

character or any inmate of any house of ill fame or assignation, shall be guilty of a felony, and upon conviction thereof shall be punished by imprisonment for not less than six (6) months nor more than five (5) years.

Sec. 3. Any keeper of any house of ill fame or assignation who shall for any unlawful purpose admit to such house any boy under the age of eighteen years, or any female inmate of any such house of ill fame or assignation who shall cohabit with any boy under the age of eighteen years, shall be guilty of a felony, and upon conviction thereof shall be punished by imprisonment for not less than eighteen months nor more than seven years.

Sec. 3. All acts or parts of acts inconsistent herewith are hereby repealed.

Approved April 23, 1907.

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#### CHAPTER 321—H. F. No. 446.

*An Act to amend chapter 19 of the Revised Laws of Minnesota, for the year 1905, relating to insurance.*

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

Section 1. That sections 1594, 1607, 1617, 1625, 1627, 1628, 1630 and 1631, of the Revised Laws of Minnesota for the year 1905, be and the same are hereby amended so as to read as follows:

1594—Definitions—In this chapter, unless the context otherwise requires, "company" or "insurance company," shall include every corporation or association engaged in insurance as principal. "Domestic" shall designate those incorporated in this state, and "foreign" when used without limitations, those in any other state or country. "Beneficiary association," shall mean a corporation, society or voluntary association organized and carried on for the sole benefit of its members and their families, relatives or dependents, but not for profit, and insure the lives of its members only upon the whole life assessment plan, so called, and in which organization admission to membership by a vote of the members or some governing body thereof, is a prerequisite to being entitled to such relief or policy of insurance and which associa-

tion sells neither endowments nor annuities. "Fraternal beneficiary associations" shall mean a corporation, society or voluntary association organized and carried on for the sole benefit of the members and their beneficiariés, but not for profit, and having a lodge system and ritualistic form of work and representative form of government. "Net assets" shall mean that portion of the excess of the entire assets of an insurance company over its entire liabilities exclusive of capital and inclusive of policy liability, available for the payment of its obligations, including capital stock in this state, and including as assets deferred premiums on policies written within three months and actually in force, and in case of a mutual marine or fire and marine company, its subscription funds and premium notes not more than thirty (30) days past due and uncollected.

In case of a mutual fire insurance company there shall be included as assets premium notes absolutely payable within six months from date and given for policies actually in force, when such notes are not more than thirty days over due. Unpaid guaranty fund subscriptions shall not be included as assets, and guaranty fund certificates upon which there is no liability of the company until all its other obligations and liabilities are paid shall not be included as a liability. "unearned premiums," insurance reserve, net value policies, and "premium reserve" shall severally refer to the liability of an insurance company upon its insurance contracts, other than accrued claims, computed by rules of valuation hereinafter established.

"Profits" of a mutual insurance company shall mean that portion of its net earnings not required for payments of losses and expenses, nor set apart for any lawful purposes; and "commissioner" shall mean insurance commissioner.

1607—Reserve for reinsurance.—To determine the policy liability of any company, other than life or title insurance, and the amount such company shall hold as reserve for reinsurance, the commissioner shall take 50 per cent of the aggregate premiums, on policies running one year or less from date of policy, and a pro rata amount on policies running more than one year from date of policy, except upon inland and marine risks, which he shall compute by charging 50 per cent of the amount of premium written in its policies upon yearly risks and upon risks covering more than one passage not

terminated, and the full amount of premiums written in policies upon all other inland and marine risks not terminated. In case of any fire and marine company with less than \$200,000 capital, admitted to transact in this state, fire business only, the full amount of premiums written in its marine and inland navigation and transportation policies shall be charged as liability.

In case of a mutual fire insurance company with a policy holder's contingent liability fixed by its bylaws and in its policies as provided by law, to determine the amount of such reinsurance reserve the commissioner shall take twenty-five (25) per cent of the aggregate premiums on policies running one year or less from date of policy, and fifty (50) per cent of the pro rata amount on policies running more than one year from date of policy. A policy for a term of years on which the premium is payable annually, shall be considered a policy for one year.

1617—Reinsurance Reports—Penalty.—If any company other than life shall, directly or indirectly, effect the reinsurance of any risk taken by it, or any part thereof, it shall make a sworn report thereof to the commissioner, at the time of filing its annual statement, or at such other time as he may request.

No fire company shall insure or reinsure in a single risk a larger sum than one-tenth of its assets.

Every company effecting any reinsurance in violation of the foregoing provision, and every agent effecting or negotiating the same, shall severally be guilty of a misdemeanor.

1625—Taxation—Salvage Corps.—Every domestic and foreign company, except town and farmers' mutual insurance companies, shall pay to the state treasurer on or before March 1st, annually, a sum equal to two per cent of the "gross" premiums less return premiums "on all direct business" received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year. In the case of every domestic company such sums shall be in lieu of all other taxes, except those upon real property, owned by it in this state, which shall be taxed the same as like property of individuals, and in the case of every foreign company such sums shall be in lieu of all other taxes, except those upon

real and personal property owned by it in this state, which shall be taxed the same as like property of individuals, and except that in addition thereto, every foreign fire company doing business in any city wherein a salvage corps has been established pursuant to law for which such company or its agents for it are not otherwise subject to taxation, shall at the same time pay to the treasurer of the duly authorized board of underwriters therein a tax equal to two per cent of the gross amount of premiums received by it, or for it, in such city, which shall be used by such board for the equipment and maintenance of such corps.

The provisions of this section shall not apply to any domestic mutual company insuring its members against loss or damage by fire, lightning, tornado, hail or cyclone, or loss of live stock from disease or accident, which pays as salary and compensation to any one officer or member in any year no more than the aggregate sum of one thousand dollars (\$1,000).

1627—Premiums—Contingent Liability—Every mutual fire company shall charge and collect on each policy a premium, in cash, or in notes absolutely payable, or it may accept a deposit of cash equal to one year's premium on the policy issued, and while such deposit remains intact collect all future premiums on such policy by assessments thereon, and shall also provide in its by-laws, and specify in its policies the maximum contingent mutual liability of its members for the payment of losses and expenses not provided for by its cash fund. Such contingent liability of a member shall not be less than a sum equal to and in addition to one annual premium, nor more than a sum equal to five times the amount of such annual premium or, in case of a policy written for less than one year, the contingent liability shall not exceed the amount of premium written in the policy. The total amount of the liability of the policy-holder shall be plainly and legibly stated upon each policy. Whenever any reduction shall be made in the contingent liability of members, such reduction shall apply proportionally to all policies in force. *Provided* that mutual fire insurance companies maintaining a full fifty (50) per cent reinsurance reserve and having a fully paid in and unimpaired guaranty fund of not less than \$100,000, may issue policies without a contingent liability; but the fact that there is no such contingent liability must be plainly and legibly stated in such policies.

1628—**Requirements when note given**—Except as provided in section 1627, whenever a note or other written evidence of indebtedness is given for any premium due, or to become due upon any insurance of property, except marine, the same shall be full payment therefore and operate to continue the same in full force during the term thereof, except that when any such note or written evidence of indebtedness is not paid at maturity, the policy for which the same was premium in whole or in part may be cancelled upon notice and in same manner as though said premium was paid in cash and the surrender of said note or other written evidence of indebtedness shall constitute a return or payment of the unearned portion of premium, and in such event the parties liable on such note or evidence of indebtedness shall be liable for and shall pay the premium earned prior to such cancellation, and no more. *Provided further*, that in case of any cancellation of a policy, any note or notes, or written evidence of indebtedness, given for whole or part of the premium thereon, may be by insurer returned to the insured in lieu of cash to the extent of the unpaid amount thereof plus accrued interest. No note given for premiums or deposit for assessment or both, or for any part of either, shall be negotiable, and every assignment thereof shall be subject to all existing defenses. Nor shall any such notes be valid for any purpose unless the words "not negotiable" are plainly and legibly written or printed across the face thereof.

1630—**Assessments—when and how made**—Whenever the net assets of any mutual insurance company are insufficient for the payment of incurred losses and expenses above its reinsurance reserve, as provided by law, it shall make an assessment for the amount required ratably upon its members liable thereto. The order for assessment shall be duly entered upon its records, with a statement of its condition at the date thereof, including all cash assets, deposit notes, and contingent amount liable to such assessment, the amount of the assessment, and the particular losses or other liabilities for which it is made. Such records shall be signed by each director voting for the order before any part of the assessment is collected, and any person liable thereto may inspect and take a copy thereof.

1631—**Same, guaranty fund**—Whenever, by reason of depreciation, loss, or otherwise, the net assets after providing for other debts, are less than the required premium reserves

upon policies, the deficiency shall be restored by assessment as above provided, notice of which shall be filed with the commissioner. Whenever the board of directors, or the commissioner, shall be of the opinion that the insolvency of any company is probable, such board, or upon their failure so to do, the commissioner, may order two assessments made, the first to determine what each policy holder should equitably pay or receive in case of withdrawal from the company and cancellation of his policy; the second, such further sum as each should pay to reinsure the unexpired term at the same rate as the first insurance. The directors shall forthwith cause written notice and demand of payment to be served personally or by mail upon each policy holder subject thereto. After adjustment of the first assessment, every policy upon which the second assessment shall not be paid shall be cancelled; but in no case shall there be credited upon a policy more than if cancelled by the board of directors under the by-laws. If within two months after the last assessment is payable, the amount of the policies whose holders have paid the same is less than five hundred thousand dollars, all other policies shall be void, and the company shall continue only for the purpose of adjusting the deficiency or excess of premiums and settling outstanding claims. No assessment shall be valid against a policy holder who has not been duly notified thereof in writing within one year after the expiration or cancellation of his policy. A mutual fire insurance company may be formed with, or an existing fire insurance company may establish a guaranty fund divided into certificates of ten dollars each, or multiples thereof, and such guaranty fund shall be invested in the same manner as is provided for the investment of capital stock of insurance companies. The certificate holders of such guaranty fund shall be entitled to an annual dividend of not more than ten (10) per cent on their respective certificates, if the net profits or unused premiums left after all losses, expenses or liabilities, then incurred, with reserves for reinsurance, are provided for, shall be sufficient to pay the same; and if the dividends in any one year are less than ten (10) per cent, the difference may be made up in any subsequent year or years from the net profits.

The guaranty fund shall be applied to the payment of losses and expenses when necessary, and if the guaranty fund be impaired, the directors may make good the whole or any part of such impairment from future profits of the company,

but no dividend shall be paid on guaranty fund certificates while the guaranty is impaired.

The holder of the guaranty fund certificates shall not be liable for any more than the amount of his certificate which has not been paid in and such amount shall be plainly and legally stated on the face of the certificate.

Each certificate holder of record shall be entitled to one vote in person or by proxy in any meeting of the members of the company for each ten dollars invested by him in guaranty fund certificates. The guaranty fund may be reduced or retired by vote of the policyholders of the company and the assent of the insurance commissioner, if the net assets of the company above its reinsurance reserve and all other claims and obligations, and the amount of its guaranty fund certificates and interest thereon for two years last preceding and including the date of its last annual statement, shall be not less than fifty (50) per cent of the premiums in force.

Due notice of such proposed action on the part of the company shall be mailed to each policy holder of the company not less than thirty days before the meeting when such action may be taken.

In mutual fire insurance companies with a guaranty fund, the certificate holders shall be entitled to choose and elect from among their own number or from among the policy holders at least one-half of the total number of directors.

If any mutual fire insurance company with a guaranty fund ceases to do business, it shall not divide among its certificate holders any part of its assets or guaranty fund, until all its debts and obligations have been paid or cancelled.

Foreign mutual fire insurance companies having a guaranty fund shall not be required to make their certificates of guaranty fund conform to the provisions of this section, but when such certificates do not conform therewith, the amount thereof shall be charged as a liability.

Approved April 23, 1907.