of Washington shall be responsible for the safe keeping and return of all funds and securities deposited pursuant to this article with the State Treasurer or in any such depository so designated by him.

State  
responsible.

SEC. .16.09 *Dividends and Substitutions*: While solvent and complying with this code an insurer shall be entitled

Dividends  
and substi-  
tutions.

(1) to collect and receive interest and dividends accruing on the securities so held on deposit for its account, and

Collect  
interest and  
dividends.

(2) from time to time to exchange and substitute for any of such securities, other securities eligible for deposit and of at least equal value.

Substitute  
securities.

SEC. .16.10 *Release of Deposit*: 1. Any such required deposit shall be released in these instances only:

Release of  
deposit.

(1) Upon extinguishment of all liabilities of the insurer for the security of which the deposit is held, by reinsurance contract or otherwise.

When  
released.

(2) If any such deposit or portion thereof is no longer required under this code.

(3) If the deposit has been made pursuant to the retaliatory provision, section .14.04, it shall be released in whole or in part when no longer so required.

(4) Upon proper order of a court of competent jurisdiction the deposit shall be released to the receiver, conservator, rehabilitator, or liquidator of the insurer for whose account the deposit is held.

2. No such release shall be made except on application to and written order of the Commissioner made upon proof satisfactory to him of the existence of one of such grounds therefor. The Com-

How release  
made.

missioner shall have no personal liability for any such release of any deposit or part thereof so made by him in good faith.

To whom made.

3. All releases of deposits or any part thereof shall be made to the person then entitled thereto upon proof of title satisfactory to the Commissioner.

Deposits of title insurers.

4. Deposits held on account of title insurers are subject further to the provisions of article twenty-nine.

Release of existing deposits.

SEC. .16.11 *Release of Existing Deposits:* Any part of any deposit of an insurer held by the State Treasurer on the effective date of this code which is in amount in excess of the deposit required or permitted to be made by such insurer under this code, shall, upon written order of the Commissioner, be released; except, that no deposit held on account of any registered policies heretofore issued by the insurer shall be released except in accordance with the conditions under which such deposit was made.

Voluntary excess deposit.

SEC. .16.12 *Voluntary Excess Deposit:* An insurer may deposit and maintain on deposit with the State Treasurer through the Commissioner funds and eligible securities in amount exceeding its required deposit under this code by not more than one hundred thousand dollars (\$100,000), for the purpose of absorbing fluctuations in the value of securities held in its required deposit, and to facilitate the exchange and substitution of such required securities. During the solvency of the insurer any such excess deposit or any part thereof shall be released to it upon its request. During the insolvency of the insurer such excess deposit shall be released only as provided in section .16.10.

Not subject to levy.

SEC. .16.13. *Not Subject to Levy:* No judgment creditor or other claimant of an insurer shall levy upon any deposit held pursuant to this article, or upon any part thereof.



## ARTICLE SEVENTEEN

## AGENTS, BROKERS, SOLICITORS, AND ADJUSTERS

SEC. .17.01 *"Agent" Defined:* "Agent" means "Agent."  
any person appointed by an insurer to solicit applications for insurance on its behalf, and if authorized so to do, to effectuate and countersign insurance contracts except as to life or disability insurances, and to collect premiums on insurances so applied for or effectuated.

SEC. .17.02 *"Broker" Defined:* "Broker" means "Broker."  
any person who, on behalf of the insured, for compensation as an independent contractor, for commission, or fee, and not being an agent of the insurer, solicits, negotiates, or procures insurance or reinsurance or the renewal or continuance thereof, or in any manner aids therein, for insureds or prospective insureds other than himself.

SEC. .17.03 *"Solicitor" Defined:* "Solicitor" "Solicitor."  
means an individual authorized by an agent or broker to solicit applications for insurance as a representative of such agent or broker and to collect premiums in connection therewith. An individual employed by, and devoting full time to clerical work with incidental taking of insurance applications and receiving premiums in the office of the agent or broker is not deemed to be a solicitor if his compensation is not related to the volume of such applications, insurances, or premiums.

SEC. .17.04 *Service Representatives:* Individuals Service representatives.  
other than an officer, manager, or general agent of the insurer, employed on salary by an insurer or general agent to work with and assist agents in soliciting, negotiating, and effectuating insurance in such insurer or in the insurers represented by the general agent, are deemed to be service representatives and are not required to be licensed.

SEC. .17.05 *"Adjuster" Defined:* 1. "Adjuster" "Adjuster."  
means any person who, for compensation as an in-

dependent contractor or as an employee of an independent contractor, or for fee or commission, investigates or reports to his principal relative to claims arising under insurance contracts, on behalf solely of either the insurer or the insured. An attorney-at-law who adjusts insurance losses from time to time incidental to the practice of his profession, or an adjuster of marine losses, or a salaried employee of an insurer or of a general agent, is not deemed to be an "adjuster" for the purposes of this article.

"Independent adjuster."

2. "Independent adjuster" means such an adjuster representing the interests of the insurer.

"Public adjuster."

3. "Public adjuster" means an adjuster employed by and representing solely the financial interests of the insured named in the policy.

License required.

SEC. .17.06 *License Required:* 1. No person shall in this state act as or hold himself out to be an agent, broker, solicitor, or adjuster unless then licensed therefor by this state.

Must be licensed for particular kind of insurance.

2. No agent, solicitor, or broker shall solicit or take applications for, procure, or place for others any kind of insurance for which he is not then licensed.

Penalty.

3. Any person violating this section shall be liable to a fine of not to exceed five hundred dollars (\$500) and imprisonment for not to exceed six (6) months for each instance of such violation.

General qualifications for license.

SEC. .17.07 *General Qualifications for License:* For the protection of the people of this state the Commissioner shall not issue or renew any such license except in compliance with this article, nor to, nor to be exercised by, any person found by him to be untrustworthy, or incompetent, or who has not established to the satisfaction of the Commissioner that he is qualified therefor in accordance with this article.

SEC. .17.08 *Controlled Business*: 1. The Commissioner shall not grant an agent's, solicitor's, or broker's license to any person if the Commissioner has reasonable cause to believe that:

Controlled business.

(1) During either of the two (2) calendar years immediately preceding the request for renewal of any such license the aggregate amount of commissions represented by the controlled business procured by or through the licensee exceeded the aggregate amount of commissions represented by all other insurance business procured by or through him; or

When license shall not be renewed.

(2) the circumstances of the applicant for such license or of any such licensee are such as to cause the Commissioner reasonably to believe that during the twelve-month period immediately following issuance or renewal of the license, if so issued or renewed, the aggregate amount of commissions to be represented by such controlled business would exceed the aggregate amount of commissions to be represented by all other insurance business to be procured by or through such applicant or licensee.

2. "Controlled business" means insurance procured or to be procured by or through such person upon:

Definition of "controlled business."

(1) His own life, person, or property or those of his spouse or relatives by blood or marriage to the second degree;

(2) the life, person, or property of his employer, or his firm, or of any officer, director, stockholder, or member of his employer or firm, other than members of mutual insurers, or of any spouse of such employer, officer, director, stockholder, or member;

(3) the life, person, or property of his ward, or his employees; or upon persons or property under his supervision or control as trustee under any indenture or decree, or as administrator or executor of any estate.

3. The vendor who is title holder of property being sold under an installment purchase contract

Conditional vendor not owner.

shall not be deemed to be the owner of such property for the purposes of this section.

Applications for license.

SEC. .17.09 *Applications for License:* 1. Application for any such license shall be made to the Commissioner upon forms as prescribed and furnished by him. As a part of or in connection with any such application the applicant shall furnish information concerning his identity, personal history, experience, business record, purposes, and other pertinent facts, as the Commissioner may reasonably require.

How made.

Application by firm or corporation.

2. If the applicant is a firm or corporation, the application shall show, in addition, the names of all members and officers, and shall designate each individual who is to exercise the powers to be conferred by the license upon such firm or corporation. The Commissioner shall require each such individual to furnish information to him as though for an individual license.

Misrepresentation.

3. Any person willfully misrepresenting any fact required to be disclosed in any such application shall be liable to penalties as provided by this code.

Number of applications.

SEC. .17.10 *Number of Applications:* 1. The filing of personal data by an individual in connection with one (1) application for an agent's license shall be sufficient, regardless of the number of insurers to be represented by the agent or the number of subsequent applications by the same applicant.

Commissioner may require information at any time.

2. The Commissioner may, for his information from time to time require any licensed agent, or solicitor, or broker, or adjuster, to supply him with the information called for in an application for license.

Examinations for license.

SEC. .17.11 *Examinations for License:* 1. Each applicant for license as agent, broker, solicitor, or adjuster shall prior to the issuance of any such license, personally take and pass to the satisfaction of the Commissioner an examination given by the

When required.

Commissioner as a test of his qualifications and competence; but this requirement shall not apply to:

(1) Applicants for limited licenses, as travel insurance agents only, under section .17.19.

When not required.

(2) Applicants who within the five-year period next preceding date of application have been licensed in this state under a license requiring qualifications similar to qualifications required by the license applied for and who are deemed by the Commissioner to be fully qualified and competent.

(3) Applicants for license as nonresident agent or as nonresident broker who have fulfilled qualification requirements in their state of residence and who are deemed by the Commissioner to be fully qualified and competent.

(4) Applicants for an agent's or solicitor's license covering the same kinds of insurance as an agent's or solicitor's license then held by them.

2. Applicants for the renewal of licenses in force on the effective date of this code or issued thereafter shall not be required to take an examination except as provided in paragraph three of this section.

Application for renewal.

3. The Commissioner may at any time require any licensed agent, broker, solicitor, or adjuster to take and successfully pass an examination testing his competence and qualifications as a condition to the continuance or renewal of his license, if the licensee has been guilty of violation of this code, or has so conducted his affairs under his license as to cause the Commissioner reasonably to desire further evidence of his qualifications.

When Commissioner may require examination for continuance or renewal.

Sec. .17.12 *Scope of Examination:* 1. Each such examination shall be as the Commissioner prescribes and shall be of sufficient scope reasonably to test the applicant's knowledge relative to the kinds of insurance which may be dealt with under the license applied for, and of the duties and responsibilities of, and laws of this state applicable to, such a licensee.

Scope of examination.

Ocean marine and related coverages.

2. Examination as to ocean marine and related coverages may be waived by the Commissioner as to any applicant deemed by the Commissioner to be qualified by past experience to deal in such insurances.

Manual.

3. The Commissioner shall prepare and make available to insurers, general agents, brokers, agents, and applicants a printed manual specifying in general terms the subjects which may be covered in any examination for a particular license.

Written and oral.

SEC. .17.13 *Examinations—Form, Time, Fee:*

1. The answers of the applicant to any such examination shall be written by the applicant under the Commissioner's supervision, and any such written examination may be supplemented by oral examination at the Commissioner's discretion.

Where and when.

2. The Commissioner shall give examinations at such times and places within this state as he deems necessary reasonably to serve the convenience of both the Commissioner and applicants.

Waiting period before next examination.

3. The Commissioner may require a waiting period of reasonable duration before giving a new examination to an applicant who has failed to pass a previous similar examination.

Fee.

4. For each examination taken, the Commissioner shall collect in advance the fee provided in section .14.01.

Examinations by life insurers.

SEC. .17.14 *Examinations by Life Insurers:*

1. An applicant for license as agent of a life insurer may, in lieu of examination by the Commissioner, take and pass a similar examination given and supervised by the insurer if the following conditions are complied with:

Conditions.

Course of study approved.

(1) The insurer must have filed with and had approved by the Commissioner an outline of the course of study and instruction in good faith to be given such applicants by or on behalf of the insurer.

- (2) The applicant must have completed such course. Completed course.
- (3) The examination must be in writing and be taken by the applicant in person and without aid, and the questions and answers thereto must be kept on file as required by the Commissioner. Examination in writing. Answers preserved.
- (4) The official or representative of the insurer in charge of the examination, must certify to the Commissioner the results thereof and grade received prior to issuance of the license applied for. Certificate to the Commissioner.
2. Any such course of study and instruction and examination may cover both life insurance and disability insurance if both such insurances are transacted by the insurer and if the applicant is to be licensed as to both. Course may include disability insurance.
3. The Commissioner may at any time withdraw from an insurer the privilege of giving examinations as provided in this section and may reexamine at any time any applicant or agent previously given an examination by any insurer. Privilege may be withdrawn.
- SEC. .17.15 *Agent's and Broker's Qualifications:*
1. To qualify for an agent's or broker's license an applicant must otherwise comply with this code therefor and must Agent's and broker's qualifications.
- (1) be twenty-one (21) years of age or over, if an individual; Age.
- (2) be a bona fide resident of and actually reside in this state, or if a corporation, be other than an insurer and be domiciled in this state, except as provided in section .17.33; Residence.
- (3) be empowered to be an agent or broker, as the case may be, under its members' agreement, if a firm, or by its articles of incorporation, if a corporation; Be empowered by agreement or articles.
- (4) successfully pass any examination as required under section .17.11; Pass examination.
- (5) be a trustworthy person; Be trustworthy.
- (6) not intend to use or use the license for the

Not to write controlled business.

purpose principally of writing controlled business, as defined in section .17.08;

Be appointed agent.

(7) if for an agent's license, be appointed as its agent by one (1) or more authorized insurers, subject to issuance of the license;

Experience for broker's license.

(8) if for broker's license, have had experience either as an agent, solicitor, adjuster, general agent, broker, or as an employee of insurers or representatives of insurers, or special education or training of sufficient duration and extent reasonably to satisfy the Commissioner that he possesses the competence necessary to fulfill the responsibilities of broker.

Issuance or refusal.

2. If the Commissioner finds that the applicant is so qualified and that the license fee has been paid, he shall issue the license. Otherwise, the Commissioner shall refuse to issue the license.

Appointment of agents.

SEC. .17.16 *Appointment of Agents and Revocations:* 1. Each insurer on appointing an agent in this state shall file written notice thereof in duplicate with the Commissioner on forms as prescribed and furnished by him, and shall pay the filing fee therefor as provided in section .14.01. If then licensed, or as soon as licensed, the Commissioner shall mail one (1) copy of the appointment to the agent.

2. Each such appointment shall continue in force until:

Duration of appointment.

(1) The Commissioner notifies the insurer that the person so appointed is no longer licensed as an agent by this state; or

(2) the appointment is revoked by the insurer by written notice of such revocation to the agent. The insurer shall forthwith file a duplicate copy of such notice of revocation with the Commissioner. No fee shall be charged for filing such copy.

Revocation.

3. Revocation of an appointment by the insurer shall be deemed to be effective as of the date designated in the notice as being the effective date if the notice is actually received by the agent prior to such



designated date; otherwise, as of the earlier of the following dates:

(1) The date such notice of revocation was received by the agent. When revocation effective.

(2) The date such notice, if mailed to the agent at his last address of record with the insurer, in due course should have been received by the agent.

**SEC. 17.17 Contents of Licenses—Agents, Brokers, Solicitors:** 1. Agents', solicitors', and brokers' licenses shall be in form as the Commissioner prescribes, and shall set forth Licenses—agents, brokers, solicitors.

(1) the name and address of the licensee; or if he is required to have a place of business, the address of the place of business; Contents.

(2) if the agent or broker is a firm or corporation, the name of each individual authorized [authorized] to exercise the powers conferred by the license;

(3) the kind or kinds of insurance the licensee is thereby licensed to handle;

(4) if an agent's license for life or disability insurances only, the name of the insurer as to which he is so licensed, and a separate license shall be required as to each such insurer;

(5) if a solicitor's license, the name and address of the agent or broker represented by the solicitor;

(6) the conditions under which the license is granted;

(7) the date of issuance and date of expiration of the license.

2. The Commissioner is not required to issue a separate license to each agent licensed for life or disability insurances only. In lieu thereof he may issue to the insurer his license certificate setting forth the names and addresses of the insurer's agents so licensed in this state. Each such license certificate shall be serially numbered and shall constitute official evidence of the licensing of each licensee designated therein. Any such insurer may furnish Separate license for each life insurance agent not required.

its agents so licensed with evidence of authority to represent the insurer, upon such form as is submitted to and approved by the Commissioner.

Licenses to firms and corporations.

SEC. .17.18 *Licenses to Firms and Corporations:*

1. A firm or corporation shall not be licensed as an agent or broker unless each individual to be empowered and designated in the license to exercise the powers conferred thereby is qualified as though he were the sole individual to be so empowered. A nonresident of this state shall not be so designated or empowered. Exercise or attempted exercise of such powers by an individual not so designated, with the knowledge or consent of the licensee, shall constitute cause for the revocation or suspension of the license.

Trade name.

2. Licenses shall be issued in a trade name only upon proof satisfactory to the Commissioner that the trade name has been lawfully registered.

Limited license.

SEC. .17.19 *Limited License:* The Commissioner may issue limited licenses as travel insurance agents to persons selling transportation tickets of a common carrier of persons or property who shall act as such agents only as to transportation ticket policies of disability insurance or baggage insurance on personal effects.

When separate license required.

SEC. .17.20 *Number of Licenses Required—Agent:*

1. An agent appointed by an insurer for life insurance, or for life and disability insurances, or for disability insurance only, shall be separately licensed as to such insurer.

One license required.

2. An agent is required to have but one license inclusive of all other kinds or combination of kinds of insurance he is licensed to handle, regardless of the number of insurers for whom he is appointed as agent for such insurances or any of them.

Minimum license combinations.

SEC. .17.21 *Minimum License Combinations:* Except as provided in section .17.19, an agent's license shall not be issued unless it includes, and the appli-

cant is qualified for, one (1) or more of the following kinds of insurance:

- (1) Casualty.
- (2) Disability.
- (3) Life.
- (4) Marine and transportation.
- (5) Property.
- (6) Surety.
- (7) Vehicle.

SEC. .17.23 *May Place Rejected Business:* A licensed agent appointed by an insurer as to life or disability insurances may, if with the knowledge and consent of such insurer, place any portion of a life or disability risk which has been rejected by such insurer, with other authorized insurers without being licensed as to such other insurers.

May place rejected business.

SEC. .17.24 *Scope of Broker's License:* A broker's license shall be issued to cover all kinds of insurance only. The Commissioner shall not issue a broker's license limited to particular kinds of insurance.

Scope of broker's license.

SEC. .17.25 *Broker's Bond:* 1. Every applicant for a broker's license or for the renewal of a broker's license existing on the effective date of this code shall file with the application or request for renewal and shall thereafter maintain in force while so licensed a bond in favor of the people of the State of Washington, executed by an authorized corporate surety approved by the Commissioner, in the amount of twenty-five hundred dollars (\$2,500). The bond may be continuous in form, and total aggregate liability on the bond may be limited to the payment of twenty-five hundred dollars (\$2,500). The bond shall be contingent on the accounting by the broker to any person requesting the broker to obtain insurance, for moneys or premiums collected in connection therewith.

Broker's bond.

Amount.

2. Any such bond shall remain in force until the surety is released from liability by the Commissioner,

Duration.

or until the bond is cancelled by the surety. Without prejudice to any liability accrued prior to such cancellation, the surety may cancel the bond upon thirty (30) days advance notice in writing filed with the Commissioner.

Broker's authority.

SEC. .17.26 *Broker's Authority and Commissions:*

1. A broker, as such, is not an agent or other representative of an insurer, and does not have power, by his own acts, to bind the insurer upon any risk or with reference to any insurance contract.

Commissions.

2. An insurer or agent shall have the right to pay to a broker licensed under this article, and such broker shall have the right to receive from the insurer or agent, the customary commissions upon insurances placed in the insurer by the broker.

Agent, broker license combinations.

SEC. .17.27 *Agent, Broker License Combinations:*

A licensed agent may be licensed as a broker and be a broker as to insurers for which he is not then licensed as agent. A licensed broker may be licensed as and be an agent as to insurers appointing him as agent. The sole relationship between a broker and an insurer as to which he is licensed as an agent shall, as to transactions arising during the existence of such agency appointment, be that of insurer and agent.

Solicitor's qualifications.

SEC. .17.28 *Solicitor's Qualifications:*

The Commissioner shall license as a solicitor an individual only who meets the following requirements:

Residence.

(1) Is a resident of this state.

Principal vocation.

(2) Intends to and does make the soliciting and handling of insurance business under his license his principal vocation.

To represent but one agent or broker.

(3) Is to represent and be employed by but one (1) licensed agent or broker.

Passed examination.

(4) Has passed any examination as required under this article.

Otherwise qualified.

(5) Is otherwise qualified under this code.

SEC. .17.29 *Application for Solicitor's License:* Application for solicitor's license.  
 The Commissioner shall issue a solicitor's license only upon application by the applicant and the request of the agent or broker to be represented, upon such forms as the Commissioner shall prescribe and furnish.

SEC. .17.30 *Solicitor's License Fee, Custody, and Cancellation:* 1. The fee for issuance or renewal of a solicitor's license shall be paid by the agent or broker by whom the solicitor is employed. Solicitor's license.  
 Fee.

2. The solicitor's license shall be delivered to and shall remain in the possession of the employing agent or broker. Upon termination of such employment, the license shall likewise terminate and shall be returned to the Commissioner for cancellation. Custody.  
 Cancellation.

SEC. .17.31 *Limitations Upon Solicitors:* 1. A solicitor's license shall not cover any kind of insurance for which the agent or broker by whom he is employed is not then licensed. Limitations upon solicitors.

2. A solicitor shall not have power to bind an insurer upon or with reference to any risk or insurance contract, or to countersign insurance contracts.

3. Any individual while licensed as a solicitor shall not be licensed as an agent or broker.

SEC. .17.32 *Responsibility of Employer:* All business transacted by a solicitor under his license shall be in the name of the agent or broker by whom he is employed and the agent or broker shall be responsible for all acts or omissions of the solicitor within the scope of such employment. Responsibility of employer.

SEC. .17.33 *Nonresident Agents, Brokers:* 1. The Commissioner may license as a life insurance agent only, or as a broker, a person who is otherwise qualified therefor under this code but who is not a resident of or domiciled in this state, if by the laws of the state or province of his residence or domicile a similar privilege is extended to residents of or corporations domiciled in this state. Nonresident agents, brokers.  
 Reciprocity.

Status similar to resident.

2. Any such licensee shall be subject to the same obligations and limitations, and to the Commissioner's supervision as though resident or domiciled in this state, subject to section .14.04.

Power of attorney.

3. No such person shall be so licensed unless he files the power of attorney provided for in section .17.34, and, if a corporation, it must have complied with the laws of this state governing the admission of foreign corporations.

Commissioner appointed attorney to receive service.

SEC. .17.34 *Process Against Nonresident Licensees:* 1. Each licensed nonresident agent or broker shall appoint the Commissioner as his attorney to receive service of legal process issued against the agent or broker in this state upon causes of action arising within this state. Service upon the Commissioner as attorney shall constitute effective legal service upon the agent or broker.

Appointment irrevocable.

2. The appointment shall be irrevocable for as long as there could be any cause of action against the agent or broker arising out of his insurance transactions in this state.

Service.

3. Duplicate copies of such legal process against such agent or broker shall be served upon the Commissioner either by a person competent to serve a summons, or through registered mail. At the time of such service the plaintiff shall pay to the Commissioner two dollars (\$2), taxable as costs in the action.

Commissioner forwards a copy.

4. Upon receiving such service, the Commissioner shall forthwith send one of the copies of the process, by registered mail with return receipt requested, to the defendant agent or broker at his last address of record with the Commissioner.

Commissioner keeps record.

5. The Commissioner shall keep a record of the day and hour of service upon him of all such legal process. No proceedings shall be had against the defendant agent or broker, and such defendant shall not be required to appear, plead, or answer until the expiration of forty (40) days after the date of service upon the Commissioner.

SEC. .17.38 *Qualifications for Adjuster's License:* The Commissioner shall license as an adjuster only an individual who has otherwise complied with this code therefor and who has furnished evidence satisfactory to the Commissioner that he is qualified as follows:

Qualifications for adjuster's license.

- (1) Is twenty-one (21) or more years of age. Age.
- (2) Is a bona fide resident of this state, or is a resident of a state which will permit residents of this state to act as adjusters in such other state. Residence.
- (3) Is a trustworthy person. Trustworthy.
- (4) Has had experience or special education or training with reference to the handling of loss claims under insurance contracts, of sufficient duration and extent reasonably to make him competent to fulfill the responsibilities of an adjuster. Experience.  
Education.
- (5) Has successfully passed any examination as required under this article. Examination.
- (6) If for a public adjuster's license, has filed the bond required by section .17.43. Bond.

SEC. 17.39 *Separate Licenses:* The Commissioner may license an individual as an independent adjuster or as a public adjuster, and separate licenses shall be required for each type of adjuster. An individual may be concurrently licensed under separate licenses as an independent adjuster and as a public adjuster. The full license fee shall be paid for each such license.

Separate licenses.

SEC. .17.40 *Form of Adjuster's License:* The Commissioner shall prescribe the form of adjuster's license, and which shall contain:

Adjuster's license.

- (1) the name of the adjuster, and the address of his place of business; Contents.
- (2) a statement as to whether he is so licensed as an independent adjuster or as a public adjuster;
- (3) date of issuance and date of expiration of the license;

(4) other statements proper to the purposes of the license.

Powers conferred by adjuster's license.

SEC. .17.41 *Powers Conferred by Adjuster's License:* An adjuster shall have authority under his license only to investigate or report to his principal upon claims as limited under section .17.05 on behalf only of the insurers if licensed as an independent adjuster, or on behalf only of insureds if licensed as a public adjuster. An adjuster licensed concurrently as both an independent and a public adjuster shall not represent both the insurer and the insured in the same transaction.

Agent may adjust.

SEC. .17.42 *Agent May Adjust—Out-of-State Adjusters:* 1. On behalf of and as authorized by an insurer for which he is licensed as agent, an agent may from time to time act as an adjuster and investigate and report upon claims without being required to be licensed as an adjuster.

Out-of-state adjusters.

2. No license by this state shall be required of a nonresident independent adjuster, for the adjustment in this state of a single loss, or of losses arising out of a catastrophe common to all such losses.

Public adjuster's bond.

SEC. .17.43 *Public Adjuster's Bond:* 1. Prior to the issuance of a license as public adjuster, the applicant therefor shall file with the Commissioner and shall thereafter maintain in force while so licensed a surety bond in favor of the people of the State of Washington, executed by an authorized corporate surety approved by the Commissioner, in the amount of twenty-five hundred dollars (\$2,500). The bond may be continuous in form, and total aggregate liability on the bond may be limited to the payment of twenty-five hundred dollars (\$2,500). The bond shall be contingent on the accounting by the adjuster to any insured whose claim he is handling, for moneys or any settlement received in connection therewith.



2. Any such bond shall remain in force until the surety is released from liability by the Commissioner, or until cancelled by the surety. Without prejudice to any liability accrued prior to cancellation, the surety may cancel a bond upon thirty (30) days' advance notice in writing filed with the Commissioner.

Duration.

3. Such bond shall be required of any adjuster acting as a public adjuster as of the effective date of this code, or thereafter under any unexpired license heretofore issued.

When required.

SEC. .17.44 *Report of Losses:* 1. Every adjuster who investigates any fire loss claim under any insurance contract covering property located in this state, shall promptly report to the Commissioner any facts or circumstances found and from which he believes fraud has been committed or attempted.

Report of fire losses if indication of fraud.

2. Upon completing the adjustment of any fire loss requiring claim payments aggregating one hundred dollars (\$100) or more, for damage to or destruction of property located in this state, under any policy or policies issued by an unauthorized insurer, an adjuster shall promptly report the details thereof to the Commissioner, upon forms prescribed and furnished by him. Such report shall state the names of the insurers and insured involved, amount of insurance on the property carried in each insurer, the amount of the claim and the amount paid by each insurer on account thereof, the circumstances of the loss, and other information as the Commissioner requests.

Where payment is \$100 or more.

3. Upon the Commissioner's request each adjuster shall in similar manner report to the Commissioner relative to losses and claims investigated or adjusted, and arising under other insurance contracts issued by unauthorized insurers.

Reports of other losses.

SEC. .17.45 *Place of Business:* Every licensed agent, broker, and adjuster, other than an agent

Place of business.

licensed for life or disability insurances only, shall have and maintain in this state, or, if a nonresident agent or nonresident broker, in the state of his domicile, a place of business accessible to the public. Such place of business shall be that wherein the agent principally conducts transactions under his licenses. The address of his place of business shall appear on all licenses of the licensee, and the licensee shall promptly notify the Commissioner of any change thereof.

Display of  
license.

SEC. .17.46 *Display of License*: 1. The license or licenses of each agent, other than licenses as to life or disability insurances only, or of each broker or adjuster shall be displayed in a conspicuous place in that part of his place of business which is customarily open to the public.

Agents.

Solicitors.

2. The license of a solicitor shall be so displayed in the place of business of the agent or broker by whom he is employed.

Records to  
be kept.

SEC. .17.47 *Record of Agents, Brokers, Adjusters*: 1. Every agent, or broker, or adjuster shall keep at his address as shown on his license, a record of all transactions consummated under his license. This record shall be in organized form and shall include:

Agents and  
brokers.

(1) If an agent or broker,

(a) a record of each insurance contract procured, issued, or countersigned, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance.

(b) the names of any other licensees from whom business is accepted, and of persons to whom commissions or allowances of any kind are promised or paid.

Adjusters.

(2) If an adjuster, a record of each investigation or adjustment undertaken or consummated, and a statement of any fee, commission, or other com-

pensation received or to be received by the adjuster on account of such investigation or adjustment.

(3) Such other and additional information as shall be customary, or as may reasonably be required by the Commissioner.

2. All such records as to any particular transaction shall be kept available and open to the inspection of the Commissioner at any business time during the five (5) years immediately after the date of the completion of such transaction.

Available for five years.

3. This section shall not apply as to life or disability insurances.

Exception.

SEC. .17.48 *Reporting and Accounting for Premiums:* 1. An agent or any other representative of an insurer involved in the procuring or issuance of an insurance contract shall report to the insurer the exact amount of consideration charged as premium for such contract, and such amount shall likewise be shown in the contract and in the records of the agent. Each willful violation of this provision shall constitute a misdemeanor.

Reporting and accounting to insurer.

Penalty.

2. All funds representing premiums or return premiums received by an agent, solicitor or broker, shall be so received in his fiduciary capacity, and shall be promptly accounted for and paid to the insured, insurer, or agent as entitled thereto.

Received in trust capacity.

3. Any agent, solicitor, or broker who, not being lawfully entitled thereto, diverts or appropriates such funds or any portion thereof to his own use, shall be guilty of larceny by embezzlement, and shall be punished as provided in the criminal statutes of this state.

Penalty.

SEC. .17.49 *Sharing Commissions:* 1. No agent, general agent, solicitor, or broker shall compensate or offer to compensate in any manner any person other than an agent, general agent, solicitor, or broker, licensed in this or any other state or province, for procuring or in any manner helping to procure

Sharing commissions.

When not allowed.

applications for or to place insurance in this state. This provision shall not prohibit the payment of compensation not contingent upon volume of business transacted, in the form of salaries to the regular employees of such agent, general agent, solicitor or broker.

When licensee does not have particular kind of license.

2. No such licensee shall be promised or allowed any compensation on account of the procuring of applications for or the placing of kinds of insurance which he himself is not then licensed to procure or place.

Penalty.

3. The Commissioner shall suspend or revoke the licenses of all licensees participating in any violation of this section.

One year license for life insurance agents.

SEC. 17.50 *Expiration and Renewal of Licenses:*

1. Agents' licenses for life, or life and disability, or disability insurances only, and all brokers', solicitors', and adjusters' licenses shall expire as at 12:01 A. M. o'clock on the first day of April next following date of issuance.

Three year license for other insurance agents.

2. Agents' licenses for all other kinds of insurance or combinations thereof shall expire as at 12:01 A. M. o'clock on the first day of April three (3) years after the first day of April nearest to the date of issuance of the license.

Request for renewal.

3. Subject to the right of the Commissioner to suspend, revoke, or refuse to renew any license as provided in this code, any such license may be renewed into another like period by filing with the Commissioner on or before the expiration date a written request, by or on behalf of the licensee, for such renewal accompanied by payment of the renewal fee as specified in section .14.01. An agent or broker shall make and file renewal requests on behalf of his solicitors.

4. If request and fee for renewal of license is filed with the Commissioner prior to expiration of the existing license, the licensee may continue to

act under such license, unless sooner revoked or suspended, until the issuance of renewal license or until the expiration of five (5) days after the Commissioner has refused to renew the license and has mailed notice of such refusal to the licensee. Any request for renewal not so filed until after date of expiration may be considered by the Commissioner as an application for a new license.

Renewal.

SEC. .17.51 *Temporary Licenses:* 1. The Commissioner may issue an agent's or broker's temporary license in the following circumstances:

Temporary agent's or broker's license.

(1) To applicants for licensing as agent of a life insurer, and pending completion of the course of instruction and examination provided for in section .17.14.

To whom issued.

(2) To the surviving spouse or next of kin or to the administrator or executor of a licensed agent or broker becoming deceased.

(3) To the spouse, next of kin, employee, or legal guardian of a licensed agent or broker becoming disabled because of sickness, insanity, or injury.

(4) To a surviving member of a firm or surviving officer or employee of a corporation licensed as agent or broker upon the death of an individual designated in the firm or corporation's license to exercise powers thereunder.

2. An individual to be eligible for any such temporary license must be qualified as for a permanent license except as to experience, training, or the taking of any examination.

Requisite qualifications.

3. Any fee paid to the Commissioner for issuance of a temporary license as specified in section .14.01 shall be credited toward the fee required for a permanent license which is issued to replace the temporary license prior to the expiration of such temporary license.

Fee credited toward permanent license.

SEC. .17.52 *Temporary Licenses — Duration, Powers:* 1. No such temporary license shall be ef-

Temporary licenses—duration.

fective for more than ninety (90) days in any twelve-month period, and the Commissioner may refuse so to license again any person who has previously been so licensed.

No additional licenses.

2. An individual requesting temporary agent's license on account of death or disability of an agent, shall not be so licensed for any insurer as to which such agent was not licensed at the time of death or commencement of disability.

Controlled business.

3. No person writing or renewing any "controlled business," as defined in this article, under any temporary license, shall be entitled to receive any commission or other compensation on account thereof unless and until prior to the expiration of the temporary license such person fully qualifies for and receives a permanent license in replacement of the temporary license. Otherwise, the licensee under such temporary license may exercise the same powers as under a like permanent license.

Grounds for suspension and revocation.

SEC. .17.53 *Denial, Suspension, Revocation of Licenses:* 1. The Commissioner may suspend, revoke, or refuse to renew any license issued under this article or any surplus line broker's license for any cause specified in any other provision of this code, or for any of the following causes:

Any grounds for refusal.

(1) For any cause for which issuance of the license could have been refused had it then existed and been known to the Commissioner.

Violations of law.

(2) If the licensee willfully violates or knowingly participates in the violation of any provision of this code.

Misrepresentation of facts or failure to pass examination.

(3) If the licensee has obtained or attempted to obtain any such license through willful misrepresentation or fraud, or has failed to pass any examination required under this article.

Misappropriation of funds.

(4) If the licensee has misappropriated or converted to his own use or has illegally withheld moneys required to be held in a fiduciary capacity.

(5) If the licensee has, with intent to deceive, materially misrepresented the terms or effect of any insurance contract; or has engaged or is about to engage in any fraudulent transaction. Misrepresentation of insurance contract.

(6) If the licensee has been guilty of "twisting," as defined in section .30.18, or of rebating, as defined in article thirty. "Twisting."

(7) If the licensee has been convicted, by final judgment, of a felony. Felony.

(8) If in the conduct of his affairs under the license, the licensee has shown himself to be, and is so deemed by the Commissioner, incompetent, or untrustworthy, or a source of injury and loss to the public. Incompetent.

(9) If the licensee has dealt with, or attempted to deal with, insurances or to exercise powers relative to insurance outside the scope of his licenses. Exceeding authority.

2. The license of any firm or corporation may be so suspended, revoked, or refused for any of such causes as relate to any individual designated in the license to exercise its powers. Firms and corporations.

3. The holder of any license which has been revoked or suspended shall surrender the license certificate to the Commissioner at the Commissioner's request. Surrender.

**SEC. .17.54 Procedure for Refusal, Suspension, or Revocation:** 1. The Commissioner shall revoke or refuse to renew any such license immediately and without hearing, upon conviction of the licensee of a felony by final judgment of any court of competent jurisdiction. Revocation upon conviction of felony without hearing.

2. The Commissioner may suspend, revoke, or refuse to renew any such license:

(1) By order given to the licensee not less than fifteen (15) days prior to the effective date thereof, subject to the right of the licensee to have a hearing as provided in section .04.01 and pending such hearing the license shall be suspended; or Order with right of hearing.

Order with  
right of  
appeal.

(2) by an order on hearing made as provided in section .04.09 effective as of ten (10) days after date of the giving of the order, subject to the right of the licensee to appeal to the Superior Court for Thurston County as provided in article four.

Duration of  
suspension.

SEC. .17.55 *Duration of Suspension:* Every order suspending any such license shall specify the period during which suspension will be effective, and which period shall in no event exceed twelve (12) months.

Power  
to fine.

SEC. .17.56 *Power to Fine:* After hearing and in addition to or in lieu of the suspension, revocation, or refusal to renew any such license, the Commissioner may levy a fine upon the licensee in amount not less than twenty-five dollars (\$25) and not more than two hundred and fifty dollars (\$250). The order levying such fine shall specify the period within which the fine shall be fully paid, and which period shall be not less than fifteen (15) nor more than thirty (30) days from the date of the order. Upon failure to pay any such fine when due, the Commissioner shall revoke the licenses of the licensee if not already revoked, and the fine shall be recovered in a civil action brought in behalf of the Commissioner by the Attorney General. Any fine so collected shall be paid by the Commissioner to the State Treasurer for the account of the General Fund.

Reinstatement  
or  
re-licensing.

SEC. .17.57 *Reinstatement or Re-licensing:* The Commissioner shall not reinstate the license of or re-license any licensee or former licensee as to whom a license has been suspended, revoked, or renewal refused, until any cause for the suspension, revocation, or refusal of such license is no longer existing, or until any fine theretofore levied upon the licensee pursuant to sections .17.56 and .17.58 has been fully paid.

SEC. .17.58 *Fine in Lieu:* 1. Upon the hearing of an appeal from an order suspending, revoking, or



refusing to renew any license issued under this article, the court, if it finds that the licensee is guilty of violation of the law and if it deems the suspension, revocation, or refusal too severe a penalty under the facts as found, may impose a fine of not more than five hundred dollars (\$500) in lieu thereof, and payment of such fine within ten (10) days thereafter shall reinstate, restore or renew, the license.

Court may fine in lieu of suspension, revocation, or denial of license.

2. If it appears that a license of the licensee has theretofore been suspended, revoked, or refused for a similar offense, the court shall not have jurisdiction to impose a fine in lieu of the action required by the order appealed from.

Exception.

## ARTICLE EIGHTEEN

### THE INSURANCE CONTRACT

SEC. .18.01 *Scope of Article*: The applicable provisions of this article shall apply to insurances other than ocean marine and foreign trade insurances. This article shall not apply to life or disability insurance policies not issued for delivery in this state nor delivered in this state.

Scope of article.

SEC. .18.02 *Power to Contract*: 1. Any person of competent legal capacity may contract for insurance.

Legal capacity to contract.

2. A minor not less than fifteen (15) years of age as at nearest birthday may, notwithstanding such minority, contract for life or disability insurance on his own life or body, for his own benefit or for the benefit of his father, mother, spouse, child, brother, sister, or grandparent, and may exercise all rights and powers with respect to or under the contract as though of full legal age, and may surrender his interest therein and give a valid discharge for any benefit accruing or money payable thereunder. The minor shall not, by reason of his minority, be entitled to rescind, avoid, or repudiate the contract, or any exercise of a right or privilege thereunder, except, that such minor, not otherwise emancipated, shall not be bound by any unperformed agreement to

Minors.

pay, by promissory note or otherwise, any premium on any such insurance contract.

Insurable interest required.

SEC. .18.03 *Insurable Interest Required—Personal Insurances:* 1. Any individual of competent legal capacity may procure or effect an insurance contract upon his own life or body for the benefit of any person. But no person shall procure or cause to be procured any insurance contract upon the life or body of another individual unless the benefits under such contract are payable to the individual insured or his personal representatives, or to a person having, at the time when such contract was made, an insurable interest in the individual insured.

Personal insurances.

Personal representatives may recover.

2. If the beneficiary, assignee or other payee under any contract made in violation of this section receives from the insurer any benefits thereunder accruing upon the death, disablement or injury of the individual insured, the individual insured or his executor or administrator as the case may be, may maintain an action to recover such benefits from the person so receiving them.

"Insurable interest."

3. "Insurable interest" as used in this section and in section .18.06 includes only interests as follows:

Relatives.

(1) In the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection; and

Economic interest.

(2) in the case of other persons, a lawful and substantial economic interest in having the life, health or bodily safety of the individual insured continue, as distinguished from an interest which would arise only by, or would be enhanced in value by, the death, disablement or injury of the individual insured.

Purchaser of share of business.

(3) An individual heretofore or hereafter party to a contract or option for the purchase or sale of an interest in a business partnership or firm, or of shares of stock of a close corporation or of an interest in such shares, has an insurable interest in the life of

each individual party to such contract and for the purposes of such contract only, in addition to any insurable interest which may otherwise exist as to the life of such individual.

SEC. .18.04 *Insurable Interest Required—Property Insurances:* 1. No contract of insurance on property or of any interest therein or arising therefrom shall be enforceable except for the benefit of persons having an insurable interest in the things insured.

Insurable interest required.

Property insurances.

2. "Insurable interest" as used in this section means any lawful and substantial economic interest in the safety or preservation of the subject of the insurance free from loss, destruction, or pecuniary damage.

"Insurable interest."

SEC. .18.05 *Interest of the Insured:* When the name of a person intended to be insured is specified in the policy, such insurance can be applied only to his own proper interest. This section shall not apply to life and disability insurances.

Interest of the insured.

SEC. .18.06 *Application for Insurance Required:* No life or disability insurance contract upon an individual, except a contract of group life insurance or of group or blanket disability insurance as defined in this code, shall be made or effectuated unless at the time of the making of the contract the individual insured, being of competent legal capacity to contract, in writing applies therefor or consents thereto, except in the following cases:

Application for insurance required.

(1) A spouse may effectuate such insurance upon the other spouse.

Exceptions.

(2) Any person having an insurable interest in the life of a minor, or any person upon whom a minor is dependent for support and maintenance, may effectuate insurance upon the life of the minor.

SEC. .18.07 *Alteration of Application:* 1. Any application for insurance in writing by the applicant

Alteration of application.

shall be altered solely by the applicant or by his written consent, except that insertions may be made by the insurer for administrative purposes only in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant. Violation of this provision shall be a misdemeanor.

Alteration  
by insured.

2. Any insurer issuing an insurance contract upon such an application unlawfully altered by its officer, employee, or agent shall not have available in any action arising out of such contract, any defense which is based upon the fact of such alteration, or as to any item in the application which was so altered.

When  
applications  
admissible  
as evidence.

SEC. .18.08 *Application as Evidence*: 1. No application for the issuance of any insurance policy or contract shall be admissible in evidence in any action relative to such policy or contract, unless a true copy of the application was attached to or otherwise made a part of the policy when issued and delivered. This provision shall not apply to policies or contracts of industrial life insurance.

Demand for  
copy of  
application.

2. If any policy of life or disability insurance delivered in this state is reinstated or renewed, and the insured or the beneficiary or assignee of the policy makes written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall, within fifteen (15) days after receipt of such request at its home office or at any of its branch offices, deliver or mail to the person making such request, a copy of such application. If such copy is not so delivered or mailed, the insurer shall be precluded from introducing the application as evidence in any action or proceeding based upon or involving the policy or its reinstatement or renewal.

Effect of  
refusal.

Warranties  
and misrep-  
resentations  
not material.

SEC. .18.09 *Warranties and Misrepresentations in Negotiation, Applications*: 1. Except as provided in paragraph two of this section, no oral or written

misrepresentation or warranty made in the negotiation of an insurance contract, by the insured or in his behalf, shall be deemed material or defeat or avoid the contract or prevent it attaching, unless the misrepresentation or warranty is made with the intent to deceive.

Exception.

2. In any application for life or disability insurance made in writing by the insured, all statements therein made by the insured shall, in the absence of fraud, be deemed representations and not warranties. The falsity of any such statement shall not bar the right to recovery under the contract unless such false statement was made with actual intent to deceive or unless it materially affected either the acceptance of the risk or the hazard assumed by the insurer.

Statements deemed representations.

SEC. .18.10 *Approval of Forms*: 1. No insurance policy form other than surety bond forms, or application form where written application is required and is to be attached to the policy, or printed life or disability rider or endorsement form shall be issued, delivered, or used unless it has been filed with and approved by the Commissioner. This section shall not apply to policies, riders or endorsements of unique character designed for and used with relation to insurance upon a particular subject.

Approval of forms

by Commissioner.

2. Every such filing shall be made not less than fifteen (15) days in advance of any such issuance, delivery, or use. At the expiration of such fifteen (15) days the form so filed shall be deemed approved unless prior thereto it has been affirmatively approved or disapproved by order of the Commissioner. The Commissioner may extend by not more than an additional fifteen (15) days the period within which he may so affirmatively approve or disapprove any such form, by giving notice of such extension before expiration of the initial fifteen-day period. At the expiration of any such period as so extended,

Filing.

Extension of time.

and in the absence of such prior affirmative approval or disapproval, any such form shall be deemed approved. The Commissioner may withdraw any such approval at any time for cause. By approval of any such form for immediate use, the Commissioner may waive any unexpired portion of such initial fifteen-day waiting period.

Withdrawal of approval.

Grounds stated.

3. The Commissioner's order disapproving any such form or withdrawing a previous approval shall state the grounds therefor.

4. No such form shall knowingly be so issued or delivered as to which the Commissioner's approval does not then exist.

Exemption.

5. The Commissioner may, by order, exempt from the requirements of this section for so long as he deems proper, any insurance document or form or type thereof as specified in such order, to which in his opinion this section may not practicably be applied, or the filing and approval of which are, in his opinion, not desirable or necessary for the protection of the public.

Disapproval.

SEC. .18.11 *Grounds for Disapproval:* 1. The Commissioner shall disapprove any such form of policy, application, rider, or endorsement, or withdraw any previous approval thereof, only

Grounds for disapproval.

(1) if it is in any respect in violation of or does not comply with this code; or

(2) if it does not comply with any controlling filing theretofore made and approved; or

(3) if it contains or incorporates by reference any inconsistent, ambiguous or misleading clauses, or exceptions and conditions which unreasonably or deceptively affect the risk purported to be assumed in the general coverage of the contract; or

(4) if it has any title, heading, or other indication of its provisions which is misleading; or

(5) if purchase of insurance thereunder is being solicited by deceptive advertising.

2. In addition to the grounds for disapproval of any such form as provided in paragraph one of this section, the Commissioner may disapprove any form of disability insurance policy if the benefits provided therein are unreasonable in relation to the premium charged.

Unreasonable benefits.

SEC. .18.12 *Standard Forms*: 1. The Commissioner shall, after hearing, from time to time promulgate such rules and regulations as may be necessary to effect reasonable uniformity in all basic contracts of fire insurance which are commonly known as the standard form fire policies and may be so referred to in this code, and in the usual supplemental coverages, riders, or endorsements thereon or thereto, to the end that there be a reasonable concurrency of contract where two (2) or more insurers insure the same subject and risk. All such forms heretofore approved by the Commissioner and for use as of immediately prior to the effective date of this code, may continue to be so used until the further order of the Commissioner made pursuant to this paragraph or pursuant to any other provision of this code.

Standard forms.

Fire insurance.

2. The Commissioner may from time to time, after hearing, promulgate such rules and regulations as he deems necessary to establish reasonable minimum standard conditions and terminology for basic benefits to be provided by disability insurance contracts which are subject to articles twenty and twenty-one, for the purpose of expediting his approval of such contracts pursuant to this code. No such promulgation shall be inconsistent with standard provisions as required pursuant to section .18.13, nor contain requirements inconsistent with requirements relative to the same benefit provision as formulated or approved by the National Association of Insurance Commissioners.

Disability insurance.

SEC. .18.13 *Standard Provisions*: 1. Insurance contracts shall contain such standard provisions as

Standard provisions.

are required by the applicable articles of this code pertaining to contracts of particular kinds of insurance. The Commissioner may waive the required use of a particular standard provision in a particular insurance contract form if

Grounds for waiver.

(1) he finds such provision unnecessary for the protection of the insured, and inconsistent with the purposes of the contract, and

(2) the contract is otherwise approved by him.

Commissioner may authorize provisions more favorable to insured.

2. No insurance contract shall contain any provision inconsistent with or contradictory to any such standard provision used or required to be used, but the Commissioner may, except as to the standard provisions of individual disability insurance contracts as required under article twenty, approve any provision which is in his opinion more favorable to the insured than the standard provision or optional standard provision otherwise required. No endorsement, rider, or other documents attached to such contract shall vary, extend, or in any respect conflict with any such standard provision, or with any modification thereof so approved by the Commissioner as being more favorable to the insured.

Similar standard provisions.

3. In lieu of the standard provisions required by this code for contracts for particular kinds of insurance, substantially similar standard provisions required by the law of a foreign or alien insurer's domicile may be used when approved by the Commissioner.

Policy contents.

SEC. .18.14 *Content of Policies in General:* 1. The written instrument, in which a contract of insurance is set forth, is the policy.

2. A policy shall specify:

Names.

(1) The names of the parties to the contract. The insurer's name and type of organization shall be clearly shown in the policy.

Subject.

(2) The subject of the insurance.

Risks.

(3) The risks insured against.



- (4) The time at which the insurance thereunder takes effect and the period during which the insurance is to continue. Duration.
- (5) A statement of the premium, other than as to surety bonds, and if other than life, disability, or title insurance, the premium rate. Premium.
- (6) The conditions pertaining to the insurance. Conditions.
3. If under the contract the exact amount of premiums is determinable only at termination of the contract, a statement of the basis and rates upon which the final premium is to be determined and paid shall be furnished any policy examining bureau having jurisdiction or to the insured upon request. Information when premium not determinable.
4. This section shall not apply to surety insurance contracts. Not applicable to surety insurance.
- SEC. .18.15 *Additional Contents:* A policy may contain additional provisions, which are not inconsistent with this code, and which are Additional provisions permitted.
- (1) required to be so inserted by the laws of the insurer's state of domicile; or
- (2) necessary, on account of the manner in which the insurer is constituted or operated, to state the rights and obligations of the parties to the contract.
- SEC. .18.16 *Charter, By-law Provisions:* No policy shall contain any provision purporting to make any portion of the charter, by-laws, or other constituent document of the insurer a part of the contract unless such portion is set forth in full in the policy. Any policy provision in violation of this section shall be invalid. Charter, by-law provisions.
- SEC. .18.17 *"Premium" Defined:* "Premium" as used in this code means all sums charged, received, or deposited as consideration for an insurance contract or the continuance thereof. Any assessment, or any "membership," "policy," "survey," "inspection," "service" or similar fee or charge made by "Premium."

the insurer in consideration for an insurance contract is deemed part of the premium.

Stated premium must include all charges.

SEC. .18.18 *Stated Premium Must Include All Charges:* 1. The premium stated in the policy shall be inclusive of all fees, charges, premiums, or other consideration charged for the insurance or for the procurement thereof.

No other charges permitted.

2. No insurer or its officer, employee, agent, solicitor, or other representative shall charge or receive any fee, compensation, or consideration for insurance which is not included in the premium specified in the policy.

Penalty.

3. Each violation of this section is a gross misdemeanor.

Modification must be part of the contract.

SEC. .18.19 *Must Contain Entire Contract:* No agreement in conflict with, modifying, or extending any contract of insurance shall be valid unless in writing and made a part of the policy.

Unlawful provisions.

SEC. .18.20 *Limiting Actions, Jurisdiction:* 1. No insurance contract delivered or issued for delivery in this state and covering subjects located, resident, or to be performed in this state, shall contain any condition, stipulation, or agreement

Construction.

(1) requiring it to be construed according to the laws of any other state or country except as necessary to meet the requirements of the motor vehicle financial responsibility laws of such other state or country; or

Jurisdiction.

(2) depriving the courts of this state of the jurisdiction of action against the insurer; or

Limitation of action.

(3) limiting right of action against the insurer to a period of less than one (1) year from the time when the cause of action accrues in connection with all insurances other than property and marine and transportation insurances. In contracts of property insurance, or of marine and transportation insur-

ance, such limitation shall not be to a period of less than one (1) year from the date of the loss.

2. Any such condition, stipulation, or agreement in violation of this section shall be void, but such voiding shall not affect the validity of the other provisions of the contract.

Such agreements are void.

SEC. .18.21 *Execution of Policies:* 1. Every insurance contract shall be executed in the name of and on behalf of the insurer by its officer, employee, or representative duly authorized by the insurer.

Execution of policies.

2. A facsimile signature of any such executing officer, employee, or representative may be used in lieu of an original signature.

Facsimile signature.

3. No insurance contract heretofore or hereafter issued and which is otherwise valid shall be rendered invalid by reason of the apparent execution thereof on behalf of the insurer by the imprinted facsimile signature of any individual not authorized so to execute as of the date of the policy, if the policy is countersigned with the original signature of an individual then so authorized to countersign.

When unauthorized facsimile signature immaterial.

SEC. .18.23 *Duration of Binders:* 1. A "binder" is used to bind insurance temporarily pending the issuance of the policy. No binder shall be valid beyond the issuance of the policy as to which it was given, or beyond ninety (90) days from its effective date, whichever period is the shorter.

"Binder."

Duration.

2. If the policy has not been issued a binder may be extended or renewed beyond such ninety (90) days upon the Commissioner's written approval, or in accordance with such rules and regulations relative thereto as the Commissioner may promulgate.

Extension.

SEC. .18.24 *Liability of Agents on Binder:* The Commissioner may suspend or revoke the license of any agent issuing or purporting to issue any binder as to any insurer named therein as to which he is not then authorized so to bind.

Liability of agents on binder.

Under-  
writers'  
policy.

SEC. .18.25 *Underwriters' and Combination Policies:* 1. Two (2) or more authorized insurers may jointly issue, and shall be jointly and severally liable on, an underwriters' policy bearing their names. Any one insurer may issue policies in the name of an underwriter's department and such policies shall plainly show the true name of the insurer.

Combination  
policy.

2. Two (2) or more authorized insurers may, with the Commissioner's approval, issue a combination policy which shall contain provisions substantially as follows:

Required  
provisions.

(1) That the insurers executing the policy shall be severally liable for the full amount of any loss or damage, according to the terms of the policy, or for specified percentages or amounts thereof, aggregating the full amount of insurance under the policy.

(2) That service of process, or of any notice or proof of loss required by such policy, upon any of the insurers executing the policy, shall constitute service upon all such insurers.

Not ap-  
plicable to  
co-sureties.

3. This section shall not apply to co-surety obligations.

Delivery  
of policy.

SEC. .18.26 *Delivery of Policy:* 1. Subject to the insurer's requirements as to payment of premium, every policy shall be delivered to the insured or to the person entitled thereto within a reasonable period of time after its issuance.

Delivery of  
duplicate.

2. In event the original policy is delivered or is so required to be delivered to or for deposit with any vendor, mortgagee, or pledgee of any motor vehicle or aircraft, and in which policy any interest of the vendee, mortgagor, or pledgor in or with reference to such vehicle or aircraft is insured, a duplicate of such policy, or memorandum thereof setting forth the type of coverage, limits of liability, premiums for the respective coverages, and duration of the policy, shall be delivered by the vendor, mortgagee, or pledgee to each such vendee, mortgagor, or pledgor

named in the policy or coming within the group of persons designated in the policy to be so included. If the policy does not provide coverage of legal liability for injury to persons or damage to the property of third parties, a conspicuous statement of such fact shall be printed, written, or stamped on the face of such duplicate policy or memorandum.

SEC. .18.28 *Renewal of Policy*: Any insurance policy terminating by its terms at a specified expiration date and not otherwise renewable, may be renewed or extended at the option of the insurer and upon a currently authorized policy form and at the premium rate then required therefor for a specific additional period or periods by a certificate or by endorsement of the policy, and without requiring the issuance of a new policy.

Renewal  
of policy.

SEC. .18.29 *Cancellation by Insurer*: 1. Cancellation by the insurer of any policy which by its terms is cancellable at the option of the insurer, or of any binder based on such policy, may be effected as to any interest only upon compliance with either or both of the following:

Cancellation  
by insurer.

(1) Written notice of such cancellation must be actually delivered or mailed to the insured or to his representative in charge of the subject of the insurance not less than five (5) days prior to the effective date of the cancellation.

Notice to  
insured.

(2) Like notice must also be so delivered or mailed to each mortgagee, pledgee, or other person shown by the policy to have an interest in any loss which may occur thereunder.

Notice to  
other parties  
in interest.

2. The mailing of any such notice shall be effected by depositing it in a sealed envelope, directed to the addressee at his last address as known to the insurer or as shown by the insurer's records, with proper prepaid postage affixed, in a letter depository of the United States Post Office. The insurer shall retain in its records any such item so mailed, to-

Mailing  
notice.

gether with its envelope, which was returned by the Post Office upon failure to find, or deliver the mailing to, the addressee.

Affidavit  
of mailing.

3. The affidavit of the individual making or supervising such a mailing shall constitute prima facie evidence of such facts of the mailing as are therein affirmed.

Repayment  
of unearned  
premium.

4. The portion of any premium paid to the insurer on account of the policy, unearned because of the cancellation and in amount as computed on the pro rata basis, must be actually paid to the insured or other person entitled thereto as shown by the policy or by any endorsement thereon, or be mailed to the insured or such person as soon as practicable following such cancellation. Any such payment may be made by cash, or by cheque, bank draft, or money order.

Life or  
disability  
insurance.

5. This section shall not apply to contracts of life or disability insurance without provision for cancellation prior to the date to which premiums have been paid.

Cancellation  
by the  
insured.

SEC. 18.30 *Cancellation by the Insured—Surrender:* 1. Cancellation by the insured of any policy which by its terms is cancellable at the insured's option or of any binder based on such policy may be effected by written notice thereof to the insurer and surrender of the policy or binder for cancellation prior to or on the effective date of such cancellation. In event the policy or binder has been lost or destroyed and cannot be so surrendered, the insurer may in lieu of such surrender accept and in good faith rely upon the insured's written statement setting forth the fact of such loss or destruction.

Surrender  
of policy.

Repayment  
of unearned  
premium.

2. As soon as practicable following such cancellation the insurer shall pay to the insured or to the person entitled thereto as shown by the insurer's records, any unearned portion of any premium paid on the policy as computed on the customary short

rate or as otherwise specified in the policy. If no premium has been paid on the policy, the insured shall be liable to the insurer for premium for the period during which the policy was in force.

3. The surrender of a policy to the insurer for any cause by any person named therein as having an interest insured thereunder shall create a presumption that such surrender is concurred in by all persons so named.

Presumption created by surrender.

4. This section shall not apply to life insurance policies or to annuity contracts.

Life insurance annuities.

SEC. .18.31 *Cancellation by the Commissioner:* The Commissioner may order the immediate cancellation of any policy the procuring or effectuation of which was accomplished through or accompanied by a violation of this code, except in cases where the policy by its terms is not cancellable by the insurer and the insured did not knowingly participate in any such violation.

Cancellation by the Commissioner.

SEC. .18.32 *Annulment of Liability Policies:* No insurance contract insuring against loss or damage through legal liability for the bodily injury or death by accident of any individual, or for damage to the property of any person, shall be retroactively annulled by any agreement between the insurer and insured after the occurrence of any such injury, death, or damage for which the insured may be liable, and any such annulment attempted shall be void.

Annulment of liability policies.

SEC. .18.34 *Dividends Payable to the Real Party:*  
1. Every insurer issuing participating policies, shall pay dividends, unused premium refunds or savings distributed on account of any such policy, only to the real party in interest entitled thereto as shown by the insurer's records, or to any person to whom the right thereto has been assigned in writing of record with the insurer, or given in the policy by such real party in interest.

Dividends payable to the real party.

Who deemed  
real party.

2: Any person who is shown by the insurer's records to have paid for his own account, or to have been ultimately charged for, the premium for insurance provided by a policy in which another person is the nominal insured, shall be deemed such real party in interest proportionate to premium so paid or so charged. This paragraph shall not apply as to any such dividend, refund, or distribution which would amount to less than one dollar (\$1).

Group  
policies.

3. This section shall not apply to contracts of group life insurance, group annuities, or group disability insurance.

Intervening  
breach.

SEC. .18.35 *Intervening Breach*: If any breach of a warranty or condition in any insurance contract occurs prior to a loss under the contract, such breach shall not avoid the contract nor avail the insurer to avoid liability, unless the breach exists at the time of the loss,

Assignment  
of policies.

SEC. .18.36 *Assignment of Policies*: Subject to the terms of the policy relating to its assignment, life insurance policies, other than industrial or group life insurance policies, and disability policies providing benefits for accidental death, whether such policies were heretofore or are hereafter issued, and under the terms of which the beneficiary may be changed upon the sole request of the insured, may be assigned either by pledge or transfer of title, by an assignment executed by the insured alone and delivered to the insurer, whether or not the pledgee or assignee is the insurer. Industrial life insurance policies may be made assignable only to a bank or trust company. Any such assignment shall entitle the insurer to deal with the assignee as the owner or pledgee of the policy in accordance with the terms of the assignment, until the insurer has received at its home office written notice of termination of the assignment or pledge, or written notice by or on behalf



of some other person claiming some interest in the policy in conflict with the assignment.

SEC. .18.37 *Payment Discharges Insurer*: Whenever the proceeds of, or payments under a life or disability insurance policy, heretofore or hereafter issued, become payable and the insurer makes payment thereof in accordance with the terms of the policy, or in accordance with any written assignment thereof pursuant to section .18.36, the person then designated in the policy or by such assignment as being entitled thereto, shall be entitled to receive such proceeds or payments and to give full acquittance therefor, and such payment shall fully discharge the insurer from all claims under the policy unless, before payment is made, the insurer has received at its home office, written notice by or on behalf of some other person that such other person claims to be entitled to such payment or some interest in the policy.

Payment discharges insurer.

SEC. .18.38 *Minor May Give Acquittance*: Any minor domiciled in this state who has attained the age of eighteen (18) years, shall be deemed competent to receive and to give full acquittance and discharge for, periodical payments in aggregate amount not exceeding two thousand dollars (\$2,000) in any one year, made by a life insurer as benefits payable upon the death of the insured, and in compliance with the provisions of a life insurance policy or settlement agreement, if such policy or agreement specifically provides for payments direct to such minor. No such minor shall be deemed competent to alienate the right to, or to anticipate, such payments.

Minor may give acquittance.

SEC. .18.39 *Payment of Proceeds—Simultaneous Deaths*: Where the individual insured and the beneficiary designated in a life insurance policy or policy insuring against accidental death have died and there is not sufficient evidence that they have died other-

Payment of proceeds—simultaneous deaths.

wise than simultaneously, the proceeds of the policy shall be distributed as if the insured had survived the beneficiary, unless otherwise expressly provided in the policy.

Exemption  
of proceeds  
—disability.

SEC. .18.40 *Exemption of Proceeds—Disability:* The proceeds or avails of all contracts of disability insurance and of provisions providing benefits on account of the insured's disability which are supplemental to life insurance or annuity contracts heretofore or hereafter effected shall be exempt from all liability for any debt of the insured, and from any debt of the beneficiary existing at the time the proceeds are made available for his use.

Exemption  
of proceeds  
—life.

SEC. .18.41 *Exemption of Proceeds—Life:* 1. The lawful beneficiary, assignee, or payee of a life insurance policy, other than an annuity, heretofore or hereafter effected by any person on his own life, or on the life of another, in favor of a person other than himself, shall be entitled to the proceeds and avails of the policy against the creditors and representatives of the insured and of the person effecting the insurance, and such proceeds and avails shall also be exempt from all liability for any debt of such beneficiary, existing at the time the proceeds or avails are made available for his own use.

2. The provisions of paragraph one of this section shall apply

(1) whether or not the right to change the beneficiary is reserved or permitted in the policy; or

(2) whether or not the policy is made payable to the person whose life is insured or to his estate if the beneficiary, assignee or payee shall predecease such person; except, that this paragraph shall not be construed so as to defeat any policy provision which provides for disposition of proceeds in the event the beneficiary shall predecease the insured.

Exemption  
applies  
whether or  
not bene-  
ficiary can  
be changed  
and whether  
or not policy  
is payable to  
insured if  
beneficiary  
predeceases  
insured.

3. The exemptions provided by paragraph one of this section, subject to the statute of limitations, shall not apply

When exemption does not apply.

(1) to any claim to or interest in such proceeds or avails by or on behalf of the insured, or the person so effecting the insurance, or their administrators or executors, in whatever capacity such claim is made or such interest is asserted; or

To claim by insured.

(2) to any claim to or interest in such proceeds or avails by or on behalf of any person to whom rights thereto have been transferred with intent to defraud creditors; but an insurer shall be liable to all such creditors only as to amounts aggregating not to exceed the amount of such proceeds or avails remaining in the insurer's possession at the time the insurer receives at its home office written notice by or on behalf of such creditors, of claims to recover for such transfer, with specification of the amounts claimed; or

Fraudulent transfer.

(3) to so much of such proceeds or avails as equals the amount of any premiums or portion thereof paid for the insurance with intent to defraud creditors, with interest thereon, and if prior to the payment of such proceeds or avails the insurer has received at its home office written notice by or on behalf of the creditor, of a claim to recover for premiums paid with intent to defraud creditors, with specification of the amount claimed.

Premiums paid with intent to defraud creditors.

4. For the purposes of paragraph one of this section a policy shall also be deemed to be payable to a person other than the insured if and to the extent that a facility-of-payment clause or similar clause in the policy permits the insurer to discharge its obligation after the death of the individual insured by paying the death benefits to a person as permitted by such clause.

When policy payable to a person other than insured.

5. No person shall be compelled to exercise any rights, powers, options or privileges under any such policy.

No compulsion.

Exemption  
of proceeds  
—group life.

SEC. .18.42 *Exemption of Proceeds—Group Life:*

1. A policy of group life insurance or the proceeds thereof payable to the individual insured or to the beneficiary thereunder, shall not be liable, either before or after payment, to be applied to any legal or equitable process to pay any liability of any person having a right under the policy. The proceeds thereof, when not made payable to a named beneficiary or to a third person pursuant to a facility-of-payment clause, shall not constitute a part of the estate of the individual insured for the payment of his debts.

When this  
section not  
applicable.

2. This section shall not apply to group life insurance policies issued under section .24.04 (debtor groups) to the extent that such proceeds are applied to payment of the obligation for the purpose of which the insurance was so issued.

Exemption  
of proceeds—  
annuities.

SEC. .18.43 *Exemption of Proceeds, Commutation*

—*Annuities:* 1. The benefits, rights, privileges and options which under any annuity contract heretofore or hereafter issued are due or prospectively due the annuitant who paid the consideration for the annuity contract, shall not be subject to execution nor shall the annuitant be compelled to exercise any such rights, powers or options, nor shall creditors be allowed to interfere with or terminate the contract, except:

Exceptions.

(1) As to amounts paid for or as premium on any such annuity with intent to defraud creditors, with interest thereon, and of which the creditor has given the insurer written notice at its home office prior to the making of the payments of the annuitant out of which the creditor seeks to recover. Any such notice shall specify the amount claimed or such facts as will enable the insurer to ascertain such amount, and shall set forth such facts as will enable the insurer to ascertain the insurance or annuity contract, the person insured or annuitant and the payments sought to be avoided on the ground of fraud.

Amounts  
paid in  
fraud of  
creditors.

(2) The total exemption of benefits presently due and payable to any annuitant periodically or at stated times under all annuity contracts under which he is an annuitant, shall not at any time exceed two hundred and fifty dollars (\$250) per month for the length of time represented by such installments, and that such periodic payment in excess of two hundred and fifty dollars (\$250) per month shall be subject to garnishee execution to the same extent as are wages and salaries.

Amounts in excess of \$250 per month.

(3) If the total benefits presently due and payable to any annuitant under all annuity contracts under which he is an annuitant, shall at any time exceed payment at the rate of two hundred and fifty dollars (\$250) per month, then the court may order such annuitant to pay to a judgment creditor or apply on the judgment, in installments, such portion of such excess benefits as to the court may appear just and proper, after due regard for the reasonable requirements of the judgment debtor and his family, if dependent upon him, as well as any payments required to be made by the annuitant to other creditors under prior court orders.

Power of courts.

2. The benefits, rights, privileges or options accruing under such contract to a beneficiary or assignee shall not be transferable nor subject to commutation, and if the benefits are payable periodically or at stated times, the same exemptions and exceptions contained herein for the annuitant, shall apply with respect to such beneficiary or assignee.

Rights not transferable or subject to commutation.

3. An annuity contract within the meaning of this section shall be any obligation to pay certain sums at stated times, during life or lives, or for a specified term or terms, issued for a valuable consideration, regardless of whether or not such sums are payable to one (1) or more persons, jointly or otherwise, but does not include payments under life insurance contracts at stated times during life or lives, or for a specified term or terms.

"Annuity contract."

Spouses' rights in life insurance policy.

Insurance on life of spouse.

Insurance on life of child.

Presumption of consent of spouse.

Forms for proof of loss furnished.

Following acts do not prejudice insurer:

**SEC. .18.44 *Spouses' Rights in Life Insurance Policy:*** 1. Every life insurance policy heretofore or hereafter made payable to or for the benefit of the spouse of the insured, and every life insurance policy heretofore or hereafter assigned, transferred, or in any way made payable to a spouse or to a trustee for the benefit of a spouse, regardless of how such assignment or transfer is procured, shall, unless contrary to the terms of the policy, inure to the separate use and benefit of such spouse. Except, that the beneficial interest of a spouse in a policy upon the life of a child of the spouses, however such interest is created, shall be deemed to be a community interest and not a separate interest, unless expressly otherwise provided by the policy.

2. In any life insurance policy heretofore or hereafter issued upon the life of a spouse the designation heretofore or hereafter made by such spouse of a beneficiary in accordance with the terms of the policy, shall create a presumption that such beneficiary was so designated with the consent of the other spouse, but only as to any beneficiary who is the child, parent, brother, or sister of either of the spouses. The insurer may in good faith rely upon the representations made by the insured as to the relationship to him of any such beneficiary.

**SEC. .18.46 *Forms for Proof of Loss Furnished:*** Any insurer shall furnish, upon written request of any person claiming to have a loss under any insurance contract, forms of proof of loss for completion by such person. But such insurer shall not, by reason of the requirement so to furnish forms, have any responsibility for or with reference to the completion of such proof or the manner of any such completion or attempted completion.

**SEC. .18.47 *Claim Administration Not Waiver:*** None of the following acts by or on behalf of an insurer shall be deemed to constitute a waiver of any

provision of a policy or of any defense of the insurer thereunder:

(1) Acknowledgment of the receipt of notice of loss or of claim under the policy. Acknowledging notice.

(2) Furnishing forms for reporting a loss or claim, for giving information relative thereto, or for making proof of loss, or receiving or acknowledging receipt of any such forms or proofs completed or uncompleted. Furnishing forms.

(3) Investigating any loss or claim under any policy or engaging in negotiations looking toward a possible settlement of any such loss or claim. Investigating. Negotiating.

SEC. .18.48 *Discrimination Prohibited*: No insurer shall make or permit any unfair discrimination in favor of particular individuals or persons, or between insureds or subjects of insurance having substantially like insuring, risk, and exposure factors, or expense elements, in the terms or conditions of any insurance contract, or in the rate or amount of premium charged therefor, or in the benefits payable or in any other rights or privileges accruing thereunder. This provision shall not prohibit fair discrimination by a life insurer as between individuals having unequal expectations of life. Discrimination prohibited.

SEC. .18.51 *Validity of Noncomplying Forms*: Any insurance policy, rider, or endorsement hereafter issued and otherwise valid, which contains any condition or provision not in compliance with the requirements of this code, shall not be rendered invalid thereby, but shall be construed and applied in accordance with such conditions and provisions as would have applied had such policy, rider, or endorsement been in full compliance with this code. Validity of noncomplying forms.

SEC. .18.52 *Construction of Policies*: Every insurance contract shall be construed according to the entirety of its terms and conditions as set forth in the policy, and as amplified, extended, or modified Construction of policies.

by any rider, endorsement, or application attached to and made a part of the policy.

ARTICLE NINETEEN

RATES

Insurances not within scope of this article.

SEC. .19.01 *Scope of the Article:* 1. Except as is otherwise expressly provided the provisions of this article apply to all insurances upon subjects located, resident or to be performed in this state except:

- (1) Life insurance;
- (2) disability insurance;
- (3) reinsurance, except as to joint reinsurance as provided in section .19.36;
- (4) insurance against loss of or damage to aircraft, their hulls, accessories, and equipment, or against liability, other than Workmen's Compensation and employers' liability, arising out of the ownership, maintenance or use of aircraft;
- (5) insurance of vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity; and such other risks commonly insured under marine, as distinguished from inland marine, insurance contracts as may be defined by ruling of the Commissioner for the purposes of this provision;
- (6) title insurance.

Exception as to disability insurance.

2. Except, that every insurer shall, as to disability insurances, before using file with the Commissioner its manual of classification, manual of rules and rates, and any modifications thereof.

Rate standard.

SEC. .19.02 *Rate Standard:* Premium rates for insurance shall not be excessive, inadequate, or unfairly discriminatory. This section does not apply to casualty insurance.

Making of rates.

SEC. .19.03 *Making of Rates:* Rates shall be used, subject to the other provisions of this article, only if made in accordance with the following provisions:

Fire marine and transportation.

- (1) In the case of insurances under standard fire policies and that part of marine and transportation



insurances not exempted under section .19.01, manual, minimum, class or classification rates, rating schedules or rating plans, shall be made and adopted; except as to specific rates on inland marine risks individually rated, which risks are not reasonably susceptible to manual or schedule rating, and which risks by general custom of the business are not written according to manual rates or rating plans.

(2) In the case of casualty and surety insurances:

Casualty  
and surety  
insurance.

(a) The systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the requirements of the operating methods of any such insurer or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof for which subdivision or combination separate expense provisions are applicable.

Expense  
provisions.

(b) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any differences among risks that can be demonstrated to have a probable effect upon losses or expenses.

Risks.

(3) Due consideration in making rates for all insurances shall be given to:

Consideration  
to be given.

(a) Past and prospective loss experience within and outside this state; and in the case of rates for fire insurance, to the loss experience of insurers as to insurance against fire during a period of not less than the most recent five-year period for which such experience is available.

Loss  
experience.

(b) Conflagration and catastrophe hazards, where present.

Conflagration  
and  
catastrophe  
hazards.

Underwriting profit and contingencies.

(c) A reasonable margin for underwriting profit and contingencies.

Dividends, savings and unabsorbed premiums.

(d) Dividends, savings and unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers.

Other relevant factors.

(e) All other relevant factors within and outside this state.

Rates filed may relate to insurer's plans.

(4) In addition to other factors required by this section, rates filed by an insurer on its own behalf may also be related to the insurer's plan of operation and plan of risk classification.

Uniformity not required.

(5) Except to the extent necessary to comply with section .19.02 uniformity among insurers in any matter within the scope of this section is neither required nor prohibited.

Filing required. Items to be filed with Commissioner.

SEC. .19.04 *Filing Required:* 1. Every insurer shall, before using, file with the Commissioner every manual of classifications, manual of rules and rates, and every rating plan as to surety insurances, and every rating schedule, minimum rate, class rate, and rating rule as to other insurances, and every modification of any of the foregoing which it proposes. The insurer need not so file any rate on individually rated risks as described in item (1) of section .19.03; except that any such specific rate made by a rating organization shall be filed. This section does not apply to casualty insurance.

Information to be contained in filing.

2. Every such filing shall state its proposed effective date and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the Commissioner does not have sufficient information to determine whether the filing meets the requirements of this article, he may require the insurer to furnish the information upon which it supports the filing. An insurer may offer in support of any filing

Commissioner may require additional information.

Filing may be supported.

(1) the experience or judgment of the insurer or rating organization making the filing,

Experience of insurer.

(2) the experience of other insurers or rating organizations, or

Experience of other insurers.

(3) any other factors which the insurer or rating organization deems relevant. A filing and any supporting information shall be open to public inspection only after the filing becomes effective.

Other relevant factors.

Public inspection.

3. Where a filing is required no insurer shall make or issue an insurance contract or policy except in accordance with its filing then in effect, except as is provided by section .19.09.

Policy to conform to filing.

SEC. .19.05 *Filings by Bureau*: 1. If so authorized by an insurer, the Commissioner shall accept, in lieu of filings by the insurer, filings on its behalf made by a rating organization then licensed as provided in this article.

Filings by bureau.

Licensed rating organization.

2. As to fire insurance under a standard form fire policy, an insurer may so authorize a rating organization to make all its filings only, and may not make a portion of such filings on its own behalf and authorize a rating organization to make other such filings. Except, that an insurer which prior to the first day of January, nineteen hundred and forty-seven, made its own filings in this state as to a particular class of fire risks, and its filings in this state as to other classes of fire risks were made by a rating organization authorized by the insurer so to do, may:

Fire insurer may not authorize partial filing by rating organization.

Exceptions.

(1) Continue to make all its own filings as to such specific class of risks or authorize a rating organization to make its filings as to such specific class of risks or any part thereof, and

Specific classes of risks.

(2) authorize a different rating organization to make all only of its filings as to all other classes of risks insured by it in this state against fire under the standard form fire policy; or

Change of rating organization.

(3) make all its own filings as to all classes of

Risks  
excepted  
by insurer's  
filing.

risks insured by it against fire under the standard form fire policy, or make all its own such filings except as to any which may relate to any such specific class of risks, which filings so excepted the insurer may authorize a rating organization to make; or

Insurer may  
authorize  
filings to be  
made by  
rating  
organization  
as to  
all risks.

(4) authorize a rating organization to make all only of its filings as to all classes or risks insured by it against fire in this state under the standard form fire policy.

Review and  
disapproval  
of filings.

SEC. .19.06 *Review and Disapproval of Filings:*

1. The Commissioner shall review a filing as soon as reasonably possible after made, to determine whether it meets the requirements of this article.

Commis-  
sioner to  
review.

2. Except as provided in section .19.07:

Effective  
date of  
filing.  
May be  
extended  
by Com-  
missioner.

(1) No such filing shall become effective within fifteen (15) days after date of filing with the Commissioner, which period may be extended by the Commissioner for an additional period not to exceed fifteen (15) days if he gives notice within such waiting period to the insurer or rating organization which made the filing that he needs such additional time for the consideration of the filing. The Commissioner may, upon application and for cause shown, waive such waiting period or any part thereof as to a filing which he has not disapproved.

Commis-  
sioner may  
waive  
waiting  
period.

Filing  
meets re-  
quirements  
unless  
disapproved.

(2) A filing shall be deemed to meet the requirements of this article unless disapproved by the Commissioner within the waiting period or any extension thereof.

Casualty  
insurance  
excepted.

3. This section does not apply to casualty insurance.

Special  
filings.  
Effective  
until re-  
viewed by  
Commis-  
sioner.

SEC. .19.07 *Special Filings:* The following special filings, when not covered by a previous filing, shall become effective when filed and shall be deemed to meet the requirements of this article until such time as the Commissioner reviews the

filing and for so long thereafter as the filing remains in effect:

(1) Special filings with respect to surety or guaranty bonds required by law or by court or executive order or by order, rule or regulation of a public body.

Surety or guaranty bonds.

(2) Specific rates on inland marine risks individually rated by a rating organization, which risks are not reasonably susceptible to manual or schedule rating, and which risks by general custom of the business are not written according to manual rates or rating plans.

Inland marine risks.

SEC. .19.08 *May Waive Filing:* Under such rules and regulations as he shall adopt the Commissioner may, by order, suspend or modify the requirement of filing as to any kind of insurance, subdivision or combination thereof, or as to classes of risks, the rates for which cannot practicably be filed before they are used. Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The Commissioner may make such examination as he may deem advisable to ascertain whether any rates affected by such order meet the standard prescribed in section .19.02.

May waive filing.

Commissioner to adopt rules and regulations.

Insurers to be notified.

Commissioner may make examinations.

SEC. .19.09 *Excess Rates:* Upon written application of the insured, stating his reasons therefor, filed with and approved by the Commissioner, a rate in excess of that provided by a filing otherwise applicable may be used on any specific risk.

Excess rates.

Written application.

SEC. .19.10 *Disapproval of Filing:* If within the waiting period or any extension thereof as provided in section .19.06, the Commissioner finds that a filing does not meet the requirements of this article, he shall disapprove such filing, and shall give notice of such disapproval, specifying the respect in which he finds the filing fails to meet such requirements, and stating that the filing shall not become effective, to the insurer or rating organization which made the

Disapproval of filing.

Notice to insurer.

Casualty insurance excepted.

filing. This section does not apply to casualty insurance.

Disapproval of special filing.

SEC. .19.11 *Disapproval of Special Filing:* 1. If within thirty (30) days after a special filing subject to section .19.07 has become effective, the Commissioner finds that the filing does not meet the requirements of this article, he shall disapprove the filing and shall give notice to the insurer or rating organization which made the filing, specifying in what respects he finds that the filing fails to meet such requirements and stating when, within a reasonable period thereafter, the filing shall be deemed no longer effective.

Notice to insurer.

Prior contracts not affected.

2. Such disapproval shall not affect any contract made or issued prior to the expiration of the period set forth in the notice of disapproval.

Subsequent disapproval.

SEC. .19.12 *Subsequent Disapproval:* 1. If at any time subsequent to the applicable review period provided in section .19.06 or section .19.11, the Commissioner finds that a filing does not meet the requirements of this article, he shall, after a hearing, notice of which was given to every insurer and rating organization which made such filing, issue his order specifying in what respect he finds that such filing fails to meet the requirements of this article, and stating when, within a reasonable period thereafter, the filing shall be deemed no longer effective. This paragraph does not apply to casualty insurance.

Hearing upon notice required.

Casualty insurance excepted.

Prior contracts not affected.

2. Such order shall not affect any contract or policy made or issued prior to the expiration of the period set forth in the order.

Any person aggrieved may apply for hearing.

3. Any person aggrieved with respect to any filing then in effect, other than the insured or rating organization which made the filing, may make written application to the Commissioner for a hearing thereon. The application shall specify the grounds to be relied upon by the applicant. If the Commissioner finds that the application is made in good

faith, that the applicant would be so aggrieved if his grounds are established, and that such grounds otherwise justify holding the hearing, he shall, within thirty (30) days after receipt of the application, hold a hearing as required in paragraph one of this section.

SEC. .19.14 *Rating Organization—No Discrimination—“Subscriber” Defined:* 1. Every rating organization operating in this state shall furnish its services without discrimination as between its subscribers. Rating organization—“subscriber” defined. Discrimination between subscribers prohibited.

2. “Subscriber,” for the purposes of this article and where the context does not otherwise specify, means any insurer which employs the services of a rating organization for the purpose of making filings, whether or not the insurer is a “member” of such rating organization. Subscribers.

3. This article is not intended to and does not govern or affect the “membership” relation as such between a rating organization and insurers who are its “members.” Members.

SEC. .19.15 *Subscribership Not Required:* No provision of this code shall require, or be deemed to require, any insurer to be a subscriber of, or in any other respect affiliated with, any rating organization. Subscriber-ship not required.

SEC. .19.16 *Rating Organization License:* No rating organization shall do business in this state or make filings with the Commissioner unless then licensed by the Commissioner as a rating organization. Rating organization license.

SEC. .19.17 *Application for License:* 1. Any person, whether domiciled within or outside this state, except as provided in paragraph two of this section, may make application to the Commissioner for a license as a rating organization for such kinds of insurance or subdivisions thereof, if for casualty or surety insurances, or for such subdivision, class of Application for license.

risks or a part or combination thereof, if for other insurances, as are specified in its application, and shall file therewith:

Exhibits required to accompany application.

(1) A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, or trust agreement, and of its by-laws, rules and regulations governing the conduct of its business;

List of subscribers and members.

(2) A list of its members and a list of its subscribers;

Resident agent.

(3) The name and address of a resident of this state upon whom notices or orders of the Commissioner or process affecting such rating organization may be served, and

Statement of qualification.

(4) A statement of its qualifications as a rating organization.

For standard form fire policy.

2. Any rating organization proposing to act as such as to insurance under standard form fire policies, shall be licensed only if all the following conditions are complied with:

Residence requirement.

(1) The applicant and the operators of such rating organization shall be domiciled in and shall actually reside in this state.

Ownership in trust for subscribers—non profit organization.

(2) The ownership of such rating organization shall be vested in trustees for all its subscribers under such trust agreement as is approved by the Commissioner, and the rating organization shall be and shall be conducted as a non-profit public service institution.

Connections limited to subscriber relationship.

(3) Such rating organization shall not be connected with any insurer or insurers except to the extent that any such insurer may be a subscriber to its services.

Issuance of license.

Findings by Commissioner.

SEC. .19.18 *Issuance of License:* 1. If the Commissioner finds that the applicant for a license as a rating organization is competent, trustworthy and otherwise qualified so to act, and that its constitution, articles of agreement or association or certificate of



incorporation or trust agreement, and its by-laws, rules and regulations governing the conduct of its business conform to the requirements of law, he shall, upon payment of a license fee of twenty-five dollars (\$25), issue a license specifying the kinds of insurance, or subdivisions or class of risk or part or combination thereof for which the applicant is authorized to act as a rating organization.

License fee.

2. The Commissioner shall grant or deny in whole or in part every such application within sixty (60) days of the date of its filing with him.

Granted or denied within sixty days.

3. A license issued pursuant to this section shall remain in effect for three (3) years unless sooner suspended or revoked by the Commissioner.

License effective three years unless revoked.

SEC. 19.19 *Suspension, Revocation of License:*

Commissioner may suspend or revoke.

1. The Commissioner may, after a hearing, suspend or revoke the license issued to a rating organization for any of the following causes:

(1) If he finds that the licensee no longer meets the qualifications for the license.

Failure of qualifications.

(2) For failure to comply with an order of the Commissioner within the time limited by the order, or any extension thereof which the Commissioner may grant.

Non-compliance with Commissioner's orders.

2. The Commissioner shall not so suspend or revoke a license for failure to comply with an order until the time prescribed by this code for an appeal from such order to the superior court has expired or if such appeal has been taken, until such order has been affirmed.

Time for appeals and final determinations of appeals are conditions of revocation.

3. The Commissioner may determine when a suspension or revocation of license shall become effective. A suspension of license shall remain in effect for the period fixed by him, unless he modifies or rescinds the suspension, or until the order, failure to comply with which constituted grounds for the suspension, is modified, rescinded or reversed.

Commissioner's discretion as to duration and effective date of revocation.

Notice of changes. Must notify Commissioner.

SEC. .19.20 *Notice of Changes:* Every rating organization shall notify the Commissioner promptly of every change in

Constitution, articles, by-laws, etc.

(1) its constitution, its articles of agreement or association, or its certificate of incorporation, or trust agreement, and its by-laws, rules and regulations governing the conduct of its business;

List of subscribers and members. Statutory agent.

(2) its list of members and subscribers;  
(3) the name and address of the resident of this state designated by it upon whom notices or orders of the Commissioner or process affecting such rating organization may be served.

Subscriber-ships.

SEC. .19.21 *Subscriberships:* 1. Subject to rules and regulations which have been approved by the Commissioner as reasonable, each rating organization shall permit any insurer to subscribe to its rating services for any kind of insurance or subdivision thereof, for which it is authorized to act as a rating organization, subject to paragraph two of section .19.05.

Insurer may subscribe under approved rules and regulations.

2. Notice of proposed changes in such rules and regulations shall be given to each subscriber.

Notices of proposed changes in rules and regulations. Insurer to be subscriber to one organization for particular class of risk.

3. An insurer shall not concurrently be a subscriber to the services of more than one rating organization as to the same subdivision, class of risk or part or combination of a kind of insurance.

Fire insurance under standard form.

4. As to fire insurance under standard form fire policies, an insurer may not concurrently be a subscriber to the services of more than one rating organization, except as provided in paragraph two of section .19.05.

Review of rules and refusal to admit insurers.

SEC. .19.22 *Review of Rules and Refusal to Admit Insurers:* 1. The reasonableness of any rule or regulation in its application to subscribers, or the refusal of any rating organization to admit an insurer as a subscriber, shall, at the request of any subscriber or any such insurer, be reviewed by the Commissioner at a hearing held upon notice to the rating organization, and to the subscriber or insurer.

Review upon notice and hearing.

2. If the Commissioner finds that such rule or regulation is unreasonable in its application to subscribers, he shall order that such rule or regulation shall not be applicable to subscribers who are not members of the rating organization.

Commissioner may order rule or regulation not applicable to subscribing non-member.

3. If a rating organization fails to grant or reject an insurer's application for subscribership within thirty (30) days after it was made, the insurer may request a review by the Commissioner as if the application had been rejected. If the Commissioner finds that the insurer has been refused admittance to the rating organization as a subscriber without justification, he shall order the rating organization to admit the insurer as a subscriber. If he finds that the action of the rating organization was justified, he shall make an order affirming its action.

Review for failure to admit subscriber.

Commissioner may rule.

SEC. .19.23 *Subscriber Committees*: The subscribers of any rating organization may, from time to time, individually or through committees representing various subscribers, consult with the rating organization with respect to matters within this article which affect such subscribers.

Subscriber committees.

SEC. .19.24 *Rules Cannot Affect Dividends*: No rating organization shall adopt any rule the effect of which would be to prohibit or regulate the payment of dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers.

Rules cannot affect dividends.

SEC. .19.25 *Cooperation Among Rating Organizations*: 1. Cooperation among rating organizations or among rating organizations and insurers in rate making or in other matters within the scope of this article is hereby authorized, if the filings resulting from such cooperation are subject to all the provisions of this article which are applicable to filings generally.

Cooperation among rating organizations.

2. The Commissioner may review such cooperative activities and practices and if, after a hearing,

Review by Commissioner.

Commissioner may require discontinuance.

he finds that any such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this code, he may issue a written order specifying in what respect such activity or practice is so unfair, unreasonable, or inconsistent, and requiring the discontinuance of such activity or practice.

Technical services.

SEC. .19.26 *Technical Services:* Any rating organization may subscribe for or purchase actuarial, technical or other services, and such services shall be available to all subscribers without discrimination.

Records and examination.

SEC. .19.27 *Records and Examination:* Each rating organization shall keep an accurate and complete record of all work performed by it, and of all its receipts and disbursements. Such rating organization and its records shall be examined by the Commissioner at such times and in such manner as is provided in article three of this code.

Records to be examined by Commissioner.

Deviations prohibited.

SEC. .19.28 *Deviations:* 1. Every subscriber to a rating organization shall adhere to the filings made on its behalf by such organization, and shall not deviate therefrom except as provided in this section.

Exceptions.

2. Any such subscriber may make written application to the Commissioner for permission to file a deviation, and shall at the same time send a copy of the application to the rating organization. The application shall specify the deviation desired, and the basis thereof. In the case of deviations as specified in paragraph four of this section, the application shall be accompanied by the data upon which the applicant relies. The Commissioner shall forthwith set a date for a hearing on the application and give notice thereof to the applicant and to the rating organization. If the rating organization informs the Commissioner that it does not desire a hearing he may, upon consent of the applicant, waive the hearing.

Upon permission of Commissioner granted upon application, notice and hearing.

3. As to fire insurance under standard form fire policies, any such deviation shall be only by a uniform percentage of addition to or decrease from all rates resulting from all filings relative to such insurance made by the rating organization on behalf of such applicant and then in effect.

Uniform percentage for fire insurance under standard form policy.

In considering the application for permission to file such deviation the Commissioner shall give consideration to the available statistics and the applicable principles for rate making as provided in section .19.03.

Statistics and principles for rate making considered.

4. As to insurance other than that designated in paragraph three of this section, any such deviation shall be only by a uniform percentage decrease or increase to be applied to the premiums produced by the rating system so filed for a kind of insurance, or for a class of insurance which is found by the Commissioner to be a proper rating unit for the application of such uniform percentage decrease or increase, or for a subdivision of a kind of insurance (1) comprised of a group of manual classifications which is treated as a separate unit for rate making purposes, or (2) for which separate expense provisions are included in the filings of the rating organization.

Uniform percentage for other insurance.

5. If upon such hearing the Commissioner finds the proposed deviation to be justified, and that premiums and rates resulting therefrom would not be inadequate, excessive, or unfairly discriminatory, he shall issue his order permitting the deviation to be filed and such deviation shall thereupon become effective. If he finds otherwise, he shall issue his order denying the application.

Commissioner may grant or deny application upon findings.

6. Each deviation permitted to be filed shall be effective for a period of not less than one (1) year from the date of such permission unless terminated sooner with the approval of the Commissioner. Every such deviation shall terminate upon a material change of the basic rate from which the devia-

Effective period of deviation.

tion is made. The Commissioner shall determine whether a change of the basic rate is so material as to require such termination of deviations.

Casualty insurance excepted.

7. This section does not apply to casualty insurance.

Any subscriber may appeal to Commissioner.

SEC. .19.29 *Appeal by Minority:* 1. Any subscriber to a rating organization may appeal to the Commissioner from the rating organization's action or decision in approving or rejecting any proposed change in or addition to the rating organization's filings. The Commissioner shall, after a hearing on the appeal:

Commissioner may approve decision or direct further consideration.

(1) Issue an order approving the rating organization's action or decision or directing it to give further consideration to such proposal; or

May order addition to filings.

(2) If the appeal is from the rating organization's action or decision in rejecting a proposed addition to its filings, he may, in event he finds that the action or decision was unreasonable, issue an order directing the rating organization to make an addition to its filings, on behalf of its subscribers, in a manner consistent with his findings, within a reasonable time after the issuance of such order.

Appeal upon failure to make filing based on expense provisions.

2. If such appeal is based upon the rating organization's failure to make a filing on behalf of such subscriber which is based on a system of expense provisions which differs, in accordance with the right granted in item (2) of section .19.03, from the system of expense provisions included in a filing made by the rating organization, the Commissioner shall, if he grants the appeal, order the rating organization to make the requested filing for use by the appellant. In deciding the appeal the Commissioner shall apply the standards set forth in section .19.02 and section .19.03.

Service to insureds.

SEC. .19.30 *Service to Insureds:* Every rating organization and every insurer which makes its own rates shall, within a reasonable time after receiving

written request therefor and upon payment of such reasonable charge as it may make, furnish to any insured affected by a rate made by it, or to the authorized representative of such insured, all pertinent information as to such rate.

Information as to rates to be furnished.

SEC. .19.31 *Complaints of Insureds:* Every rating organization and every insurer which makes its own rates shall provide within this state reasonable means whereby any person aggrieved by the application of its rating system may be heard, in person or by his authorized representative, on his written request to review the manner in which such rating system has been applied in connection with the insurance afforded him. If the rating organization or insurer fails to grant or reject such request within thirty (30) days after it is made, the applicant may proceed in the same manner as if his application had been rejected. Any party affected by the action of such rating organization or such insurer on such request may, within thirty (30) days after written notice of such action, appeal to the Commissioner, who, after a hearing held upon notice to the appellant and to the rating organization or insurer, may affirm or reverse such action.

Complaints of insureds.

Rating organization to provide means for hearings.

Appeals to Commissioner.

SEC. .19.32 *Advisory Organizations—Definition:*  
 1. Every group, association or other organization of insurers, whether located within or outside this state, which assists insurers which make their own filings or rating organizations in rate making, by the collection and furnishing of loss or expense statistics, or by the submission of recommendations, but which does not make filings under this article, shall be known as an advisory organization.

Advisory organizations—definition.

2. This section does not apply to subscribers' committees provided for in section .19.23.

SEC. .19.33 *Prerequisites to Operating as Advisory Organization:* Every advisory organization before serving as such to any rating organization or

Prerequisites to operating as advisory organizations.

File with Commissioner.

independently filing insurer doing business in this state, shall file with the Commissioner:

Constitution, articles, by-laws, etc.

(1) A copy of its constitution, its articles of agreement or association or its certificate of incorporation and of its by-laws, rules and regulations governing its activities;

List of members.

(2) A list of its members;

Resident agent.

(3) The name and address of a resident of this state upon whom notices or orders of the Commissioner or process issued at his direction may be served; and

Examination by Commissioner.

(4) An agreement that the Commissioner may examine such advisory organization in accordance with the provisions of section .03.01.

Desist orders.

Hearing, findings and order by Commissioner.

SEC. .19.34 *Desist Orders:* If, after a hearing, the Commissioner finds that the furnishing of information or assistance by an advisory organization, as referred to in section .19.32, involves any act or practice which is unfair or unreasonable or otherwise inconsistent with the provisions of this code, he may issue a written order specifying in what respects such act or practice is unfair or unreasonable or so otherwise inconsistent, and requiring the discontinuance of such act or practice.

Disqualification of data.

Must be from complying organization.

SEC. .19.35 *Disqualification of Data:* No insurer which makes its own filing nor any rating organization shall support its filings by statistics or adopt rate-making recommendations, furnished to it by an advisory organization which has not complied with this article or with any order of the Commissioner involving such statistics or recommendations issued under section .19.34. If the Commissioner finds such insurer or rating organization to be in violation of this section he may issue an order requiring the discontinuance of the violation.

Joint underwriting or joint reinsurance.

SEC. .19.36 *Joint Underwriting or Joint Reinsurance:* 1. Every group, association or other organization of insurers which engages in joint underwrit-



ing or joint reinsurance, shall be subject to regulation with respect thereto as is provided in this section, subject, however, with respect to joint underwriting, to all other provisions of this article, and, with respect to joint reinsurance, to section .19.27 and sections .01.08 and .19.43; and to article three of this code.

Subject to regulation.

2. If, after a hearing, the Commissioner finds that any activity or practice of any such group, association or other organization is unfair or unreasonable or otherwise inconsistent with the provisions of this article, he may issue a written order specifying in what respects such activity or practice is unfair, or unreasonable or so inconsistent, and requiring the discontinuance of the activity or practice.

Hearing, findings and orders by Commissioner.

SEC. .19.37 *Recording and Reporting of Loss and Expense Experience*: 1. The Commissioner shall promulgate reasonable rules and statistical plans, reasonably adapted to each of the rating systems on file with him, which may be modified from time to time and which shall be used thereafter by each insurer in the recording and reporting of its loss and countrywide expense experience, in order that the experience of all insurers may be made available at least annually in such form and detail as may be necessary to aid him in determining whether rating systems comply with the standards set forth in sections .19.02 and .19.03. Such rules and plans may also provide for the recording and reporting of expense experience items which are specially applicable to this state and are not susceptible of determination by a prorating of countrywide expense experience.

Recording and reporting of loss and expense experience.

Rules and regulations by Commissioner.

2. In promulgating such rules and plans, the Commissioner shall give due consideration to the rating systems on file with him and, in order that such rules and plans may be as uniform as is practicable among the several states, to the rules and

Filed ratings to be considered and rules to be uniform if practicable.

to the form of the plans used for such rating systems in other states.

Loss ex-  
perience  
reports based  
on filed  
rating  
system.

3. No insurer shall be required to record or report its loss experience on a classification basis that is inconsistent with the rating system filed by it.

Commis-  
sioner may  
designate  
agency to  
gather  
data.

4. The Commissioner may designate one or more rating organizations or other agencies to assist him in gathering such experience and making compilations thereof, and such compilations shall be made available, subject to reasonable rules promulgated by the Commissioner, to insurers and rating organizations.

Commis-  
sioner may  
make rules  
and regula-  
tions.

5. Reasonable rules and plans may be promulgated by the Commissioner for the interchange of data necessary for the application of rating plans.

Exchange of  
information.

SEC. .19.38 *Exchange of Information:* Every rating organization and insurer may exchange information and experience data with insurers and rating organizations in this and other states and may consult with them with respect to rate making and the application of rating systems.

False or  
misleading  
information.

SEC. .19.39 *False or Misleading Information:* No person shall willfully withhold information from, or knowingly give false or misleading information to, the Commissioner, any statistical agency designated by the Commissioner, any rating organization, or any insurer, which will affect the rates or premiums chargeable under this article.

Assigned  
risks.

Agreements  
and rate  
modifications  
subject to  
approval of  
Commis-  
sioner.

SEC. .19.40 *Assigned Risks:* Agreements may be made among casualty insurers with respect to the equitable apportionment among them of insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods and such insurers may agree among themselves on the use of reasonable rate modifications for such insurance, such agreements and rate modifications to be subject to the approval of the Commissioner.

- SEC. .19.41 Examination of Contracts:** 1. The Commissioner may permit the organization and operation of examining bureaus for the examination of policies, daily reports, binders, renewal certificates, endorsements, and other evidences of insurance or of the cancellation thereof, for the purpose of ascertaining that lawful rates are being charged.
2. A bureau shall examine documents with regard to such kinds of insurance as the Commissioner may, after hearing, reasonably require to be submitted for examination. A bureau may examine documents as to such other kinds of insurance as the issuing insurers may voluntarily submit for examination.
3. No bureau shall operate unless licensed by the Commissioner as to the kinds of insurance as to which it is permitted so to examine. To qualify for a license a bureau shall:
- (1) Be owned in trust for the benefit of all the insurers regularly using its services, under a trust agreement approved by the Commissioner.
  - (2) Make its services available without discrimination to all authorized insurers applying therefor, subject to such reasonable rules and regulations as to the obligations of insurers using its services, as to the conduct of its affairs, and as to the correction of errors and omissions in documents examined by it as are approved by the Commissioner.
  - (3) Have no manager or other employee who is connected with any rating organization, or who is an employee of an insurer other than to the extent that he is an employee of the bureau owned by insurers through such trust agreement.
  - (4) Pay to the Commissioner a fee of ten dollars (\$10) for issuance of its license.
4. Such license shall be of indefinite duration and shall remain in force until revoked by the Commissioner or terminated at the request of the bureau.

Examination of contracts.

Examining bureaus may be permitted.

After hearing Commissioner may require examination.

Bureau must be licensed as to kinds of insurance.

Must be owned in trust under approved agreement.

Must make services available without discrimination.

Limitation on employees.

License fee.

License for indefinite term.

After hearing  
Commissioner may  
revoke  
license.

Unqualified.  
Non com-  
pliance.

Violations.

Appeals to  
Commissioner.

Supervision  
by Com-  
missioner.

Records to  
be kept.

Preference  
rights of  
bureaus.

Rate  
agreements.

Insurers  
may agree.

Agreement  
to be in  
writing.

The Commissioner may revoke the license, after hearing,

- (1) if the bureau is no longer qualified therefor;
- (2) if the bureau fails to comply with a proper order of the Commissioner;
- (3) if the bureau violates or knowingly participates in the violation of any provision of this code.

5. Any person aggrieved by any rule, regulation, act or omission of a bureau may appeal to the Commissioner therefrom. The Commissioner shall hold a hearing upon such appeal, and shall make such order upon the hearing as he deems to be proper.

6. Every such bureau operating in this state shall be subject to the supervision of the Commissioner, and the Commissioner shall examine it as provided in article three of this code.

7. Every examining bureau shall keep adequate records of the outstanding errors and omissions found in coverages examined by it and of its receipts and disbursements, and shall hold as confidential all information contained in documents submitted to it for examination.

8. The Commissioner shall not license an additional bureau for the examination of documents relative to a kind of insurance if such documents are being examined by a then existing licensed bureau. Any examining bureau operating in this state immediately prior to the effective date of this code under any law of this state repealed as of such date, shall have prior right to apply for and secure a license under this section.

SEC. 19.42 *Rate Agreements:* Two (2) or more insurers mutually may agree to adhere to rates, rating plans, rating systems or underwriting practices or uniform modifications thereof, all subject to the following conditions:

- (1) All of the terms of the agreements shall be in writing executed on behalf of each such insurer.

(2) An executed copy of every such written agreement and of every modification thereof shall be filed with the Commissioner.

To be filed with Commissioner.

(3) Within a reasonable length of time after every such filing, the Commissioner shall either approve or disapprove such agreement or modification. No such agreement or modification shall be effective unless and until approved by the Commissioner.

Must be approved by Commissioner.

(4) The Commissioner shall not approve any such agreement or modification which:

Commissioner not to approve.

(a) Constitutes or would tend to result in an unreasonable restraint upon free competition;

Restraint on competition.

(b) contains terms otherwise tending to injure the public interest.

Against public interest.

(5) No cause of action shall lie in favor of any insurer which is party to any such agreement against any other insurer party thereto on account of any breach thereof.

No cause of action for breach.

(6) All rate filings covered by such agreement shall be subject to the provisions of this article or of other applicable law.

Subject to other applicable law.

(7) The Commissioner may after a hearing thereon and for cause withdraw any approval previously given any such agreement or modification.

Commissioner after hearing may withdraw approval.

Sec. .19.43 *Penalties*: Any person violating any provision of this article shall be subject to a penalty of not more than fifty dollars (\$50) for each such violation, but if such violation is found to be willful a penalty of not more than five hundred dollars (\$500) for each such violation may be imposed. Such penalties may be in addition to any other penalty provided by law.

Penalties.

ARTICLE TWENTY

DISABILITY INSURANCE

Sec. .20.01 *Scope of Article*: This article applies to all disability insurance contracts other than contracts of group or blanket disability insurance.

Scope of article.

This article shall not be deemed to apply to any contract of Workmen's Compensation insurance, or to disability benefits supplemental to life insurance and life annuities and included within the definition of life insurance under this code.

Format of disability policies.

SEC. .20.02 *Format of Disability Policies:* No disability policy shall be issued or delivered to any person in this state unless it otherwise complies with this code, and complies with the following:

Effective and termination dates.

(1) The times at which the insurance takes effect and terminates shall be stated in a portion of the policy above the evidence of its execution by the insurer.

Insurance on one person.

(2) The policy shall not purport to insure more than one (1) person, unless it provides "family expense disability insurance" as defined in this article.

Size of print.

(3) Every printed portion thereof and of any endorsements or attached papers shall be plainly printed in type of which the face is not smaller than ten point.

Description of policy—print size.

(4) Except in the case of transportation ticket policies, a brief description of the policy shall be printed on its first page and on the filing back in type with the face not smaller than fourteen point.

Exceptions.

(5) The exceptions of the policy shall be printed with the same prominence as the benefits to which they apply.

Print size for provision reducing indemnity.

(6) If any portion of the policy purports, by reason of the circumstances under which a loss is incurred, to reduce any indemnity to an amount less than that provided for the same loss occurring under ordinary circumstances, such portion shall be printed in bold-faced type with greater prominence than any other portion of the text of the policy.

Form number.

(7) Each such policy form, and rider or endorsement to be made a part thereof, shall be identified by a form number in the lower left-hand corner of

the first page of each folio and of each separately printed page thereof.

SEC. .20.03 *Standard Provisions Required:* Except as otherwise provided by this article, every disability policy shall contain certain standard provisions, which shall be in the words, and in the order of the number, of each provision as set forth in this article and shall be preceded in every policy by the caption, "Standard Provisions."

Standard provisions required.

SEC. .20.04 *Designation of Insurer:* In each such standard provision wherever the word "insurer" is used, there shall be substituted therefor "company," "corporation," "association," "society," "exchange," or such other word as will properly designate the insurer.

Designation of insurer.

SEC. .20.05 *Standard Provision Number 1—The Contract:* There shall be a standard provision relative to the contract which shall be in one of the following three forms. Form (A) shall be used in policies which do not provide for reduction of indemnity on account of change of occupation, and form (B) shall be used in policies which do so provide. Form (C) shall be used in all policies providing for reduction of indemnity on account of change of occupation only as respects part of the accident coverage or part of the health coverage thereunder. If form (B) or form (C) is used and the policy provides indemnity against loss from sickness, the words "or contracts sickness" may be inserted therein immediately after the words "in the event that the insured is injured." If form (C) is used and the policy provides indemnity against loss from sickness the words "or sickness" may be inserted therein immediately after the words "where the injuries."

Standard provision number 1—the contract.

Three forms provided: A, B, and C.

(A) 1. This policy includes the endorsements and attached papers, if any, and contains the entire contract of insurance. No reduction shall be made in any indemnity herein provided by reason of change

Form A.

in the occupation of the insured or by reason of his doing any act or thing pertaining to any other occupation.

Form B.

(B) 1. This policy includes the endorsements and attached papers, if any, and contains the entire contract of insurance except as it may be modified by the insurer's classification of risks and premium rates in the event that the insured is injured after having changed his occupation to one classified by the insurer as more hazardous than that stated in the policy, or while he is doing any act or thing pertaining to any occupation so classified, except ordinary duties about his residence or while engaged in recreation, in which event the insurer will pay only such portion of the indemnities provided in the policy as the premium paid would have purchased at the rate but within the limits so fixed by the insurer for such more hazardous occupation.

If the law of the state in which the insured resides at the time this policy is issued requires that prior to its issue a statement of the premium rates and classification of risks pertaining to it shall be filed with the state official having supervision of insurance in such state, then the premium rates and classification of risks mentioned in this policy shall mean only such as have been last filed by the insurer in accordance with such law, but if such filing is not required by such law, then they shall mean the insurer's premium rates and classification of risks last made effective by it in such state prior to the occurrence of the loss for which the insurer is liable.

Form C.

(C) 1. This policy includes the endorsements and attached papers, if any, and contains the entire contract of insurance except as it may be modified by the insurer's classification of risks and premium rates in the event that the insured is injured after having changed his occupation to one classified by the insurer as more hazardous than that stated in the policy, or while he is doing any act or thing per-



taining to any occupation so classified, except ordinary duties about his residence or while engaged in recreation, in which event the insurer will pay only such portion of the indemnities provided in the policy as the premium paid would have purchased at the rate but within the limits so fixed by the insurer for such more hazardous occupation. No such mentioned modification or reduction shall be effective with respect to indemnities which by the terms of the policy, including any riders attached thereto, are not subject to modification or reduction where the injuries do not arise out of or in the course of the insured's occupation or employment.

If the law of the state in which the insured resides at the time this policy is issued requires that prior to its issue a statement of the premium rates and classification of risks pertaining to it shall be filed with the state official having supervision of insurance in such state then the premium rates and classification of risks mentioned in this policy shall mean only such as have been last filed by the insurer in accordance with such law, but if such filing is not required by such law they shall mean the insurer's premium rates and classification of risks last made effective by it in such state prior to the occurrence of the loss for which the insurer is liable.

SEC. .20.06 *Standard Provision Number 2—Contract Changes*: Except in the case of transportation ticket policies, there shall be a standard provision relative to change in the contract, which shall be in the following form:

Standard  
provision  
number 2—  
contract  
changes.

2. No statement made by the applicant for insurance not included herein shall avoid the policy or be used in any legal proceeding hereunder. No agent has authority to change this policy or to waive any of its provisions. No change in this policy shall be valid unless approved by an executive officer of the insurer and such approval be endorsed hereon.

Form.

Standard provision number 3—reinstatement.

Three forms provided: A, B, and C.

SEC. .20.07 *Standard Provision Number 3—Reinstatement:* Except in the case of policies which do not provide for renewal, there shall be a standard provision relative to reinstatement of the policy after lapse, which shall be in any of the three following forms: Form (A) shall be used in policies which insure only against loss from accident; form (B) shall be used in policies which insure only against loss from sickness; and form (C) shall be used in policies which insure against loss from both accident and sickness.

Form A.

(A) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of a premium by the insurer or by any of its duly authorized agents shall reinstate the policy, but only to cover loss resulting from accidental injury thereafter sustained.

Form B.

(B) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of a premium by the insurer or by any of its duly authorized agents shall reinstate the policy but only to cover such sickness as may begin more than ten (10) days after the date of such acceptance.

Form C.

(C) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of a premium by the insurer or by any of its duly authorized agents shall reinstate the policy but only to cover accidental injury thereafter sustained and such sickness as may begin more than ten (10) days after the date of such acceptance.

Standard provision number 4—notice of claim.

Three forms provided: A, B, and C.

SEC. .20.08 *Standard Provision Number 4—Notice of Claim:* There shall be a standard provision relative to time of notice of claim, which shall be in any of the three following forms: Form (A) shall be used in policies which insure only against loss from accident; form (B) shall be used in policies which insure only against loss from sickness, and form (C) shall be used in policies which insure

against loss from both accident and sickness and in all schedule type policies. If form (A) or form (C) is used the insurer may at its option add thereto the following: "In event of accidental death immediate notice thereof must be given to the insurer." The words in parentheses [parenthesis] may be used only in schedule type policies.

Words optional for A and C forms.

(A) 4. Written notice of injury on which claim may be based must be given to the insurer within twenty (20) days after the date of the accident causing such injury.

Form A.

(B) 4. Written notice of sickness on which claim may be based must be given to the insurer within ten (10) days after the commencement of the disability from such sickness.

Form B.

(C) 4. Written notice of injury or of sickness (if covered by this policy) on which claim may be based must be given to the insurer within twenty (20) days after the date of the accident causing such injury or within ten (10) days after the commencement of disability from such sickness.

Form C.

SEC. .20.09 *Standard Provision Number 5—Sufficiency of Notice:* There shall be a standard provision relative to sufficiency of notice of claim, which shall be in the following form and in which the insurer shall insert in the blank space such office and its location as it may desire to designate for such purpose of notice.

Standard provision number 5—sufficiency of notice.

5. Such notice given by or in behalf of the insured or beneficiary, as the case may be, to the insurer at ..... or to any authorized agent of the insurer, with particulars sufficient to identify the insured, shall be deemed to be notice to the insurer. Failure to give notice within the time provided in this policy shall not invalidate any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.

Form.

Standard provision number 6—forms for proof.

SEC. .20.10 *Standard Provision Number 6—Forms for Proof:* There shall be a standard provision relative to furnishing forms for the convenience of the insured in submitting proof of loss, as follows:

Form.

6. The insurer upon receipt of such notice, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not so furnished within fifteen (15) days after the receipt of such notice, the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, character and extent of the loss for which claim is made.

Standard provision number 7—time for filing proof.

SEC. .20.11 *Standard Provision Number 7—Time for Filing Proof:* There shall be a standard provision relative to filing proof of loss which shall be in the one of the following forms appropriate to the indemnities provided. The words in parentheses [parenthesis] may be used only in schedule type policies.

Forms appropriate: A, B, and G.

Form A.

(A) 7. Affirmative proof of loss must be furnished to the insurer at its said office within ninety (90) days after the date of the loss for which claim is made.

Form B.

(B) 7. Affirmative proof of loss must be furnished to the insurer at its said office within ninety (90) days after the termination of the period of disability for which the insurer is liable.

Form C.

(C) 7. Affirmative proof of loss must be furnished to the insurer at its said office in case of claim for loss of time from disability (if covered by this policy) within ninety (90) days after the termination of the period for which the insurer is liable, and in case of claim for any other loss, within ninety (90) days after the date of such loss.

Standard provisions number 8—examination and autopsy.

SEC. .20.12 *Standard Provisions Number 8—Examination and Autopsy:* Except in the case of transportation ticket policies, there shall be a standard

provision, relative to examination of the person of the insured and relative to autopsy, which shall be in the following form:

8. The insurer shall have the right and opportunity to examine the person of the insured when and so often as it may reasonably require during the pendency of claim hereunder, and also the right and opportunity to make an autopsy in case of death where it is not forbidden by law. Form.

SEC. .20.13 *Standard Provision Number 9—Indemnities Payable When:* There shall be a standard provision relative to the time within which payments other than those for loss of time on account of disability shall be made. Such provision shall be in either of the following two forms and may be omitted from any policy providing only indemnity for loss of time on account of disability. The insurer shall insert in the blank space either the word "immediately" or appropriate language to designate such period of time, not more than sixty (60) days, as it desires. Form (A) shall be used in policies which do not provide indemnity for loss of time on account of disability and form (B) in policies which do so provide and in all schedule type policies. Standard provision number 9—Indemnities payable when.  
Two forms provided: forms A and B.

(A) 9. All indemnities provided in this policy will be paid ..... after receipt of due proof. Form A.

(B) 9. All indemnities provided in this policy for loss other than that of time on account of disability will be paid ..... after receipt of due proof. Form B.

SEC. .20.14 *Standard Provision Number 10—Periodical Payment of Indemnities:* There shall be a standard provision relative to periodical payments of indemnity for loss of time on account of disability. Such provision shall be in the following form and may be omitted from any policy not providing for such indemnity. The insurer shall insert in the Standard provision number 10—periodical payment of indemnities.

blank space of the form any period of time not exceeding sixty (60) days. The words in parentheses [parenthesis] may be used only in schedule type policies.

Form. 10. Upon request of the insured and subject to due proof of loss all accrued indemnity for loss of time on account of disability (if covered by this policy) will be paid at the expiration of each ..... during the continuance of the period for which the insurer is liable, and any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of due proof.

Standard provision number 11—indemnities, to whom payable.

SEC. .20.15 *Standard Provision Number 11—Indemnities, to Whom Payable:* There shall be a standard provision relative to indemnity payments which shall be in either of the two following forms. Form (A) shall be used in policies which designate a beneficiary and in all schedule type policies, and form (B) in policies which do not designate any beneficiary other than the insured:

Two forms provided: A and B.

Form A. (A) 11. Indemnity for loss of life of the insured is payable to the beneficiary if surviving the insured, and otherwise to the estate of the insured. All other indemnities of this policy are payable to the insured.

Form B. (B) 11. All the indemnities of this policy are payable to the insured.

Standard provision number 12—cancellation by the insured.

SEC. .20.16 *Standard Provision Number 12—Cancellation by the Insured:* Except in the case of transportation ticket policies, there shall be a standard provision providing for cancellation of the policy at the instance of the insured, which shall be in the following form:

Form. 12. If the insured shall at any time change his occupation to one classified by the insurer as less hazardous than that stated in the policy, the insurer, upon written request of the insured, and surrender of the policy, will cancel the same and will return to the insured the unearned premium.

SEC. .20.17 *Standard Provision Number 13—Rights of Beneficiary:* There shall be a standard provision relative to the rights of the beneficiary under the policy. Such provision shall be in the following form and may be omitted from any policy not designating a beneficiary. The words in parentheses [parenthesis] may be used only in schedule type policies.

Standard provision number 13—rights of beneficiary.

13. Consent of the beneficiary (if designated in this policy) shall not be requisite to surrender or assignment of this policy, or to change of beneficiary, or to any other changes in the policy.

Form.

SEC. .20.18 *Standard Provision Number 14—Time for Suits:* There shall be a standard provision limiting the time within which suit may be brought upon the policy, as follows:

Standard provision number 14—time for suits.

14. No action at law or in equity shall be brought to recover on this policy prior to the expiration of sixty (60) days after proof of loss has been filed in accordance with the requirements of this policy, nor shall such action be brought at all unless brought within two (2) years from the expiration of the time within which proof of loss is required by the policy.

Form.

SEC. .20.19 *Standard Provision Number 15—Time Limitations:* There shall be a standard provision relative to time limitations of the policy, as follows:

Standard provision number 15—time limitations.

15. If any time limitation of this policy with respect to giving notice of claim or furnishing proof of loss is less than that permitted by the law of the state in which the insured resides at the time this policy is issued, such limitation is hereby extended to agree with the minimum period permitted by such law.

Form.

SEC. .20.20 *Optional Standard Provisions:* 1. A disability policy issued or delivered to any person in this state and containing any provision set forth below shall embody such provisions in the words

Optional standard provisions.

and figures and in the order set forth for optional standard provisions by this article:

Cancellation. (1) Relative to cancellation at the instance of the insurer.

Limitation on indemnity. (2) Limiting the amount of indemnity to a sum less than the amount stated in the policy and for which the premium has been paid.

Premium deduction. (3) Providing for the deduction of any premium from the amount paid in settlement of claim.

Other insurance. (4) Relative to other insurance by the same insurer.

Age limits. (5) Relative to the age limits of the policy. Such provisions are hereby designated "optional standard provisions."

Optional with insurer. 2. The insurer may at its option omit from the policy any such optional standard provision.

Must follow standard provisions. 3. Such optional standard provisions, if inserted in the policy, shall immediately succeed the standard provisions named in this article.

Optional standard provision number 16—cancellation by insurer. SEC. .20.21 *Optional Standard Provision Number 16—Cancellation by Insurer:* There may be an optional standard provision relative to cancellation of the policy at the instance of the insurer, as follows:

Form. 16. The insurer may cancel this policy at any time by written notice delivered to the insured or mailed to his last address, as shown by the records of the insurer, together with cash or the insurer's check for the unearned portion of the premiums actually paid by the insured, and such cancellation shall be without prejudice to any claim originating prior thereto.

Optional standard provision number 17—reduction of indemnities—other insurance. SEC. .20.22 *Optional Standard Provision Number 17—Reduction of Indemnities—Other Insurance:* There may be an optional standard provision relative to reduction of the amount of indemnity to a sum less than that stated in the policy, as follows:

Form. 17. If the insured shall carry with another company, corporation, association or society other in-



insurance covering the same loss without giving written notice to the insurer, then in that case the insurer shall be liable only for such portion of the indemnity promised as the said indemnity bears to the total amount of like indemnity in all policies covering such loss, and for the return of such part of the premium paid as shall exceed the pro rata for the indemnity thus determined.

SEC. .20.23 *Optional Standard Provision Number 18—Deduction of Premiums:* There may be an optional standard provision relative to deduction of premium upon settlement of claim, as follows:

Optional standard provision number 18—deduction of premiums.

18. Upon the payment of claim hereunder any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

Form.

SEC. .20.24 *Optional Standard Provision Number 19—Excess Insurance:* There may be an optional standard provision relative to other insurance by the same insurer. It shall be in the one of the following forms appropriate to the indemnities provided. In the blank spaces the insurer shall insert such upward limits of indemnity as are specified in the insurer's classification of risks on file with the Commissioner. In lieu of the phrase "like policy or policies" the insurer may, with the Commissioner's approval, designate a specific kind or kinds of policies.

Optional standard provision number 19—excess insurance.

Four forms provided: forms A, B, C and D.

(A) 19. If a like policy or policies, previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity in excess of \$....., the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured.

Form A.

(B) 19. If a like policy or policies, previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for loss of time on account of disability in excess of \$..... weekly, the excess insurance shall be void

Form B

and all premiums paid for such excess shall be returned to the insured.

Form C.

(C) 19. If a like policy or policies, previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for loss other than that of time on account of disability in excess of \$....., or the aggregate indemnity for loss of time on account of disability in excess of \$..... weekly, the excess insurance of either kind shall be void and all premiums paid for such excess shall be returned to the insured.

Form D.

(D) 19. Insurance effective at any one time on any person under ticket policies in this insurer is limited to ..... such policies, and the insurer will return to the insured all premiums paid for ticket policies in excess thereof.

Optional standard provision number 20—age limits.

SEC. .20.25 *Optional Standard Provision Number 20—Age Limits:* There may be an optional standard provision relative to the age limits of the policy. It shall be in the following form and in the blank spaces the insurer shall insert such number of years as it elects:

Form.

20. The insurance under this policy shall not cover any person under the age of ..... years nor over the age of ..... years. Any premium paid to the insurer for any period not covered by this policy will be returned upon request.

Insured's violation of law. Required provision.

SEC. .20.26 *Insured's Violation of Law:* Any provision in a disability policy which affects the liability of the insurer because of any violation of law by the insured shall provide in substance that the insurer shall not be liable for death, injury incurred or disease contracted, to which a contributing cause is the insured's commission of, or attempt to commit an assault or felony or which occurs while the insured is engaged in an illegal occupation.

SEC. .20.27 *Use of Liquor—Narcotics:* Any provision in a disability policy which affects the liability of the insurer because of the insured's use of intoxicating liquor or narcotics during the term of the policy shall provide in substance that the insurer shall not be liable for death, injury incurred or disease contracted while the insured is under the influence of narcotics unless administered on the advice of a physician, or while the insured is intoxicated.

Use of  
liquor—  
narcotics.  
Required  
provision.

SEC. .20.28 *Misstatement of Age:* Any provision in a disability policy which affects the liability of the insurer because of a misstatement of age of the insured may provide that the policy shall in no event cover any person under or over the ages as specified therein, and shall provide in substance that if the age of the insured has been misstated, any amount payable under the policy shall be such as the premium would have purchased at the correct age, except that if the policy would not have been issued at the correct age under the insurer's rules on file with the Commissioner, then the policy shall be void; further, that any premium paid to the insurer for any period not covered by the policy will be returned upon request.

Misstatement  
of age.  
Optional  
provision.

Required  
provision.

SEC. .20.29 *Facility of Payment:* The insurer may include in the policy in position immediately following Standard Provision Number 11, or immediately following the Standard Provisions and Optional Standard Provisions, a clause which shall be captioned "Facility of Payment," and which may provide in substance, with such modifications as may be required by the coverage provided by the policy, that if there is no designated beneficiary as to all or any part of the insurance at the death of the insured, whether such insurance represents a death benefit or accrued but unpaid disability benefits, then the amount of insurance payable for which

Facility of  
payment.  
Optional  
provision.

Beneficiary  
not  
designated.

there is no designated beneficiary, shall be payable to the insured's estate, except that the insurer may in such case, at its option, pay such insurance, if the amount thereof does not exceed five hundred dollars (\$500), to any one or more of the following surviving relatives of the insured: wife, husband, mother, father, child or children, brothers or sisters. Payments so made shall discharge the insurer's obligation with respect to the amount of insurance so paid.

Noncancel-  
lable policies  
—required  
provisions.

SEC. .20.30 *Noncancellable Policies — Required Provisions:* Every noncancellable disability policy, in addition to the standard provisions, shall contain in substance the following provision or provisions which in the Commissioner's opinion are more favorable to the policyholder:

Incontest-  
able.

(1) A provision that the contract shall be incontestable as to any statement made in the application after it has been in force during the lifetime, and without disability of the insured for a period of three (3) years from date of issue. This provision shall not apply to any policy which does not provide benefits for sickness for more than two (2) years.

Grace period.

(2) A provision that the insured is entitled to a grace period of not less than ten (10) days within which the payment of any premium after the first may be made, subject at the option of the insurer to an interest charge not in excess of six per cent (6%) 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 full force, but in case the policy becomes a claim by death, injury or disablement of the insured occurring during such period of grace before the overdue premiums or the deferred premiums of the current policy year, if any, are paid, the amount of such premiums, together with interest on any overdue premium, may be deducted from any amount payable under the policy in settlement.

Premium  
deduction.

SEC. 20.31 *Reduction of Indemnities—Noncancelable Policies:* A policy of disability insurance, which provides in substance that the insured may continue the policy in force for a period of not less than five (5) years after its effective date, during which period the insurer can not terminate it, may, in lieu of Optional Standard Provision 17 set forth in section 20.22, provide in substance that if the total monthly amount of benefits promised in all policies or certificates of accident, health or disability insurance upon the insured, whether payable weekly or monthly, exceeds the average monthly earnings of the insured for the period of two (2) years immediately preceding a disability for which claim is made, then the insurer will be liable only for such proportionate amount of the promised benefits specified in the policy as the amount of such average monthly earnings of the insured bears to the total amount of monthly benefits promised under all such policies or certificates upon the insured at the time of such disability, and that such part of the premiums paid during such two (2) years as exceeds the pro rata amount of the premiums for the benefits actually paid thereunder will in such case, be returned; but that:

Reduction of indemnities—noncancelable policies.

Ratio of average earnings to specified benefits.

(1) Such proration shall not reduce the total monthly amount of the benefits payable, under all such policies or certificates upon the insured, below the sum of one hundred dollars (\$100), or the sum of the monthly benefits specified in such policies or certificates, whichever is the lesser.

Reduction limit.

(2) Such proration shall not apply to benefits payable in the event of the entire and irrecoverable loss of sight of both eyes, or the severance of both hands or both feet, or one hand and one foot.

Exceptions.

(3) If payments have been made under the policy for previous disability which existed within three (3) calendar years prior to commencement of the disability for which claim is made, and the aver-

Prior disability payments.

age monthly earnings of the insured for the period of two (2) years immediately preceding the previous disability were greater in amount than the average monthly earnings for the period of two (2) years immediately preceding the current disability, then the proportion of the average monthly earnings for the earlier period in lieu of such earnings for the later period will be taken as the basis for computing the proportion of the benefits to be paid the insured under this provision of the policy.

Schedule  
type  
policies  
defined.

SEC. .20.32 *Schedule Type Policies Defined:* As used in this article, "schedule type policies" means policies which by their terms afford insurance only with respect to such and so many of the various types of coverage described in the forms thereof as for which separate premium charges are made and specified in a schedule on the first page thereof.

Transporta-  
tion ticket  
policy  
defined.

SEC. .20.33 *Transportation Ticket Policy Defined:* A transportation ticket policy is any ticket policy of disability insurance sold at transportation stations, ticket offices or travel bureaus by the employees of railroads, steamship lines, air lines and other organizations engaged in transporting persons as common carriers, or by individuals or employees of persons engaged in selling transportation on such common carriers, having as its dominant feature the protection of the insured from a transportation hazard.

Family  
expense  
disability  
insurance.

Dependents  
under 18  
years.

SEC. .20.34 *Family Expense Disability Insurance:*

1. Family expense disability insurance is that covering members of any one family including one or both spouses and dependents under eighteen (18) years of age, provided under a master policy issued to the head of the family.

Any insurer  
may issue.

2. Any authorized disability insurer may issue family expense disability insurance.

3. A disability policy providing such family expense coverage, in addition to other provisions re-

quired to be contained in disability policies under this article, shall contain the following provisions: Mandatory provisions.

(1) A provision that the policy and the application of the head of the family shall constitute the entire contract between the parties. Entire contract.

(2) A provision that to the family group originally insured shall, on notice to the insurer, be added from time to time all new members of the family as they become eligible for insurance in such family group, and on the payment of such additional premium as may be required therefor. Addition of new members.

SEC. .20.35 *Franchise Plan:* 1. Disability insurance on a franchise plan is that issued to Franchise plan.

(1) five (5) or more employees of a common employer, or to Common employer.

(2) ten (10) or more members of any bona fide trade or professional association or labor union, which association or union was formed and exists for purposes other than that of obtaining insurance, and under which such employees or members, with or without their dependents, are issued individual policies which may vary as to amounts and kinds of coverage as applied for, under an arrangement whereby the premiums on the policies are to be paid to the insurer periodically by the employer, with or without payroll deductions, or by the association, or by some designated employee or officer of the association acting on behalf of the employer or association members. Trade, association or union.

2. An insurer may charge different rates, provide different benefits, or employ different underwriting procedure for individuals insured under a franchise plan, if such rates, benefits, or procedures as used do not discriminate as between franchise plans, and do not discriminate unfairly as between individuals insured under franchise plans and individuals otherwise insured under similar policies. Rates and provisions may vary if not discriminatory.

Extended disability benefit.  
Limitation.

SEC. .20.36 *Extended Disability Benefit:* A disability insurance contract which provides a reasonable amount of disability indemnity for both accidental injuries and sickness, other than a contract of group or blanket insurance, may provide a benefit in amount not exceeding two hundred dollars (\$200) payable in event of death from any causes. Such benefit shall be deemed to constitute the payment of disability benefits beyond the period for which otherwise payable, and shall not be deemed to constitute life insurance.

Installment settlements.  
Permissible on conditions.

SEC. .20.37 *Installment Settlements:* The requirement for the payment of the accidental death benefit of a disability insurance contract within the period set forth in Standard Provision No. 9 of the policy as prescribed by section .20.13 shall be deemed complied with by payment of such benefit in installments in compliance with the following conditions:

Election in writing, by insurer or beneficiary.

(1) The policy shall provide for the payment of such benefit to a named beneficiary in specified installments, as elected in writing by the insured during his lifetime or by the beneficiary, and which election is made a part of the policy.

Election by insured not subject to alienation.

(2) If such election for the payment of the benefit in installments was made by the insured, the benefit shall not be subject to commutation, or to alienation by the beneficiary.

Payment of first installment.

(3) The first of such installments shall be payable, and shall actually be paid to the beneficiary, within the period designated for payment of indemnities generally under such Standard Provision No. 9.

Incontestability after reinstatement.

SEC. .20.38 *Incontestability After Reinstatement:* The reinstatement of any policy of noncancellable disability insurance hereafter delivered or issued for delivery in this state shall be contestable only on account of fraud or misrepresentation of



facts material to the reinstatement and only for the same period following reinstatement as is provided in the policy with respect to the contestability thereof after the original issuance of the policy.

#### ARTICLE TWENTY-ONE

##### GROUP AND BLANKET DISABILITY INSURANCE

SEC. .21.01 *Group Disability Insurance Defined:* Group disability insurance is that form of disability insurance provided by a master policy issued to an employer, to a trustee appointed by an employer or employers, or to an association of employers formed for purposes other than obtaining such insurance, covering, with or without their dependents, the employees, or specified categories of the employees, of such employers or their subsidiaries or affiliates, or issued to a labor union, or to an association of employees formed for purposes other than obtaining such insurance, covering, with or without their dependents, the members, or specified categories of the members, of the labor union or association, or issued pursuant to section .21.03.

Group disability insurance defined.

SEC. .21.02 *"Employees"—"Employer" Defined:* The term "employees" as used in this article shall be deemed to include as employees of a single employer, the compensated officers, managers, and employees of the employer and of subsidiary or affiliated corporations of a corporation employer, and the individual proprietors, partners, and employees of individuals and firms of which the business is controlled by the insured employer through stock ownership, contract or otherwise. The term "employer" as used in this article shall be deemed to include any municipal corporation or governmental unit, agency or department thereof as well as private individuals, firms, corporations and other persons.

"Employees"—"employer" defined.

Employees.

Employer.

SEC. .21.03 *Health Care Groups:* A policy of group disability insurance may be issued to a corporation, as policyholder, existing primarily for the

Health care groups.

Limitation.

purpose of assisting individuals who are its subscribers in securing medical, hospital, dental, and other health care services for themselves and their dependents, covering all and not less than five hundred (500) such subscribers and dependents, with respect only to medical, hospital, dental, and other health care services.

"Blanket" disability insurance defined.

SEC. 21.04 "Blanket" Disability Insurance Defined: 1. Any policy or contract of disability insurance which conforms with the description and complies with the requirements contained in one of the following five (5) items shall be deemed a blanket disability insurance policy:

Common carrier of passengers.

(1) A policy issued to any common carrier of passengers, which carrier shall be deemed the policyholder, covering a group defined as all persons who may become such passengers, and whereby such passengers shall be insured against loss or damage resulting from death or bodily injury either while, or as a result of, being such passengers.

Volunteer fire, ambulance or police organization.

(2) A policy issued in the name of any volunteer fire department, first aid or ambulance squad or volunteer police organization, which shall be deemed the policyholder, and covering all the members of any such organization against loss from accidents resulting from hazards incidental to duties in connection with such organizations.

Community organization for volunteer workers.

(3) A policy issued in the name of any established organization whether incorporated or not, having community recognition and operated for the welfare of the community and its members and not for profit, which shall be deemed the policyholder, and covering all volunteer workers who serve without pecuniary compensation and the members of the organization, against loss from accidents occurring while engaged in the actual performance of duties on behalf of such organization or in the activities thereof.

(4) A policy issued to an employer, who shall be deemed the policyholder, covering any group of employees defined by reference to exceptional hazards incident to such employment, insuring such employees against death or bodily injury resulting while, or from, being exposed to such exceptional hazards.

Employers.

(5) A policy covering students or employees issued to a college, school, or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder.

Colleges, schools and institutions.

2. Nothing contained in this section shall be deemed to affect the liability of policyholders for the death of or injury to, any such member of such group.

Liability of policy holders unaffected.

3. Individual applications shall not be required from individuals covered under a blanket disability insurance contract.

Individual applications not required.

SEC. .21.05 *Standard Provisions, Group, Blanket Policies:* Every policy of group or blanket disability insurance shall contain in substance the provisions as set forth in sections .21.06 to .21.09 inclusive, or provisions which in the opinion of the Commissioner are more favorable to the individuals insured, or at least as favorable to such individuals and more favorable to the policyholder. No such policy of group or blanket disability insurance shall contain any provision relative to notice or proof of loss, or to the time for paying benefits, or to the time within which suit may be brought upon the policy, which in the opinion of the Commissioner is less favorable to the individuals insured than would be permitted by the standard provisions required for individual disability insurance policies.

Standard provisions, group, blanket policies.

Required provisions.

Prohibited clauses.

SEC. .21.06 *The Contract, Representations:* There shall be a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued; that all statements made

The contract, representations.

by the policyholder or by the individuals insured shall in the absence of fraud be deemed representations and not warranties, and that no statement made by any individual insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such individual or to his beneficiary, if any.

Payment of premiums.

SEC. .21.07 *Payment of Premiums:* There shall be a provision that all premiums due under the policy shall be remitted by the employer or employers of the persons insured, by the policyholder, or by some other designated person acting on behalf of the association or group insured, to the insurer on or before the due date thereof with such period of grace as may be specified therein.

Certificates.

SEC. .21.08 *Certificates:* In group disability insurance policies there shall be a provision that the insurer shall issue to the employer, the policyholder, or other person or association in whose name such policy is issued, for delivery to each insured employee or member, an individual certificate setting forth in summary form a statement of the essential features of the insurance coverage, and to whom the benefits thereunder are payable. If family members are insured, only one certificate need be issued for each family. This section shall not apply to blanket disability insurance policies.

Age limitations.

SEC. .21.09 *Age Limitations:* There shall be a provision specifying the ages, if any there be, to which the insurance provided therein shall be limited; and the ages, if any there be, for which additional restrictions are placed on benefits, and the additional restrictions placed on the benefits at such ages.

Examination and autopsy.

SEC. .21.10 *Examination and Autopsy:* There may be a provision that the insurer shall have the right and opportunity to examine the person of the

insured employee, member or dependent when and so often as it may reasonably require during the pendency of claim under the policy and also the right and opportunity to make an autopsy in case of death where it is not prohibited by law.

SEC. .21.11 *Payment of Benefits*: The benefits payable under any policy or contract of group or blanket disability insurance shall be payable to the employee or other insured member of the group or to the beneficiary designated by him, other than the policyholder, employer or the association or any officer thereof as such, subject to provisions of the policy in the event there is no designated beneficiary as to all or any part of any sum payable at the death of the individual insured.

Payment of benefits.

Payable to employee, insured member or designated beneficiary.

SEC. .21.12 *Readjustment of Premiums—Dividends*: Any contract of group disability insurance may provide for the readjustment of the rate of premium based on the experience thereunder at the end of the first year or of any subsequent year of insurance thereunder, and such readjustment may be made retroactive only for such policy year. Any refund under any plan for readjustment of the rate of premium based on the experience under group policies heretofore or hereafter issued, and any dividend paid under such policies may be used to reduce the employer's share of the cost of the coverage, except that if the aggregate refunds or dividends under such group policy and any other group policy or contract issued to the policyholder exceed the aggregate contributions of the employer toward the cost of the coverages, such excess shall be applied by the policyholder for the sole benefit of insured employees.

Readjustment of premium.

Dividends.

ARTICLE TWENTY-TWO

CASUALTY INSURANCE

Casualty insurance.

Assigned risk plans.

Commissioner to approve plan.

Appeals to Commissioner.

SEC. .22.02 *Assigned Risk Plans:* The Commissioner shall, after consultation with the insurers licensed to write motor vehicle liability insurance in this state, approve a reasonable plan or plans for the equitable apportionment among such insurers of applicants for such insurance who are in good faith entitled to but are unable to procure insurance through ordinary methods and, when such plan has been approved, all such insurers shall subscribe thereto and shall participate therein. Any applicant for such insurance, any person insured under such plan and any insurer affected may appeal to the Commissioner from any ruling or decision of the manager or committee designated to operate such plan.

ARTICLE TWENTY-THREE

LIFE INSURANCE AND ANNUITIES

Life insurance and annuities.

Scope of article.

SEC. .23.01 *Scope of Article:* The provisions of this article apply to contracts of life insurance and annuities other than group life insurance, group annuities, and, except for sections .23.26, .23.27, .23.34, and .23.35, other than industrial life insurance.

Standard provisions required.

SEC. .23.02 *Standard Provisions Required:* 1. No policy of life insurance other than industrial, group and pure endowments with or without return of premiums or of premiums and interest, shall be delivered or issued for delivery in this state unless it contains in substance all of the provisions required by section .23.03 to section .23.13 inclusive. This provision shall not apply to annuity contracts.

Annuity contracts excluded.

Single premium or term policies.

2. Any of such provisions or portions thereof not applicable to single premium or term policies shall to that extent not be incorporated therein.

Grace period.

SEC. .23.03 *Grace Period:* There shall be a provision that the insured is entitled to a grace period

of one (1) month, but not less than thirty (30) days, within which the payment of any premium after the first may be made, subject at the option of the insurer to an interest charge not in excess of six per cent (6%) per annum for the number of days of grace elapsing before the payment of the premium, during which periods of grace the policy shall continue in force, but in case the policy becomes a claim during the grace period before the overdue premium is paid, or the deferred premiums of the current policy year, if any, are paid, the amount of such premium or premiums with interest thereon may be deducted in any settlement under the policy.

Interest optional.

Premium deduction.

SEC. .23.04 *Entire Contract*: In all such policies other than those containing a clause making the policy incontestable from date of issue, there shall be a provision that the policy and the application therefor, if a copy thereof has been endorsed upon or attached to the policy at issue and made a part thereof, shall constitute the entire contract between the parties, and that all statements made by the applicant or by the insured, shall, in the absence of fraud, be deemed representations and not warranties.

Entire contract.

SEC. .23.05 *Incontestability*: There shall be a provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a period of two (2) years from its date of issue, except for nonpayment of premiums and except, at the option of the insurer, as to provisions relative to benefits in event of total and permanent disability and as to provisions which grant additional insurance specifically against accidental death.

Incontestability.

SEC. .23.06 *Misstatement of Age*: There shall be a provision that if it is found that the age of the insurer (or the age of any other individual considered in determining the premium) has been misstated, the amount payable under the policy

Misstatement of age.

shall be such as the premium would have purchased at the correct age or ages, according to the insurer's rate at date of issue.

Participation in surplus.

SEC. .23.07 *Participation in Surplus:* 1. In all policies which provide for participation in the insurer's surplus, there shall be a provision that the policy shall so participate annually in the insurer's divisible surplus as apportioned by the insurer, beginning not later than the end of the third policy year. Any policy containing provision for annual participation beginning at the end of the first policy year, may also provide that each dividend shall be paid subject to the payment of the premiums for the next ensuing year. The insured under any annual dividend policy shall have the right each year to have the current dividend arising from such participation either paid in cash, or applied in accordance with such other dividend option as may be specified in the policy and elected by the insured. The policy shall further provide which of the options shall be effective if the insured shall fail to notify the insurer in writing of his election within the period of grace allowed for the payment of premium.

To begin not later than end of third year.

May be paid in cash or applied to premium.

Failure of insured to elect.

Exceptions.

2. This section shall not apply to paid-up non-forfeiture benefits nor paid-up policies issued on default in payment of premiums.

Policy loan.

To be made after payment of three years' premium.

SEC. .23.08 *Policy Loan:* 1. There shall be a provision that after three (3) full years' premiums have been paid thereon, the insurer 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 cent (6%) per annum, or if payable in advance such interest shall not exceed the rate of five and seven-tenths per cent (5-7/10%), a sum to be determined as follows:

Maximum interest ratio.



(1) If such policy is issued prior to the operative date of section .23.35, the sum, including any interest paid in advance but not beyond the end of the current policy year, shall be equal to or at the option of the owner of the policy less than, 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 cent ( $2\frac{1}{2}\%$ ) of the amount insured by the policy and of any dividend additions thereto. The policy may contain a provision by which the insurer reserves the right to defer the making of the loan, except when made to pay premiums, for a period not exceeding six (6) months after the date of application therefor.

Amount if insured prior to operative date of Sec. .23.35.

May defer loan.

(2) If such policy is issued on or after such operative date, the sum, including any interest to the end of the current policy year shall not exceed the cash surrender value at the end of the current policy year, as required by section .23.35.

Amount if insured on or after operative date of Sec. .23.35.

2. Such policy shall further provide that the insurer may deduct from such loan value any existing indebtedness on the policy (unless such indebtedness has already been deducted in determining the cash surrender value) and any unpaid balance of the premium for the current policy year; and that if the loan is made or repaid on a date other than the anniversary of the policy, the insurer shall be entitled to interest for the portion of the current policy year at the rate of interest specified in the policy.

Deductions by insurer.

3. Such policy may further provide that if the interest on the loan is not paid when due, it shall be added to the existing indebtedness and shall bear interest at the same rate; and that if and when the total indebtedness on the policy, including interest due or accruing, equals or exceeds the amount of the loan value thereof which would otherwise exist

Non-payment of loan.

Termination.

at such time, the policy shall terminate in full settlement of such indebtedness and become void; except, that it shall be stipulated in the policy that no such termination shall be effective prior to the expiration of at least thirty (30) days after notice of the pendency of the termination was mailed by the insurer to the insured and the assignee, if any, at their respective addresses last of record with the insurer.

Notice of termination.

May defer loan on policy issued after operative date of Sec. .23.35.

4. The insurer shall provide in any policy issued on or after the operative date of section .23.35 that the making of any loan, other than a loan to pay premiums, may be deferred for not exceeding six (6) months after the application for the loan has been received by it.

Table of values and options.

SEC. .23.09 *Table of Values and Options:* There shall be a table showing in figures the loan value, if any, and any options available under the policy each year upon default in premium payments, during at least the first twenty (20) years of the policy, or for its life if maturity or expiry occurs in less than twenty (20) years.

Nonforfeiture options.

SEC. .23.10 *Nonforfeiture Options:* There shall be a provision specifying the option to which the policyholder is automatically entitled in the absence of the election of other nonforfeiture options upon default in premium payment after nonforfeiture values become available.

Table of installments.

If not included in policy, Commissioner may authorize filing of tables.

SEC. .23.11 *Table of Installments:* If the policy provides for payment of its proceeds in installments or as an annuity, a table showing the amount and period of such installments or annuity shall be included in the policy. Except, that if in the judgment of the Commissioner it is not practical to include certain tables in the policy, the requirements of this section may be met as to such policy by the insurer filing such tables with the Commissioner.

**SEC. .23.12 *Reinstatement:*** There shall be a provision that the policy may be reinstated at any time within three (3) years after the date of default in the payment of any premium, unless the policy has been surrendered for its cash value, or the period of any extended insurance provided by the policy has expired, upon evidence of insurability satisfactory to the insurer and the payment of all overdue premiums, and payment (or, within the limits permitted by the then cash values of the policy, reinstatement) of any other indebtedness to the insurer upon the policy with interest as to both premiums and indebtedness at a rate not exceeding six per cent (6%) per annum compounded annually.

Reinstatement.

Conditions.

Maximum interest.

**SEC. .23.13 *Settlement on Proof of Death:*** There shall be a provision that when a policy becomes a claim by the death of the insured, settlement shall be made upon receipt of due proof of death and surrender of the policy.

Settlement on proof of death.

**SEC. .23.14 *Annuities and Pure Endowment Contracts—Standard Provisions Required:*** No annuity or pure endowment contract, other than reversionary annuities, or survivorship annuities, or group annuities, shall be delivered or issued for delivery in this state unless it contains in substance each of the provisions specified in sections .23.15 to .23.21 inclusive. Any of such provisions not applicable to single premium annuities or single premium pure endowment contracts shall not, to that extent, be incorporated therein.

Annuities and pure endowment contracts—standard provisions required.

This section shall not apply to contracts for deferred annuities included in, or upon the lives of beneficiaries under, life insurance policies.

Exception.

**SEC. .23.15 *Annuities and Pure Endowment Contracts—Grace Period:*** In such contracts, there shall be a provision that there shall be a period of grace of one (1) month, but not less than thirty (30) days, within which any stipulated payment to the insurer

Annuities and pure endowment contracts—grace period.

Interest  
optional.

falling due after the first may be made, subject at the option of the insurer, to an interest charge thereon at a rate to be specified in the contract but not exceeding six per cent (6%) per annum for the number of days of grace elapsing before such payment, during which period of grace, the contract shall continue in full force; but in case a claim arises under the contract on account of death prior to expiration of the period of grace before the overdue payment to the insurer of the deferred payments of the current contract year, if any, are made, the amount of such payments, with interest on any overdue payments, may be deducted from any amount payable under the contract in settlement.

Premium  
deduction.Annuities  
and pure  
endowment  
contracts—  
incontestability.

SEC. .23.16 *Annuities and Pure Endowment Contracts—Incontestability*: If any statements, other than those relating to age, sex, and identity, are required as a condition to issuing such an annuity or pure endowment contract, and subject to section .23.18, there shall be a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or of each of the persons as to whom such statements are required, for a period of two (2) years from its date of issue, except for nonpayment of stipulated payments to the insurer; and at the option of the insurer, such contract may also except any provisions relative to benefits in the event of total and permanent disability and any provisions which grant insurance specifically against death by accident.

Annuities  
and pure  
endowment  
contracts—  
the entire  
contract.

SEC. .23.17 *Annuities and Pure Endowment Contracts—the Entire Contract*: In such contracts there shall be a provision that the contract shall constitute the entire contract between the parties, or, if a copy of the application is endorsed upon or attached to the contract when issued, a provision that the contract and the application therefor shall constitute the entire contract between the parties.

SEC. .23.18 *Annuities and Pure Endowment Contracts—Misstatement of Age or Sex:* In such contracts there shall be a provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or if any of them has been misstated, the amount payable or benefit accruing under the contract shall be such as the stipulated payment or payments to the insurer would have purchased according to the correct age or sex; and that if the insurer shall make or has made any overpayment or overpayments on account of any such misstatement, the amount thereof, with interest at the rate to be specified in the contract but not exceeding six per cent (6%) per annum, may be charged against the current or next succeeding payment or payments to be made by the insurer under the contract.

Annuities and pure endowment contracts—misstatement of age or sex.

SEC. .23.19 *Annuities and Pure Endowment Contracts—Dividends:* If such contract is participating, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the contract.

Annuities and pure endowment contracts—dividends.

SEC. .23.20 *Annuities and Pure Endowment Contracts—Nonforfeiture Benefits:* Such contracts issued after the operative date of section .23.36 shall contain:

Annuities and pure endowment contracts—nonforfeiture benefits.

(1) A provision that in the event of default in any stipulated payment, the insurer will grant a paid-up nonforfeiture benefit on a plan stipulated in the contract, effective as of such date, of such value as is hereinafter specified.

Contracts issued after operative date of Sec. .23.36.

(2) A statement of the mortality table and interest rate used in calculating the paid-up nonforfeiture benefit available under the contract.

(3) An explanation of the manner in which the paid-up non-forfeiture benefits are altered by the existence of any paid-up additions credited to the contract or any indebtedness to the insurer on the contract.

Annuities and pure endowment contracts—reinstatement.

SEC. .23.21 *Annuities and Pure Endowment Contracts—Reinstatement:* In such contracts there shall be a provision that the contract may be reinstated at any time within one (1) year from the date of default in making stipulated payments to the insurer, unless the cash surrender value has been paid, but all overdue stipulated payments and any indebtedness to the insurer on the contract shall be paid or reinstated, with interest thereon at a rate to be specified in the contract but not exceeding six per cent (6%) per annum payable annually, and in cases where applicable, the insurer may also include a requirement of evidence of insurability satisfactory to the insurer.

Conditions.

Maximum interest.

Reversionary annuities—standard provisions required.

SEC. .23.22 *Reversionary Annuities—Standard Provisions Required:* No contract for a reversionary annuity shall be delivered or issued for delivery in this state unless it contains in substance each of the provisions specified in sections .23.23 and .23.24. Any of such provisions not applicable to single premium annuities shall not, to that extent, be incorporated therein.

Exceptions.

This section shall not apply to group annuities or to annuities included in life insurance policies.

Reversionary annuities—provisions same as for other annuities.

SEC. .23.23 *Reversionary Annuities—Provisions Same as for Other Annuities:* Any such reversionary annuity contract shall contain the provisions specified in sections .23.15 to .23.19 inclusive, except that under section .23.15 the insurer may at its option provide for an equitable reduction of the amount of the annuity payments in settlement of an overdue or deferred payment in lieu of providing for a deduction of such payments from an amount payable upon a settlement under the contract.

Insurer may provide reduction of payments in settlement of unpaid premiums.

Reversionary annuities—reinstatement.

SEC. .23.24 *Reversionary Annuities—Reinstatement:* In such reversionary annuity contracts there shall be a provision that the contract may be reinstated at any time within three (3) years from the

date of default in making stipulated payments to the insurer, upon production of evidence of insurability satisfactory to the insurer, and upon condition that all overdue payments and any indebtedness to the insurer on account of the contract be paid, or, within the limits permitted by the then cash values of the contract, reinstated, with interest as to both payments and indebtedness at a rate to be specified in the contract but not exceeding six per cent (6%) per annum compounded annually.

Conditions.

Maximum interest.

SEC. .23.25 *Supplemental Benefits*: The Commissioner may make reasonable rules and regulations concerning the conditions in provisions granting additional benefits in event of the insured's accidental death, or in event the insured becomes totally and permanently disabled, which are a part of or supplemental to life insurance contracts.

Supplemental benefits.

Commissioner may make rules and regulations.

SEC. .23.26 *Limitation of Liability*: 1. The insurer may in any life insurance policy or annuity or pure endowment contract limit its liability to a determinable amount not less than the full reserve of the policy and of dividend additions thereto in event only of death occurring:

Limitation of liability.

May limit to full reserve and dividend additions to policy.

(1) As a result of war, or any act of war, declared or undeclared, or of service in the military, naval or air forces or in civilian forces auxiliary thereto, or from any cause while a member of any such military, naval or air forces of any country at war, declared or undeclared.

War and military service.

(2) As a result of suicide of the insured, whether sane or insane, within two (2) years from date of issue of the policy.

Suicide.

(3) As a result of aviation under conditions specified in the policy.

Aviation.

2. An insurer may specify conditions pertaining to the items of paragraph one of this section which in the Commissioner's opinion are more favorable to the policyholder.

Other conditions.

Incontestability after reinstatement.

**SEC. .23.27 *Incontestability After Reinstatement:***  
 The reinstatement of any policy of life insurance or contract of annuity hereafter delivered or issued for delivery in this state may be contestable on account of fraud or misrepresentation of facts material to the reinstatement only for the same period following reinstatement as the policy provides with respect to contestability after original issuance.

Premium deposits. Subject to approval of Commissioner.

**SEC. .23.29 *Premium Deposits:*** 1. A life insurer may, under such policy provisions or agreements as have been approved by the Commissioner consistent with this section, contract for and accept premium deposits in addition to the regular premiums specified in the policy, for the purpose of paying future premiums, or to facilitate conversion of the policy, or to increase the benefits thereof.

Accumulation.

2. The unused accumulation from such deposits shall be held and accounted for as a premium deposit fund, and the policy or agreement shall provide for the manner of application of the premium deposit fund to the payment of premiums otherwise in default and for the disposition of the fund if it is not sufficient to pay the next premium.

3. Such fund shall

Surrender of policy.

(1) be available upon surrender of the policy, in addition to the cash surrender value; and

Death of insured or maturity of policy.

(2) be payable upon the insured's death or upon maturity of the policy; and

Payment to insured.

(3) be paid to the insured whenever the cash surrender value together with the premium deposit fund equals or exceeds the amount of insurance provided by the policy, unless the amount of the deposit does not exceed that which may be required to facilitate conversion of the policy to another plan in accordance with its terms.

Payment as provided in policy or agreement.

4. No part of the premium deposit fund shall be paid to the insured during the continuance of the policy except at such times and in such amounts



as is specified in the policy or in the deposit agreement.

Policy settlements.

SEC. .23.30 *Policy Settlements*: Any life insurer shall have the power to hold under agreement the proceeds of any policy issued by it, upon such terms and restrictions as to revocation by the policyholder and control by beneficiaries, and with such exemptions from the claims of creditors of beneficiaries other than the policyholder as set forth in the policy or as agreed to in writing by the insurer and the policyholder. Upon maturity of a policy in the event the policyholder has made no such agreement, the insurer shall have the power to hold the proceeds of the policy under an agreement with the beneficiaries. The insurer shall not be required to segregate funds so held but may hold them as part of its general assets.

According to contract with insured or beneficiary.

SEC. .23.31 *Indebtedness Deducted From Proceeds*: In determining the amount due under any life insurance policy heretofore or hereafter issued, deduction may be made of

Indebtedness deducted from proceeds.

(1) any unpaid premiums or installments thereof for the current policy year due under the terms of the policy, and of

Unpaid premiums.

(2) the amount of principal and accrued interest of any policy loan or other indebtedness against the policy then remaining unpaid, such principal increased by unpaid interest and compounded as provided in this article.

Loan principal and interest.

SEC. .23.32 *Miscellaneous Proceeds*: Upon the death of the insured and except as is otherwise expressly provided by the policy or premium deposit agreement, a life insurer may pay to the surviving spouse, children, beneficiary, or other person other than the insured's estate, appearing to the insurer to be equitably entitled thereto, sums then held by it and comprising:

Miscellaneous proceeds.

Advance premiums paid.

(1) Premiums paid in advance, and which premiums did not fall due prior to such death, or funds held on deposit for the payment of future premiums.

Dividends declared.

(2) Dividends theretofore declared on the policy and held by the insurer under the insured's option.

Dividends payable after death.

(3) Dividends becoming payable on or after the death of the insured.

Dealing in dividends.

SEC. .23.33 *Dealing in Dividends:* No life insurer nor any of its representatives, agents, or affiliates, shall buy, take by assignment other than in connection with policy loans, or otherwise deal or traffic in any rights to dividends existing under participating life insurance policies issued by the insurer.

Prohibited policy plans.

SEC. .23.34 *Prohibited Policy Plans:* No life insurer shall hereafter issue for delivery or deliver in this state any life insurance policy:

Benefits on death of another policyholder.

(1) Issued under any plan for the segregation of policyholders into mathematical groups and providing benefits for a surviving policyholder of a group arising out of the death of another policyholder of such group, or under any other similar plan.

Benefits contingent on lapse or termination of other policies.

(2) Providing benefits or values for surviving or continuing policyholders contingent upon the lapse or termination of the policies of other policyholders, whether by death or otherwise.

Standard nonforfeiture law—life insurance contracts.

SEC. .23.35 *Standard Nonforfeiture Law—Life Insurance Contracts:* 1. This section shall be known as the Standard Nonforfeiture Law.

2. Nonforfeiture Provisions—Life: In the case of policies issued on or after the operative date of this section as defined in paragraph eight, no policy of life insurance, except as stated in paragraph seven, shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions

which in the opinion of the Commissioner are at least as favorable to the defaulting or surrendering policyholder:

(1) That, in the event of default in any premium payment, the insurer will grant, upon proper request not later than sixty (60) days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified.

Default in premium payment.

(2) That, upon surrender of the policy within sixty (60) days after the due date of any premium payment in default after premiums have been paid for at least three (3) full years in the case of ordinary insurance or five (5) full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

Surrender of policy.

(3) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than sixty (60) days after the due date of the premium in default.

Election by person entitled.

(4) That, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within thirty (30) days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

Cash surrender if premiums paid up or continued under paid-up nonforfeiture benefit.

(5) A statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits avail-

Mortality table and interest rate used in computing value and benefits.

Table of  
values and  
benefits.

able under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first twenty (20) policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy.

Additional  
statements  
required.

(6) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of this state; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

Inapplicable  
provisions  
may be  
omitted.

Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

Insurer's  
right to  
defer pay-  
ment of cash  
surrender  
value.

The insurer shall reserve the right to defer the payment of any cash surrender value for a period of six (6) months after demand therefor with surrender of the policy.

3. Cash Surrender Value—Life: Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by paragraph two of this section, shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the adjusted premiums as defined in paragraph five of this section, corresponding to premiums which would have fallen due on and after such anniversary, and (b) the amount of any indebtedness to the insurer on account of or secured by the policy. Any cash surrender value available within thirty (30) days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefits, whether or not required by such paragraph two, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy including any existing paid-up additions, decreased by any indebtedness to the insurer on account of or secured by the policy.

Cash surrender value—life.

Minimum on default of premium payment.

Ratio.

Minimum on paid-up premiums or nonforfeiture benefits.

4. Paid-up Nonforfeiture Benefit—Life: Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

Paid-up nonforfeiture benefit—life.

5. The Adjusted Premium—Life: The adjusted premiums for any policy shall be calculated on an

The adjusted premium—life.

annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (I) the then present value of the future guaranteed benefits provided for by the policy; (II) two per cent (2%) of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (III) forty per cent (40%) of the adjusted premium for the first policy year; (IV) twenty-five per cent (25%) of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less. *Provided, however,* That in applying the percentages specified in (III) and (IV) above, no adjusted premium shall be deemed to exceed four per cent (4%) of the amount of insurance or level amount equivalent thereto. Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the provisions of the policy, the date of inception of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purposes of the changed policy.

Method of computing.

Not to exceed 4% of amount of insurance or level amount equivalent.

Change in plan or term of policy.

Policy providing varying amount of insurance.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent level amount thereof for the purpose of this paragraph shall be deemed to be the level amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for

the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy.

All adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table for ordinary insurance and the 1941 Standard Industrial Mortality Table for industrial insurance and the rate of interest, not exceeding three and one-half per cent ( $3\frac{1}{2}\%$ ) per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. *Provided, however,* That in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred and thirty per cent (130%) of the rates of mortality according to such applicable table. *Provided, further,* that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the Commissioner.

6. Calculation of Values—Life: Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in paragraphs three, four and five of this section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of paragraph three of

Basis of calculating adjusted premiums and present values.

Paid up term with accompanying pure endowment.

Insurance issued on substandard basis.

Calculation of values—life.

Items to be considered.

this section, additional benefits payable (a) in the event of death or dismemberment by accident or accidental means, (b) in the event of total and permanent disability, (c) as reversionary annuity or deferred reversionary annuity benefits, (d) as decreasing term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, and (e) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

Exceptions.

7. Exceptions: This section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount, or renewal thereof, of fifteen (15) years or less expiring before age sixty-six (66), for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in paragraph five of this section, is less than the adjusted premium so calculated, on such fifteen (15) year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which shall be delivered outside this state through an agent or other representative of the insurer issuing the policy.

Operative date.

8. Operative Date: After the effective date of this section, any insurer may file with the Commissioner a written notice of its election to comply with the provisions of this section after a specified date before July first, nineteen hundred and forty-eight. After the filing of such notice, then upon such specified date (which shall be the operative date for such in-



surer), this section shall become operative with respect to the policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such insurer shall be July first, nineteen hundred and forty-eight.

SEC. .23.36 *Calculation of Nonforfeiture Benefits on Annuities*: 1. Nonforfeiture Benefits: Any paid-up nonforfeiture benefit available under any annuity or pure endowment contract pursuant to section .23.20, in the event of default in a consideration due on any contract anniversary shall be such that its present value as of such anniversary shall be not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits (excluding any total disability benefits attached to such contracts) which would have been provided for by the contract including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the net considerations defined in paragraph two of this section corresponding to considerations which would have fallen due on and after such anniversary, and (b) the amount of any indebtedness to the company on the contract, including interest due or accrued. In determining the benefits referred to in this section and in calculating the net considerations referred to in such paragraph two, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional dates, the annuity payments shall be deemed to commence at the latest date permitted by the contract for the commencement of such payments and the considerations shall be deemed to be payable until such date, which, however, shall not be later than the contract anniversary nearest the annuitant's seventieth birthday.

Calculation of nonforfeiture benefits on annuities.

2. Net Considerations: The net considerations for any annuity or pure endowment contract referred to in paragraph one of this section shall be calculated on an annual basis, shall be such that the present

Net considerations.

value thereof at date of issue of the annuity shall equal the then present value of the future benefits thereunder (excluding any total disability benefits attached to such contracts) and shall be not less than the following percentages of the respective considerations specified in the contracts for the respective contract years:

First Year .....	50 %
Second and Subsequent Years...	92½ %

*Provided, however,* that in the case of participating annuity contracts the percentages hereinbefore specified for the second and subsequent contract years may be decreased by five.

Basis of calculation.

3. Basis of Calculation: All net considerations and present values referred to in this section shall be calculated on the basis of the 1937 Standard Annuity Mortality Table (or such table with reasonable adjustment of the age of the life or lives on which the contract is based) and the rate of interest not exceeding three per cent (3%) per annum specified in the contract for calculating cash surrender values, if any, and paid-up nonforfeiture benefits.

Calculations on default.

4. Calculations on Default: Any cash surrender value and any paid-up nonforfeiture benefit, available under any such contract in the event of default in the payment of any consideration due at any time other than on the contract anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional considerations beyond the last preceding contract anniversary. All values herein referred to may be calculated upon the assumption that any death benefit is payable at the end of the contract year of death.

Proportionate payments.

5. Proportionate Payments: An insurer may provide in lieu of the paid-up values provided in paragraph one of this section, for a paid-up annuity or pure endowment contract in an amount bearing the same proportion to the original annuity or pure endowment contract as the number of considerations

which have been paid to the insurer bear to the total number of considerations required to be paid to the insurer under contract, and if there be any indebtedness to the insurer under the contract the amount of such paid-up annuity or pure endowment shall be reduced by an amount bearing the same proportion to such paid-up annuity or pure endowment as such indebtedness bears to the current cash value (if any) on such paid-up annuity or pure endowment, computed according to the standard adopted by the insurer in accordance with this code.

6. **Deferment of Payment:** If an insurer provides for the payment of a cash surrender value, it shall reserve the right to defer the payment of such value for a period of six (6) months after demand therefor with surrender of the contract. Deferment  
of payment.

7. **Lump Sum in Lieu:** Notwithstanding the requirements of this section, any deferred annuity contract may provide that if the annuity allowed under any paid-up nonforfeiture benefit would be less than one hundred twenty dollars (\$120) annually, the insurer may at its option grant a cash surrender value in lieu of such paid-up nonforfeiture benefit of such amount as may be required by paragraph three of this section. Lump sum  
in lieu.

8. **Operative Date:** If no election is made by an insurer for an operative date prior to July first, nineteen hundred forty-eight, such date shall be the operative date for this section. Operative  
date.

#### ARTICLE TWENTY-FOUR GROUP LIFE AND ANNUITIES

SEC. .24.01 *Must Meet Group Requirements:* 1. Must meet  
group re-  
quirements.  
No contract of life insurance shall hereafter be delivered or issued for delivery in this state insuring the lives of more than one individual unless to one of the groups as provided for in this article, and unless in compliance with the other provisions of this article.

This section not applicable to certain life insurance contracts.

2. Paragraph one of this section shall not apply to contracts of life insurance

(1) insuring only individuals related by marriage, by blood, or by legal adoption; or

(2) insuring only individuals having a common interest through ownership of a business enterprise, or of a substantial legal interest or equity therein, and who are actively engaged in the management thereof.

Employee groups.

SEC. .24.02 *Employee Groups*: The lives of a group of individuals may be insured under a policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustee is deemed the policyholder, insuring employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

Employee groups eligible.

(1) The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietors or partnerships if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees.

Employer must pay part of premium.

(2) The premium for the policy shall be paid by the policyholder, either wholly from the employer's funds or funds contributed by him, or partly from

such funds and partly from funds contributed by the insured employees. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least seventy-five per cent (75%) of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

(3) The policy must cover at least twenty-five (25) employees at date of issue. Twenty-five employees.

(4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees. No policy may be issued which provides insurance on any employee which together with any other insurance under any group life insurance policies issued to the employer or to the trustees of a fund established by the employer exceeds twenty thousand dollars (\$20,000); except, that this limitation shall not apply to amounts of group insurance issued in connection with a pension plan which do not exceed the amount required at normal retirement date to provide the pension specified by the plan. Amounts of insurance.  
Limitations.

SEC. 24.03 *Dependents of Employees*: 1. Insurance under any group life insurance policy issued pursuant to section .24.02 may, if seventy-five per cent (75%) of the then insured employees elect, be extended to insure the spouse and minor children, or any class or classes thereof, of each insured em- Dependents of employees.

ployee who so elects, in amounts in accordance with a plan which precludes individual selection by the employees or by the employer or trustee and which on the life of any one family member shall not be in excess of fifty per cent (50%) of the insurance on the life of the insured employee or the amount shown in the schedule below, whichever is less:

<i>Age of Family Member at Death</i>	<i>Maximum Insurance</i>
Under 6 months.....	\$100
6 months and under 2 years.....	\$200
2 years and under 3 years.....	\$400
3 years and under 4 years.....	\$600
4 years and under 5 years.....	\$800
5 years and over.....	\$1,000

**Premiums.** Premiums for the insurance on such family members shall be paid by the policyholder, either from the employer's funds or funds contributed by him, or from funds contributed by the insured employees, or from both.

**Conversion right of spouse.** 2. Such a spouse insured pursuant to this section shall have the same conversion right as to the insurance on his or her life as is vested in the employee under this article.

**Debtor groups.** **SEC. .24.04 Debtor Groups:** The lives of a group of individuals may be insured under a policy issued to a creditor, who shall be deemed the policyholder, to insure debtors of the creditor, subject to the following requirements:

**Classes of debtors eligible.** (1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor whose indebtedness is repayable in installments, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. The policy may provide that the term "debtors" shall include the debtors or one or more subsidiary corporations, and the debtors of one or more affiliated corporations, proprietors or partnerships if the business of the policyholder and of such affiliated corporations,

proprietors or partnerships is under common control through stock ownership, contract, or otherwise.

(2) The premium for the policy shall be paid by the policyholder, either from the creditor's funds, or from charges collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from the collection from the insured debtors of identifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance, debtors under obligations outstanding at its date of issue without evidence of individual insurability unless at least seventy-five per cent (75%) of the then eligible debtors elect to pay the required charges. A policy on which no part of the premium is to be derived from the collection of such identifiable charges must insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

Premium.

75% of debtors must pay.

(3) The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least one hundred (100) persons yearly, or may reasonably be expected to receive at least one hundred (100) new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than seventy-five per cent (75%) of the new entrants become insured.

Issuance of policy.

(4) The amount of insurance on the life of any debtor shall at no time exceed the amount owed by him which is repayable in installments to the creditor, or five thousand dollars (\$5,000), whichever is less.

Limitation of amount.

(5) The insurance shall be payable to the policyholder. Such payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment.

Payable to policyholder.

Effect of usury law.

(6) Payment by the debtor insured under any such group life insurance contract of the premium charged the creditor by the insurer for such insurance pertaining to the debtor, shall not be deemed to constitute a charge upon a loan in violation of any usury law.

Labor union groups.

SEC. 24.05 *Labor Union Groups*: The lives of a group of individuals may be insured under a policy issued to a labor union, which shall be deemed the policyholder, to insure members of such union for the benefit of persons other than the union or any of its officials, representatives or agents, subject to the following requirements:

Members eligible.

(1) The members eligible for insurance under the policy shall be all of the members of the union, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the union, or both.

Premium.

(2) The premium for the policy shall be paid by the policyholder, either wholly from the union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued of which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance. A policy on which the premium is to be derived in part from funds contributed by the insured members specifically for their insurance may be placed in force only if at least seventy-five per cent (75%) of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evi-

Union must pay part of premium.

75% must contribute.



dence of individual insurability is not satisfactory to the insurer.

(3) The policy must cover at least twenty-five (25) members at date of issue. Twenty-five members.

(4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union. No policy may be used which provides insurance on any union member which together with any other insurance under any group life insurance policies issued to the union, exceeds twenty thousand dollars (\$20,000). Amounts of insurance.

SEC. 24.06 *Public Employee Associations*: The lives of a group of individuals may be insured under a policy issued to an association of public employees formed for purposes other than obtaining insurance and having, when the policy is placed in force, a membership in the classes eligible for insurance of not less than seventy-five per cent (75%) of the number of employees eligible for membership in such classes, which association shall be deemed the policyholder, to insure members of such association for the benefit of persons other than the association or any of its officials, subject to the following requirements: Public employee associations.

(1) The persons eligible for insurance under the policy shall be all of the members of the association, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the association, or both. Persons eligible.

(2) The premium for the policy shall be paid by the policyholder, either from the association's own funds, or from charges collected from the insured members specifically for the insurance, or from both. Any charges collected from the insured members specifically for the insurance, and the dues of the association if they include the cost of insurance, shall Premium.

Pay-roll deductions.

be collected through deductions by the employer from the salaries of the members. Such deductions from salary may be paid by the employer to the association or directly to the insurer. No policy may be placed in force unless and until at least seventy-five per cent (75%) of the then eligible members of the association, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and have authorized their employer to make the required deductions from salary.

75% must be covered.

Determination of charges.

(3) Charges collected from the insured members specifically for the insurance, and the dues of the association if they include the cost of insurance, shall be determined according to each attained age or in not less than four (4) reasonably spaced attained age groups. In no event shall the rate of such dues or charges be level for all members regardless of attained age.

Fifty persons.

(4) The policy must cover at least fifty (50) persons at date of issue.

Amounts of insurance.

(5) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the association. Such amounts shall in no event exceed three thousand dollars (\$3,000) in the case of any member, and shall not exceed five hundred dollars (\$500) in the case of retired members and members over age sixty-five (65).

"Public employees."

As used herein, "public employees" means employees of the United States government, or of any state, or of any political subdivision or instrumentality of any of them.

Trustee groups.

SEC. .24.07 *Trustee Groups:* The lives of a group of individuals may be insured under a policy issued to the trustees of a fund established by two (2) or more employers in the same industry or by two (2) or more labor unions, which trustees shall be

deemed the policyholder, to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions, subject to the following requirements:

(1) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both. The policy may provide that the term "employees" shall include the individual proprietor or partners if an employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are connected with such trusteeship. The policy may provide that the term "employees" shall include retired employees.

Persons eligible.

(2) The premium for the policy shall be paid by the trustees wholly from funds contributed by the employers of the insured persons. Such funds may be derived by the employers in part from contributions by the employees insured. The policy must insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

Premium.

(3) The policy must cover at least one hundred (100) persons at date of issue.

One hundred persons.

(4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons or by the policyholder, employers, or unions. No policy may be issued which provides insurance on any person which together with any other insurance under any group life insurance policies issued to the trustees exceeds ten thousand dollars (\$10,000); except, that this limitation shall not apply to amounts of group insurance issued in connection with a pension plan

Amounts of insurance.

which does not exceed the amount required at normal retirement date to provide the pension specified by the plan.

Washington State Patrol groups.

SEC. .24.09 *Washington State Patrol Groups:* The lives of a group of individuals may be insured under a policy issued to the commanding officer, which commanding officer shall be deemed the policyholder, to insure not less than twenty-five (25) of the members of the Washington State Patrol. Such policy shall be for the benefit of beneficiaries as designated by the individuals so insured, and the premium thereon may be paid by such members. Not less than seventy-five per cent (75%) of all eligible members of such Washington State Patrol, or of any unit thereof determined by conditions pertaining to their employment, may be so insured.

Standard provisions required.

SEC. .24.10 *Standard Provisions Required:* No policy of group life insurance shall be delivered or issued for delivery in this state unless it contains in substance the standard provisions as required by sections .24.11 to .24.20 inclusive, or provisions which in the opinion of the Commissioner are more favorable to the individuals insured, or at least as favorable to such individuals and more favorable to the policyholder; except that:

Exceptions.

(1) Provisions set forth in sections .24.16 to .24.20 inclusive shall not apply to policies issued to a creditor to insure its debtors.

Nonforfeiture benefits.

(2) If the group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture provision or provisions which in the opinion of the Commissioner is or are equitable to the insured persons and to the policyholder, but such nonforfeiture benefits are not required to be the same as those required for individual life insurance policies.

Group life—standard provision—grace period.

SEC. .24.11 *Group Life—Standard Provision—Grace Period:* There shall be a provision that the

policyholder is entitled to a grace period of thirty-one (31) days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder has given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a *pro rata* premium for the time the policy was in force during such grace period.

SEC. .24.12 *Group Life—Standard Provision—Incontestability*: There shall be a provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two (2) years from its date of issue; and that no statement made by an individual insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two (2) years during such individual's lifetime nor unless it is contained in a written instrument signed by him.

Group life  
—standard  
provision—  
incontesta-  
bility.

SEC. .24.13 *Group Life—Standard Provision—the Contract—Representations*: There shall be a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued and become a part of the contract; that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or to his beneficiary.

Group life  
—standard  
provision—  
the contract  
—representa-  
tions.

SEC. .24.14 *Group Life—Standard Provision—Insurability*: There shall be a provision setting

Group life  
—standard  
provision—  
insurability.

forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of his coverage.

Group life  
—standard  
provision—  
misstatement  
of age.

SEC. .24.15 *Group Life—Standard Provision—Misstatement of Age:* There shall be a provision specifying an equitable adjustment of premiums or of benefits or of both to be made in the event the age of a person insured has been misstated, such provision to contain a clear statement of the method of adjustment to be used.

Group life  
—standard  
provision—  
beneficiary.

SEC. .24.16 *Group Life—Standard Provision—Beneficiary:* There shall be a provision that any sum becoming due by reason of the death of the individual insured shall be payable to the beneficiary designated by such individual, subject to the provisions of the policy in the event there is no designated beneficiary, as to all or any part of such sum, living at the death of the individual insured and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding two hundred and fifty dollars (\$250) to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the individual insured.

Group life  
—standard  
provision—  
certificates.

SEC. .24.17 *Group Life—Standard Provision—Certificates:* There shall be a provision that the insurer will issue to the policyholder for delivery to each individual insured an individual certificate setting forth a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights and conditions set forth in sections .24.18, .24.19 and .24.20, following.

SEC. .24.18 *Group Life—Standard Provision—Conversion on Termination of Eligibility:* There shall be a provision that if the insurance, or any portion of it, on an individual covered under the policy, other than the child of an employee insured pursuant to section .24.03, ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such individual shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within thirty-one (31) days after such termination, and provided further that,

Group life—standard provision—conversion on termination of eligibility.

Individual policy to be issued.

(1) the individual policy shall, at the option of such individual, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for;

Form of individual policy.

(2) the individual policy shall be in an amount not in any event in excess of the amount of life insurance which ceases because of such termination nor less than one thousand dollars (\$1,000) unless a smaller amount of coverage was provided for such individual under the group policy, provided that any amount of insurance which matures on the date of such termination or has matured prior thereto under the group policy as an endowment payable to the individual insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

Amount of individual policy.

(3) the premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to

Premium.

the class of risk to which such individual then belongs, and to his age attained on the effective date of the individual policy.

Group life—  
standard  
provision—  
conversion on  
termination  
of policy.

SEC. .24.19 *Group Life—Standard Provision—Conversion on Termination of Policy:* There shall be a provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured individuals, every individual insured thereunder at the date of such termination, other than a child of an employee insured pursuant to section .24.03, whose insurance terminates and who has been so insured for at least five (5) years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by section .24.18 above, except that the group policy may provide that the amount of such individual policy shall not exceed the smaller of (a) the amount of the individual's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer within thirty-one (31) days of such termination and (b) two thousand dollars (\$2,000).

Group life—  
standard  
provision—  
death  
pending  
conversion.

SEC. .24.20 *Group Life—Standard Provision—Death Pending Conversion:* There shall be a provision that if a person insured under the group policy dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with sections .24.18 and .24.19, and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not applica-



tion for the individual policy or the payment of the first premium therefor has been made.

SEC. .24.21 *Limitation of Liability*: 1. The insurer may in any group life insurance contract provide that it is not liable, or is liable only in a reduced amount, for losses resulting:

Limitation of liability.

(1) From war or any act of war, declared or undeclared, or of service in the military, naval or air forces or in civilian forces auxiliary thereto, or from any cause while a member of any such military, naval or air forces, of any country at war, declared or undeclared.

War.

(2) From aviation under conditions specified in the policy.

Aviation.

2. The insurer may in any such contract provide that any amount of insurance in excess of one thousand dollars (\$1,000) on an individual life may be reduced to one thousand dollars (\$1,000) or to any greater amount upon attainment of any age not less than age sixty-five (65) or upon the anniversary of the policy nearest attainment of such age.

Attainment of age of sixty-five.

SEC. .24.24 *Readjustment of Premium*: Any group life insurance contract may provide for a readjustment of the premium rate based on experience under that contract, at the end of the first or of any subsequent year of insurance, and which readjustment may be made retroactive for such policy year only.

Readjustment of premium.

SEC. .24.26 *Application of Dividends, Rate Reductions*: Any policy dividends hereafter declared, or reduction in rate of premiums hereafter made or continued for the first or any subsequent year of insurance, under any policy of group life insurance heretofore or hereafter issued to any policyholder may be applied to reduce the policyholder's part of the cost of such insurance, except that if the aggregate dividends or refunds or credits under such group policy and any other group policy or contract issued to the policyholder exceed the aggregate contribu-

Application of dividends, rate reductions.

tions of the policyholder toward the cost of the coverages, such excess shall be applied by the policyholder for the sole benefit of insured individuals.

#### ARTICLE TWENTY-FIVE

##### INDUSTRIAL LIFE INSURANCE

Scope of article.

SEC. .25.01 *Scope of Article:* The provisions of this article apply only to industrial life insurance contracts.

"Industrial" life insurance.

SEC. .25.02 *Industrial Life Insurance Defined:* "Industrial" life insurance is any life insurance provided by an individual insurance contract issued in face amount of less than one thousand dollars (\$1,000), under which premiums are payable monthly or oftener, and bearing the words "industrial policy" printed upon the policy as a part of the descriptive matter.

Compliance required.

SEC. .25.03 *Compliance Required:* No policy of industrial life insurance shall be delivered or be issued for delivery in this state after January first, nineteen hundred and forty-eight, except in compliance with the provisions of this article and with other applicable provisions of this code.

Standard provisions required.

SEC. .25.04 *Standard Provisions Required:* No such policy shall be so issued or delivered unless it contains in substance the provisions as required by this article, or provisions which in the opinion of the Commissioner are more favorable to the policyholder.

Grace period.

SEC. .25.05 *Grace Period:* There shall be a provision that the insured is entitled to a grace period of four (4) weeks within which the payment of any premium after the first may be made, except that in policies the premiums for which are payable monthly, the period of grace shall be one (1) month but not less than thirty (30) days; and that during the period of grace the policy shall continue in full force, but if during the grace period the policy be-

comes a claim, then any overdue and unpaid premiums may be deducted from any settlement under the policy.

SEC. .25.06 *Entire Contract*: There shall be a provision that the policy shall constitute the entire contract between the parties, or, if a copy of the application is endorsed upon or attached to the policy when issued, a provision that the policy and the application therefor shall constitute the entire contract. If the application is so made a part of the contract, the policy shall also provide that all statements made by the applicant in such application shall, in the absence of fraud, be deemed to be representations and not warranties.

Entire  
contract.

SEC. .25.07 *Incontestability*: There shall be a provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a period of two (2) years from its date of issue except for nonpayment of premiums, and except, at the option of the insurer, as to supplemental provisions providing benefits for total and permanent disability or specifically for accidental death.

Incontesta-  
bility.

SEC. .25.08 *Misstatement of Age*: There shall be a provision that if it is found that the age of the individual insured, or the age of any other individual considered in determining [determining] the premium, has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium would have purchased at the correct age or ages.

Misstatement  
of age.

SEC. .25.09 *Participation*: If a participating policy, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the policy, and that dividends arising from such apportionment shall be credited annually beginning not later than the fifth contract year. This provision shall not prohibit the payment of additional dividends on default of payment of premiums or termination of the policy.

Participation.

Nonforfeiture benefits.

SEC. .25.10 *Nonforfeiture Benefits*: There shall be a provision for nonforfeiture benefits as required by section .23.35.

Cash surrender value.

SEC. .25.11 *Cash Surrender Value*: There shall be a provision for a cash surrender value as required by section .23.35.

Reinstatement.

SEC. .25.12 *Reinstatement*: There shall be a provision that the policy may be reinstated at any time within two (2) years from the due date of the premium in default unless the cash surrender value has been paid, or the extension period expired, upon the production of evidence of insurability satisfactory to the insurer and the payment of all overdue premiums and payment or reinstatement of any unpaid loans or advances made by the insurer against the policy with interest at a rate not exceeding six per cent (6%) per annum and payable annually.

Settlement.

SEC. .25.13 *Settlement*: There shall be a provision that when the policy becomes a claim by the death of the insured, settlement shall be made upon receipt of due proof of death or after a specified period not exceeding two (2) months after receipt of such proof.

Authority to alter contract.

SEC. .25.14 *Authority to Alter Contract*: There shall be a provision that no agent shall have the power or authority to waive, change or alter any of the terms or conditions of any policy; except that, at the option of the insurer, the terms or conditions may be changed by an endorsement signed by a duly authorized officer of the insurer.

Beneficiary.

SEC. .25.15 *Beneficiary*: 1. Each such policy shall have a space on the front or back page of the policy for the name of the beneficiary designated with a reservation of the right to designate or change the beneficiary after the issuance of the policy.

Change of beneficiary.

2. The policy may also provide that no designation or change of beneficiary shall be binding on the insurer until endorsed on the policy by the insurer,

and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured.

SEC. .25.16 *Facility of Payment Clause*: Such a policy may also provide that if the beneficiary designated in the policy does not surrender the policy with due proof of death within the period stated in the policy, which shall not be less than thirty (30) days after the death of the insured, or if the beneficiary is the estate of the insured or is a minor, or dies before the insured or is not legally competent to give a valid release, then the insurer may make payment thereunder to the executor or administrator of the insured, or to any of the insured's relatives by blood or legal adoption or connection by marriage, or to any person appearing to the insurer to be equitably entitled thereto by reason of having been named beneficiary, or by reason of having incurred expense for the maintenance, medical attention or burial of the insured. Such policy may also include a similar provision applicable to any other payment due under the policy.

Facility of  
payment  
clause.

SEC. .25.17 *Premiums Paid Direct*: In the case of weekly premium policies, there may be a provision that upon proper notice to the insurer while premiums on the policy are not in default beyond the grace period, of the intention to pay future premiums directly to the insurer at its home office or any office designated by the insurer for the purpose, the insurer will, at the end of each period of a year from the due date of the first premium so paid, for which period such premiums are so paid continuously without default beyond the grace period, refund a stated percentage of the premiums in an amount which fairly represents the savings in collection expense.

Premiums  
paid direct.

SEC. .25.18 *Conversion—Weekly Premium Policies*: There shall be a provision in the case of weekly

Conversion—  
weekly  
premium  
policies.

premium policies granting, upon proper written request and upon presentation of evidence of the insurability of the insured satisfactory to the insurer, the privilege of converting his weekly premium industrial insurance to any form of life insurance with less frequent premium payments regularly issued by the insurer, in accordance with terms and conditions agreed upon with the insurer. The privilege of making such conversion need be granted only if the insurer's weekly premium industrial policies on the life insured, in force as premium paying insurance and on which conversion is requested, grant benefits in event of death, exclusive of additional accidental death benefits and exclusive of any dividend additions, in an amount not less than the minimum amount of such insurance with less frequent premium payments issued by the insurer at the age of the insured on the plan of industrial or ordinary insurance desired.

Conversion—  
monthly  
premium  
policies.

SEC. .25.19 *Conversion—Monthly Premium Policies:* There shall be a provision, in the case of monthly premium industrial policies, granting, upon proper written request and upon presentation of evidence of the insurability of the insured satisfactory to the insurer, the privilege of converting his monthly premium industrial insurance to any form of ordinary life insurance regularly issued by the insurer, in accordance with terms and conditions agreed upon with the insurer. The privilege of making such conversions need be granted only if the insurer's monthly premium industrial policies on the life insured, in force as premium paying insurance and on which conversion is requested, grant benefits in event of death, exclusive of additional accidental death benefits and exclusive of any dividend additions, in an amount not less than the minimum amount of ordinary insurance issued by the insurer

at the age of the insured on the plan of ordinary insurance desired.

SEC. .25.20 *Title on Policy*: There shall be a title on the face of each such policy briefly describing its form.

Title on policy.

SEC. .25.21 *Application to Term and Specified Insurance*: Any of the provisions required by this article or any portion thereof which are not applicable to single premium or term policies or to policies issued or granted pursuant to nonforfeiture provisions, shall to that extent not be incorporated therein.

Application to term and specified insurance.

SEC. .25.22 *Prohibited Provisions*: No such policy shall contain:

Prohibited provisions.

(1) A provision by which the insurer may deny liability under the policy for the reason that the insured has previously obtained other insurance from the same insurer.

Other insurance from same insurer.

(2) A provision giving the insurer the right to declare the policy void because the insured has had any disease or ailment, whether specified or not, or because the insured has received institutional, hospital, medical or surgical treatment or attention, except a provision which gives the insurer the right to declare the policy void if the insured has, within two (2) years prior to the issuance of the policy, received institutional, hospital, medical or surgical treatment or attention and if the insured or claimant under the policy fails to show that the condition occasioning such treatment or attention was not of a serious nature or was not material to the risk.

Disease.

Received treatment.

Exception.

(3) A provision giving the insurer the right to declare the policy void because the insured had been rejected for insurance, unless such right be conditioned upon a showing by the insurer, that knowledge of such rejection would have led to a refusal by the insurer to make such contract.

Previous rejection of insured.

Limitation of liability.

SEC. .25.23 *Limitation of Liability:* The insurer may in any such policy limit its liability for the same causes and to the same extent as is provided in section .23.26 for other life insurance contracts.

ARTICLE TWENTY-SIX  
MARINE AND TRANSPORTATION INSURANCE

ARTICLE TWENTY-SEVEN  
PROPERTY INSURANCE

Over-insurance prohibited.

SEC. .27.01 *Over-Insurance Prohibited:* 1. Over-insurance shall be deemed to exist if property or an insurable interest therein is insured by one or more insurance contracts against the same hazard in any amount in excess of the fair value of the property or of such interest, as determined as of the effective date of the insurance or of any renewal thereof.

"Fair value."

2. For the purposes of this section only the term "fair value" means the cost of replacement less such depreciation as is properly applicable to the subject insured.

Unlawful act.

3. No person shall knowingly issue, place, procure, or accept any insurance contract which would result in over-insurance of the property or interest therein proposed to be insured, except as is provided in section .27.02.

Penalty.

4. Each violation of this section shall subject the violator to the penalties provided by this code.

Replacement insurance.

SEC. .27.02 *Replacement Insurance:* By any contract of insurance of real property or of any insurable interest therein, the insurer may in connection with a special provision or endorsement made a part of the policy insure the cost of repair or replacement of such property, if damaged or destroyed by a hazard insured against, and without deduction of depreciation.



ARTICLE TWENTY-EIGHT  
SURETY INSURANCE

SEC. .28.01 *Requirements Deemed Met By Surety Insurer:* Whenever by law or by rule of any court, public official, or public body, any surety bond, recognizance, obligation, stipulation or undertaking is required or is permitted to be given, any such bond, recognizance, obligation, stipulation, or undertaking which is otherwise proper and the conditions of which are guaranteed by an authorized surety insurer, or by an unauthorized surety insurer as a surplus line pursuant to article fifteen of this code, shall be approved and accepted and shall be deemed to fulfill all requirements as to number of sureties, residence or status of sureties, and other similiar requirements, and no justification by such surety shall be necessary.

Requirements  
deemed met  
by surety  
insurer.

SEC. .28.02 *Fiduciary Bonds, Expense:* Any fiduciary required by law to give bonds, may include as part of his lawful expense to be allowed by the court or official by whom he was appointed, the reasonable amount paid as premium for such bonds to the authorized surety insurer or to the surplus line surety insurer which issued or guaranteed such bonds.

Fiduciary  
bonds,  
expense.

SEC. .28.03 *Court Bonds, Costs:* In any proceeding the party entitled to recover costs may include therein such reasonable sum as was paid to such surety insurer as premium for any bond or undertaking required therein, and as may be allowed by the court having jurisdiction of such proceeding.

Court bonds,  
costs.

SEC. .28.04 *Public Officers' Bonds, Costs:* The premium for bonds given by such surety insurers for appointive or elective public officers and for such of their deputies or employees as are required to give bond shall be paid by the state, political subdivision, or public body so served.

Public  
officers'  
bonds, costs.

Release from liability.

SEC. .28.05 *Release From Liability:* A surety insurer may be released from its liability on the same terms and conditions as are provided by law for the release of individuals as sureties.

ARTICLE TWENTY-NINE

TITLE INSURERS

Scope of article.

SEC. .29.01 *Scope of Article:* 1. This article relates only to title insurers.

Does not apply to abstracts.

2. None of the provisions of this code shall be deemed to apply to persons engaged in the business of preparing and issuing abstracts of title to property and certifying to the correctness thereof so long as such persons do not guarantee or insure such titles.

Qualifications.

SEC. .29.02 *Qualifications:* A title insurer shall not be entitled to have a certificate of authority unless it otherwise qualifies therefor, nor unless:

Stock corporation.

(1) It is a stock corporation.

Tract indexes.

(2) It owns and maintains a complete set of tract indexes of the county in which its principal office within this state is located.

Guaranty fund deposit.

(3) It deposits and keeps on deposit with the State Treasurer through the Commissioner a guaranty fund in amount as set forth in section .29.03 and comprised of cash or securities of the kind made eligible under this code for the investment of funds of domestic life insurers.

Amount of deposit.

SEC. .29.03 *Amount of Deposit:* 1. The amount of the required guaranty fund deposit shall be determined by the population, as at last official United States or official state census, of the county within which the insurer is to be authorized to transact its business, as follows:

More than	County Population but not more than	Amount of Guaranty Fund Deposit Required	
0	15,000	\$10,000.00	Schedule.
15,000	35,000	\$15,000.00	
35,000	60,000	\$25,000.00	
60,000	100,000	\$50,000.00	
100,000	150,000	\$75,000.00	
150,000	300,000	\$100,000.00	
300,000	500,000	\$150,000.00	
500,000		\$200,000.00	

2. An insurer with a guaranty fund deposit amounting to not less than two hundred thousand dollars (\$200,000) may be authorized to transact business throughout the entire state. Minimum deposit.

SEC. .29.04 *Additional Counties:* 1. Subject to paragraph two of this section a title insurer may be authorized to transact business in two (2) or more counties by having a guaranty fund deposit in the largest amount required for any one (1) of such counties. Additional counties.

2. A title insurer having its principal offices in one county may be authorized to transact business in another county in which is located the principal offices of another title insurer if its guaranty fund deposit otherwise required is increased by the amount required for such additional county as determined pursuant to section .29.03. Additional deposit.

SEC. .29.05 *Deposit Fee:* 1. On or before the second Monday in January of each year the insurer shall pay to the State Treasurer for the use of the state a deposit fee in amount equal to one-tenth of one per cent (1/10 of 1%) of the value of the guaranty fund deposit of the insurer as of the preceding December thirty-first. Deposit fee.

2. Upon termination of the guaranty fund deposit, such deposit fee shall be computed upon the value of the deposit as of the first day of January of the calendar year in which termination takes place, and shall be due and payable prior to the release of the securities comprising the deposit. Computation of fee upon termination of deposit.

Failure to  
pay fee.

3. Upon failure of the insurer to pay the deposit fee within thirty (30) days after date due, the State Treasurer shall sell sufficient of the securities comprising the deposit to pay the fee.

Impairment  
of deposit.

SEC. .29.06 *Impairment of Deposit:* If an insurer's guaranty fund deposit becomes impaired for any cause, the Commissioner shall forthwith give notice thereof to the insurer, requiring that the impairment be cured within thirty (30) days after the date of the notice. If the impairment is not so cured, the Commissioner shall forthwith revoke the insurer's certificate of authority.

Levy of  
execution  
upon deposit.

SEC. .29.07 *Levy of Execution Upon Deposit:* If an insurer fails to satisfy any judgment against it arising out of its liability under any title insurance policy or certificate of title issued, insured, or assumed by it, within thirty (30) days after the finality of the judgment became fixed, the judgment may be enforced against the insurer's guaranty fund deposit through the following procedure:

Judgment  
creditor to  
petition.

(1) The judgment creditor shall petition the court wherein the judgment is entered and as part of the same cause, truthfully setting forth the facts regarding the insurer's failure to satisfy the judgment as required by this section.

Special  
execution.

(2) Upon such petition the court shall direct issuance of a special execution directed to the Sheriff of Thurston County, requiring that the sheriff sell so much of the securities on deposit as may be required to satisfy the judgment and pay the costs of the levy.

Service  
on State  
Treasurer.

(3) The court's order for issuance of the special execution shall also direct that a copy of the judgment and of the petition be served upon the State Treasurer within five (5) days after the date of the order.

Securities  
delivered to  
sheriff.

(4) Upon issuance of such special execution and upon such service upon the State Treasurer, the

State Treasurer shall deliver to such sheriff sufficient of such securities as may be required for sale to satisfy the judgment and to pay such costs.

SEC. .29.08 *Registration of Securities:* The securities comprising the guaranty fund deposit shall be registered in the name of or endorsed or assigned to the State Treasurer.

Registration  
of securities.

SEC. .29.09 *Condition of Deposit:* 1. The securities comprising the guaranty fund deposit shall be held by the State Treasurer as a special guaranty fund securing the faithful performance by the insurer of all its undertakings and liabilities as to any title guaranteed or insured by it.

Condition  
of deposit.

2. Such deposit shall not be subject to any other liabilities of the insurer until after all its liabilities named in paragraph one of this section have been discharged.

Insurance  
liabilities  
have priority.

SEC. .29.10 *Termination of Deposit:* 1. A guaranty fund deposit shall be terminated only upon the existence of any of the following conditions:

Termination  
of deposit.

(1) Upon termination of all liabilities of the insurer, other than through reinsurance, under all guaranties or insurances of titles made, issued, or assumed by it.

Termination  
of liabilities.

(2) Upon reinsurance of all such liabilities of the insurer, with the Commissioner's approval, in another insurer holding a certificate of authority as a title insurer in this state.

Reinsurance  
by another  
insurer.

2. For the purposes of this section only, all liability of the insurer with regard to a title guaranteed or insured by it shall be deemed terminated upon the expiration of twenty-one (21) years from the date of the guaranty or insurance, unless prior thereto a claim of loss has been made with reference thereto and settlement of such loss then remains pending.

When  
liability  
deemed  
terminated.

Release of securities.

SEC. .29.11 *Release of Securities*: 1. Upon any termination of the guaranty fund deposit, the State Treasurer shall release the securities comprising it to the insurer after the following conditions have been complied with:

Application.

(1) The insurer shall make written application for such release, verified by the oaths of its president and secretary.

Examination by State Treasurer.

(2) The State Treasurer shall in due course following upon such application make such examination of the records of the insurer, and of the insurer's officers under oath, as he deems reasonably necessary to determine that the conditions for termination of the deposit have been met.

Revocation of certificate of authority.

2. Upon release of the securities, the Commissioner shall revoke the insurer's certificate of authority.

Special reserve fund.

SEC. .29.12 *Special Reserve Fund*: 1. Each title insurer shall annually apportion to a special reserve fund an amount determined by applying the rate of twenty-five cents (\$.25) for each one thousand dollars (\$1,000) of net increase of insurance it has in force as at the end of such year. Such apportionment shall be continued or resumed as needed to maintain the special reserve fund at an amount equal to not less than the guaranty fund deposit required of the insurer.

Is an additional guaranty fund.

2. The special reserve fund shall be held by the insurer as an additional guaranty fund, and shall be used only for the payment of losses after the insurer's liquid resources available for the payment of losses, other than such special reserve fund or the guaranty fund deposit, have been exhausted.

Computation of fund.

3. For the purposes of computing the special reserve fund as provided in paragraph one of this section, net increase of insurance in force resulting from reinsurance of the risks of another title insurer shall not be included to the extent that a like

special reserve fund on such insurance is maintained by the ceding insurer.

SEC. .29.13 *Investments*: The funds of a domestic title insurer, other than those representing its guaranty fund deposit, shall be invested as follows: Investments.

(1) Funds in amount not less than its required special reserve shall be kept invested in investments eligible for domestic life insurers. Special reserve.

(2) Other funds may be invested in: Other funds.

(a) The insurer's plant and equipment.

(b) Stocks and bonds of abstract companies when approved by the Commissioner.

(c) Investments eligible for the investment of funds of any domestic insurer.

SEC. .29.14 *Premium Rates*: 1. Premium rates for the insuring or guaranteeing of titles shall not be excessive, inadequate, or unfairly discriminatory. Premium rates.

2. Each title insurer shall forthwith file with the Commissioner a schedule showing the premium rates to be charged by it. Every addition to or modification of such schedule or of any rate therein contained shall likewise be filed with the Commissioner, and no such addition or modification shall be effective until expiration of fifteen (15) days after date of such filing. Schedule to be filed with Commissioner.

3. The Commissioner may order the modification of any premium rate or schedule of premium rates found by him after a hearing to be excessive, or inadequate, or unfairly discriminatory. No such order shall require retroactive modification. Modification of rates.

SEC. .29.15 *Taxation of Title Insurers*: Title insurers and their property shall be taxed by this state in accordance with the general laws relating to taxation, and not otherwise. Taxation of title insurers.

ARTICLE THIRTY

UNFAIR PRACTICES AND FRAUDS

Unfair practices in general.

SEC. .30.01 *Unfair Practices in General:* 1. No person engaged in the business of insurance shall engage in unfair methods of competition or in unfair or deceptive acts or practices in the conduct of such business as such methods, acts, or practices are defined pursuant to paragraph two of this section.

Commissioner may define unfair practices by regulations.

2. In addition to such unfair methods and unfair or deceptive acts or practices as are expressly defined and prohibited by this code, the Commissioner may from time to time by regulations promulgated only after a hearing thereon, define other methods of competition and other acts and practices in the conduct of such business reasonably found by him to be unfair or deceptive.

Effective date of such regulations.

3. No such regulation shall be made effective prior to the expiration of thirty (30) days after the date of the order on hearing by which it is promulgated.

Filing regulations.

4. The Commissioner shall forthwith file a copy of every such regulation in the office of the County Auditor of each county of this state.

Orders to cease and desist.

5. If the Commissioner has cause to believe that any person is violating any such regulation he shall order such person to cease and desist therefrom. The Commissioner shall deliver such order to such person direct or mail it to the person by registered mail with return receipt requested. If the person fails to comply therewith before expiration of ten (10) days after the cease and desist order has been received by him, he shall forfeit to the people of this state a sum not to exceed two hundred and fifty dollars (\$250) for each violation committed thereafter, such penalty to be recovered by an action prosecuted by the Commissioner.

Delivery.

Penalty.

Compacts prohibited.

SEC. .30.02 *Anti-Compact Law:* 1. No person shall either within or outside of this state enter into



any contract, understanding or combination with any other person to do jointly or severally any act or engage in any practice for the purpose of

(1) controlling the rates to be charged for insuring any risk or any class of risks in this state; or

Controlling rates.

(2) unfairly discriminating against any person in this state by reason of his plan or method of transacting insurance, or by reason of his affiliation or nonaffiliation with any insurance organization; or

Unfair discrimination.

(3) establishing or perpetuating any condition in this state detrimental to free competition in the business of insurance or injurious to the insuring public.

Injuring free competition.

2. This section shall not apply relative to ocean marine and foreign trade insurances.

Insurances to which section does not apply.

3. This section shall not be deemed to prohibit the doing of things permitted to be done in accordance with the provisions of article nineteen of this code.

Article nineteen not affected.

4. Whenever the Commissioner has knowledge of any violation of this section he shall forthwith order the offending person to discontinue such practice immediately or show cause to the satisfaction of the Commissioner why such order should not be complied with. If the offender is an insurer or a licensee under this code and fails to comply with such order within thirty (30) days after receipt thereof, the Commissioner may forthwith revoke the offender's certificate of authority or licenses.

Power of Commissioner.

Penalty.

SEC. 30.03 *False Financial Statements:* No person shall knowingly file with any public official nor knowingly make, publish, or disseminate any financial statement of an insurer which does not accurately state the insurer's financial condition.

False financial statements.

SEC. 30.04 *False Information and Advertising:* No person shall knowingly make, publish, or disseminate any false, deceptive or misleading repre-

False information and advertising.

sentation or advertising in the conduct of the business of insurance, or relative to the business of insurance or relative to any person engaged therein.

Advertisement must show name, domicile.

SEC. .30.05 *Advertisement Must Show Name, Domicile:* Every advertisement of, by, or on behalf of an insurer shall set forth the name in full of the insurer and the location of its home office or principal office, if any, in the United States (if an alien insurer).

Insurer name.

SEC. .30.06 *Insurer Name:* No person who is not an insurer shall assume or use any name which deceptively infers or suggests that it is an insurer.

Advertisement of financial condition.

SEC. .30.07 *Advertisement of Financial Condition:* 1. Every advertisement by or on behalf of any insurer purporting to show its financial condition may be in a condensed form but shall in substance correspond with the insurer's last verified statement filed with the Commissioner.

Last verified statement.

Actual assets.

2. No insurer or person in its behalf shall advertise assets except those actually owned and possessed by the insurer in its own exclusive right, available for the payment of losses and claims, and held for the protection of its policyholders and creditors.

Defamation of insurers.

SEC. .30.08 *Defamation of Insurers:* No person shall make, publish, or disseminate, or aid, abet or encourage the making, publishing, or dissemination of any information or statement which is false or maliciously critical and which is designed to injure in its reputation or business any authorized insurer or any domestic corporation or reciprocal being formed pursuant to this code for the purpose of becoming an insurer.

Misrepresentation of policies.

SEC. .30.09 *Misrepresentation of Policies:* No person shall make, issue or circulate, or cause to be made, issued or circulated any misrepresentation of the terms of any policy or the benefits or advantages promised thereby, or the dividends or share of sur-

plus to be received thereon, or use any name or title of any policy or class of policies misrepresenting the nature thereof.

SEC. .30.10 *Dividends Not To Be Guaranteed*: No insurer, agent, broker, solicitor, or other person, shall guarantee or agree to the payment of future dividends or future refunds of unused premiums or savings in any specific or approximate amounts or percentages on account of any insurance contract.

Dividends not to be guaranteed.

SEC. .30.11 *Political Contributions*: 1. No insurer or fraternal benefit society doing business in this state shall directly or indirectly pay or use, or offer, consent or agree to pay or use any money or thing of value for or in aid of any political party; nor for or in aid of any candidate for any political office, nor for the nomination for such office; nor for reimbursement or indemnification of any person for money or property so used.

Political contributions.

2. Any individual who violates any provision of this section. or who participates in, aids, abets, advises, or consents to any such violation, or who solicits or knowingly receives any money or thing of value in violation of this section, shall be guilty of a gross misdemeanor and shall be liable to the insurer or society for the amount so contributed or received.

Penalty.

SEC. .30.12 *Misconduct of Directors, Officers, Employees*: No director, officer, agent, attorney-in-fact, or employee of an insurer shall:

Misconduct of directors, officers, employees.

(1) Knowingly receive or possess himself of any of its property, otherwise than in payment for a just demand, and with intent to defraud, omit to make or to cause or direct to be made, a full and true entry thereof in its books and accounts; nor,

Receive insurer's property wrongfully.

(2) make or concur in making any false entry, or concur in omitting to make any material entry, in its books or accounts; nor,

False entries in records.

False financial statement.

(3) knowingly concur in making or publishing any written report, exhibit or statement of its affairs or pecuniary condition containing any material statement which is false, or omit or concur in omitting any statement required by law to be contained therein; nor,

Fail to make proper entries in books.

(4) having the custody or control of its books, willfully fail to make any proper entry in the books of the insurer 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; nor,

Fail to disclose service of process.

(5) if a notice of an application for an injunction or other legal process affecting or involving the property or business of the insurer is served upon him, fail to disclose the fact of such service and the time and place of such application to the other directors, officers, and managers thereof; nor,

Fail to make reports.

(6) fail to make any report or statement lawfully required by a public officer.

Guilt of directors.

SEC. .30.13 *Guilt of Directors:* A director of an insurer is deemed to have such knowledge of its affairs as to enable him to determine whether any act, proceeding, or omission of its directors is a violation of any provision of this article. If present at a meeting of directors at which any act, proceeding, or omission of its directors which is a violation of any such provision occurs, he must be deemed to have concurred therein unless at the time he causes or in writing requires his dissent therefrom to be entered on the minutes of the directors.

Presumption of concurrence of absent director.

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 insurer for six (6) months thereafter without causing or in writing

requiring his dissent from such violation to be entered upon such record or minutes.

SEC. .30.14 *Rebates*: 1. Except to the extent provided for in an applicable filing with the Commissioner then in effect, no insurer, general agent, agent, broker, or solicitor shall, as an inducement to insurance, or after insurance has been effected, directly or indirectly, offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured, any rebate, discount, abatement, or reduction of premium or any part thereof named in any insurance contract, or any commission thereon, or earnings, profits, dividends, or other benefit, or any other valuable consideration or inducement whatsoever which is not expressly provided for in the policy. Rebates unlawful.

2. Paragraph one of this section shall not apply as to commissions paid to a licensed agent, general agent, broker, or solicitor for insurance placed on his own property or risks, if the aggregate of such commissions does not exceed five per cent (5%) of the total net commissions received by the agent, general agent, broker, or solicitor during the same twelve-month period. Exception.

3. This section shall not apply to the allowance by any marine insurer, or marine insurance agent, general agent, broker, or solicitor, to any insured, in connection with marine insurance, of such discount as is sanctioned by custom among marine insurers as being additional to the agent's or broker's commission. Customary discounts permitted.

SEC. .30.15 *Illegal Inducements*: No insurer, general agent, agent, broker, solicitor, or other person shall, as an inducement to insurance, or in connection with any insurance transaction, provide in any policy for, or offer, or sell, buy, or offer or promise to buy or give, or promise, or allow to the insured or pros- Illegal inducements.

pective insured or to any other person on his behalf in any manner whatsoever:

Securities.

(1) Any shares of stock or other securities issued or at any time to be issued or any interest therein or rights thereto; or,

Contract for profits.

(2) any special advisory board contract, or other contract, agreement, or understanding of any kind, offering, providing for, or promising any profits or special returns or special dividends; or,

Prizes.

(3) any prizes, goods, wares, or merchandise of an aggregate value in excess of one dollar (\$1).

License revocation for rebates.

SEC. .30.16 *License Revocation for Rebates:* The Commissioner shall revoke the certificates of authority or licenses of any insurer, general agent, agent, broker, or solicitor guilty of violating any provision contained in sections .30.14 and .30.15. No such insurer, general agent, agent, broker, or solicitor shall, following any such revocation, be eligible for a certificate of authority or license within one (1) year after such revocation.

Receiving rebate.

SEC. .30.17 *Receiving Rebate:* 1. No insured person shall receive or accept, directly or indirectly, any rebate of premium or part thereof, or any favor, advantage, share in dividends, or other benefits, or any valuable consideration or inducement not specified or provided for in the policy, or any commission on any insurance policy to which he is not lawfully entitled as a licensed agent, broker, or solicitor. The retention by the nominal policyholder in any group life insurance contract of any part of any dividend or reduction of premium thereon contrary to the provisions of section .24.26, shall be deemed the acceptance and receipt of a rebate and shall be punishable as provided by this code.

Reduction of insurance.

2. The amount of insurance whereon the insured has so received or accepted any such rebate or any such commission, other than as to life or disability insurances, shall be reduced in the proportion that

the amount or value of the rebate or commission bears to the premium for such insurance. In addition to such reduction of insurance, if any, any such insured shall be liable to a fine of not more than two hundred dollars (\$200). Penalty.

SEC. .30.18 *"Twisting" Prohibited:* No person shall by misrepresentations or by misleading comparisons, induce or tend to induce any insured to lapse, terminate, forfeit, surrender, retain, or convert any insurance policy. "Twisting" prohibited.

SEC. .30.19 *Illegal Dealing in Premiums:* 1. No person shall willfully collect any sum as premium for insurance, which insurance is not then provided or is not in due course to be provided by an insurance policy issued by an insurer as authorized by this code. Illegal dealing in premiums.  
Insurance not provided.

2. No person shall willfully collect as premium for insurance any sum in excess of the amount actually expended or in due course is to be expended for insurance applicable to the subject on account of which the premium was collected. Over-charging.

3. No person shall willfully or knowingly fail to return to the person entitled thereto within a reasonable length of time any sum collected as premium for insurance in excess of the amount actually expended for insurance applicable to the subject on account of which the premium was collected. Failure to return excess

4. Each violation of this section which does not amount to a felony shall constitute a misdemeanor. Penalty.

SEC. .30.20 *Hypothecation of Notes Prohibited:* It shall be unlawful for any insurer or its representative, or any agent or broker, to hypothecate, sell, or dispose of any promissory note, received in payment for any premium or part thereof on any contract of life insurance or of disability insurance applied for, prior to delivery of the policy to the applicant. Hypothecation of notes prohibited.

SEC. .30.21 *Misrepresentations in Application for Insurance:* Any agent, solicitor, broker, examining Misrepresentations in application for insurance

physician or other person who makes a false or fraudulent statement or representation in or relative to an application for insurance in an insurer transacting insurance under the provisions of this code, shall be guilty of a misdemeanor, and the license of any such agent, solicitor, or broker so guilty shall be revoked.

Willful destruction or injury of property.

SEC. .30.22 *Willful Destruction or Injury of Property*: Any person, who, with intent to defraud or prejudice the insurer thereof, willfully 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 felony.

False claims or proofs.

SEC. .30.23 *False Claims or Proofs*: Any person, who, knowing it to be such:

(1) 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 under a contract of insurance; or,

Penalty.

(2) prepares, makes, or subscribes any false or fraudulent account, certificate, affidavit, or proof of loss, or other document or writing, with intent that it be presented or used in support of such a claim, is guilty of a gross misdemeanor.

Rate war prohibited.

SEC. .30.24 *Rate War Prohibited*: 1. Any insurer 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 its 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 certificate of authority to do business in this state suspended until such time as the Commissioner is satisfied that it is charging a proper rate of premium.

2. Any insurer 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 rewriting 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 insured any return premiums, on any risk so to be rewritten, on which its agent has received or is entitled to receive his regular commission, such insurer shall not be allowed to charge back to such agent any portion of his commission on the ground that the same has not been earned.

Commissions cannot be charged back

#### ARTICLE THIRTY-ONE

##### MERGERS, REHABILITATION, LIQUIDATION

SEC. .31.01 *Merger or Consolidation*: 1. Subject to the provisions of section .08.08, relating to the mutualization of stock insurers, section .09.35, relating to the conversion or reinsurance of mutual insurers, and section .10.33, relating to the consolidation or conversion of reciprocal insurers, a domestic insurer may merge or consolidate with another insurer, subject to the following conditions:

Merger or consolidation.

(1) The plan of merger or consolidation must be submitted to and be approved by the Commissioner in advance of the merger or consolidation.

Approved by Commissioner.

(2) The Commissioner shall not approve any such plan unless, after a hearing, he finds that it is fair, equitable, consistent with law, and that no reasonable objection exists. If the Commissioner fails to approve the plan, he shall state his reasons for such failure in his order made on such hearing.

Plan must be fair.

Disapproval.

(3) No director, officer, member, or subscriber of any such insurer, except as is expressly provided by the plan of merger or consolidation, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger or consolidation.

Certain fees prohibited.

(4) Any merger or consolidation as to an incorporated domestic insurer shall in other respects be

Business corporation law applies.

Approval by domestic mutual insurers.

governed by the general laws of this state relating to business corporations. Except, that as to domestic mutual insurers, approval by two-thirds (2/3) of its members who vote thereon pursuant to such notice and procedure as was approved by the Commissioner shall constitute approval of the merger or consolidation as respects the insurer's members.

When reinsurance deemed consolidation.

2. Reinsurance of all or substantially all of the insurance in force of a domestic insurer by another insurer shall be deemed a consolidation for the purposes of this section.

"Insurer."

SEC. .31.02 *Scope:* For the purposes of this article, other than as to section .31.01, and in addition to persons included under section .31.11, the term "insurer" shall be deemed to include all persons purporting to be engaged as insurers in the business of insurance in this state, and to persons in process of organization to become insurers.

Grounds for rehabilitation.

SEC. .31.03 *Grounds for Rehabilitation:* The Commissioner may apply for an order directing him to rehabilitate a domestic insurer upon one or more of the following grounds: That the insurer

Insolvency.

(1) is insolvent; or,

Refusal to be examined.

(2) has refused to submit its books, records, accounts or affairs to the reasonable examination of the Commissioner; or,

Violation of Commissioner's orders.

(3) has failed to comply with the Commissioner's order, made pursuant to law, to make good an impairment of capital (if a stock insurer) or an impairment of surplus (if a mutual or reciprocal insurer) within the time prescribed by law; or,

Unauthorized merger.

(4) has transferred or attempted to transfer substantially its entire property or business, or has entered into any transaction the effect of which is to merge substantially its entire property or business in that of any other insurer without first having obtained the written approval of the Commissioner; or,

(5) is found, after examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to its members, subscribers, or stockholders, or to the public; or,

Hazardous condition.

(6) has willfully violated its charter or any law of this state; or,

Violation of law or charter.

(7) has an officer, director, or manager who has refused to be examined under oath, concerning its affairs, for which purpose the Commissioner is authorized to conduct and to enforce by all appropriate and available means any such examination under oath in any other state or territory of the United States, in which any such officer, director or manager may then presently be, to the full extent permitted by the laws of any such other state or territory, this special authorization considered; or,

Refusal of officer or director to testify.

(8) has been the subject of an application for the appointment of a receiver, trustee, custodian or sequestrator of the insurer or of its property, or if a receiver, trustee, custodian, or sequestrator is appointed by a federal court or if such appointment is imminent; or,

Receiver appointed or appointment imminent.

(9) has consented to such an order through a majority of its directors, stockholders, members, or subscribers; or,

Consent to appointment.

(10) has failed to pay a final judgment rendered against it in any state upon any insurance contract issued or assumed by it, within thirty (30) days after the judgment became final or within thirty (30) days after time for taking an appeal has expired, or within thirty (30) days after dismissal of an appeal before final determination, whichever date is the later.

Failure to pay final judgment.

SEC. 31.04 *Order of Rehabilitation—Termination:*

1. An order to rehabilitate a domestic insurer shall direct the Commissioner forthwith to take possession of the property of the insurer and to conduct the busi-

Order of rehabilitation.

ness thereof, and to take such steps toward removal of the causes and conditions which have made rehabilitation necessary as the court may direct.

Order of liquidation.

2. If at any time the Commissioner deems that further efforts to rehabilitate the insurer would be useless, he may apply to the court for an order of liquidation.

Termination of rehabilitation proceeding.

3. The Commissioner, or any interested person upon due notice to the Commissioner, at any time may apply for an order terminating the rehabilitation proceeding and permitting the insurer to resume possession of its property and the conduct of its business, but no such order shall be granted except when, after a full hearing, the court has determined that the purposes of the proceedings have been fully accomplished.

Grounds for liquidation.

SEC. 31.05 *Grounds for Liquidation:* The Commissioner may apply for an order directing him to liquidate the business of a domestic insurer or of the United States branch of an alien insurer having trusteed assets in this state, regardless of whether or not there has been a prior order directing him to rehabilitate such insurer, upon any of the grounds specified in section 31.03 or upon any one or more of the following grounds: That the insurer

Ceased business.

(1) has ceased transacting business for a period of one (1) year; or,

Insolvency.

(2) is an insolvent insurer and has commenced voluntary liquidation or dissolution, or attempts to commence or prosecute any action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, trustee, custodian, or sequestrator under any law except this code; or,

Voluntary liquidation.

No certificate of authority.

(3) has not organized or completed its organization and obtained a certificate of authority as an insurer prior to the expiration or revocation of its solicitation permit.

**SEC. .31.06 *Order of Liquidation:*** 1. An order to liquidate the business of a domestic insurer shall direct the Commissioner forthwith to take possession of the property of the insurer to liquidate its business, to deal with the insurer's property and business in his own name as Commissioner or in the name of the insurer as the court may direct, to give notice to all creditors who may have claims against the insurer to present such claims.

Order of liquidation.

2. The Commissioner may apply under this article for an order dissolving the corporate existence of a domestic insurer:

Dissolution.

(1) Upon his application for an order of liquidation of such insurer, or at any time after such order has been granted; or,

(2) upon the grounds specified in item three of section .31.05, regardless of whether an order of liquidation is sought or has been obtained.

**SEC. .31.07 *Liquidation of Alien Insurers:*** An order to liquidate the business of the United States branch of an alien insurer having trusteed assets in this state shall be in the same terms as those prescribed for domestic insurers, except that only the assets of the business of such United States branch shall be included therein.

Liquidation of alien insurers.

**SEC. .31.08 *Conservation of Assets of Foreign Insurer:*** The Commissioner may apply for an order directing him to conserve the assets within this state of a foreign insurer upon any one or more of the following grounds:

Conservation of assets of foreign insurer.

(1) Upon any of the grounds specified in items one to nine inclusive of section .31.03 and in item two of section .31.05.

Grounds.

(2) That its property has been sequestered in its domiciliary sovereignty or in any other sovereignty.

**SEC. .31.09 *Conservation of Assets of Alien Insurer:*** The Commissioner may apply for an order directing him to conserve the assets within this state

Conservation of assets of alien insurer.

Grounds. of an alien insurer upon any one or more of the following grounds:

(1) Upon any of the grounds specified in items one to nine inclusive of section .31.03 and in item two of section .31.05; or,

(2) that the insurer has failed to comply, within the time designated by the Commissioner, with an order of the Commissioner pursuant to law to make good an impairment of its trusteed funds; or,

(3) that the property of the insurer has been sequestrated in its domiciliary sovereignty or elsewhere.

Foreign or alien insurers.

SEC. .31.10 *Order of Conservation or Ancillary Liquidation of Foreign or Alien Insurers:* 1. An order to conserve the assets of a foreign or alien insurer shall direct the Commissioner forthwith to take possession of the property of the insurer within this state and to conserve it, subject to the further direction of the court.

Order of conservation.

Ancillary receiver.

2. Whenever a domiciliary receiver is appointed for any such insurer in its domiciliary state which is also a reciprocal state, as defined in section .31.11, the court shall on application of the Commissioner appoint the Commissioner as the ancillary receiver in this state, subject to the provisions of the Uniform Insurers Liquidation Act.

Uniform insurers liquidation act.

Definitions.

SEC. .31.11 *Uniform Insurers Liquidation Act:* This section and sections .31.12 to .31.18 inclusive comprise and may be cited as the Uniform Insurers Liquidation Act. For the purposes of this act:

"Insurer."

(1) "Insurer" means any person, firm, corporation, association, or aggregation of persons doing an insurance business and subject to the insurance supervisory authority of, or to liquidation, rehabilitation, reorganization, or conservation by, the Commissioner, or the equivalent insurance supervisory official of another state.

(2) "Delinquency proceeding" means any proceeding commenced against an insurer for the purpose of liquidating, rehabilitating, reorganizing, or conserving such insurer.

"Delinquency proceeding."

(3) "State" means any state of the United States, and also the District of Columbia, Alaska, Hawaii and Puerto Rico.

"State."

(4) "Foreign country" means territory not in any state.

"Foreign country."

(5) "Domiciliary state" means the state in which an insurer is incorporated or organized, or, in the case of an insurer incorporated or organized in a foreign country, the state in which such insurer, having become authorized to do business in such state, has, at the commencement of delinquency proceedings, the largest amount of its assets held in trust and assets held on deposit for the benefit of its policyholders or policyholders and creditors in the United States; and any such insurer is deemed to be domiciled in such state.

"Domiciliary state."

(6) "Ancillary state" means any state other than a domiciliary state.

"Ancillary state."

(7) "Reciprocal state" means any state other than this state in which in substance and effect the provisions of this act are in force, including the provisions requiring that the Insurance Commissioner or equivalent insurance supervisory official be the receiver of a delinquent insurer.

"Reciprocal state."

(8) "General assets" means all property, real, personal, or otherwise, not specifically mortgaged, pledged, deposited, or otherwise encumbered for the security or benefit of specified persons or a limited class or classes of persons, and as to such specifically encumbered property the term includes all such property or its proceeds in excess of the amount necessary to discharge the sum or sums secured thereby. Assets held in trust and assets held on deposit for the security or benefit of all policyholders,

"General assets."

or all policyholders and creditors in the United States, shall be deemed general assets.

"Preferred claim."

(9) "Preferred claim" means any claim with respect to which the law of a state or of the United States accords priority of payment from the general assets of the insurer.

"Special deposit claim."

(10) "Special deposit claim" means any claim secured by a deposit made pursuant to statute for the security or benefit of a limited class or classes of persons, but not including any general assets.

"Secured claim."

(11) "Secured claim" means any claim secured by mortgage, trust, deed, pledge, deposit as security, escrow, or otherwise, but not including special deposit claims or claims against general assets. The term also includes claims which more than four (4) months prior to the commencement of delinquency proceedings in the state of the insurer's domicile have become liens upon specific assets by reason of judicial process.

"Receiver."

(12) "Receiver" means receiver, liquidator, rehabilitator, or conservator as the context may require.

Conduct of delinquency proceedings against insurers domiciled in this state.

SEC. 31.12 *Conduct of Delinquency Proceedings Against Insurers Domiciled in This State:* 1. Whenever under the laws of this state a receiver is to be appointed in delinquency proceedings for an insurer domiciled in this state, the court shall appoint the Commissioner as such receiver. The court shall direct the Commissioner forthwith to take possession of the assets of the insurer and to administer the same under the orders of the court.

Commissioner is receiver.

Commissioner has title.

2. As domiciliary receiver the Commissioner shall be vested by operation of law with the title to all of the property, contracts, and rights of action, and all of the books and records of the insurer wherever located, as of the date of entry of the order directing him to rehabilitate or liquidate a domestic insurer, or to liquidate the United States branch of



an alien insurer domiciled in this state, and he shall have the right to recover the same and reduce the same to possession; except that ancillary receivers in reciprocal states shall have, as to assets located in their respective states, the rights and powers which are hereinafter prescribed for ancillary receivers appointed in this state as to assets located in this state.

3. The filing or recording of the order directing possession to be taken, or a certified copy thereof, in the office where instruments affecting title to property are required to be filed or recorded shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title duly filed or recorded.

Filing or recording order as notice.

4. The Commissioner as domiciliary receiver shall be responsible on his official bond for the proper administration of all assets coming into his possession or control. The court may at any time require an additional bond from him or his deputies if deemed desirable for the protection of the assets.

Bond.

5. Upon taking possession of the assets of an insurer the domiciliary receiver shall, subject to the direction of the court, immediately proceed to conduct the business of the insurer or to take such steps as are authorized by the laws of this state for the purpose of liquidating, rehabilitating, reorganizing, or conserving the affairs of the insurer.

Conduct business.

Liquidate.

Reorganize.

6. In connection with delinquency proceedings the Commissioner may appoint one or more special deputy commissioners to act for him, and may employ such counsel, clerks, and assistants as he deems necessary. The compensation of the special deputies, counsel, clerks, or assistants and all expenses of taking possession of the insurer and of conducting the proceedings shall be fixed by the receiver, subject to the approval of the court, and shall be paid out of the funds or assets of the insurer. Within the

Commissioner may appoint assistants.

Payment of compensation.

limits of the duties imposed upon them special deputies shall possess all the powers given to, and, in the exercise of those powers, shall be subject to all of the duties imposed upon the receiver with respect to such proceedings.

Conduct of delinquency proceedings against insurers not domiciled in this state.

SEC. .31.13 *Conduct of Delinquency Proceedings Against Insurers not Domiciled in This State:* 1. Whenever under the laws of this state an ancillary receiver is to be appointed in delinquency proceedings for an insurer not domiciled in this state, the court shall appoint the Commissioner as ancillary receiver. The Commissioner shall file a petition requesting the appointment (a) if he finds that there are sufficient assets of such insurer located in this state to justify the appointment of an ancillary receiver, or (b) if ten (10) or more persons resident in this state having claims against such insurer file a petition with the Commissioner requesting the appointment of such ancillary receiver.

Commissioner is ancillary receiver.

Domiciliary receiver has title.

2. The domiciliary receiver for the purpose of liquidating an insurer domiciled in a reciprocal state, shall be vested by operation of law with the title to all of the property, contracts, and rights of action, and all of the books and records of the insurer located in this state, and he shall have the immediate right to recover balances due from local agents and to obtain possession of any books and records of the insurer found in this state. He shall also be entitled to recover the other assets of the insurer located in this state except that upon the appointment of an ancillary receiver in this state, the ancillary receiver shall during the ancillary receivership proceedings have the sole right to recover such other assets. The ancillary receiver shall, as soon as practicable, liquidate from their respective securities those special deposit claims and secured claims which are proved and allowed in the ancillary proceedings in this state, and shall pay the necessary expenses of the proceed-

Duties of ancillary receiver.

ings. All remaining assets he shall promptly transfer to the domiciliary receiver. Subject to the foregoing provisions the ancillary receiver and his deputies shall have the same powers and be subject to the same duties with respect to the administration of such assets, as a receiver of an insurer domiciled in this state.

3. The domiciliary receiver of an insurer domiciled in a reciprocal state may sue in this state to recover any assets of such insurer to which he may be entitled under the laws of this state.

Suits in  
this state.

SEC. .31.14 *Claims of Nonresidents Against Domestic Insurers:* 1. In a delinquency proceeding begun in this state against an insurer domiciled in this state, claimants residing in reciprocal states may file claims either with the ancillary receivers, if any, in their respective states, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceedings.

Claims of  
nonresidents  
against  
domestic  
insurers.

Filing  
claims.

2. Controverted claims belonging to claimants residing in reciprocal states may either (a) be proved in this state as provided by law, or (b), if ancillary proceedings have been commenced in such reciprocal states, may be proved in those proceedings. In the event a claimant elects to prove his claim in ancillary proceedings, if notice of the claim and opportunity to appear and be heard is afforded the domiciliary receiver of this state as provided in section .31.15 with respect to ancillary proceedings in this state, the final allowance of such claim by the courts in the ancillary state shall be accepted in this state as conclusive as to its amount, and shall also be accepted as conclusive as to its priority, if any, against special deposits or other security located within the ancillary state.

Proving  
controverted  
claims.

SEC. .31.15 *Claims Against Foreign Insurers:* 1. In a delinquency proceedings in a reciprocal state

Claims  
against  
foreign  
insurers.

against an insurer domiciled in that state, claimants, against such insurer, who reside within this state may file claims either with the ancillary receiver, if any, appointed in this state, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceeding.

Filing.

Proving  
controversited  
claims.

2. Controverted claims belonging to claimants residing in this state may either (a) be proved in the domiciliary state as provided by the law of that state, or (b), if ancillary proceedings have been commenced in this state, be proved in those proceedings. In the event that any such claimant elects to prove his claim in this state, he shall file his claim with the ancillary receiver in the manner provided by the law of this state for the proving of claims against insurers domiciled in this state, and he shall give notice in writing to the receiver in the domiciliary state, either by registered mail or by personal service at least forty (40) days prior to the date set for hearing. The notice shall contain a concise statement of the amount of the claim, the facts on which the claim is based, and the priorities asserted, if any. If the domiciliary receiver, within thirty (30) days after the giving of such notice, shall give notice in writing to the ancillary receiver and to the claimant, either by registered mail or by personal service, of his intention to contest such claim, he shall be entitled to appear or to be represented in any proceeding in this state involving the adjudication of the claim. The final allowance of the claim by the courts of this state shall be accepted as conclusive as to its amount, and shall also be accepted as conclusive as to its priority, if any, against special deposits or other security located within this state.

Notice of  
hearing.

Allowance.

Priority  
of certain  
claims.

SEC. .31.16 *Priority of Certain Claims:* 1. In a delinquency proceeding against an insurer domiciled in this state, claims owing to residents of ancillary

states shall be preferred claims if like claims are preferred under the laws of this state. All such claims whether owing to residents or nonresidents shall be given equal priority of payment from general assets regardless of where such assets are located.

Residents  
and non-  
residents.

General  
assets.

2. In a delinquency proceeding against an insurer domiciled in a reciprocal state, claims owing to residents of this state shall be preferred if like claims are preferred by the laws of that state.

Reciprocity.

3. The owners of special deposit claims against an insurer for which a receiver is appointed in this or any other state shall be given priority against their several special deposits in accordance with the provisions of the statutes governing the creation and maintenance of such deposits. If there is a deficiency in any such deposit so that the claims secured thereby are not fully discharged therefrom, the claimants may share in the general assets, but such sharing shall be deferred until general creditors, and also claimants against other special deposits who have received smaller percentages from their respective special deposits, have been paid percentages of their claims equal to the percentage paid from the special deposit.

Special  
deposit  
claims.

Deficiency.

Sharing in  
general  
assets.

4. The owner of a secured claim against an insurer for which a receiver has been appointed in this or any other state may surrender his security and file his claim as a general creditor, or the claim may be discharged by resort to the security, in which case the deficiency, if any, shall be treated as a claim against the general assets of the insurer on the same basis as claims of unsecured creditors. If the amount of the deficiency has been adjudicated in ancillary proceedings as provided in this act, or if it has been adjudicated by a court of competent jurisdiction in proceedings in which the domiciliary receiver has had notice and opportunity to be heard, such amount

Secured  
claims.

Deficiency  
is claim  
against  
general  
assets.

shall be conclusive; otherwise the amount shall be determined in the delinquency proceeding in the domiciliary state.

Attachment and garnishment of assets.

SEC. .31.17 *Attachment and Garnishment of Assets:* During the pendency of delinquency proceedings in this or any reciprocal state no action or proceeding in the nature of an attachment, garnishment, or execution shall be commenced or maintained in the courts of this state against the delinquent insurer or its assets. Any lien obtained by any such action or proceeding within four (4) months prior to the commencement of any such delinquency proceeding or at any time thereafter shall be void as against any rights arising in such delinquency proceeding.

Constitutionality.

SEC. .31.18 *Constitutionality- Uniformity of Interpretation:* 1. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

Uniform interpretation.

2. This Uniform Insurers Liquidation Act shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of those states that enact it. To the extent that its provisions, when applicable, conflict with other provisions of this article, the provisions of this act shall control.

Commencement of a proceeding.

SEC. .31.19 *Commencement of a Proceeding:* 1. Proceedings under this article involving a domestic insurer shall be commenced in the superior court for the county in which is located the insurer's home office. Proceedings under this article involving other insurers shall be commenced in the Superior Court for Thurston County.

Venue.

Order to show cause.

2. The Commissioner shall commence any such proceeding, the Attorney General representing him,

by an application to the court or to any judge thereof, for an order directing the insurer to show cause why the Commissioner should not have the relief prayed for. On the return of such order to show cause, and after a full hearing, the court shall either deny the application or grant the application together with such other relief as the nature of the case and the interests of policyholders, creditors, stockholders, members, subscribers, or the public may require.

Court order.

SEC. .31.20 *Injunctions*: 1. Upon application by the Commissioner for such an order to show cause or at any time thereafter, the court may without notice issue an injunction restraining the insurer, its officers, directors, stockholders, members, subscribers, agents, and all other persons from the transaction of its business or the waste or disposition of its property until the further order of the court.

Injunctions.

Enjoining  
business,  
waste, and  
transfers.

2. The court may at any time during a proceeding under this article issue such other injunctions or orders as may be deemed necessary to prevent interference with the Commissioner or the proceeding, or waste of the assets of the insurer, or the commencement or prosecution of any actions, or the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against the insurer or against its assets or any part thereof.

Other  
injunctions.

SEC. .31.21 *Removal of Proceedings*: At any time after the commencement of a proceeding under this article the Commissioner may apply to the court for an order changing the venue of, and removing the proceeding to Thurston County, or to any other county of this state in which he deems that such proceeding may be most economically and efficiently conducted.

Removal of  
proceedings.

SEC. .31.22 *Deposit of Moneys Collected*: The moneys collected by the Commissioner in a proceeding under this article, shall be, from time to time, deposited in one or more state or national banks,

Deposit  
of moneys  
collected.

savings banks, or trust companies, and in the case of the insolvency or voluntary or involuntary liquidation of any such depository which is an institution organized and supervised under the laws of this state, such deposits shall be entitled to priority of payment on an equality with any other priority given by the banking law of this state. The Commissioner may in his discretion deposit such moneys or any part thereof in a national bank or trust company as a trust fund.

Exemption  
from filing  
fees.

SEC. .31.23 *Exemption from Filing Fees:* The Commissioner shall not be required to pay any fee to any public officer in this state for filing, recording, issuing a transcript or certificate, or authenticating any paper or instrument pertaining to the exercise by the Commissioner of any of the powers or duties conferred upon him under this article, whether or not such paper or instrument be executed by the Commissioner or his deputies, employees, or attorneys of record and whether or not it is connected with the commencement of an action or proceeding by or against the Commissioner, or with the subsequent conduct of such action or proceeding.

Borrowing  
on pledge of  
assets.

SEC. .31.24 *Borrowing on Pledge of Assets:* For the purpose of facilitating the rehabilitation, liquidation, conservation or dissolution of an insurer pursuant to this article the Commissioner may, subject to the approval of the court, borrow money and execute, acknowledge and deliver notes or other evidences of indebtedness therefor and secure the repayment of the same by the mortgage, pledge, assignment, transfer in trust, or hypothecation of any or all of the property whether real, personal or mixed of such insurer, and the Commissioner, subject to the approval of the court, shall have power to take any and all other action necessary and proper to consummate any such loans and to provide for the repayment thereof. The Commissioner shall be



under no obligation personally or in his official capacity as Commissioner to repay any loan made pursuant to this section.

SEC. .31.25 *Report to the Legislature:* The Commissioner shall transmit to the legislature in his annual report, the names of all insurers proceeded against under this article together with such facts as shall acquaint the policyholders, creditors, stockholders, and the public with the proceedings. To that end the special deputy commissioner in charge of any such insurer shall file annually with the Commissioner a report of the affairs of the insurer.

Report to the legislature.

SEC. .31.26 *Date Rights Fixed on Liquidation:* The rights and liabilities of the insurer and of its creditors, policyholders, stockholders, members, subscribers, and all other persons interested in its estate shall, unless otherwise directed by the court, be fixed as of the date on which the order directing the liquidation of the insurer is filed in the office of the clerk of the court which made the order, subject to the provisions of section .31.30 with respect to the rights of claimants holding contingent claims.

Date rights fixed on liquidation.

SEC. .31.27 *Voidable Transfers:* 1. Any transfer of, or lien upon, the property of an insurer which is made or created within four (4) months prior to the granting of an order to show cause under this article with the intent of giving to any creditor or of enabling him to obtain a greater percentage of his debt than any other creditor of the same class and which is accepted by such creditor having reasonable cause to believe that such a preference will occur, shall be voidable.

Voidable transfers.

Preference.

2. Every director, officer, employee, stockholder, member, subscriber, and any other person acting on behalf of such insurer who shall be concerned in any such act or deed and every person receiving thereby any property of such insurer or the benefit

Who liable.

thereof shall be personally liable therefor and shall be bound to account to the Commissioner.

Recovery.

3. The Commissioner as liquidator, rehabilitator or conservator in any proceeding under this article, may avoid any transfer of, or lien upon the property of an insurer which any creditor, stockholder, subscriber or member of such insurer might have avoided and may recover the property so transferred unless such person was a bona fide holder for value prior to the date of the granting of an order to show cause under this article. Such property or its value may be recovered from anyone who has received it except a bona fide holder for value as above specified.

Priority of claims for compensation.

SEC. .31.28 *Priority of Claims for Compensation:*

3 months.

\$300.

1. Compensation actually owing to employees other than officers of an insurer, for services rendered within three (3) months prior to the commencement of a proceeding against the insurer under this article, but not exceeding three hundred dollars (\$300) for each such employee, shall be paid prior to the payment of any other debt or claim, and in the discretion of the Commissioner may be paid as soon as practicable after the proceeding has been commenced; except, that at all times the Commissioner shall reserve such funds as will in his opinion be sufficient for the expenses of administration.

Other laws not applicable.

2. Such priority shall be in lieu of any other similar priority which may be authorized by law as to the wages or compensation of such employees.

Offsets allowed.

SEC. .31.29 *Offsets:* 1. In all cases of mutual debts or mutual credits between the insurer and another person in connection with any action or proceeding under this article, such credits and debts shall be set off and the balance only shall be allowed or paid, except as provided in paragraph two of this section.

2. No offset shall be allowed in favor of any such person where (a) the obligation of the insurer to such person would not at the date of the entry of any liquidation order, or otherwise, as provided in section .31.26, entitle him to share as a claimant in the assets of the insurer, or (b) the obligation of the insurer to such person was purchased by or transferred to such person with a view of its being used as an offset, or (c) the obligation of such person is to pay an assessment levied against the members of a mutual insurer, or against the subscribers of a reciprocal insurer, or is to pay a balance upon a subscription to the capital stock of a stock insurer.

Exceptions.  
Not provable claim.  
Assigned for use as an off-set.  
Assessment or subscription.

SEC. .31.30 *Allowance of Certain Claims:* 1. No contingent claim shall share in a distribution of the assets of an insurer which has been adjudicated to be insolvent by an order made pursuant to section .31.31 except that such claims shall be considered, if properly presented, and may be allowed to share where

Allowance of certain claims.  
Contingent claims.  
When allowed.

(1) such claim becomes absolute against the insurer on or before the last day fixed for filing of proofs of claim against the assets of such insurer, or

Claim becomes absolute.

(2) there is a surplus and the liquidation is thereafter conducted upon the basis that such insurer is solvent.

Insurer is solvent.

2. Where an insurer has been so adjudicated to be insolvent any person who has a cause of action against an insured of such insurer under a liability insurance policy issued by such insurer, shall have the right to file a claim in the liquidation proceeding, regardless of the fact that such claim may be contingent, and such claim may be allowed

Claim on liability insurance policy.

(1) if it may be reasonably inferred from the proof presented upon such claim that such person would be able to obtain a judgment upon such cause of action against such insured; and,

Judgment obtainable.

No further claims.

(2) if such person shall furnish suitable proof, unless the court for good cause shown shall otherwise direct, that no further valid claims against such insurer arising out of his cause of action other than those already presented can be made; and,

Limitation on total liability.

(3) if the total liability of such insurer to all claimants arising out of the same act of its insured shall be no greater than its maximum liability would be were it not in liquidation.

When judgment not evidence of liability or damages.

No judgment against such an insured taken after the date of the entry of the liquidation order shall be considered in the liquidation proceedings as evidence of liability, or of the amount of damages, and no judgment against an insured taken by default, inquest or by collusion prior to the entry of the liquidation order shall be considered as conclusive evidence in the liquidation proceeding either of the liability of such insured to such person upon such cause of action or of the amount of damages to which such person is therein entitled.

Allowance of several claims.

3. No claim of any secured claimant shall be allowed at a sum greater than the difference between the value of the claim without security and the value of the security itself as of the date of the entry of the order of liquidation or such other date set by the court for fixation of rights and liabilities as provided in section .31.26 unless the claimant shall surrender his security to the Commissioner in which event the claim shall be allowed in the full amount for which it is valued.

Time to file claims.

SEC. .31.31 *Time to File Claims:* 1. If upon the granting of an order of liquidation under this article or at any time thereafter during the liquidation proceeding, the insurer shall not be clearly solvent, the court shall after such notice and hearing as it deems proper, make an order declaring the insurer to be insolvent. Thereupon, regardless of any prior notice which may have been given to creditors, the Com-

Order of insolvency.

missioner shall notify all persons who may have claims against such insurer and who have not filed proper proofs thereof, to present the same to him, at a place specified in such notice, within four (4) months from the date of the entry of such order, or, if the Commissioner shall certify that it is necessary, within such longer time as the court shall prescribe. The last day for the filing of proofs of claim shall be specified in the notice. Such notice shall be given in a manner determined by the court.

Notice.

2. Proofs of claim may be filed subsequent to the date specified, but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which have been filed before said date, have been paid in full with interest.

Subsequent filing.

SEC. .31.32 *Report for Assessment:* Within three (3) years from the date an order of rehabilitation or liquidation of a domestic mutual insurer or a domestic reciprocal insurer was filed in the office of the clerk of the court by which such order was made, the Commissioner may make a report to the court setting forth

Report for assessment.

When made.

Contents.

- (1) the reasonable value of the assets of the insurer;
- (2) the insurer's probable liabilities; and,
- (3) the probable necessary assessment, if any, to pay all claims and expenses in full, including expenses of administration.

SEC. .31.33 *Levy of Assessment:* 1. Upon the basis of the report provided for in section .31.32 including any amendments thereof, the court, ex parte, may levy one or more assessments against all members of such insurer who, as shown by the records of the insurer, were members (if a mutual insurer) or subscribers (if a reciprocal insurer) at any time within one (1) year prior to the date of issuance of the order to show cause under section .31.19.

Levy of assessment.

What assessment covers.

2. Such assessment or assessments shall cover the excess of the probable liabilities over the reasonable value of the assets, together with the estimated cost of collection and percentage of uncollectibility thereof. The total of all assessments against any member or subscriber with respect to any policy, whether levied pursuant to this article or pursuant to any other provisions of this code, shall be for no greater amount than that specified in the policy or policies of the member or subscriber and as limited under this code; except that if the court finds that the policy was issued at a rate of premium below the minimum rate lawfully permitted for the risk insured, the court may determine the upper limit of such assessment upon the basis of such minimum rate.

Limitation.

Exception.

Non-assessable policies not assessed.

3. No assessment shall be levied against any member or subscriber with respect to any nonassessable policy issued in accordance with this code.

Order to pay assessment.

SEC. .31.34 *Order to Pay Assessment:* After levy of assessment as provided in section .31.33, upon the filing of a further detailed report by the Commissioner, the court shall issue an order directing each member (if a mutual insurer) or each subscriber (if a reciprocal insurer) if he shall not pay the amount assessed against him to the Commissioner on or before a day to be specified in the order, to show cause why he should not be held liable to pay such assessment together with costs as set forth in section .31.36 and why the Commissioner should not have judgment therefor.

Assessment order.

SEC. .31.35 *Publication and Transmittal of Assessment Order:* The Commissioner shall cause a notice of such assessment order setting forth a brief summary of the contents of such order to be

Publication.

(1) published in such manner as shall be directed by the court; and,

(2) enclosed in a sealed envelope, addressed and mailed postage prepaid to each member or subscriber liable thereunder at his last known address as it appears on the records of the insurer, at least twenty (20) days before the return day of the order to show cause provided for in section .31.34.

Transmittal.

SEC. .31.36 *Judgment Upon the Assessment:*  
 1. On the return day of the order to show cause provided for in section .31.34 if the member or subscriber does not appear and serve verified objections upon the Commissioner, the court shall make an order adjudging that such member or subscriber is liable for the amount of the assessment against him together with ten dollars (\$10) costs, and that the Commissioner may have judgment against the member or subscriber therefor.

Judgment upon the assessment.

2. If on such return day the member or subscriber shall appear and serve verified objections upon the Commissioner there shall be a full hearing before the court or a referee to hear and determine, who, after such hearing, shall make an order either negating the liability of the member or subscriber to pay the assessment or affirming his liability to pay the whole or some part thereof together with twenty-five dollars (\$25) costs and the necessary disbursements incurred at such hearing, and directing that the Commissioner in the latter case may have judgment therefor.

Objections.

Hearing.

Costs.

3. A judgment upon any such order shall have the same force and effect, and may be entered and docketed, and may be appealed from as if it were a judgment in an original action brought in the court in which the proceeding is pending.

Force and effect of judgment.

## ARTICLE THIRTY-TWO

## FRATERNAL

SEC. .32.01 *Fraternal Benefit Society Defined:*  
 Any corporation, society, order, or voluntary association, without capital stock, organized and carried

Fraternal benefit society defined.

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 .32.05 hereof, is hereby declared to be a fraternal benefit society.

Lodge system defined.

SEC. .32.02 *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.

Representative form of government defined.

SEC. .32.03 *Representative Form of Government Defined:* Any such society shall be deemed to have a representative form of government when it shall provide in its constitution 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 ( $\frac{2}{3}$ ) 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 (4) years. The members, officers, representatives, or delegates of a fraternal benefit society shall not vote by proxy.

Exemptions.

SEC. .32.04 *Exemptions:* Except as herein provided, such societies shall be governed by the provi-



sions 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. .32.05 *Benefits*: (1) Every society trans-acting 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 (70) 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 (70), 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 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 certificates 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 (4%) 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.

Benefits.

Death and disability benefits.

70 years is minimum age for disability payments.

May issue certificates for term of years.

May charge part of contribution against certificate.

Applicable only to societies with readjusted contributions.

Extended or  
paid-up  
protection.

(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 (4%) 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.

Division of  
membership  
into classes.

(3) Power and authority is hereby given to a society to divide its membership into separate classes, each class having a separate form of contract of similar or general plan and character in its purpose, and that the assets or mortuary collections made from the members of each class respectively shall be carried and maintained separate for such class, and that the required reserve accumulation of such class, if the contract therefor provides for such fund, shall be set apart and held specifically and separately for the use and benefit of such particular class, and shall not thereafter be mingled with the assets or mortuary collections of any other class of the society.

Beneficiaries.  
Relatives.

SEC. .32.06 *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, stepfather, stepmother, step-children, children by legal adoption, or to a person or persons dependent upon the member, or the member or applicant, may with the consent of the society, make his or her estate the beneficiary: *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

Home.  
maintained  
by the  
society.

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 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.

Beneficiaries may be limited.

SEC. .32.07 *Qualifications for Membership*: Any society may admit to beneficiary membership any person not less than sixteen (16) and not more than sixty (60) 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, or from admitting any person to beneficiary membership who is not less than sixteen (16) nor more than sixty (60) years of age, without medical examination: *Provided*, That such person so admitted shall have made a declaration of insurability acceptable to the society: *And provided further*, That the amount of the certificate issued to such person admitted without medical examination shall not exceed the sum of one thousand dollars (\$1,000).

Qualification for membership.

Age limitations.

Medical examination.

General or social members.

Certificate amount limited if issued without medical examination.

SEC. .32.08 *Certificate*: Every certificate issued by any such society shall specify the amount of

Certificate.

Form.

benefit provided thereby and the plan of insurance upon which it is written 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 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.

Funds.

Use of surplus subject to laws of society.

SEC. .32.09 *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 .32.05 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 (4%) 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 (4%) per annum.

Contributions must meet obligations.

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

Maintenance of fund to meet liabilities.

SEC. .32.10 *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.

Investments.

SEC. .32.11 *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 mor-

Distribution of funds.

tuary or disability purposes, or the net accretions of either for any of said funds, shall be used for expenses.

Organization.  
Persons.

SEC. .32.12 *Organization:* Seven (7) 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:

Corporate name.

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.

Purposes.

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.

Officers.

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 (1) year from the date of 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

Articles, constitution, by-laws, rules, regulations, application and form of certificate to be filed.

dollars (\$5,000), 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 (1) 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.

Preliminary certification by Commissioner.

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 (1) 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 secured upon at least five hundred (500) lives for at least one thousand dollars (\$1,000) 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 (10) subordinate lodges or branches into which said five hundred applicants have been initiated, nor until there has been submitted to the Commissioner,

Solicitation of and collection from members.

Minimum number of applications.

Branches or lodges.

List of  
members.

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 (4%) 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 (\$500) applicants have each paid in cash at least one (1) regular monthly payment as herein provided per one thousand dollars (\$1,000) of indemnity to be effected, which payments in the aggregate shall amount to at least twenty-five hundred dollars (\$2,500), 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.

Sworn  
statement  
as to cash  
paid in.

Payments  
held in trust.

Said advanced payments shall, during the period of organization, be held in trust, and, if the organization is not completed within one (1) year as hereinafter provided, returned to said applicants.

Examination  
by Com-  
missioner.

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.

Certificate  
by Com-  
missioner.

No preliminary certificate granted under the provisions of this section shall be valid after one (1) year from its date, or after such further period, not exceeding one (1) year, as may be authorized by the Commissioner, upon cause shown, unless the five hundred (500) 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 (1) 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 (1) year, or has less than four hundred (400) members, its charter shall become null and void.

Limitation  
on  
preliminary  
certificate.

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.

Society  
may make  
constitution  
and by-laws.

SEC. .32.13 *Powers Retained—Reincorporation—Amendments:* Any society now engaged in transacting business in this state may exercise, after the passage of this act, all of the rights conferred thereby, and all of the rights, powers and privileges now ex-

Powers re-  
tained—rein-  
corpora-  
tion—  
amendments.

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.

Mergers and transfers.

Contract in writing.

SEC. .32.14 *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 ( $\frac{2}{3}$ ) of the members of the supreme legislative or governing body of each of said societies.

Approval by  $\frac{2}{3}$  rds vote of governing body.

Examination and approval by Commissioner.

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.

When not to be disclosed by Commissioner.

SEC. 32.15 *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 (\$10). 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.

Renewal.

Prima facie evidence.

SEC. 32.16 *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,

Admission of foreign society.

License requirement.

Filings with Commissioner.

Statement of business.

Copy of contract.

Other information required by Commissioner.

License fee.

Renewal.

Decision in writing by Commissioner.

Review.

Power of attorney and service of process.

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 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 (\$10). When the Commissioner refuses to license any society, or revokes 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. .32.17 *Power of Attorney and Service of Process*: Every society, whether domestic or foreign, now transacting business in this state shall,

within thirty (30) 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.

Appointment of Commissioner in writing.

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 (40) 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 to be made in duplicate upon Commissioner.

Forty days for answer.

Copy to be mailed to society.

SEC. .32.18 *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

Place of meeting—location of office.

in all respects as if such meetings were held in this state. But its principal office shall be located in this state.

No personal liability.

SEC. .32.19 *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.

Waiver of the provisions of the laws.

SEC. .32.20 *Waiver of the Provisions of the Laws:* 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.

Benefits not attachable.

SEC. .32.21 *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.

Constitution and laws—amendment.

SEC. .32.22 *Constitution and Laws—Amendment:* 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 (90) 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.

Prima facie evidence.

SEC. .32.23 *Annual Reports*: Every society transacting business in this state shall annually, on or before the fifteenth day of March, 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 (1) 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.

Annual reports.

To be filed with Commissioner.

In addition to the annual report herein required, each society shall annually report to the Commissioner in 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 thirty-one. 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. Such valuation shall be

Annual report on valuation of certificates.

Optional feature.

Certification  
of report.

Legal  
standard  
of valuation.

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 (90) 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 (100,000) lives with interest assumption not more than four per cent (4%) per annum. Each such valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation. Each society shall value its certificates according to the plan named therein. 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.

Report to  
be mailed to  
members.

Publication  
optional.

An annual 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 its members, together with the admitted assets, are insufficient to mature its certificates 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 (5%) per annum.

Increased  
contri-  
butions.

**SEC. .32.24 Provisions to Insure Future Security:** If the valuation of the certificates as hereinbefore provided, on December thirty-first, nineteen hundred and thirty-one, shall show that the present value of future net contributions together with the admitted assets is less than ninety per cent (90%) of present value of the promised benefits and accrued liabilities, such society shall be required thereafter to reduce such deficiency not less than ten per centum (10%) of the total deficiency on said December thirty-first, nineteen hundred and thirty-one, 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 provisions of section .32.25 of this act, or in the case of a foreign society, he may cancel its license to transact business in this state.

Provisions  
to insure  
future  
security.

Improvement  
of  
deficiency.

Failure to  
improve.

Commis-  
sioner may  
institute  
proceedings  
to dissolve or  
may revoke  
license.

Failure to make required improvement as to new members.

Any such society shown by any triennial valuation subsequent to December thirty-first, nineteen hundred and thirty-one, not to have made the improvements herein required, shall, within one (1) year thereafter, complete such deficient improvement, or thereafter as to all new members admitted be subject, so far as stated rates of contributions are concerned, to the provisions of section .32.12 of this act applicable to 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 shall be placed in a separate class and their certificates valued as an independent society in respect to contributions and funds.

New members.

Accounts to be separated.

Examinations of domestic societies by Commissioner.

SEC. .32.25 *Examinations 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.

Expense of examination.

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 (3) years.

Failure to comply with this act.

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 (1) year or more, shall have a membership of less than four hundred (400), 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.

Quo warranto by the Attorney General.

Injunction and appointment of Commissioner as receiver.

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

Preliminary service of notice.

SEC. .32.26 *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.

Application for receiver, etc.

SEC. .32.27 *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 as-

Examination of foreign societies.

sistants, 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.

Commissioner may accept in lieu other examinations.

Expense.

Revocation or suspension of license on failure to submit.

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.

No adverse publications.

Service of copy by Commissioner an opportunity to answer or make showing.

SEC. .32.28 *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 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.

Revocation of license.

SEC. .32.29 *Revocation of License:* 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 .32.16 of this act.

Notice and  
show cause.

Commis-  
sioner may  
revoke.

Review.

SEC. .32.30 *Exemption of Certain Societies:* Nothing contained in this act shall be construed to affect or apply to grand or subordinate lodges of Masons, Odd Fellows, Improved Order of Red Men, Fraternal Order of Eagles, Loyal Order of Moose, or Knights of Pythias, exclusive of the insurance department of the Supreme Lodge of Knights of Pythias, the Grand Aerie Fraternal Order of Eagles, 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 (\$300) to any one person, or dis-

Exemption  
of certain  
societies.

ability benefit not exceeding three hundred dollars (\$300) in any one year to any one person, or both, nor to any contracts of reinsurance 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 (\$100), or for disability benefits of more than one hundred and fifty dollars (\$150) to any one person in any one year: *Provided always*, That any such domestic order or society which has more than five hundred (500) 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.

Commissioner may require information.

Compensation for securing members prohibited.

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.

Societies providing solely for accidental death or disability benefits.

Any fraternal benefit society, heretofore organized and incorporated and operating within the definition set forth in sections .32.01, .32.02, and .32.03 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 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. .32.31 *May Provide Accident and Health Benefits:* Any corporation, society, order or voluntary association operating within the definition set forth in sections .32.01, .32.02, and .32.03 of this act, organized during the war in which the United States entered on April sixth, nineteen hundred and seventeen, with the purposes of assisting the government of the United States in maintaining and increasing the production of commodities essential for the prosecution of that war, and of developing loyalty to the United States, or whose membership is limited to veterans of that war, 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 the provisions of this article requiring death benefits of at least one thousand dollars (\$1,000), medical examinations, valuations of benefit certificates, shall not apply to such society, but such society may provide benefits in case of death or disability resulting solely from accidents in an amount not exceeding one thousand dollars (\$1,000) and may also provide for death or funeral benefits, or both, not exceeding one hundred dollars (\$100) each, and for sick or disability benefits not exceeding five hundred dollars (\$500) to any one person, in any one year. Any corporation, society, order, or voluntary association organized under the provisions of this section shall file with the Insurance Department a copy of all its rates and policy forms, which rates and policy forms must be approved by the said Insurance Department before becoming effective; and all such rates and forms shall be observed by said society until amended rates or forms shall have been filed with and approved by the said Insurance Department.

May provide accident and health benefits.

Societies organized during first world war to assist the United States or with membership of veterans.

Fillings with and approval by the Insurance Department

Taxation.  
Exemption.

SEC. .32.32 *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.

Penalties.  
Solicitation or procuring members.

SEC. .32.33 *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 [dollars] (\$50) nor more than two hundred dollars (\$200).

Misdemeanor.  
Punishment.

Violations.  
Punishment.

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 (\$200) upon conviction thereof.

Assignment of certificates—payment discharges society.

SEC. .32.34 *Assignment of Certificates—Payment Discharges Society:* Sections .18.36 and .18.37 shall be applicable to fraternal benefit societies, as though such societies were "insurers" as such term is used in such sections, and to the certificates providing death benefits or disability benefits issued by such societies.

Juvenile benefits.

SEC. .32.35 *Juvenile Benefits:* Any fraternal benefit society operating on the lodge system and authorized to transact the business of fraternal insurance in this state, may provide in its constitution and by-laws, in addition to other benefits provided for therein, for the payment of death or annuity



benefits upon the lives of children between the ages of one (1) and eighteen (18) years at next birthday. Any such society may at its option organize and operate branches for such children and membership in local lodges and initiation therein shall not be required of such children, nor shall they have any voice in the management of the society. The total benefits payable, as above provided, shall in no case exceed the amount of two thousand dollars (\$2,000).

Branches optional.

Benefits limited.

SEC. .32.36 *Valuation of Contributions:* The death benefit contributions to be made upon such certificates shall be based upon the "Standard Industrial Mortality Table," or the "English Life Table Number Six," and a rate of interest not greater than four per cent (4%) per annum or upon a higher standard: *Provided*, That contributions may be waived, or returns may be made from any surplus held in excess of reserve and other liabilities, as provided in the by-laws; *And provided, further*, That extra contributions shall be made if the reserves hereafter provided for become impaired.

Valuation of contributions.

May be waived.

May be increased.

SEC. .32.37 *Funds Kept Separate:* Any society entering into such insurance agreements shall maintain in all such contracts the reserve required by the standard of mortality and interest adopted by the society for computing contributions as provided in section .32.36: *Provided*, That a society may provide that when a child reaches the minimum age for initiation into membership in such society, any benefit certificate issued hereunder may be surrendered for cancellation and exchanged for any other forms of certificate issued by the society. Upon the issuance of such new certificate, any reserve upon the original certificate herein provided for shall be transferred to the credit of the new certificate. Neither the person who originally made application for benefits on account of such child, nor the beneficiary named in such original certificate,

Funds kept separate.

Reserve.

Transfer of reserve to new certificate.

No vested right in new certificate.

Beneficiary  
to be named  
by new  
member.

nor the person who paid the contribution, shall have any vested right in such new certificate, the free nomination of a beneficiary under the new certificate to be left to the child so admitted to benefit membership.

Annual  
report.

SEC. .32.38 *Annual Report*: A statement of all business transacted on account of juvenile benefit insurance, showing assets and liabilities, shall be included by any society availing itself of the privileges of this act, in its annual report to the Insurance Commissioner. The assets, funds and liabilities required hereby shall not be terminated, rescinded or modified, nor shall the funds be divested for any use other than as specified in section .32.37, as long as any certificate issued hereunder remains in force, and this requirement shall be recognized and enforced in any liquidation, reinsurance, merger, or other change in the condition of the status of the society.

Expense  
fund.

SEC. .32.39 *Expense Fund*: Any society shall have the right to provide in its laws and the certificates issued hereunder for specified payments on account of the expense or general fund, which payments shall or shall not be mingled with the general fund of the society as its constitution and by-laws may provide.

Termination  
of  
membership.

SEC. .32.40 *Termination of Membership*: In the event of the termination of membership in the society by the person responsible for the support of any child on whose account a certificate may have been issued, as provided herein, the certificate may be continued for the benefit of the estate of the child: *Provided*, The contributions are continued or for the benefit of any other person responsible for the support and maintenance of such child, who shall assume the payment of the required contributions.

SEC. 32.41 *Fraternal Mutual Property Insurers:* Fraternal mutual property insurers.

1. A domestic mutual property insurer which is affiliated with and is comprised exclusively of members of a specified fraternal society, which society conducts its business and secures its membership on the lodge system, having ritualistic work and ceremonies, is herein designated as a fraternal mutual insurer. Definition.

2. Only fraternal mutual property insurers which were authorized insurers immediately prior to the effective date of this code may hereafter be so authorized. Limited to those authorized on effective date of code.

3. Such an insurer shall be subject to the applicable provisions of this code governing domestic mutual insurers except only as to the provisions relative to annual meeting, taxes, fees and licenses. Such an insurer shall pay for its annual license and filing its annual statement, the sum of ten dollars (\$10). Such an insurer shall pay the expense of examinations of it by the Commissioner, upon statement furnished by the Commissioner. Exemptions. License fee.

4. Such an insurer may insure corporations, associations, and firms owned by and affiliated with such society and operated for the benefit of its members, and may insure corporations and firms a majority of whose shareholders or members are members of such society. Who insurer may insure.

5. Such an insurer doing business on the assessment premium plan: Assessment premium plan.

(1) Shall be exempt also from the provisions of this code governing financial qualifications. Exemption.

(2) Shall not be authorized to transact any kind of insurance other than property insurance, nor have authority to accept reinsurance. Limited to property insurance.

6. Such an insurer doing business on the cash premium plan: Cash premium plan.

(1) May be authorized to transact additional kinds of insurance, other than life or title insurance, subject to the same requirements as to surplus funds May be authorized to transact other insurance business.

and reserves as apply to domestic mutual insurers on the cash premium plan.

May accept other business from similar insurers.

(2) May accept reinsurance only of such kinds of insurance as it is authorized to transact direct and only from insurers likewise affiliated with and composed solely of the members of the same designated fraternal society.

Fraternal mutual life insurers.

Definition.

SEC. .32.42 *Fraternal Mutual Life Insurers*: 1. A mutual life insurer which is affiliated with and insures exclusively members of a specified fraternal society, which society conducts its business and secures its membership on the lodge system, having ritualistic work and ceremonies, is herein designated as a fraternal mutual life insurer.

Exceptions.

2. Such an insurer shall be subject to the applicable provisions of this code governing mutual life insurers except only as to the provisions relative to annual meeting, taxes, fees and licenses. Such an insurer shall pay for its annual license and filing its annual statement, the sum of ten dollars (\$10). Such an insurer shall pay the expense of examinations of it by the Commissioner, upon statement furnished by the Commissioner.

License fee.

Examinations.

ARTICLE THIRTY-THREE  
STATE FIRE MARSHAL

State Fire Marshal.

SEC. .33.01 *State Fire Marshal*: The Commissioner shall ex officio be State Fire Marshal. The Commissioner shall receive no additional compensation on account of his services as State Fire Marshal.

Deputy State Fire Marshals.

SEC. .33.02 *Deputy State Fire Marshals*: 1. The State Fire Marshal may appoint a Chief Deputy State Fire Marshal and such additional deputy state fire marshals as he deems necessary for the discharge of his duties pursuant to this article, and shall fix their compensation and from time to time prescribe their respective duties. The State Fire Marshal may terminate any such appointment at any time.

2. Any power or duty vested in the State Fire Marshal by this article may be exercised or discharged by any deputy state fire marshal acting in the name and by the authority of the State Fire Marshal.

Power may be exercised by deputy.

3. The Commissioner may also designate as an ex officio resident fire marshal, the chief of any organized fire department within this state, and may revoke any such designation so made.

Commissioner may designate resident fire marshal.

SEC. .33.03 *Examination of Premises:* 1. The State Fire Marshal or any deputy state fire marshal shall have authority at all times of day and night, in the performance of duties imposed by this article, to enter upon and examine any building or premises where any fire has occurred and other buildings and premises adjoining or near thereto.

Examination of premises.

Where fires have occurred.

2. The State Fire Marshal or any deputy state fire marshal shall have authority at any reasonable hour to enter into any public building or premises or any building or premises used for public purposes to inspect for fire hazards.

Fire hazards.

3. Within his jurisdiction a resident fire marshal may exercise like powers as are conferred by paragraphs one and two of this section upon the State Fire Marshal. Such power in a resident fire marshal shall not be to the exclusion of any power of the State Fire Marshal or of any deputy state fire marshal.

Resident fire marshal.

SEC. .33.04 *Safety Standards:* 1. In jurisdictions within this state other than those in which there is in force a comprehensive local fire prevention and safety code, the State Fire Marshal or any deputy fire marshal shall have authority to enter upon all premises and into all buildings except private dwellings for the purpose of inspection to ascertain if any fire hazard exists, and to require conformance with minimum standards for the prevention of fire and for the protection of life and

Safety standards.

Inspection all buildings except private dwellings.

property against fire and panic as to use of premises, and may adopt by reference nationally recognized standards applicable to local conditions.

Enforcement of fire and safety laws.

2. A resident fire marshal shall have authority to enforce within his jurisdiction such ordinances and laws relative to fire prevention and safety and use of premises as may be in force therein. In areas outside those covered by such local fire prevention and safety codes, the jurisdiction of any such resident fire marshal shall be subordinate to that of the State Fire Marshal.

Request by local authority.

3. In areas covered by such fire prevention and safety codes the State Fire Marshal may, upon request by the chief fire official or the local governing body or of taxpayers of such area, assist in the enforcement of any such code.

Removal of fire hazards.

Written order.

SEC. .33.05 *Removal of Fire Hazards:* 1. If the State Fire Marshal or his deputy finds in any building or premises subject to their inspection under this article, any combustible material or inflammable conditions or fire hazards dangerous to the safety of the building, premises, or to the public, he shall by written order require such condition to be remedied, and such order shall forthwith be complied with by the owner or occupant of the building or premises.

Appeal to State Fire Marshal.

2. An owner or occupant aggrieved by any such order made by a deputy state fire marshal may within five (5) days after the date of the order appeal to the State Fire Marshal. If the State Fire Marshal confirms the order, the order shall remain in force and be complied with by the owner or occupant.

Failure to comply.

3. Any owner or occupant failing to comply with any such order not appealed from or with any order so confirmed shall be punishable by a fine of not less than ten dollars (\$10) nor more than fifty dollars (\$50) for each day such failure exists.

Fine.

SEC. .33.06 *Reports and Investigation of Fires:*

1. The chief of each organized fire department, or the sheriff having jurisdiction over areas not within the jurisdiction of any fire department, shall forthwith notify the State Fire Marshal of all fires of criminal, suspected, or undetermined origin occurring within the jurisdiction of such fire department or sheriff.

Reports and investigation of fires.

Notification to State Fire Marshal.

2. The State Fire Marshal may investigate any fire for the purpose of determining its cause or origin or the extent of the loss, or both.

Investigation.

SEC. .33.07 *Examination of Witnesses:* In the conduct of any investigation into the cause, origin, or loss resulting from any fire, the State Fire Marshal shall have the same power and rights relative to securing the attendance of witnesses and the taking of testimony under oath as is conferred upon the Commissioner under section .03.07. False swearing by any such witness shall be deemed to be perjury and shall be subject to punishment as such.

Examination of witnesses.

SEC. .33.08 *Prosecution of Arsonists:* If as the result of any such investigation, or because of any information received by him, the State Fire Marshal is of the opinion that there is evidence sufficient to charge any person with any crime, he may cause such person to be arrested and charged with such offense, and shall furnish to the prosecuting attorney of the county in which the offense was committed, the names of witnesses and all pertinent and material evidence and testimony within his possession relative to the offense.

Prosecution of arsonists.

Information to prosecuting attorney.

SEC. .33.09 *Records of Fires:* The State Fire Marshal shall keep on file in his office all reports of fires made to him or to the Commissioner pursuant to this code. Such records shall at all times during business hours be open to public inspection; except, that any testimony taken in a fire investigation may, in the discretion of the State Fire Marshal, be with-

Records of fires

held from public scrutiny. The State Fire Marshal may destroy any such report after five (5) years from its date.

Fire prevention.

SEC. .33.10 *Fire Prevention:* The State Fire Marshal may from time to time disseminate within this state information concerning the causes, prevention, and reduction of damage from fire.

Annual report.

SEC. .33.11 *Annual Report:* The State Fire Marshal shall submit annually as of the first day of January a report to the Governor of this state. The report shall contain a detailed statement of his official acts pursuant to this article.

Forms, blanks, circulars.

SEC. .33.12 *Forms, Blanks, Circulars:* All forms, blanks, circulars, posters and such reports as may be required pursuant to the provisions of this article, shall be furnished at the expense of the state.

Hearings and appeals.

SEC. .33.13 *Hearings and Appeals:* The Commissioner, as State Fire Marshal, shall be subject to and may avail himself of the applicable provisions of article four, relating to hearings and appeals.

#### ARTICLE THIRTY-FOUR

##### ACTS REPEALED OR AMENDED

Acts repealed or amended.

SEC. .34.01 The following acts are hereby repealed: Sections 1, 3, 5, 8, 9, 10, 11, 12, 13, 15, 16, 18, 19, 20, 21, 22, 25, 28, 29, 30, 31, 33, 35, 38, 39, 40, 41, 42, 43, 46, 47, 48, 50, 51, 52, 53, 54, 55, 56, 58, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 76, 77, 78, 80, 81, 82, 88, 89, 90, 91, 93, 94, 95, 96, 97, 98, 99, 101, 102, 103, 104, 105, 105½, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 179, 180, 181, 183, 184, 185, 186, 190, 191, 192, 195, 196, 197, 198, 199, 200, 201, 203, 204, 205, 206, 207, 208,



209, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 230, 231, 232, 233, 234, 236, 237, 238, of chapter 49, Laws of 1911 (sections 7032, 7034, 7036, 7039, 7040, 7041, 7042, 7043, 7044, 7047, 7048, 7050, 7051, 7052, 7053, 7054, 7070, 7072, 7073, 7074, 7075, 7077, 7079, 7082, 7083, 7084, 7085, 7086, 7087, 7091, 7092, 7093, 7095, 7096, 7097, 7098, 7099, 7100, 7101, 7103, 7105, 7106, 7107, 7108, 7109, 7110, 7111, 7112, 7113, 7114, 7115, 7116, 7117, 7121, 7122, 7123, 7125, 7126, 7127, 7133, 7134, 7135, 7136, 7138, 7139, 7140, 7141, 7142, 7143, 7144, 7146, 7147, 7148, 7149, 7150, 7151, 7153, 7154, 7155, 7156, 7157, 7158, 7159, 7160, 7161, 7162, 7163, 7164, 7165, 7166, 7167, 7168, 7169, 7170, 7171, 7172, 7173, 7174, 7175, 7176, 7177, 7178, 7179, 7180, 7181, 7182, 7183, 7184, 7185, 7186, 7187, 7188, 7189, 7190, 7191, 7192, 7193, 7194, 7195, 7196, 7197, 7198, 7199, 7200, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7208, 7209, 7210, 7211, 7212, 7213, 7214, 7215, 7216, 7217, 7218, 7219, 7220, 7221, 7222, 7223, 7225, 7226, 7227, 7229, 7230, 7231, 7232, 7243, 7244, 7245, 7248, 7249, 7250, 7251, 7252, 7253, 7254, 7256, 7257, 7258, 7259, 7260, 7261, 7262, 7267, 7268, 7269, 7270, 7271, 7272, 7273, 7274, 7275, 7276, 7277, 7278, 7279, 7280, 7283, 7284, 7285, 7286, 7287, 7290, 7291, 7292, Rem. Rev. Stat. respectively, or sections 2908, 2910, 2912, 2915, 2916, 2917, 2918, 2919, 2920, 2922, 2923, 2925, 2926, 2927, 2928, 2929, 2932, 2935, 2936, 2937, 2938, 2940, 2942, 2945, 2946, 2947, 2948, 2949, 2950, 2954, 2955, 2956, 2958, 2959, 2960, 2961, 2962, 2963, 2964, 2966, 2968, 2969, 2970, 2971, 2972, 2973, 2974, 2975, 2976, 2977, 2978, 2978a, 2979, 2983, 2984, 2985, 2987, 2988, 2989, 2995, 2996, 2997, 2998, 3000, 3001, 3002, 3003, 3004, 3005, 3006, 3008, 3009, 3010, 3011, 3012, 3013, 3015, 3016, 3017, 3018, 3019, 3020, 3021, 3022, 3023, 3024, 3025, 3026, 3027, 3028, 3029, 3030, 3031, 3032, 3033, 3034, 3035, 3036, 3037, 3038, 3039, 3040, 3041, 3042, 3043, 3044, 3045, 3046, 3047, 3048, 3049, 3050, 3051, 3052, 3053, 3054, 3055, 3056, 3057, 3058, 3059, 3060, 3061, 3062,

3063, 3064, 3065, 3066, 3067, 3068, 3069, 3070, 3071, 3072, 3073, 3074, 3075, 3076, 3077, 3078, 3079, 3080, 3081, 3082, 3083, 3084, 3085, 3087, 3124, 3125, 3127, 3128, 3129, 3130, 3134, 3135, 3136, 3122, 3123, 3137, 3138, 3139, 3140, 3141, 3143, 3144, 3145, 3088, 3089, 3090, 3091, 3096, 3097, 3098, 3099, 3100, 3101, 3102, 3103, 3104, 3105, 3106, 3107, 3108, 3109, 3112, 3113, 3114, 3115, 3116, 3118, 3119, 3146, Pierce Code); also sections 1, 2, 3, 4, 6, 7, 9, of chapter CLXII, Laws of 1901 (sections 5654-1, 5654-2, 5654-3, 5654-4, 5654-6, 5654-7, Rem. Rev. Stat., and sections 3148, 3149, 3150, 3151, 3152, 3153, 3154, Pierce Code); also section 2 of chapter 49, Laws of 1911 as last amended by section 1 of chapter 175, Laws of 1927 (section 7033, Rem. Rev. Stat. or section 2909, Pierce Code), section 4 of chapter 49 of the Laws of 1911 as last amended by section 1 of chapter 226, Laws of 1939 (section 7035, Rem. Rev. Stat., or section 2911, Pierce Code), section 1 of chapter 2, Laws of 1909 (section 3147, Pierce Code), section 6 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 82, Laws of 1917 (section 7037, Rem. Rev. Stat., or section 2913, Pierce Code), section 7 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 133, Laws of 1919 (section 7038, Rem. Rev. Stat., or section 2914, Pierce Code), section 13½ of chapter 49, Laws of 1911, as last amended by section 3 of chapter 177, Laws of 1915 (section 7045, Rem. Rev. Stat., or section 2920a, Pierce Code), section 14 of chapter 49, Laws of 1911, as last amended by section 4 of chapter 177, Laws of 1915 (section 7046, Rem. Rev. Stat., or section 2921, Pierce Code), section 8 of chapter 55, Laws of 1901, as last amended by section 112 of chapter 180, Laws of 1935 (section 11205, Rem. Rev. Stat., or section 7056, Pierce Code), section 17 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 193, Laws of the Extraordinary Session of 1925 (section 7049, Rem. Rev. Stat., or section 2924, Pierce

Code) section 23 of chapter 49, Laws of 1911, as last amended by section 1, chapter 102, Laws of 1939. (sections 7054-1, 7055, 7056, 7057, 7058, 7059, 7060, 7061, 7062, 7063, 7064, 7065, 7066, 7067, 7068, Rem. Rev. Stat., respectively, or sections 2930, 2930-1, 2930-2, 2930-3, 2930-4, 2930-5, 2930-6, 2930-7, 2930-8, 2930-9, 2930-10, 2930-11, 2930-12, 2930-13, 2930-14 of Pierce Code, respectively), section 24 of chapter 49, Laws of 1911, as last amended by section 24 of chapter 177, Laws of 1915 (section 7069, Rem. Rev. Stat., or section 2931, Pierce Code) section 26 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 28, Laws of 1945 (section 7071, Rem. Rev. Stat., or section 2933, Pierce Code), section 1 of chapter 49, Laws of 1933 (section 7071-1, Rem. Rev. Stat., or section 2933-1, Pierce Code), section 32 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 97, Laws of 1915 (section 7076, Rem. Rev. Stat., or section 2939, Pierce Code), section 34 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 192, Laws of 1915 (section 7073, Rem. Rev. Stat., or section 2941, Pierce Code), section 36 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 84, Laws of 1931 (section 7080, Rem. Rev. Stat., or section 2943, Pierce Code), section 16 of chapter 177, Laws of 1915, as last amended by section 1 of chapter 197, Laws of the Extraordinary Session of 1925 (section 7081, Rem. Rev. Stat., or section 2944, Pierce Code), section 44 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 107, Laws of 1927 (section 7088, Rem. Rev. Stat., or section 2951, Pierce Code), section 45 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 66, Laws of 1937 (section 7089, Rem. Rev. Stat., or section 2952-21, Pierce Code), section 1 of chapter 66, Laws of 1937 (section 7089-1, 7089-2, 7089-3, 7089-4, 7089-5, Rem. Rev. Stat., respectively, or sections 2952-22, 2952-23, 2952-24, 2952-25, 2952-26, Pierce Code, respectively), section

1 of chapter 18, Laws of 1915 (section 7090, Rem. Rev. Stat., or section 2953, Pierce Code), section 57 of chapter 49, Laws of 1911, as last amended by section 10 of chapter 177, Laws of 1915 (section 7102, Rem. Rev. Stat., or section 2965, Pierce Code), section 59 of chapter 49, Laws of 1911, as last amended by section 2 of chapter 265, Laws of 1927 (section 7104, Rem. Rev. Stat., or section 2967, Pierce Code), section 74 of chapter 49, Laws of 1911, as last amended by section 2 of chapter 88, Laws of 1935 (section 7119, Rem. Rev. Stat., or section 2981, Pierce Code), section 3 of chapter 88, Laws of 1935 (section 7119a, Rem. Rev. Stat., or section 2981-1, Pierce Code), section 4 of chapter 88, Laws of 1935 (section 7119b, Rem. Rev. Stat., or section 2981-2, Pierce Code), section 5 of chapter 88, Laws of 1935 (section 7119c, Rem. Rev. Stat., or section 2981-3, Pierce Code), section 6 of chapter 88, Laws of 1935 (section 7119d, Rem. Rev. Stat., or section 2981-4, Pierce Code), section 75 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 164, Laws of 1941 (section 7120, Rem. Rev. Stat., or section 2982, Pierce Code), section 79 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 109, Laws of 1913 (section 7124, Rem. Rev. Stat., or section 2986, Pierce Code), section 1 of chapter 69, Laws of 1939 (section 7126a, Rem. Rev. Stat., or section 2988a, Pierce Code), section 83 of chapter 49, Laws of 1911, as last amended by section 2 of chapter 109, Laws of 1913 (section 7128, Rem. Rev. Stat., or section 2990, Pierce Code), section 1 of chapter 40, Laws of 1941 (section 7128-1, Rem. Rev. Stat., or section 2990-21, Pierce Code), section 84 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 47, Laws of 1919 (section 7129, Rem. Rev. Stat., or section 2991, Pierce Code), section 85 of chapter 49, Laws of 1911, as last amended by section 3 of chapter 40, Laws of 1941 (section 7130, Rem. Rev. Stat., or section 2992, Pierce Code),

section 86 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 39, Laws of 1937 (section 7131, Rem. Rev. Stat., or section 2993, Pierce Code), section 1 of chapter 73, Laws of 1941 (section 7131a, Rem. Rev. Stat., or section 2993-51, Pierce Code), section 1 of chapter 48, Laws of the Extraordinary Session of 1933, as last amended by sections 1, 2, 4, 9, 11, 13, of chapter 42, Laws of 1937 (sections 7131-1, 7131-2, 7131-4, 7131-9, 7131-11, 7131-13, Rem. Rev. Stat., respectively, or sections 3136-21, 3136-22, 3136-24, 3136-29, 3136-31, 3136-33 of Pierce Code), sections 3, 5, 6, 8, 10, 12, 14, 15, 16, 17, of chapter 42, Laws of 1937 (sections 7131-3, 7131-5, 7131-6, 7131-8, 7131-10, 7131-12, 7131-14, 7131-15, 7131-16, 7131-17, Rem. Rev. Stat., respectively, or sections 3136-23, 3136-25, 3136-26, 3136-28, 3136-30, 3136-32, 3136-34, 3136-35, 3136-36, 3136-37, Pierce Code, respectively), section 2 of chapter 48, Laws of the Extraordinary Session of 1933, as last amended by section 7 of chapter 42, Laws of 1937 (section 7131-7, Rem. Rev. Stat., or section 3136-27, Pierce Code), section 87 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 38, Laws of 1937 (section 7132, Rem. Rev. Stat., or section 2994, Pierce Code), section 92 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 111, Laws of 1941 (section 7137, Rem. Rev. Stat., or section 2999, Pierce Code), section 10 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 37, Laws of 1915 (section 7145, Rem. Rev. Stat., or section 3007, Pierce Code), section 106, chapter 49, Laws of 1911, as last amended by section 12 of chapter 177, Laws of 1915 (section 7152, Rem. Rev. Stat., or section 3014, Pierce Code), section 178 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 36, Laws of 1915 (section 7224, Rem. Rev. Stat., or section 3086, Fierce Code), section 1 of chapter 118, Laws of 1939 (section 7230a, Rem. Rev. Stat., or section 3128-21, Pierce Code),

section 187 of chapter 49, Laws of 1911 as last amended by section 1, chapter 124, Laws of 1929 (section 7233, Rem. Rev. Stat., or section 3131, Pierce Code), section 1 of chapter 124, Laws of 1929, as last amended by section 2 of chapter 40, Laws of 1941 (section 7234, Rem. Rev. Stat., or section 3131-2a, Pierce Code), sections 3, 4, 5, 6, of chapter 124, Laws of 1929 (sections 7235, 7237, 7238, 7239, 7240, 7241, Rem. Rev. Stat., respectively, or sections 3131-2b, 3131-2c, 3131-2d, 3131-2d (2nd par.), 3131-2d (3rd par.), 3131-2e, Pierce Code), section 189 of chapter 49, Laws of 1911, as last amended by section 7 of chapter 124, Laws of 1929 (section 7242, Rem. Rev. Stat., or section 3131-2f, Pierce Code), sections 187, 188, 189 of chapter 49, Laws of 1911, as last amended by sections 8, 9 of chapter 124, Laws of 1929 (sections 7242a, 7242b, Rem. Rev. Stat., respectively, or sections 3131g, 3131h, Pierce Code, respectively), section 1 of chapter 300, Laws of 1927, as last amended by sections 1, 2, 3, 4, 5, 6, 7, 8 of chapter 79, Laws of 1939 (sections 7242-1, 7242-2, 7242-2a, 7242-2b, 7242-3, 7242-4, 7242-5, Rem. Rev. Stat., respectively, or sections 3119-51, 3119-52, 3119-53, 3119-54, 3119-55, 3119-56, 3119-57, Pierce Code), section 1 of chapter 116, Laws of 1933 (section 7246, Rem. Rev. Stat., or section 3120, Pierce Code), section 193 of chapter 49, Laws of 1911, as last amended by section 2 of chapter 116, Laws of 1933 (section 7246-1, Rem. Rev. Stat., or section 3120a, Pierce Code), section 194 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 208, Laws of 1943 (section 7247, Rem. Rev. Stat., or section 3121, Pierce Code), section 202 of chapter 49, Laws of 1911, as last amended by section 14 of chapter 177, Laws of 1915 (section 7255, Rem. Rev. Stat., or section 3142, Pierce Code), section 210 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 194, Laws of 1919 (section 7263, Rem. Rev. Stat., or section 3092, Pierce Code), section 211 of chapter 49,

Laws of 1911, as last amended by section 1 of chapter 227, Laws of 1943 (section 7264, Rem. Rev. Stat., or section 3093, Pierce Code), section 212 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 99, Laws of 1939 (section 7265, Rem. Rev. Stat., or section 3094, Pierce Code), section 213 of chapter 49, Laws of 1911, as last amended by section 1 of chapter 101, Laws of 1931 (section 7266, Rem. Rev. Stat., or section 3095, Pierce Code), section 228 of chapter 49, Laws of 1911, as last amended by section 2 of chapter 101, Laws of 1931 (section 7281, Rem. Rev. Stat., or section 3110, Pierce Code), section 229 of chapter 49, Laws of 1911, as last amended by section 3 of chapter 101, Laws of 1931 (section 7282, Rem. Rev. Stat., or section 3111, Pierce Code), section 235 of chapter 49, Laws of 1911 as last amended by section 1 of chapter 112, Laws of 1941 (section 7288, Rem. Rev. Stat., or section 3117, Pierce Code), section 1 of chapter 62, Laws of 1921 (section 7289, Rem. Rev. Stat., or section 3117-1, Pierce Code), section 1 of chapter 159, Laws of 1919, as last amended by section 1 of chapter 26, Laws of 1933 (section 7293, Rem. Rev. Stat., or section 3119-1, Pierce Code), section 2 of chapter 159, Laws of 1919, as last amended by section 2 of chapter 102, Laws of 1931 (section 7294, Rem. Rev. Stat., or section 3119-2, Pierce Code), section 3 of chapter 159, Laws of 1919, as last amended by section 3 of chapter 102, Laws of 1931 (section 7295, Rem. Rev. Stat., or section 3119-3, Pierce Code), section 4 of chapter 159, Laws of 1919, as last amended by section 4 of chapter 102, Laws of 1931 (section 7296, Rem. Rev. Stat., or section 3119-4, Pierce Code), section 5 of chapter 159, Laws of 1919 (section 7297, Rem. Rev. Stat., or section 3119-5, Pierce Code), section 6 of chapter 159, Laws of 1919 (section 7298, Rem. Rev. Stat., or section 3119-6, Pierce Code), section 1 of chapter 92, Laws of 1927 (section 569, Rem. Rev. Stat., or section 7854-1, Pierce Code), section 2 of chapter 92, Laws of 1927,

as last amended by section 1 of chapter 179, Laws of 1939 (section 7230-1, Rem. Rev. Stat., or section 7854-2, Pierce Code), section 1 of chapter 110, Laws of 1945 (section 7033-1, Rem. Rev. Stat., or section 666-18, Pierce Code), section 1 of chapter 49, Laws of 1945 (section 7068-5, Rem. Rev. Stat., or section 663-51, Pierce Code), sections 1, 2, 3, 4 of chapter 97, Laws of 1939 (sections 7230-2, 7230-3, 7230-4, 7230-5, Rem. Rev. Stat., or sections 3136-51, 3136-52, 3136-53, 3136-54, Pierce Code), and all other acts or parts of acts inconsistent with the provisions of this act.

Act amended.

SEC. .34.02 *Act Amended:* Section 73, chapter 49, Laws of 1911 as last amended by section 1 of chapter 103, Laws of 1939, the same being section 7118 of Remington's Revised Statutes or section 2980 of the Pierce Code, is amended to read as follows:

Filing of rates and schedules.

Every insurer as to casualty insurance shall file with the Insurance Commissioner its rates and rating schedules, or it may adopt advisory rules and rates of rating organizations. Unless disapproved by the Commissioner prior thereto, any such filing shall become effective upon expiration of thirty days from date of filing.

Effective date of filing.

Adherence to filings.

Every such insurer and its agents shall adhere to its filings, and shall not amend such filings or deviate therefrom until it shall have filed amendatory schedules or rates or notice of such deviation with the Commissioner for a period of thirty days; except that such amendatory schedules or deviations shall not become effective if disapproved by the Commissioner within such thirty-day period.

Amendment of filing.

Waiver of waiting period.

The Commissioner may waive any such waiting period or any part thereof as to any filing by giving notice thereof to the insurer.

Passed the Senate February 20, 1947.

Passed the House February 27, 1947.

Approved by the Governor March 7, 1947.