

CHAPTER XVII.

AN ACT TO AMEND SECTION 58, OF TITLE 2, OF CHAPTER 1, OF THE GENERAL LAWS OF 1873, RELATING TO THE APPOINTMENT OF COUNTY SUPERINTENDENTS OF SCHOOLS.

SECTION 1. That section fifty-eight (58), of title two (2), of chapter one (1), of the general laws of 1873, be and the same is hereby amended by adding thereto, after the word "Beltrami," in the fourth line of said section, the words "and Lake."

When act to take effect.

SEC. 2. This act shall take effect and be in force from and after its passage.

Approved March 6, 1876.

CHAPTER XVIII.

AN ACT TO PROVIDE SECURITY AGAINST EXTRAORDINARY CONFLAGRATIONS, AND FOR THE CREATION OF SAFETY FUNDS BY FIRE INSURANCE COMPANIES.

Be it enacted by the Legislature of the State of Minnesota :

Authorized to create certain funds—how to proceed.

SECTION 1. Hereafter it shall be lawful for any fire insurance company organized under the laws of this state to create the funds herein provided for, to be known and designated as the guaranty surplus fund and the special reserve fund, and to avail itself of the provisions of this act, upon complying with the requirements thereof.

SEC. 2. Any fire insurance company desiring to create such funds shall be, and it is hereby, authorized to do so upon the adoption of a resolution by its board of directors at a regular meeting thereof, and filing with the insurance commissioner of the state a copy thereof, declaring the desire and intention of such company to create such funds, and to do business under the provisions of this act; and as soon after the filing of such copy of the resolution as convenient, the insurance commissioner shall make or cause to be made, an examination of such company, and

he shall make a certificate of the result thereof, which shall particularly set forth the amount of surplus funds held by such company at the date of such examination, which under the provisions of this act are to and may be equally divided between and be set apart to constitute said guaranty surplus and special reserve funds, which certificate shall be recorded in the insurance department; and from and after the date of the recording of said certificate; all the policies and renewals of policies issued by said company shall have printed thereon by said company a notice that the same are issued under and in pursuance of this act, referring to the same by its chapter, date and title, and such policies and renewals shall be deemed to have been issued and received subject to the provisions of this act.

Commissioner to make examination of company.

Companies to give notice.

SEC. 3. After the date mentioned in any such resolution so passed and filed, it shall not be lawful for such company to make, declare or pay in any form, any dividend upon its capital stock exceeding ten per cent. per annum thereupon, and upon the surplus funds to be formed hereunder, until after its guaranty surplus fund and its special reserve fund shall have together accumulated to an amount equal to its said capital stock; and the entire surplus profits of such company above such annual dividend of ten per cent. shall be equally divided between and be set apart to constitute the said guaranty surplus fund and the said special reserve fund, which funds shall be held and used as hereinafter provided, and not otherwise, and any company doing business under this act, which shall declare or pay any dividend contrary to the provisions herein contained, shall be liable to be proceeded against by the attorney general for its dissolution. Such guaranty surplus fund and such special reserve fund may from time to time, after they shall together have accumulated to an amount equal to the capital stock, be still further increased out of any subsequent profits of the company. *Provided, however,* that such profits shall, at each division thereof, be equally divided between the said funds.

Dividends over ten per cent. unlawful.

Division of surplus between such funds—may be increased.

Guaranty fund applicable to payment of losses.

SEC. 4. Said guaranty surplus fund shall be held and invested by such company the same as its capital stock and surplus accumulation, and shall be liable and applicable in the same manner as the capital stock to the payment generally of the losses of such company.

SEC. 5. Said special reserve fund shall be invested according to existing laws relating to investments of capital by fire insurance companies, and shall be deposited from time to time as the same shall accumulate and be invested, with the insurance commissioner of the state, who shall permit the company depositing the same to change such deposits by substituting for those withdrawn others of equal amount and value, and to collect and receive the interest or dividends upon such securities as the same may accrue; and such special reserve fund shall be deemed a fund contributed by the stockholders to protect such company and its policy holders other than claimants for losses already existing, or then incurred, in case of such extraordinary conflagration

Special reserve fund—how invested.—Purposes of.

or conflagrations as hereinafter mentioned; and said fund shall not be regarded as any part or portion of the assets in possession of said company, so as to be or render the same liable for any claim or claims for loss by fire or otherwise, except as herein provided.

Estimation of
profit in making
division.

SEC. 6. In estimating the profit of any such company for the purpose of making a division thereof between said guaranty surplus fund and such special reserve fund, there shall be deducted from the gross assets of the company, including for this purpose the amount of the special reserve fund, the sum of the following items:

First.—The amount of all outstanding claims.

Second.—An amount sufficient to meet the liability of such company for the unearned premiums upon its unexpired policies, which amount shall be at least equal to one-half of the premiums received on policies having less than one year to run from date of policy; and a *pro rata* proportion of the premiums received on the policies having more than one year to run from date of policy, and shall be known as the re-insurance liability.

Third.—The amount of its guaranty surplus fund and of its special reserve fund.

Fourth.—The amount of the capital of the company. And,

Fifth.—Interest at the rate of ten per cent. per annum upon the amount of the capital and of the said funds for whatever time shall have elapsed since the last preceding cash dividend. And the balance shall constitute the net surplus of the company, subject to an equal division between the said funds as herein provided.

Company to notify commissioner when claims exceed capital stock and guaranty surplus fund
—Commissioner to make examination.

SEC. 7. In the event of any extensive conflagration or conflagrations, whereby the claims upon such company shall exceed the amount of its capital stock, and of the guaranty surplus fund provided for by this act, the said company shall notify the said insurance commissioner of the fact, who shall then make or cause to be made an examination of said company, and shall issue his certificate of the result, showing the amounts of capital, of guaranty surplus fund, of special reserve fund, of re-insurance liability, and of other assets, and upon his issuing such certificate in duplicate, one copy to be given the company, and one to be recorded in the insurance department, the said special reserve fund shall be immediately held to protect all policy holders of said company, other than such as are claimants upon it at the time, or such as became such claimants in consequence of such conflagration or conflagrations; and the amount of said special reserve fund and an amount equal to the unearned premiums of such company, to be ascertained as hereinbefore provided, shall constitute the capital and assets of such company for the protection of policy holders other than such claimants, and for the further conduct of its business; and such official certificate of the insurance commissioner shall be binding and conclusive upon all parties interested in such company, whether as stockholders, creditors, or policy holders, and upon the payment to the claimants, for losses or otherwise, existing at the

Disposition in such cases of special reserve fund.

time of or caused by such general conflagration or conflagrations, of the amount to which they are respectively entitled, in proportion to their several claims, of the full sum of the capital of such company, and of its guaranty surplus fund, and of its assets, excepting only such special reserve fund and an amount of its assets equal to the liability of the company for unearned premiums, as so certified by such insurance commissioner, such company shall be forever discharged from any and all further liability to such claimants, and to each of them; and the said insurance commissioner shall, after issuing his said certificate, upon the demand of such company, transfer to it all such securities as shall have been deposited with him by such company as such special reserve fund; unless said special reserve fund shall exceed the amount of the capital of such company, in which case the said insurance commissioner shall so transfer to the company, only so much of said securities as shall at their market value equal its capital, and said insurance commissioner shall hold the balance thereof as a special reserve fund for the purpose and under the conditions set forth herein, and if the amount of such special reserve fund be less than fifty per cent. of the full amount of the capital of the company, a requisition shall be issued by the said insurance commissioner upon the stockholders, to make up such capital to that proportion of its full amount, in the manner now provided by law in the case of companies with impaired capital. *And provided, further,* that any capital so impaired shall be made up to at least the sum of \$200,000; and in case said company, after such requisition, shall fail to make up its capital to at least said amount of \$200,000, as therein directed, said special reserve fund shall still be held as security, and liable for any and all losses occurring upon policies of such company after such conflagration or conflagrations. Such company shall, in its annual statement to the insurance department of this state, set forth the amount of such special reserve fund, and of its guaranty surplus fund. The policy registers, insurance maps, books of records, account and other books in use by such company in its business, are not to be considered as assets, but shall be held by the company for its use in the protection of its policy holders not claimants for losses at the time of such general conflagration.

Company discharged from liability.

Special reserve fund and impaired capital.

Sec. 8. If at any time after said special reserve fund shall have been accumulated by any company, it shall appear upon examination by the said insurance commissioner that the capital of such company has, in the absence of any such extensive conflagration, become impaired so as to cause him to order a call upon the stockholders to make up such impairment, the board of directors of such company may either comply with such order and require the necessary payment by the stockholders, or, at their option, they may apply, for that purpose, so much of said special reserve fund as will make such impairment good. No company doing business under this act shall insure any larger amount upon any single risk than is permitted by law to a company possessing the same amount of capital, irrespective of the

Inapplicability
of inconsistent
laws.

fund hereby provided for. So much and such parts of existing laws as are inconsistent with this act are hereby made and declared to be inapplicable to insurance companies doing business under and in conformity with this act.

When act to take
effect.

SEC. 9. This act shall take effect immediately.

Approved March 6, 1876.

CHAPTER XIX.

AN ACT TO AMEND CHAPTER 113, OF THE LAWS OF 1875, BEING AN ACT TO AMEND AN ACT ENTITLED AN ACT TO ESTABLISH A RECIPROCAL GENERAL INSURANCE LAW FOR THE STATE OF MINNESOTA, AND TO REVISE AND AMEND THE LAWS OF SAID STATE RELATING TO HOME AND FOREIGN INSURANCE COMPANIES, "APPROVED FEBRUARY 29, 1872,"

Be it enacted by the Legislature of the State of Minnesota:

SECTION 1. That chapter 113, of the general laws of 1875, be and is hereby amended so as to read as follows:

Sec. 1. Section 13, of title 4, of an act to establish a reciprocal general insurance law for the state of Minnesota, and to revise and amend the laws of said state relating to home and foreign insurance companies, *approved* February 29, 1872, be and the same is hereby amended so as to read as follows:

Must invest cer-
tain sum for re-
serve fund.

Sec. 13 Any fire insurance company already organized under the laws of this state, and doing a farm business only, may continue to do such business by investing the accumulations of such company to the amount of thirty thousand dollars, which shall be held as a reserve fund for the security of the assured, as provided for in section four, title three, of this act, but such company may be exempt from complying with section 28, title 3, of this act.

When act to take
effect.

SEC. 2. This act shall take effect and be in force from and its passage.

Approved February 18, 1876.