

SEC. 2. This act being deemed of immediate importance shall take effect and be in force from and after its publication in the Iowa State Register a newspaper published at Des Moines Iowa and the Humboldt Kosmos a newspaper published at Humboldt Iowa without expense to the state. Publication.
 Approved April 1, 1886.

I hereby certify that the foregoing act was published in the *Iowa State Register* April 6, and the *Humboldt Kosmos* April 8, 1886.
 FRANK D. JACKSON, *Secretary of State.*

CHAPTER 65.

TO REGULATE MUTUAL BENEFIT ASSOCIATIONS.

AN ACT to Regulate the Organization and Operation of Mutual Benefit Associations. S. F. 151.

Be it enacted by the General Assembly of the State of Iowa:

SECTION 1. Every corporation or association organized under the laws of this State upon the mutual assessment co-operative or natural pre[m]ium plan, for the purpose of insuring the lives of individuals, or of furnishing benefits to the widows, heirs, orphans or legatees, of deceased members, or of paying endowments or accident indemnity, shall, before commencing business, comply with the provisions of this act.

SEC. 2. The articles of incorporation of such organizations shall show the plan of business, and shall be submitted to the Auditor of State, and Attorney General, and if such articles are found to comply with the provisions of this act they shall approve the same. When said articles are thus approved, they shall be recorded in the office of the Recorder of Deeds, in the county where such organization is located and of the Secretary of State and a notice published as provided for under the general incorporation law of the State of Iowa. Nothing in this section shall be construed to require the incorporation of such companies already duly incorporated and operating under the laws of Iowa. Articles of In-
corporation.

SEC. 3. No corporation or association organized under this act, shall take any name in use by any other organization or so closely resembling such name as to mislead the public as to its identity. Name.

SEC. 4. Each association organized under this act, shall, before issuing any policy or certificate of membership, if said associa-

- tion has not membership sufficient to pay the full amount of the certificate or policy on an assessment it shall cause the application for insurance to have printed in red ink in a conspicuous manner along the margin of said application the words "It is understood and agreed that the amount to be paid, when the certificate or policy issued upon this application becomes a claim, shall be dependent upon the amount collected from an assessment made to meet such claim and they must have actual applications upon at least two hundred and fifty individual lives for at least one thousand dollars each, and shall file, with the Auditor of State, satisfactory proof that the president, secretary and treasurer, of said corporation or association have each given a good and sufficient bond for five thousand dollars, for the faithful discharge of their duties as such officers; sworn copies of which bonds shall be filed with the Auditor of State, also a list of said applications giving the name, age, and residence of each applicant and the amount of insurance applied for by each, together with the annual dues and the proposed assessments thereon, which statement shall be verified under oath by the president and secretary of the association.
- Policy proviso.**
- Application for insurance.**
- Bond of secretary and treasurer.**
- File list of applications.**
- Agents certificate.**
- Assessments.**
- Insurable age.**
- Beneficiary.**
- Assignment of policy.**
- SEC. 5. No person shall act, within this State as agent or otherwise in receiving or procuring applications for insurance for any assessment association (except for the purpose of taking applications for organization), unless the corporation or association for which he is acting, has received a certificate from the Auditor of State as provided in this act, authorizing said corporation or association to transact business in this State, nor as general or traveling agent or traveling solicitor, until he shall have received from said Auditor a certificate in substance the same as that provided for in section 18 of this act, and certifying that said corporation or association has complied with the provisions of this act, and that said general traveling agent or traveling solicitor is authorized to act as such.
- SEC. 6. The by-laws of any such corporation or association, and its notices of assessment, shall state the object or objects for which the money to be collected is intended, and no part of the proceeds of such assessment shall be applied to any other purpose than is stated in said notices and by-laws, and the excess beyond payment of the benefit provided for in such assessment, shall be set aside and applied only to such purposes as said by-laws and notices specify.
- SEC. 7. No corporation or association organized or operating, under this act, shall issue any certificate of membership, or policy to any person under the age of fifteen years, nor over the age of sixty-five years nor unless the beneficiary under said certificate shall be the husband, wife, relative, legal representative, heir or legatee of such insured member, nor shall any such certificate be assigned, except an endowment certificate, and any certificate issued or assignment made in violation of this section shall be void. Any member of any corporation, association or society operating under this act shall have the right at

any time, with the consent of such corporation, association or society, to make a change in his beneficiary without requiring the consent of such beneficiary.

SEC. 8. The business year of each Iowa corporation or association organized or operating under this act, shall close on the thirty-first day of December, each year and such corporation or association, shall, within sixty days thereafter prepare under oath of its president and secretary and file in the office of the Auditor of State a detailed statement of its assets, liabilities, receipts, from each assessment and all other sources, expenditures, salaries of officers, number of contributing members, death losses paid and amount paid on each death loss, death losses reported but not paid, and answer such other interrogatories as the Auditor (who shall furnish blanks for that purpose) may require, in order to ascertain its true financial condition, and shall pay upon filing each annual statement, the sum of ten dollars. The Auditor shall publish said annual statement in detail in his annual report, and for the purpose of verifying such statement, the Auditor may make or cause to be made, an examination of the affairs of any Iowa association doing business under this act, at the expense of the association, which expense shall not exceed the necessary hotel and traveling expenses of the Auditor or clerk. If the Auditor appoints some person not employed in his office to make the examination, he shall in addition to actual expenses be allowed not to exceed five dollars per day for the time actually employed. If the said Auditor shall deem it necessary for the security of the funds of the association, he may require the official bonds of the officers to be increased to an amount not to exceed double the sum for which they are accountable, and he may require supplemental reports from any such association at such time and in such form as he may direct.

SEC. 9. Any corporation or association accumulating any moneys to be held in trust for the purpose of the fulfillment of its policy or certificate, contract, or otherwise, shall invest such accumulations in bonds or treasury notes of the United States, or of this or other states, or in interest-bearing bonds of any municipal corporation in Iowa or in notes secured by mortgage on unencumbered real estate in the State of Iowa, not to exceed forty per cent of the appraised value thereof exclusive of improvements and shall deposit such securities with the Auditor of State, who shall furnish such corporation or association with a certificate, under his seal of office, of such deposit, showing the purpose of such deposit and to what fund the same is to be applied when paid out and also showing the aggregate liabilities of such corporation or association at the date of issuance of such certificate, *provided*, however, that such corporation or association may invest in real estate in Iowa, such a portion of said accumulation as is necessary for its accommodation in the transaction of its business to be owned by said corporation or

Report to Auditor of State.

Publication of report.

Examination by Auditor.

Trust funds.

Real estate investment.

association, and in the erection of any building for such purpose may add thereto rooms for rental.

Change of securities.

SEC. 10. Such association may have the right at any time to change its securities on deposit by substituting for those withdrawn a like amount in other securities of the character provided for in this act.

Withdrawal of securities.

SEC. 11. The Auditor shall permit corporations or associations having a deposit with him of such securities to withdraw the same upon filing with him by the president and secretary of such corporations and associations, satisfactory proof that they are to be used for the purpose for which they were originally deposited in his office.

Collection of interest on securities.

SEC. 12. The Auditor shall permit corporations or associations having on deposit with him such stocks and bonds, notes or other securities, to collect and retain the interest accruing on such deposits, delivering to them respectively the evidence of interest as the same becomes due, but on default of any corporation or association to make or enforce such collection, he may collect such interest and add the same to the securities in his possession belonging to such corporation or association, less the expense of such collection.

Foreign companies.

SEC. 13. Any foreign corporation or association organized under the laws of any other State to carry on the business of insuring the lives of individuals or of furnishing benefits to the widows, orphans, heirs or legatees of deceased members, or of paying accident indemnity, or surrender value of certificate of insurance upon the mutual assessment plan, may be licensed by the Auditor to do business in this State by complying with the following conditions, to wit: Said corporation shall file with the Auditor of State a copy of its charter or articles of incorporation duly certified by the proper officers of the State wherein organized together with a copy of its by-laws, application, and policy or certificate of membership. It shall also file with said auditor a sworn statement signed and verified by its president and secretary, which statement shall contain the name and location of the said corporation or association, its principal place of business, the name of its president, secretary and other principal officers, the number of certificates or policies in force, the aggregate amount insured thereby the amount paid to beneficiaries in event of death or accident, the amount collected of each member on each assessment, and the purposes for which assessments are made and the authority under which they are made; the amount paid on the last death loss and the date thereof, the amount of cash or other assets owned by the company and association and how invested; and any information which the auditor may require. All said statements and papers thus filed shall show that death or surrender value of certificate of insurance or accident indemnity is in the main provided for by assessments upon or contributions by surviving members of such corporation or association and shall show to the satisfaction of said auditor that said corporation or association is legally or-

Kind licensed.

Preliminary papers.

ganized and honestly managed, and that an ordinary assessment upon its members or other regular contribution to its mortuary fund, is sufficient to pay its maximum certificate to the full limit named therein. Such foreign corporation or association shall also designate to the said Auditor an attorney or agent residing in this State on whom service of process or original notice may be made; and in the event of a failure to appoint or designate such attorney, such service may be made upon the Auditor who shall at once notify said company by mailing a copy of said notice to the secretary of said corporation or association, directed to his last known post office address. Any action commenced in this State by service upon such attorney or auditor may be commenced in the county of the plaintiff's residence, regardless of the residence of said attorney or Auditor, and every corporation or association coming into this State shall file with the Auditor of State a contract or agreement that it will not transfer any action commenced against it in any court of this State to the United States courts, which contract shall contain the provision that if such transfer is made to the United States courts, the certificate of authority issued by said auditor to do business shall be revoked or cancelled, and it shall be the duty of the auditor to promptly revoke the certificate of such corporation or association as soon as such transfer is made; and such corporation or association shall not be permitted to do business again within the State. Upon complying with the provisions of this section, and upon payment of twenty-five dollars, the Auditor shall issue to such foreign corporation or association so complying, a certificate of authority to do business in this State, provided the same right is extended by the State in which said corporation is organized, to similar corporations or associations organized in this State. After any such foreign corporation or association shall have been licensed to do business in this State, it shall make before the first day of March of each year, to the auditor, on blanks furnished by him, the same detailed statement as is provided in section 8 of this act, which statement shall be published in the annual report of the auditor, and shall also pay to the auditor, on filing such statement, a fee of twenty dollars. Whenever the Auditor of this State shall have reason to doubt the solvency of any such foreign corporation or association and the failure to pay the full limit named in its certificate or policy shall be such evidence that it is not solvent and to require the auditor to investigate, he must for this or other good cause, at the expense of such corporation or association cause an examination of its books and papers to be made, and publish and distribute his report as provided in section 8, of this act, and if in his judgment such examination establishes the fact that such corporation or association is not financially sound and is not paying its policies to the full limit named therein or is conducting its business fraudulently, or if it should fail to make the statement required by this act, he may revoke the authority of such corporation or association and prohibit it from doing bus-

Company must
appoint an
attorney.

Action com-
menced in
plaintiff's
county.

Contract not to
transfer suits
to U. S. courts.

Fee for first
authority.

Annual report..

Examinations-
by Auditor.

Fees for examination.

iness in this State until it can again comply with the provisions of this act. If the Auditor appoints some one not receiving a regular salary in his office to make the examination provided for in this section he shall be entitled to receive five dollars per day for his service in addition to his actual traveling and hotel expenses to be paid by the association examined or by the State on approval of the Executive Council, if the association fails to pay the same.

Penalty for non-compliance with this chapter.

SEC. 14. Any foreign corporation or association doing business in this State that shall refuse or neglect to comply with the provisions of this act after the space of ninety days after it takes effect shall be deemed and be held to be doing business unlawfully and any officer or agent of such corporation or association who shall do business in this State, or assist in, or knowingly permit the same in violation of the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than five hundred dollars, or be imprisoned in the county jail not more than six months, or both, in the discretion of the court. It shall be the duty of the county attorney to prosecute any violation of this section when sufficient evidence is presented to him to warrant a prosecution of any person charged with its violation.

Penalty for agents acting for unauthorized company.

SEC. 15. Any solicitor or agent taking or soliciting applications for insurance within this State, for any corporation or association doing business on the mutual assessment or natural premium plan, after ninety days from the taking effect of this act without the certificate herein provided for, or shall take applications when the assessments will not pay the certificate or policy in full, without having the application form comply with the requirements of section four (4) of this act, shall be guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not exceeding one hundred dollars for each offense, together with the costs of prosecution including attorneys' fee, and shall stand committed to the county jail until the fine and costs are paid. And the county attorney in each county shall prosecute parties charged with a violation of this section.

Proceedings in case of Iowa companies violating this law.

SEC. 16. Whenever any Iowa corporation or association shall fail to make its annual statement to the Auditor on or before the first day of March, or is conducting its business fraudulently or not in compliance with this act, or is not carrying out its contracts with its members in good faith, then it shall be the duty of the Auditor to promptly communicate the fact to the Attorney-General, who shall at once commence action before the district or circuit court of the county in which said organization is located or any judge thereof, citing the officers to appear before said court or judge, and if upon a hearing of said cause, it is found to be [for] the best interests of the holders of the certificates of membership in said corporation, said court or judge shall have the power to remove any officer or officers of said corporation and appoint others in their place until the next annual election. If it is found to the best interests of said holders of

certificates that the affairs of said corporation be wound up said court or judge shall so direct and for that purpose may appoint a receiver, who shall regard all proper claims for death benefit as preferred claims. Said receiver may also upon the approval of the court or judge transfer the members of said association who consent thereto to some solvent Iowa assessment or natural premium association or divide the surplus accumulated in proportion to the share due each certificate in force at the time.

SEC. 17. The Auditor shall receive from each foreign corporation or association doing business in this State for each certificate issued to its agents or solicitor, as provided in this act, the sum of two dollars and from each corporation or association organized under the laws of this State the sum of fifty cents. Any other fees to be paid to said Auditor not provided for in this act shall be the same as provided for in the general insurance laws of this State, in relation to life insurance companies. All fees collected by the Auditor by this act shall be accounted for and paid into the State treasury in the same manner as provided in section 3778, Code of 1873.

SEC. 18. On compliance with this act by any corporation or association the Auditor shall issue a certificate setting forth: Form of certificate. First: The corporate name of the association. Second: Its principal place of business. Third: The number of certificates or policies in force at the date of its last report. Fourth: The sum of money which an ordinary assessment for payment of a single certificate or policy would produce in each class. Fifth: The amount paid on its last death loss as evidenced by proof on file in his office and the date of such payment. Sixth: The amount of securities deposited in his office, and for what purpose deposited. Seventh: That it has fully complied with the provisions of this act, and is authorized to transact business for a period of one year from April first of the year of its issue, which certificate shall be published by said association for four weeks in a newspaper of general circulation published at the principal place of business of said association. Publication of certificate.

SEC. 19. Any agent, physician, or other person who, shall knowingly and by means of concealment or false or fraudulent statements assist in securing from any such organization, or assessment association, a policy or certificate of membership on the life of any person shall be deemed guilty of a misdemeanor and upon conviction thereof shall be sentenced to pay a fine not exceeding one thousand dollars or undergo an imprisonment of not more than one year in the county jail, or both, in the discretion of the court. Penalty for fraud in procuring insurance.

SEC. 20. Any corporation, or association doing business in this State which provides in the main, for the payment of death losses or accident indemnity by any assessment upon its members or upon the natural premium plan, shall for the purpose of this act, be deemed a mutual benefit association, and shall not be subject to the general insurance laws of this State, regula- Definition of assessment company.

ting life insurance. No corporation or association, operating upon the assessment plan, promising benefits upon any other event than that of the death or disability resulting from accident to the member shall be permitted to do business in this State. But this shall not prevent any assessment life association or organization authorized by this act, from providing for an equitable surrender value paid up policy or endowment upon the cancellation of any policy or certificate provided the terms and conditions thereof are set forth in said policy or certificate of membership, and provided that such endowment or surrender value shall in the main be accumulated during the term of such policy or certificate. This act shall not relieve any corporation or assessment association, now doing business in this State, from the fulfillment of any contract heretofore entered into with its members under its policies or certificates of membership, nor shall any member be released hereby from his or her part of said contract.

Only life and accident business permitted.

Surrender value of policy.

Existing contracts not abrogated.

Benevolent societies exempted.

Live-stock companies.

Repealing clause.

SEC. 21. Nothing in this act shall be construed to apply to any secret fraternal society nor any association organized solely for benevolent purposes and composed wholly of members of any one occupation, guild, profession, or religious denomination, provided that any such society or organization named above in this section, shall by complying with the provisions of this act be entitled to all the privileges and be amenable to the obligations of this act.

SEC. 22. The provisions of this act shall be applied to all assessment or co-operative livestock insurance companies or associations, now existing or hereafter organized in this or other States, so far as the same can be made to apply, and the Auditor of State shall have the same power and authority in regard to such companies or associations as in regard to mutual benefit associations.

SEC. 23. All acts or parts of acts conflicting with this act are hereby repealed, *provided* that nothing in this act shall be construed to affect insurance companies known as fixed or level premium companies, having a mathematical annual reserve.

This bill having remained with the Governor three days (Sunday excepted), the General Assembly being in session, has become a law this 2d day of April, A. D. 1886.

FRANK D. JACKSON, *Secretary of State.*