

CHAPTER 230

RECIPROCAL OR INTERINSURANCE CONTRACTS

S. F. 293

AN ACT to amend and revise the law as it appears in section nine thousand eighty-seven (9087), code, 1935, relating to the bringing of actions against certain insurance exchanges.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section nine thousand eighty-seven (9087), Code, 1935,
 2 is hereby amended and revised to read as follows:
 3 "Concurrently with the filing of the declaration provided for by the
 4 terms of section nine thousand eighty-six (9086), the attorney shall
 5 file with the Commissioner of Insurance, an instrument in writing ex-
 6 ecuted by him for said subscribers, conditioned that, upon the issuance
 7 of certificate of authority provided for in this chapter, action may be
 8 brought in the county in which the property or person insured there-
 9 under is located, and that service of process shall be had upon the
 10 Commissioner of Insurance or upon the attorney in fact in all suits in
 11 this state, whether arising out of such policies, contracts, agreements
 12 or otherwise, which service shall be valid and binding upon all sub-
 13 scribers exchanging at any time reciprocal or inter-insurance contracts
 14 through such attorney. All suits of every kind and description brought
 15 against such reciprocal exchange or the subscribers thereto on account
 16 of their connection therewith, must be brought against the attorney
 17 in fact therefor or the exchange as such, and shall not be brought
 18 against any of the subscribers thereto individually on account of their
 19 connection with or membership in such reciprocal exchange, and must
 20 be brought in the manner and method above provided."

Approved March 23, 1939.

CHAPTER 231

BUILDING AND LOAN ASSOCIATIONS

S. F. 147

AN ACT to repeal sections ninety-three hundred six (9306), ninety-three hundred thirty (9330) as amended by chapter two hundred twenty-one (221), acts of the Forty-seventh General Assembly, ninety-three hundred fifty-four (9354), ninety-three hundred fifty-four-f one (9354-f1), ninety-three hundred sixty (9360), code, 1935, and to enact substitutes therefor; to amend sections ninety-three hundred eleven (9311), ninety-three hundred fifteen (9315) as amended by section ten (10) of chapter two hundred twenty (220), acts of the Forty-seventh General Assembly, ninety-three hundred forty-b one (9340-b1), ninety-three hundred fifty (9350) as amended by section eleven (11) of chapter two hundred twenty (220), acts of the Forty-seventh General Assembly, ninety-three hundred fifty-seven (9357), ninety-three hundred sixty-three (9363), ninety-three hundred thirty-e one (9330-e1), ninety-three hundred forty-four (9344), and ninety-three hundred nineteen (9319) as amended by section six (6) of chapter two hundred twenty (220), acts of the Forty-seventh General Assembly, and chapter four hundred seventeen (417), code, 1935; and to repeal sections ninety-three hundred fifty-five (9355), and ninety-three hundred sixty-one (9361), code, 1935, all relating to building and loan associations; and

to amend sections eighty-three hundred eighty-four (8384), eighty-three hundred eighty-five (8385), and eighty-three hundred ninety-four (8394), code, 1935, relating to corporations for pecuniary profit.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section ninety-three hundred six (9306), Code, 1935,
2 is hereby repealed and in lieu thereof there is enacted the following:

3 (a) Corporations organized under the provisions of this chapter
4 to promote thrift and home ownership by providing for their members
5 a cooperative plan for saving money, and investing money so saved
6 in loans to their members, shall be known as building and loan asso-
7 ciations or savings and loan associations.

8 (b) The word "supervisor" as used in this chapter shall mean the
9 supervisor of savings and loan associations provided for in this
10 chapter.

11 (c) "Insurance corporation" as used in this chapter shall mean
12 Federal Savings and Loan Insurance Corporation, or its successor,
13 organized under the laws of the United States.

1 SEC. 2. Section ninety-three hundred eleven (9311), Code, 1935,
2 is hereby amended by adding thereto the following:

3 The incorporators shall appoint an incorporators' committee and a
4 treasurer thereof. The subscribers to the capital stock shall pay in
5 cash to such treasurer on their subscriptions, before a certificate of
6 incorporation is issued, an aggregate amount to be determined in
7 relation to the population of the city in which the home office of the
8 association is to be located, on the following basis: (1) in cities having
9 not to exceed ten thousand (10,000) population the minimum paid-in
10 capital shall be five thousand dollars; (2) in cities having more than
11 ten thousand (10,000) but less than fifty thousand (50,000) popula-
12 tion, the minimum paid-in capital shall be ten thousand dollars; (3)
13 in cities having more than fifty thousand (50,000) population and
14 less than one hundred thousand (100,000) population, the minimum
15 paid-in capital shall be twenty-five thousand dollars; (4) and in cities
16 having more than one hundred thousand (100,000) population, the
17 minimum paid-in capital shall be thirty-five thousand dollars. The
18 population of any such city shall be determined by the said super-
19 visor in accordance with the latest federal census.

20 The treasurer of the incorporators' committee shall file with the said
21 supervisor a fidelity bond, signed by himself and an authorized surety
22 company acceptable to the supervisor, in a penal sum at least equal
23 to the required paid-in capital and expense fund as hereinafter re-
24 quired, payable to the supervisor of building and loan associations.
25 Such bond shall assure the safe-keeping and delivery to the associa-
26 tion, after issuance of a certificate of incorporation, and after the as-
27 sociation's authorized officers have filed the required bonds of all of
28 such required paid-in capital and expense fund, or in the event of fail-
29 ure to complete organization, such bond shall assure the return to the
30 persons providing such paid-in capital and expense fund of the
31 amounts contributed thereto by them, less any necessary costs and
32 expenses.

1 SEC. 3. Section ninety-three hundred fifteen (9315), Code, 1935,
2 as amended by section ten (10) of chapter two hundred twenty (220),

3 Acts of the Forty-seventh General Assembly, is hereby amended by
4 adding thereto the following subsections:

5 (c) Before a certificate of authority to do business shall be issued
6 to any such new association, the incorporators shall pay to the treas-
7 urer of the incorporators' committee, in cash, an amount equal to not
8 less than ten per cent of the required minimum capital, which fund
9 shall be in addition to the required minimum paid-in capital and shall,
10 upon issuance of a certificate of incorporation, be paid to the associa-
11 tion and shall be set up as a special reserve to be designated "reserve
12 for operating expenses". Such special reserve shall be used only for the
13 purpose of paying the costs and expenses of organization and for pay-
14 ing or contributing toward payment of the operating expenses of such
15 new association during any period or periods during which the associa-
16 tion's earning shall not be sufficient to pay all its expenses in addition to
17 paying dividends to its members at such reasonable rate as shall be ap-
18 proved by the supervisor. Such "reserve for operating expenses" shall
19 be used only for the purposes herein specified and shall be subject to be
20 refunded in full or in part to the contributors as hereinafter provided.

21 (d) After five years from the date of incorporation, the amounts
22 contributed by the incorporators to such reserve for operating ex-
23 penses may be refunded to the contributors thereto, but the amounts
24 refunded shall at no time be in excess of accumulated net earnings
25 remaining after paying all expenses and paying or making allowance
26 for payment of reasonable dividends to shareholders since the date
27 of incorporation, and crediting at least the minimum amount required
28 to general reserve. In addition to refunding the amounts contributed
29 to such "reserve for operating expenses", the association may also
30 pay to such contributors interest on the amounts contributed, at rates
31 not in excess of the dividend rates paid members since date of in-
32 corporation. No such refund shall be made, or interest paid, without
33 first obtaining written approval of the supervisor.

34 (e) In case of dissolution or liquidation of an association before
35 such contributions to such "reserve for operating expenses" have been
36 refunded, the contributors thereto shall be entitled to such refunds
37 out of moneys or assets remaining, if any, after payment of all debts,
38 expenses, costs, and other liabilities, including refund to all members
39 of the amounts paid in and credited on their share accounts.

1 SEC. 4. Section ninety-three hundred thirty (9330), Code, 1935,
2 as amended by chapter two hundred twenty-one (221), Acts of the
3 Forty-seventh General Assembly, is hereby repealed and in lieu there-
4 of there is enacted the following:

5 Associations having assets of five hundred thousand dollars (\$500,-
6 000.00) or less shall not issue to any one member shares of more than
7 ten thousand dollars (\$10,000.00) par value. Associations having as-
8 sets in excess of five hundred thousand dollars (\$500,000.00) shall not
9 issue to any one member shares of par value in excess of two per cent of
10 its assets. These limitations shall not apply to shares issued to the
11 United States government, to Home Owners' Loan Corporation, or to
12 any other federal government agency or instrumentality.

1 SEC. 5. Section ninety-three hundred forty-b one, (9340-b1) Code
2 1935, is hereby amended by striking out the last sentence thereof
3 and enacting in lieu thereof the following:

4 Such associations may also invest in consolidated bonds and debentures of the Federal Home Loan Bank System and in obligations of the Federal Savings and Loan Insurance Corporation issued pursuant to Title IV of the National Housing Act. Such investments shall not at any time exceed twenty-five per cent of the assets of the association.

9 Such associations may also invest in shares of other savings and loan associations organized under the laws of this state or of the United States, subject to the limitations as to amounts of investments by members in such associations.

1 SEC. 6. Section ninety-three hundred fifty (9350), Code, 1935, as amended by section eleven (11) of chapter two hundred twenty (220), Acts of the Forty-seventh General Assembly, is amended by adding thereto the following:

5 As of June thirtieth (30th) and December thirty-first (31st) of each year, before declaring any dividends, the board of directors shall transfer and credit to a general reserve account an amount equivalent to not less than two per cent of the net earnings of the association for the preceding six months, called the "accounting period", such transfers to be made at the end of each six months' accounting period, until such general reserve account is equal to at least five per cent of the total amount paid in by members and credited on shares. If at any time thereafter such general reserve account shall on account of losses be reduced to less than five per cent of the amount paid in and credited on shares, such transfers and credits thereto shall be resumed and continued until such reserve is again equal to at least five per cent of the total amount paid in and credited on shares of members. The reserve account so established shall at all times be maintained and used for the sole purpose of absorbing losses incurred by the association and for no other purposes. An association may establish such other and additional special reserves as may be ordered by its board of directors.

1 SEC. 7. Section ninety-three hundred fifty-four (9354), Code, 1935, is hereby repealed and in lieu thereof there is enacted the following:

3 (a) The supervisor shall, at least once in each year, without previous notice, examine or cause examination to be made, into the affairs of every association subject to this act. If an association is insured under the provisions of Title IV of the National Housing Act, as now or hereafter amended, the supervisor may, in lieu of such examination, accept any examination made by the Federal Savings and Loan Insurance Corporation. Any such association may, in lieu of such examination by the supervisor, at its option, be examined by a certified public accountant, or by a public accountant qualified and licensed to practice accountancy under the provisions of the Code of Iowa, such examination to be made and reported upon the uniform forms and instructions to be provided by the supervisor. At least two copies of each examination report, signed and verified by the accountant making it, shall promptly be filed with the supervisor. Whenever, in the judgment of the supervisor, the condition of any association renders it necessary or expedient to make an extra examination or to devote any extraordinary attention to its affairs, the supervisor shall cause such work to be done. A copy of every examination report shall be fur-

21 nished to the association examined, exclusive of confidential com-
 22 ments made by the examiner, and a copy of every report and com-
 23 ments and any other information pertaining to an association may be
 24 furnished to the Federal Home Loan Bank Board, Federal Home Loan
 25 Bank, and Federal Savings and Loan Insurance Corporation. A copy
 26 of such examination report shall be presented to the board of directors
 27 at its next regular or special meeting, and their action thereon shall
 28 be recorded in the minutes, and two certified copies of such minutes
 29 shall be transmitted to the supervisor.

30 (b) The supervisor and examiners shall have full access to all books
 31 and papers of an association which relate to its business, and to books,
 32 records, and papers kept by any officer, director, agent, or employee
 33 relating to, or upon which any record of its business is kept, and may
 34 summon witnesses and administer oaths or affirmations, in the exam-
 35 ination of the directors, officers, agents, or employees of any such as-
 36 sociation, or any other person, in relation to its affairs, transactions
 37 and condition, and may require and compel the production of records,
 38 books, papers, contracts, or other documents by court order, if not
 39 voluntarily produced.

1 SEC. 8. Section ninety-three hundred fifty-four-f one (9354-f1),
 2 Code, 1935, is hereby repealed and in lieu thereof there is enacted the
 3 following:

4 (a) The auditor of state shall appoint as a deputy, to be known as
 5 "supervisor of savings and loan associations", a person who shall be
 6 required to have had at least three years of actual experience as active
 7 officer or employee in the office of a savings and loan association. Such
 8 supervisor shall be appointed and shall assume the duties of his office
 9 July 1, 1939, and shall hold his office until July 1, 1941, and thereafter
 10 appointments shall be for terms of two years, subject to removal by the
 11 executive council for good cause, after due hearing. Such supervisor's
 12 salary shall be at the rate of twenty-five hundred dollars (\$2500.00)
 13 per annum. In addition thereto he shall receive his necessary traveling
 14 expenses.

15 (b) The supervisor of savings and loan associations shall have gen-
 16 eral supervision of all savings and loan associations doing busines in
 17 this state. He may, with the approval of the auditor of state, appoint
 18 examiners and assistants necessary to properly execute the duties of
 19 his office. Any examiner so appointed shall have had at least one year
 20 of actual experience as examiner, officer, or employee, of a savings and
 21 loan association.

22 (c) Before entering upon their duties, the supervisor of savings and
 23 loan associations and each examiner appointed by him shall take an
 24 oath of office and shall each give bond to the state, signed by a respon-
 25 sible surety company, in the penal sum of two thousand dollars
 26 (\$2,000.00), conditioned upon faithful and impartial discharge of his
 27 duty and on proper accounting for all funds and other valuables which
 28 may come into his hands. Such bonds shall be approved by and filed
 29 with the auditor of state, together with oaths of office of such officers.

1 SEC. 9. Section ninety-three hundred fifty-seven (9357), Code,
 2 1935, is hereby amended by adding thereto the following:

3 Such examinations and reports, and other information connected
 4 therewith, shall be kept confidential in the office of the auditor of state

5 and the supervisor of savings and loan associations, and shall not be
6 subject to publication or disclosure to others except as in this chapter
7 provided. Members of such associations, other than their officers and
8 directors, shall not be entitled to inspection of any such records or in-
9 formation, and shall not be entitled to any information relative to the
10 names of the members of any association, or the amounts invested by
11 them, as disclosed in the auditor's office, or in the records of any such
12 association.

1 SEC. 10. Section ninety-three hundred sixty (9360), Code, 1935, is
2 hereby repealed, and in lieu thereof there is enacted the following:
3 The supervisor of savings and loan associations shall, as of Decem-
4 ber thirty-first (31st) of each year, prepare and publish a report show-
5 ing in general terms the condition of all savings and loan associations
6 doing business in this state, and containing such other general infor-
7 mation as in his judgment shall seem desirable. Such reports shall also
8 list the names of all examiners and other assistants employed by him,
9 together with the respective salaries and expenses, and shall list all
10 receipts from savings and loan associations, and shall show all expendi-
11 tures made on account of the supervision and examinations of such
12 associations.

1 SEC. 11. **Conservatorship.** If the supervisor, as a result of any ex-
2 amination or from any report made to him, shall find that any savings
3 and loan association is violating the provisions of its certificate of in-
4 corporation, or by-laws, or the laws of this state, or of the United
5 States, or any lawful order of the supervisor, or is conducting its busi-
6 ness in an unsafe manner, he may, by an order, direct discontinuance
7 of such violation or unsafe practice, and conformance with all require-
8 ments of law. If any such association shall refuse or neglect to comply
9 with such order within the time specified therein, or if it shall appear
10 to the supervisor that any such association is in an unsafe condition
11 or is conducting its business in an unsafe manner, or if he shall find
12 that an impairment of capital exists to such extent that it threatens
13 loss to the members, or if any association refuses to submit its books,
14 papers, and accounts to the inspection of the supervisor or his repre-
15 sentatives, he, by written order signed by himself and the auditor of
16 state, may appoint a conservator to take charge of the association and
17 manage its business until the supervisor shall permit the board of di-
18 rectors to resume management of the business or shall reorganize the
19 association, or until a receiver shall be appointed to liquidate its affairs.
20 Any conservator so appointed shall, subject to approval of the super-
21 visor and auditor of state, have all the rights, powers and privileges
22 possessed by the officers, board of directors, and members of the asso-
23 ciation. The conservator shall not retain special counsel or other ex-
24 perts or incur any expense other than normal operating expenses, or
25 liquidate assets, except in the ordinary course of operations. The
26 directors and officers shall remain in office and the employees shall re-
27 main in their respective positions, but the supervisor may remove any
28 director, officer, or employee. While the association is in charge of a
29 conservator, members of such association shall continue to make pay-
30 ments to the association in accordance with the terms and conditions
31 of their contracts, and the conservator, in his discretion, may permit
32 holders of shares, or share accounts, to repurchase such shares, or

33 share accounts, from the association as in the ordinary course of busi-
34 ness, or under, and subject to, such rules and regulations as the super-
35 visor may prescribe, and the conservator shall have power to accept
36 payments on shares, or share accounts, but any such payments thereon
37 received by the conservator may be segregated if the supervisor shall
38 so order in writing, and if so ordered, such payments shall not be sub-
39 ject to offset, and shall not be used to liquidate any indebtedness of
40 such association existing at the time the conservator was appointed
41 for it, or any subsequent indebtedness incurred for the purpose of
42 liquidating the indebtedness of such association existing at the same
43 such conservator was appointed. All expenses of the association dur-
44 ing such conservatorship shall be paid by the association. The ap-
45 pointment of a conservator shall be evidenced by the supervisor issuing
46 a certificate, signed by himself and by the auditor of state, delivered
47 to the president, or the vice president, or to at least three members of
48 the board of directors of the association, certifying that a conservator
49 has been appointed pursuant to this act. Within six months from the
50 date upon which the conservator shall take charge of an association,
51 the supervisor shall determine whether or not he shall restore the
52 management of the association to the board of directors. Such deter-
53 mination shall be evidenced by the supervisor's certificate under the
54 seal of his office, delivered to the president, or vice president, or to
55 the board of directors of the association, that the conservator forth-
56 with is redelivering the management of the association to the board
57 of directors of the association then in office. After the management
58 of the association shall have been redelivered to the board of directors
59 of an association, the association shall thenceforth be managed and
60 operated as though no conservator had been appointed. At any time
61 prior to the redelivery of the management to the board of directors,
62 the supervisor shall determine whether such association shall be re-
63 quired to reorganize. Such determination shall be evidenced by a
64 certificate, signed by the supervisor, and by the auditor of state, under
65 the seal of his office, delivered to an executive officer of the association
66 stating that unless the association reorganize under the laws of this
67 state within a period of sixty days from the date of such certificate,
68 or within such further time as the supervisor shall approve, the super-
69 visor will proceed to liquidate the association. If the association has
70 the insurance protection provided by Title IV of the National Housing
71 Act, as now or hereafter amended, a signed and sealed copy of each
72 order and certificate mentioned in this section shall be promptly sent
73 by the supervisor by registered mail to the Federal Savings and Loan
74 Insurance Corporation, Washington, D. C.

1 SEC. 12. Section Ninety-three hundred sixty-three (9363), Code.
2 1935, is hereby amended by adding thereto the following:

3 During the period of voluntary liquidation of any such association,
4 the supervisor shall have substantially the same powers and duties
5 as to supervision as before such liquidation, and the persons in charge
6 of such voluntary liquidation shall furnish and deposit with the super-
7 visor such bonds as he shall require and approve, and shall semi-
8 annually, or oftener if required by the supervisor, report to him fully
9 as to their doings and progress, and as to the financial condition of the
10 association. Upon completion of such liquidation they shall file with

11 the supervisor a verified final report of such liquidation and disburse-
12 ment of proceeds and upon approval of such report the supervisor
13 shall issue a written order discharging the liquidators, and their duties
14 shall thereupon cease.

1 SEC. 13. Chapter four hundred seventeen (417), Code, 1935, is
2 amended by adding thereto the following sections:

3 Section 1. No public officer qualified to take acknowledgments or
4 proofs of execution of written instruments shall by reason of his
5 membership in or being an officer of or employment by a savings and
6 loan association interested in such instrument be disqualified from
7 taking and certifying to the acknowledgment or proof of execution
8 of any written instrument in which such association is interested, and
9 any such acknowledgment or proof heretofore taken or certified is
10 hereby legalized and declared valid.

11 Sec. 2. Administrators, executors, guardians, guardians of veter-
12 ans, trustees, receivers and fiduciaries of all kinds, banking institu-
13 tions, trust companies, life insurance companies, assessment life insur-
14 ance associations, fraternal beneficiary societies, orders and associa-
15 tions, mutual benefit societies, mutual insurance companies, nonmutual
16 and mutual life, fire, tornado, hail, windstorm and other assessment
17 insurance associations, cooperative associations, credit unions, trust-
18 tees of cemetery funds, financial institutions of every kind and char-
19 acter, public officials having the custody of public funds, political sub-
20 divisions of the state having control of sinking funds, teachers, firemen
21 and other pension and retirement funds and eleemosynary institutions
22 are authorized without any order of court to invest in the shares of
23 savings and loan associations organized under the laws of this state
24 and under the laws of the United States, subject to the limitations as
25 to the amount of shares which may be issued to any one member.

26 Sec. 3. Every federal savings and loan association incorporated
27 under the provisions of Home Owners' Loan Act of 1933, as now or
28 hereafter amended, and the holders of shares or accounts issued by
29 any such association shall have all the rights, powers, and privileges,
30 and shall be entitled to the same exemptions and immunities, as sav-
31 ings and loan associations organized under the laws of this state and
32 holders of the shares of such associations, respectively, are entitled to.

33 Sec. 4. Any savings and loan association, including one in receiver-
34 ship, may reorganize upon any plan approved by its board of directors
35 and by the supervisor. Such reorganization may include reduction
36 of share credits of its members, not pledged as security for real estate
37 loans, and may also include segregation of assets of uncertain or
38 doubtful value by transfer thereof to trustees for management and
39 liquidation or by transfer to a separate fund within the association,
40 to be managed and liquidated by the association for the benefit of
41 the members whose share credits have been reduced in connection with
42 such segregation.

1 SEC. 14. Section ninety-three hundred thirty-e one (9330-e1),
2 Code, 1935, is amended by inserting after the word "association" in
3 the second line thereof the following:

4 and any federal savings and loan association.

1 SEC. 15. Section Ninety-three hundred forty-four (9344), Code,
2 1935, is amended by adding after the word "members" in the second
3 line thereof the following:

4 of state and federal savings and loan associations.

1 SEC. 16. Section ninety-three hundred nineteen (9319), Code, 1935,
2 as amended by section six (6) of chapter two hundred twenty (220),
3 Acts of the Forty-seventh General Assembly, is amended by adding
4 thereto the following:

5 No such bond shall be terminated or cancelled because of failure to
6 pay premium or for any other cause until after ten days' written
7 notice to the supervisor of intention to cancel such bond.

1 SEC. 17. Sections ninety-three hundred fifty-five (9355), and
2 ninety-three hundred sixty-one (9361) Code, 1935, are hereby re-
3 pealed.

1 SEC. 18. Section eighty-three hundred eighty-four (8384), Code,
2 1935, is hereby amended by adding thereto the following:

3 The foregoing provisions shall not apply to building and loan asso-
4 ciations, and savings and loan associations.

1 SEC. 19. Section eighty-three hundred eighty-five (8385), Code,
2 1935, is hereby amended by adding thereto the following:

3 The foregoing provisions shall not apply to building and loan asso-
4 ciations, and savings and loan associations.

1 SEC. 20. Section eighty-three hundred ninety-four (8394), Code,
2 1935, is hereby amended by adding thereto the following:

3 The foregoing provisions shall not apply to building and loan asso-
4 ciations, and savings and loan associations.

1 SEC. 21. All laws and parts of laws in conflict with this act are
2 hereby repealed.

1 SEC. 22. If any section, subsection, clause, sentence or phrase of
2 this act is for any reason held to be unconstitutional and invalid, such
3 decision shall not affect the validity of the remaining portions of this
4 act.

1 SEC. 23. This act being deemed of immediate importance shall be
2 in full force and effect after its passage and publication in The Red Oak
3 Express, a newspaper published at Red Oak, Iowa, and The Cedar
4 Rapids Gazette, a newspaper published at Cedar Rapids, Iowa.

Approved March 13, 1939.

I hereby certify that the foregoing act was published in the Red Oak Express, March 16, 1939, and The Cedar Rapids Gazette, March 16, 1939.

EARL G. MILLER, *Secretary of State.*