

# A BILL

FOR AN ACT TO PROVIDE FOR THE INCORPORATION, REGULATION AND SUPERVISION OF MUTUAL INSURANCE CORPORATIONS, AND TO AMEND THE LAW AS IT APPEARS IN SECTIONS SIXTEEN HUNDRED NINETY (1690), SIXTEEN HUNDRED NINETY-TWO (1692), SIXTEEN HUNDRED NINETY-THREE (1693), SIXTEEN HUNDRED NINETY-FOUR (1694), SEVENTEEN HUNDRED (1700), SEVENTEEN HUNDRED FOUR (1704), SEVENTEEN HUNDRED SIX, (1706), SEVENTEEN HUNDRED SEVEN (1707), SEVENTEEN HUNDRED EIGHT (1708), SEVENTEEN HUNDRED TWENTY-THREE (1723), AND SEVENTEEN HUNDRED FIFTY-ONE (1751) OF THE CODE, AND SECTIONS SIXTEEN HUNDRED EIGHTY-NINE (1689) AND SEVENTEEN HUNDRED TWENTY-ONE (1721), SUPPLEMENT TO THE CODE, 1913, RELATING TO THE INCORPORATION, REGULATION AND SUPERVISION OF SUCH MUTUAL INSURANCE COMPANIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Any number of persons, not less than twenty, a majority of whom shall be bona fide residents of the State of Iowa, by complying with the provisions of this act, and without regard to any of the provisions contained in chapters four (4) and five (5), of title nine (IX) of the code and supplement to the code, 1913, may become, together with others who may hereafter be associated with them or their successors, a body corporate, for the purpose of carrying on the business of mutual insurance as herein provided. Corporations formed under the provisions of this act shall be governed by the provisions of chapter one (1) of this title, except as modified by the provisions of this chapter.

Sec. 2. Any persons proposing to form any such corporation shall subscribe and certify to articles of association specifying:

1. The name, the purpose for which formed, location of its principal or home office, which shall be within the state.
2. The names and addresses of those composing the board of directors in which the management shall be vested until the first meeting of members.
3. The name and place of residence of the incorporators.

Sec. 3. The articles of association of each such corporation shall be submitted to the commissioner of insurance for his approval and, if prepared in accordance with this act, he shall approve the same, and such articles shall be filed with the commissioner of insurance.

1 Sec. 4. The name of every such corporation shall contain the word "mutual," and shall end with  
2 the word "company," "corporation," or "incorporated."

1 Sec. 5. No such name shall be adopted by such corporation which is so similar to any name al-  
2 ready in use by any such existing corporation, company or association, organized or doing business in  
3 the United States, as to be confusing or misleading.

1 Sec. 6. The corporation shall have legal existence subject to the limitations prescribed in this  
2 act, from the approval and filing of such articles, and the original incorporators may adopt by-laws,  
3 which thereupon shall be filed with the commissioner of insurance.

1 Sec. 7. Any corporation organized under the provisions of this act is empowered and authorized  
2 to make contracts granting insurance or indemnity, or to reinsure or accept reinsurance on any por-  
3 tion thereof, for the kinds of insurance as follows: Provided that no mutual corporation organized  
4 or licensed under this act shall have power to write any kind of insurance which is not permitted to  
5 be written by stock companies under the laws of this state.

6 1. To make insurance on property and rents and use and occupancy against loss or damage by fire,  
7 lightning, hail, tempest, earthquake, explosion, fire ensuing, and explosion, no fire ensuing, except  
8 explosion by steam boilers or fly wheels; against loss or damage by water, caused by the breakage or  
9 leakage of sprinklers, pumps, or other apparatus, water pipes, plumbing, or other fixtures, erected  
10 for extinguishing fires, and against accidental injury from any cause to such sprinklers, pumps, other  
11 apparatus, water pipes, plumbing, or their fixtures, erected for extinguishing fires, and against acci-  
12 dental injury from any cause to such sprinklers, pumps, other apparatus, water pipes, plumbing and  
13 fixtures; on the risks of inland transportation and navigation; and to make insurance upon automo-  
14 biles, whether stationary or operated under their own power, against loss or damage by any of the  
15 causes or risks specified in this section, including explosion, transportation, collision, liability for  
16 damage to property resulting from owning, maintaining, or using automobiles, and including bur-  
17 glary and theft, but not including loss or damage by reason of bodily injury to the person.

18 2. Against loss, expense and (or) liability by reason of bodily injury, death by accident, disability,  
19 sickness or disease suffered by others for which the insured may be liable or have assumed liability.

20 3. To issue individual insurance policies against bodily injury, or death by accident or upon the  
21 health of persons.

22 4. Against loss, expense, and liability resulting from the ownership, maintenance or use of any  
23 automobile or other vehicle, provided no policy shall be issued against the hazard of fire alone.

24 5. Against loss or liability to persons or property resulting from explosion, or accidents, to boil-  
25 ers, containers, pipes, engines, fly wheels, elevators and machinery in connection therewith and against  
26 loss of use and occupancy caused thereby, and to make inspection and issue certificates of inspection  
27 thereon.

28 6. Against loss from interruption of trade or business which may be the result of any accident or  
29 casualty.

30 7. Against any loss or liability arising from any other casualty or insurance hazard which may  
31 lawfully be the subject of insurance, excepting life or fire.

Sec. 8. Any mutual corporation authorized to transact the kind of insurance described under sub-  
2 section 1 of section 7, shall not be authorized to transact any of the kinds of insurance described  
3 under sub-sections 2, 3, 4, 5, 6 and 7 of section 7; nor shall any mutual corporation authorized to  
4 transact any of the kinds of insurance described under sub-sections 2, 3, 4, 5, 6 and 7 of section 7,  
5 be authorized to transact the kind of insurance described under sub-section 1 of section 7. Any  
6 mutual corporation authorized to transact any of the kinds of insurance described under sub-sec-  
7 tions 2, 3, 4, 5, 6 and 7 of section 7, may be authorized to transact any or all of the additional kinds  
8 described under said sub-sections, providing it holds the admitted assets required under sub-section 7  
9 of section 9.

Sec. 9. No such corporation shall issue policies or transact any business of insurance unless it  
2 shall comply with the conditions following, nor until the commissioner of insurance has by formal  
3 license, authorized it to do so, which license shall not issue until the corporation has complied with  
4 the following conditions:

5 If organized to transact the kind of insurance described in sub-section 1, of section 7:

6 1. Applications for at least two hundred (200) risks, for at least twenty members, shall be sub-  
7 scribed, aggregating not less than five hundred thousand dollars (\$500,000.00) insurance.

8 2. The maximum amount of any single risk, less reinsurance, shall not exceed three times the aver-  
9 age risk or one per cent of the insurance applied for, whichever is the greater.

10 3. A premium upon each application shall be collected in cash and the corporation shall hold total  
11 cash assets of not less than twice the maximum single risk assumed subject to one fire, nor less than ten  
12 thousand dollars (\$10,000.00).

13 4. It shall hold admitted assets equal to at least two times the maximum risk assumed.

14 If organized to transact the kind of insurance described under sub-sections 2, 3, 4, 5, 6 and 7  
15 of section 7:

16 5. It shall hold bona fide applications for insurance upon which it shall issue simultaneously at  
17 least twenty policies to at least twenty members of the same kind of insurance upon not less than 200  
18 separate risks, each within the maximum single risk prescribed herein.

19 6. The maximum single risk shall not exceed twenty per cent of its admitted assets or three  
20 times the average policy, or one per cent of the insurance in force, whichever is the greater, any re-  
21 insurance taking effect simultaneously with the policy being deducted in determining such maximum  
22 single risk.

23 7. It shall hold admitted assets for each kind of insurance to be issued equal to at least five  
24 times the maximum single risk assumed.

25 8. For the purpose of transacting the kind of insurance specified in sub-section 2 of section 7, no  
26 more than \$25,000.00 in such admitted assets shall be required, and at least 1,500 employes shall  
27 be covered, each such employe being considered a separate risk, and the provision with regard to  
28 maximum single risk shall not apply.

Sec. 10. When more than one kind of insurance as enumerated and described under sub-sections  
2 2, 3, 4, 5, 6 and 7 of section 7, is effected by the same corporation, each kind shall be written in a  
3 separate policy. In the accounts pertaining to each kind shall be entered all receipts thereof and all  
4 expenses incurred directly in its behalf and a due proportion of the unallocated expenses of the cor-  
5 poration, in such manner as to show separately the underwriting experience. The funds earned by  
6 one kind of insurance shall not be available to pay losses or expenses incurred by another kind until  
7 all available assets of the kind where the losses or expenses were incurred are exhausted. The re-  
8 turn of excess premiums, if any, shall be based upon the contribution of each kind of insurance to  
9 such excess.

Sec. 11. Any public or private corporation, board or association in this state or elsewhere may  
2 make applications, enter into agreements for and hold policies in any such mutual insurance corpora-  
3 tion. Any officer, stockholder, trustee or legal representative of any such corporation, board, associa-  
4 tion or estate may be recognized as acting for or on its behalf for the purposes of such membership,  
5 but shall not be personally liable upon such contract of insurance by reason of acting in such rep-  
6 resentative capacity.

Sec. 12. Every corporation organized under the provision of this act, may, in its corporate name,  
2 sue and be sued; and shall have power to make contracts of insurance or indemnity with any per-  
3 son, firm, public or private corporation, board, association or estate or any trustee or legal repre-  
4 sentative of same, in this state or elsewhere; to prescribe the qualifications and the manner and form  
5 of the admission or withdrawal of members; to have and to use a common seal which may be changed  
6 or altered at pleasure; to be capable in its corporate name or in the name of a trustee chosen by  
7 the board of directors, to take, purchase, lease, hold and dispose of real or personal property for carry-  
8 ing into effect the purpose of the corporation; to make all necessary rules and regulations concerning  
9 the hazards incurred, the premium rates to be used and adjustment and payment of losses; to fix the  
10 compensation of its directors and officers and require bond for the faithful performance of their  
11 duties; to exercise all such other powers as may be necessary to effect the object of such corpora-  
12 tion, subject to the restrictions herein provided; to make or amend by-laws not inconsistent with law  
13 or provisions of the articles of association, which by-laws shall fix the date and place of the annual  
14 meeting of members, shall designate the number of directors, which shall be not less than five, define  
15 the duties of the officers and fix the term of office of the directors and officers of such company, and  
16 make all further necessary provisions concerning the conduct of its business or affairs.

1 Sec. 13. Every policyholder shall be a member of the corporation and shall be entitled to one or  
2 more votes, based upon the insurance in force, the number of policies held, or the amount of premium  
3 paid, as may be provided in the by-laws, and such member may vote in person or by proxy.

1 Sec. 14. The by-laws shall provide for a cash premium and may limit the contingent liability of  
2 the members to an amount not less than one or more than ten times the cash premium expressed in the  
3 policy. The maximum contingent liability of the holder of each policy shall be plainly stated as a  
4 part of each policy. The by-laws may also provide for policies to be issued for cash premiums with-  
5 out contingent liability of policyholders, as provided in section 15.

1 Sec. 15. No such corporation shall issue any insurance policy for a cash premium and without  
2 contingent liability until and unless it possesses surplus of at least one hundred thousand dollars  
3 (\$100,000.00) and not less in amount than the capital required of domestic stock insurance com-  
4 panies transacting the same kind of insurance.

1 Sec. 16. No such corporation shall invest any of its assets except in accordance with the laws of  
2 this state relating to the investment of funds of domestic stock insurance companies doing a similar  
3 business.

1 Sec. 17. Such corporation shall maintain unearned premium and other reserves, separately for  
2 each kind of insurance, upon such basis as is required of domestic stock companies writing the same  
3 kind of insurance; provided, however, that any reserve for losses or claims based upon the pre-  
4 mium income shall be concluded upon the net premium income, after deducting any so-called dividend  
5 or premium returned or credited to the assured; provided further, that where a state insurance fund  
6 is operated for insuring any of the kinds of insurance enumerated under section 7, then the reserves  
7 required for any mutual corporation for such kinds of insurance shall not be greater than the re-  
8 serves required of the state fund.

1 Sec. 18. Such corporation not possessed of assets at least equal to the unearned premium reserve  
2 and other liabilities, shall make an assessment upon its members liable to assessment, to provide for  
3 such deficiency, such assessment to be against each such member in proportion to such liability as  
4 may be expressed in his policy; provided, the commissioner of insurance may, by written order, relieve  
5 the corporation from an assessment or other proceedings to restore such assets during the time fixed  
6 in such order.

1 Sec. 19. Any director, officer or member of any such corporation, or any other person, may  
2 advance to such corporation, any sum or sums of money necessary for the purpose of its business,  
3 or to enable it to comply with any of the requirements of the law, and such moneys and such inter-  
4 est thereon as may have been agreed upon, not exceeding eight per cent per annum, shall not be a lia-  
5 bility or claim against the corporation or any of its assets, except as herein provided, and shall be  
6 repaid only out of the surplus earnings of such corporation. No commission or promotion ex-

7 penses shall be paid in connection with the advance of any such money to the corporation, and the  
8 amount of such advance shall be reported in each annual statement.

Sec. 20. The president or vice-president, together with the secretary of each corporation organ-  
2 ized or authorized to do business under this act, shall annually on or before the 31st day of Janu-  
3 ary of each year, prepare under oath, if required, and file with the commissioner of insurance, a full,  
4 true and complete statement of the condition of the company on the 31st day of December of the  
5 preceding year, in such form as shall be prescribed by said commissioner of insurance.

Sec. 21. When by the laws of any other state, district or territory any corporation is authorized  
2 to engage in the insurance business on the mutual plan in accordance with the laws of the state,  
3 district or territory in which the corporation is organized it shall be admitted to do the kinds of in-  
4 surance business authorized by this act when it shall be solvent under this act and shall have com-  
5 plied with the following requirements, to-wit:

- 6 1. Filed with the commissioner of insurance a duly certified copy of the chapter and articles of  
7 association.
- 8 2. Paid the commissioner of insurance a fee of twenty-five dollars (\$25.00).
- 9 3. Filed with the commissioner of insurance a copy of its by-laws certified to by its secretary.
- 10 4. Appointed the commissioner of insurance as a person upon whom process may be served, which  
11 when so served shall be of the same force and effect as if served upon the company. This authority  
12 shall continue in force so long as any liability remains outstanding in this state.
- 13 5. Filed a certificate of the commissioner of insurance that said corporation is organized and  
14 authorized to do such business in the state, district or territory in which it is incorporated.
- 15 6. Filed a financial statement under oath, in such form as may be required and have complied  
16 with other provisions of law applicable to the filing of papers by and the audit and inspection of  
17 stock companies transacting the same kind of insurance.

18 Upon compliance by any foreign corporation with the provisions of this section, its application to  
19 do business in this state shall be approved by the commissioner of insurance and such officer shall  
20 issue to such corporation a permit, in writing, authorizing it to do business within the state. When  
21 legal process against any such corporation is served upon said commissioner of insurance, he shall  
22 immediately notify the company of such service by registered letter, prepaid and directed to its  
23 home office, or to such officer or authorized representative as the company may direct, and enclose  
24 copy of the process served on him. The plaintiff in such process so served, shall pay the commis-  
25 sioner of insurance at the time of such service a fee of \$2.00, which shall be recovered by him as a  
26 part of the taxable costs if he prevails in the suit. The commissioner of insurance shall keep a rec-  
27 ord of all processes served upon him, which record shall show the day and hour when such service  
28 was made.

Sec. 22. Any mutual corporation organized under the provisions of this act may accept premium  
2 notes, to mature not later than the expiration of the policy in lieu of cash, for any term of insurance  
3 not exceeding five (5) years.

Sec. 23. Any mutual insurance corporation heretofore organized and now or hereafter doing  
2 business under and pursuant to the provisions of chapter four (4) and (or) chapter five (5) of title  
3 nine (IX) of the code and supplement to the code, 1913, may without reorganization avail itself  
4 of, and operate under and be governed by, the provisions of this act, upon the adoption by its board  
5 of directors of a written resolution accepting and agreeing to abide by all the provisions of this  
6 act; and a copy of such resolution, duly certified by the president and secretary of the corporation,  
7 with the corporate seal affixed, shall be filed in the office of the commissioner of insurance, and a  
8 like copy shall be filed in the office of the secretary of state.

Sec. 24. This act shall not affect mutual insurance companies heretofore organized and now in  
2 operation under chapter four (4) of title nine (IX) of the code and supplement to the code, 1913,  
3 nor to renewals of their charters as such except as specifically provided in this act.

Sec. 25. Nothing in this act shall affect any contract of insurance heretofore made, nor shall  
2 any of the provisions of this act in any way affect insurance corporations now or hereafter organ-  
3 ized under the provisions of chapter five (5), title nine (IX), supplement to the code, 1913, ex-  
4 cept as specifically provided in this act.

Sec. 26. That from and after the taking effect of this act the law as it appears in sections six-  
2 teen hundred ninety (1690), sixteen hundred ninety-two (1692), sixteen hundred ninety-three  
3 (1693), sixteen hundred ninety-four (1694), seventeen hundred (1700), seventeen hundred seven  
4 (1707), seventeen hundred eight (1708), seventeen hundred twenty-three (1723), and seventeen  
5 hundred fifty-one (1751) of the code, and in sections seventeen hundred twenty-one (1721), sup-  
6 plement to the code, 1913, and in that portion of section sixteen hundred eighty-nine (1689), sup-  
7 plement to the code, 1913, following the word "company" in the sixth (6th) line thereof, shall not  
8 apply to or govern companies organized or operated under the provisions of this act.