

# A BILL

## FOR AN ACT IN RELATION TO INSURANCE COMPANIES.

SECTION 1. *Be it enacted by the General Assembly of the State of Iowa,* That no company hereafter  
2 to be organized under the laws of the State of Iowa for corporations, for the purposes of insuring prop-  
3 erty against loss or damage by fire — or against the risks of marine or inland navigation—shall be  
4 fully incorporated and entitled to the privilege of a body corporate ; nor shall it be lawful for any such  
5 company to take any risks as insurers, until it has fully complied with the requirements and discharged  
6 the duty imposed on each and every Insurance company by Sec. 1746 of the Revision of 1860 ; and in  
7 addition thereto shall file a copy of its articles of incorporation in the office of Auditor of State, and  
8 have the same recorded by him in a book kept for such purposes. Upon having fully complied with the  
9 requirements of said section of this act, the Auditor of State shall issue and deliver to said company a  
10 certificate of the fact of such compliance, after the receipt of which said certificate, and not before it  
11 shall be lawful for said company to commence business as insurers. It shall not be lawful for any  
12 company heretofore incorporated under the laws of this State, to continue the business of insurance as  
13 aforesaid unless within ninety days from the time this act goes into force it shall fully comply with the  
14 provisions of said Sec. 1746, and of this act, and shall obtain the certificate of the Auditor of State to  
15 those facts in the same manner as hereinbefore provided for companies not yet incorporated.

SEC. 2. No joint stock insurance company shall be incorporated under the laws of Iowa with a smaller  
2 capital than one hundred thousand dollars , nor shall any company now incorporated, or doing business  
3 in this State, or hereafter to be incorporated, continue or commence in business, until the said company,  
4 or proposed company shall fully comply with the requirements of this act, and shall further have the  
5 entire amount of the capital stock of said existing or proposed company fully subscribed, and of the  
6 amount so subscribed not less than twenty - five (25) per cent of the whole capital stock fully paid up,  
7 and the same invested in United States or bonds of the State of Iowa, and the same deposited with the  
8 Treasurer of the State of Iowa, and with these bonds shall also be deposited a statement subscribed and  
9 sworn to by the President and Secretary of the company giving the name of each stockholder, place of  
10 residence, amount of stock taken and amount paid thereon, and until all the aforesaid requirements are  
11 fulfilled no company shall be permitted to continue or commence business in this State.

SEC. 3. No company formed to do business under the provisions of this act, on the plan of mutual  
2 insurance, shall commence business under this act, until agreements have been entered into for insurance

3 with at least one hundred applicants, the premiums on which shall amount to not less than fifty thousand  
 4 (\$50,000) dollars, of which ten thousand dollars at least shall have been paid in cash, and notes of solvent  
 5 parties, founded on actual and *bona fide* applications for insurance, shall have been received for the  
 6 remainder. No one of the notes received as aforesaid shall amount to more than three hundred dollars;  
 7 and no two shall be given for the same risk, or be made by the same person or firm, except where the  
 8 whole amount of such notes shall not exceed three hundred dollars; nor shall any such note be represented  
 9 as capital stock unless a policy be issued upon the same within thirty days after the organization of the  
 10 company, upon a risk which shall be for no shorter period than twelve months. Each of said notes shall  
 11 be payable, in part or in whole, at any time when the directors shall deem the same requisite for the  
 12 payment of losses by fire or inland navigation, and such incidental expenses as may be necessary for  
 13 transacting the business of said company. And no note shall be accepted as part of such capital stock,  
 14 unless the same shall be accompanied by a certificate of a justice of the peace or magistrate of the town  
 15 or city where the person making such note shall reside, that the person making the same, is, in his  
 16 opinion, pecuniarily good and reponsible for the same, and no such note shall be surrendered during the  
 17 life of the policy for which it was given. No fire insurance company transacting business in this State,  
 18 shall expose itself to any loss on any one fire or inland navigation risk, or hazard, to an amount exceeding  
 19 twenty per cent of its paid up capital.

SEC. 4. It shall be lawful for any fire insurance company organized under this act, or incorporated  
 2 under any law of this State, and which shall comply with this act, to invest its capital and the funds  
 3 accumulated in the course of its business, or any part thereof, except that to be deposited with the  
 4 Auditor of State, in bonds and mortgages on unincumbered, improved, real estate within the State of  
 5 Iowa, worth fifty per cent more than the sum loaned thereon, exclusive of buildings, unless such build-  
 6 ings are insured and the policy transferred to said company, and also in the stocks of this State or  
 7 stocks or treasury notes of the United States, and also in the stocks and bonds of any county or incor-  
 8 porated city in this State, authorized to be issued by the Legislature, and to lend the same or any part  
 9 thereof, on the security of such stocks or bonds, or treasury notes, or upon bonds and mortgages as  
 10 aforesaid, and to change and reinvest the same as occasion may from time to time require; but any sur-  
 11 plus money over and above the capital stock of any such fire and inland navigation insurance companies,  
 12 may be invested in, or loaned upon the pledge of the public stock or bonds of the United States, or any  
 13 one of the States, or the stocks, bonds or other evidences of indebtedness of any solvent, dividend-  
 14 paying institutions incorporated under the laws of this State or of the United States, except their own  
 15 stock, provided always, that the current market value of such stocks, bonds and other evidences of  
 16 indebtedness, shall be at all times, during the continuance of such loans, at least ten per cent more  
 17 than the sum loaned thereon.

SEC. 5. No company incorporated heretofore, or which may be organized under this act shall pur-  
 2 chase, hold or convey real estate, excepting for the purposes and in the manner herein set forth, to-wit:  
 3 1. Such as shall be requisite for its convenient accommodation in the transaction of its business; or,

- 4 2. Such as shall have been mortgaged to it in good faith, by way of security for loans previously  
5 contracted, or for money due; or
- 6 3. Such as shall have been conveyed to it in satisfaction of debts previously contracted in their legiti-  
7 mate business, or for money due; or,
- 8 4. Such as shall have been purchased at sales upon judgments, decrees, or mortgages obtained or  
9 made for such debts; and it shall not be lawful for any such company to purchase, hold or con-  
10 vey real estate in any other case, or for any other purpose; and all such real estate as may be  
11 acquired as aforesaid, and which shall not be necessary for the accommodation of such  
12 company in the transaction of its business, shall be sold and disposed of within five years  
13 after such company shall have acquired title thereto, unless the company shall procure a  
14 certificate from the Auditor of State that the interests of the company will suffer materially  
15 by a forced sale thereof, in which event the sale may be postponed for such a period as the  
16 said Auditor shall direct in said certificate; and the said Auditor of State may also give such  
17 certificate and extend the time for holding real estate, in the like circumstances, on the applica-  
18 tion of any insurance company heretofore incorporated.

SEC. 6. The charter herein required to be filed by every such company shall be examined by the  
2 Attorney-General, and if found conformable to this act, and the general incorporation law, and not  
3 inconsistent with the Constitution and laws of this State, shall be certified by him to the Auditor of  
4 State, who shall thereupon cause an examination to be made, either by himself or by three disinterested  
5 persons specially appointed by him for that purpose, who shall certify, under oath, that the capital  
6 herein required of the company named in the charter, according to the nature of the business proposed  
7 to be transacted by such company, has been paid in and secured, and is possessed by it in money and  
8 such securities as are required by the seventh section of this act; or if a mutual company, that it has  
9 received and is in actual possession of the capital, premiums or *bona fide* engagements of insurance, or  
10 other securities, as the case may be, to the full extent and of the value required by the section of this  
11 act; and the name and the residence of the maker of each premium note, forming part of the capital,  
12 and the amount of such note, shall be returned to the said Auditor of State; and the corporators or  
13 officers of such company shall be required to certify, under oath, that the capital exhibited to those  
14 persons is *bona fide* property of the company. Such certificates shall be filed in the office of the  
15 Auditor of State, who shall thereupon deliver to said company, a certified copy of the charter and of  
16 said certificates which, on being filed in the office of the clerk of the District Court in the county where  
17 the company is to be located, shall be their authority to commence business and issue policies, and such  
18 certified copy of the charter and of said certificates may be used in evidence for or against said  
19 company, with the same effect with the originals.

SEC. 7. All notes deposited with any mutual insurance company at the time of its organization, as  
2 provided in section \_\_\_\_\_ of this Act, shall remain as security for all losses and claims until  
3 the accumulation of the profits, as required by the \_\_\_\_\_ section of this Act, shall equal the

4 amount of cash capital required to be possessed by joint stock companies organized under this act, the  
5 liability of each note decreasing proportionately as the profits are accumulated; but any note which may  
6 have been deposited with any mutual insurance company subsequent to its organization, in addition to  
7 the cash premium on any insurance effected with such company, may, at the expiration of the time of  
8 such insurance, be relinquished and given up to the maker thereof, or his representatives, upon his paying  
9 his proportion of all losses and expenses which may have accrued thereon during such term. The direc-  
10 tors or trustees of any such company shall have the right to determine the amount of the note to be given  
11 in addition to the cash premium by any person insured in such company; but in no case shall the note  
12 be more than five times the whole amount of the cash premium. And every person effecting insurance  
13 in any mutual company, and also their heirs, executors, administrators and assigns, continuing to be so  
14 insured, shall thereby become members of said corporation during the period of insurance, and shall be  
15 bound to pay for losses and such necessary expenses, as aforesaid, accruing in and to said company, in  
16 proportion to the amount of his deposit note or notes. The directors shall, as often as they deem  
17 necessary, after receiving notice of any loss or damage by fire sustained by any member, and ascer-  
18 taining the same, or after the rendition of any judgment against said company for loss or damage, settle  
19 and determine the sums to be paid by the several members thereof as their respective portion of such  
20 loss, and publish the same in such manner as they shall see fit, or as the by-laws shall have prescribed;  
21 and the sum to be paid by such member shall always be in proportion to the original amount of his  
22 deposit note or notes, and shall be paid to the officers of the company within thirty days next after the  
23 publication of said notice. And if any member shall, for the space of thirty days after the publication  
24 of said notice, and after personal demand for payment shall have been made, neglect or refuse to pay  
25 the sum assessed upon him as his proportion of any loss, as aforesaid, in such case the directors may  
26 sue for and recover the whole amount of his deposit note or notes, with costs of suit; but execution  
27 shall only issue for assessments and costs as they accrue, and every such execution shall be accompanied  
28 by a list of the losses for which the assessment is made. If the whole amount of deposit notes shall be  
29 insufficient to pay the loss occasioned by any fire or fires, in such case the sufferers insured by said  
30 company shall receive, toward making good their respective losses, a proportional share of the whole  
31 amount of said notes, according to the sums by them respectively insured; but no member shall ever be  
32 required to pay, for any loss occasioned by fire or inland navigation, more than the whole amount of his  
33 deposit note.

SEC. 8. Every fire and inland navigation insurance company hereafter organized shall if it be a  
2 mutual company, embody the word "mutual" in its title, which shall appear on the first page of every  
3 policy and renewal receipt; and every company doing business as a cash stock company shall, upon the  
4 face of its policy in some suitable manner, express that such policy is a stock policy.

SEC. 9. The trustees, directors and corporators of any company organized under this act, shall be  
2 jointly and severally and personally liable for any or all debts or responsibilities of such company, to  
3 the amount of their several unpaid amounts of capital stock and no more. Notes taken in advance of

4 premiums under this act, are not to be considered debts of the company in determining whether a  
5 company is insolvent, but are to be regarded as assets of the company.

SEC. 10. In case any insurance company now or hereafter to be organized shall fail to comply with  
2 the requirements of Sec. 1747 of the Revision of 1860, for a period of thirty days after the times therein  
3 limited for filing the semi - annual statement, it shall then be the duty of the Auditor of State to declare  
4 the privileges of said company as a corporation forfeited, and to publish a notice of the failure of said  
5 company, and of the consequent forfeiture of its privileges in one newspaper published in the Capital of  
6 the State, and also in one newspaper published in the county in which said company has its principal  
7 place of doing business, and shall also send a notice of said forfeiture by mail directed to the secretary  
8 of said company at its principal place of doing business. The said notices shall be published for four  
9 consecutive weeks. From and after the date of the first publication of notice as aforesaid it shall be  
10 unlawful for the said company to continue the business of insuring or taking or soliciting risks.

11 In case any insurance company now organized and doing business in this State shall fail to comply  
12 with the requirements of the first section of this act within the time therein limited, then the Auditor of  
13 State shall proceed in like manner to declare the privileges of such non - complying company forfeited —  
14 give notice in like manner — and after the date of the first publication of notice as aforesaid it shall be  
15 unlawful for the said company to continue the business of insuring or taking risks. Such forfeiture  
16 shall not relieve said company from any liability already incurred, or prevent the company from trans-  
17 acting the business necessary to be done in order to close up its business.

SEC. 11. In case any officer, director, member, solicitor or agent of any insurance company shall  
2 solicit or take any risk to be insured before the requirements of section 1 of this act shall have been  
3 fully complied with, and the Auditor's certificate issued that the same have been so complied with, or  
4 shall solicit or take any risk to be insured after such company shall have forfeited the privileges of  
5 incorporation as hereinbefore provided — then and in such case the policy of insurance issued for such  
6 risk shall be void, — the party insured may recover of the person taking such risk and of the officer or  
7 officers signing such policy — the amount of premium paid with interest from the date of payment —  
8 and any such damages he may have suffered by reason of said policy being void, and in addition thereto  
9 the officer, director, member, solicitor or agent who shall have so solicited or taken any risk, or have  
10 signed or issued any policy before said requirements shall have been complied with, or after such  
11 forfeiture shall have been declared, shall be guilty of the offense of cheating by false pretenses, and  
12 upon conviction thereof, shall be liable to the penalties prescribed for the punishment of that offense by  
13 Section 4394 of the Revision of 1860.

SEC. 12. It shall not be lawful for any insurance company incorporated under the laws of any other  
2 State of the United States, or of any foreign country to commence to do business as insurers within  
3 this State, or continue to do business within this State after ninety days from the time this law shall go

4 into force, unless the said company shall deposit in the treasury of the State not less than \$50,000 in  
5 the same kind of securities or bonds as is required in sec. — above in the deposit of the 25 per  
6 cent to be made by companies organized or to be organized within this State, and shall have obtained the  
7 certificate of the Auditor of State that such deposit has been made, which certificate the Auditor shall  
8 make upon the evidence of the written official statement of the Treasurer of State to that fact. In case  
9 any officer, director, member, solicitor or agent of such foreign company shall commence to solicit and  
10 take risks and issue policies within this State or shall continue to do so, without having fully complied  
11 with the requirements of this section, then such person shall be liable to the penalties provided in  
12 Section 4394 of the Revision of 1860, for cheating by false pretenses as is provided in the section next  
13 preceding.

SEC. 13. All acts or parts of acts inconsistent with this act or any part hereof are hereby repealed.

SEC. 14. This act shall take effect and be in force from and after its publication in the *Iowa State*  
2 *Register* and *Iowa Statesman*, newspapers published in the city of Des Moines, State of Iowa.