

**INSURANCE LAWS
OF THE STATE OF
CALIFORNIA**

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Insurance laws of the state of California by Various

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VARIOUS

**INSURANCE LAWS
OF THE STATE OF
CALIFORNIA**

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OF THE

STATE OF CALIFORNIA

Compiled by
E. C. COOPER, Insurance Commissioner

SAN FRANCISCO

1914



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PRINCIPAL REQUIREMENTS AS TO INSURANCE COMPANIES OF OTHER STATES AND FOREIGN COUNTRIES

Desiring to Enter the State of California for the Transaction of Business.

All capital stock fire, marine and life companies must have an unimpaired paid-up capital of at least \$200,000.00.

A fire insurance company may transact, in addition to such kind of insurance, marine, sprinkler, boiler and machinery, automobile, and miscellaneous. Marine insurance companies may transact, in addition to such kind of insurance, only fire insurance, team and vehicle, automobile, and miscellaneous. Each of such companies must have such unimpaired capital stock of at least \$200,000.00 for either fire or marine insurance or \$400,000.00 for both fire and marine insurance. Should a company desire to do any of the additional classes mentioned, it must have an additional unimpaired capital of \$50,000.00 for each class. No company shall do any of said kinds of insurance, unless authorized so to do by their charter.

Life companies may transact, in addition to such kind of insurance, only accident and health and liability insurance, and must have an unimpaired capital of \$200,000.00 and an additional capital of \$50,000.00 for transacting accident and health or liability insurance, and \$100,000.00 additional capital for transacting both kinds.

All companies other than these, if stock companies, must have a paid-up capital, unimpaired, of at least \$100,000.00 for transacting one kind of business and \$50,000.00 additional for transacting any other kind of insurance.

A capital stock company is insolvent if its paid-in capital is impaired more than twenty-five per cent, although the balance exceeds the required amount above specified. Only that portion of the capital stock can be considered as unimpaired which is free from all liabilities; including statutory requirements as to reserves, etc.

Where policyholders participate in the management of the company (whether it has a capital stock or not) the company must (in lieu of such capital stock) hold in "available cash assets" free from all liabilities the amount above specified unless some special provision governs.

Companies organized outside of the United States must have on deposit with some State official charged with the supervision of insurance in that State, and in which State the company must be transacting business, an amount equal to the amount of capital stock or cash assets required. Such deposits must be for the benefit and security of all the policyholders in the United States.

Such companies must file both Home Office and United States statements.

Generally, each company on applying must file the following documents and pay the fees specified:

1. Certified copy of Charter (or Articles of Incorporation), and Certificate as to Organization, Capital and Assets from the Insurance Commissioner of its own State.....	\$55 00
2. Appointment of General Agent and Stipulation.....	5 00
3. Bond in the sum of \$20,000.00.....	5 00
4. Statement as to financial condition.....	20 00
5. Application for Certificate of Authority (fee for issuing certificate)....	10 00
6. Certificate of Deposit of Securities (required only of companies organized outside of the United States).....	5 00

Authorization empowering general agent to sign bond and appoint solicitors and agents may also be filed.

The Certificate of Authority expires on July 1st of each year unless sooner revoked.

Financial statement must be on the latest convention form, and must be verified by an examination made either by the Department of the State in which the company is organized, or by this Department at the company's expense.

Every agent or solicitor must have a license which, unless sooner revoked, expires on July 1st of each year; the fee for same is \$1.00.

Taxes.

All companies pay a tax of 1½ per cent on premiums, less return premiums, and reinsurance in authorized companies.

Retaliatory statute.

Applies when statutes of other States discriminate in favor of their domestic companies and may affect taxes, fees and other matters.

Requirements of office of secretary of state.

Companies must file with the Secretary of State at Sacramento certified copies of their Articles of Incorporation, the fee for which varies according to the amount of capital stock, and an appointment of agent upon whom service of summons and other legal process may be made; the fee for filing which is \$5.00.

INSURANCE LAWS OF THE STATE OF CALIFORNIA

POLITICAL CODE.

PART III. TITLE I. CHAPTER III. ARTICLE II.

- Sec. 368. Insurance commissioner, how appointed.
369. Term of office.

Insurance commissioner, how appointed.

SEC. 368. The following executive officers shall be appointed by the governor, with the consent of the senate:

1. The directors of the insane asylums; the trustees for the asylum for the deaf, dumb and blind; the insurance commissioner; the members of the state board of health; the fish and game commissioners.

2. The port wardens, when port wardens and their appointment are not otherwise provided for by law; the pilot commissioners; and the pilots for each harbor where there is not a board of pilot commissioners, and when the appointment of pilots is not otherwise provided for by law.

3. All other executive officers whose appointment is provided by law to be made by the governor.

Amended Stats. of 1913, p. 412.

Term of office.

SEC. 369. The officers enumerated in the first subdivision of the last section hold their offices for the term of two years, those in the second subdivision for the term of four years, and those in the third subdivision during the governor's pleasure.

Enacted March 12, 1872.

PART III. TITLE I. CHAPTER III. ARTICLE XVI.

INSURANCE COMMISSIONER.

- Sec. 588. Eligibility.
589. Salary.
591. Rooms. Expenses. Special fund.
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594. Insurance classified. Capital stock.
594a. Deposits by foreign companies.
595. General duties of commissioner. Withdrawal of companies.
596. Certificates of authority to companies. Insurance in unauthorized companies.
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597. Examination of companies.
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604a. Insolvency laws applicable.
605. Fees.
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- SEC. 607. Charter and similar papers to be filed.
 608. Actions not to be transferred to United States court.
 609. Approval of company name.
 610. Verifying statements.
 611. Filing, adjusting and publishing annual statements.
 612. Statements by companies, other than life.
 613. Statements of life, health and accident companies.
 614. Mutual companies.
 615. Furnishing statement forms.
 616. Designation of principal agent and stipulation for service of papers.
 617. Penalty for failure to file statements.
 618. General provisions for deposits.
 619. Certificate of deposit.
 620. Withdrawal of deposit.
 621. Annual examination of securities.
 622. Applying foreign discrimination laws.
 622a. Tax.
 623. Bond of company.
 624. Separate bonds.
 625. Furnishing information to assessors.
 625a. Listing surety companies to county clerks.
 626. Complying with Civil Code.
 627. Computations and payments on gold basis.
 628. Special valuation of policies of life insurance companies.
 629. General valuation of policies of life insurance companies.
 630. Secret and fraternal societies.
 631. Reviewing commissioner's acts.
 631a. Publication of notice of withdrawal.
 632. Informing district attorneys.
 633. Licensing agents and solicitors.
 634. Registration of policies of life insurance companies.
 634a. Definitions and exceptions.
 634b. Demanding and recovering payments other than fees.

Eligibility.

SEC. 588. No person is eligible to the office of insurance commissioner or deputy who is an officer, agent, or employee of an insurance company.

Enacted as section 594, March 12, 1872. Repealed and present section enacted, Stats. 1907, p. 141.

The first legislation in the State of California providing for a supervisory control of the business of insurance was the Act of March 20, 1868 (Stats. 1868, p. 336). By that act the office of insurance commissioner was created. * * * The act was re-enacted in 1872, in sections 594 *et seq.* of the Political Code. (*State Investment and Insurance Co. vs. Superior Court of San Francisco*, 101 Cal. 143-4.)

The Political Code, from sections 594 to 634, inclusive, deals specifically with insurance corporations, both domestic and foreign. * * * and particularly provides in great detail how foreign insurance corporations must put themselves in position to be served with process in this State. (*Harrigan vs. Home Life Insurance Company*, 128 Cal. 537.)

By an act, approved March 8, 1907, which went into effect immediately (Statutes 1907, p. 141) article 16, chapter 3, part III, title I, of the Political Code, and each and every section thereof, were repealed and a new article 16, covering the same subject of insurance, was enacted. (*Commercial Union Assurance Company vs. Wolf*, 8 Cal. App. 413, 416.)

Salary.

SEC. 589. The annual salary of the insurance commissioner is four thousand dollars and the annual salary of the deputy of the insurance commissioner is two thousand seven hundred dollars.

Enacted as sections 628 and 629, March 12, 1872. Amended Stats. 1880, p. 411; 1887, p. 12. Repealed and present section enacted, Stats. 1907, p. 141.

Rooms, expenses, special fund.

SEC. 591. The commissioner may procure suitable rooms for his offices and may provide a suitable safe and furniture therefor. He may also provide stationery, fuel, printing and other conveniences and assistance and incur traveling and such other expenses as are necessary for

the transaction of the business of his office. Out of the funds paid into the state treasury by the insurance commissioner, there shall be set aside and reserved each and every year the sum of thirty thousand dollars as a special fund to be called the insurance commissioner's special fund. All expenditures authorized in this section must be audited by the board of examiners, who must allow the same and direct payment thereof to be made, and the controller shall draw warrants therefor on the state treasury for the payment of the same to the insurance commissioner out of the said insurance commissioner's special fund.

Enacted as section 630, March 12, 1872. Amended, Stats. 1887, p. 12; 1906, p. 31. Repealed and present section enacted, Stats. 1907, p. 141. Amended May 1, 1911. Stats. 1911, p. 1247.

Office.

SEC. 592. The commissioner must keep his office in the city of San Francisco.

Enacted as section 631, March 12, 1872. Repealed and present section enacted, Stats. 1907, p. 141.

Bond.

SEC. 593. The commissioner must execute an official bond in the sum of twenty thousand dollars.

Enacted as section 632, March 12, 1872. Repealed and present section enacted, Stats. 1907, p. 141.

Insurance classified. Capital stock.

SEC. 594. All insurance business in the State of California is hereby classified in the following sixteen kinds, namely:

1. Life insurance, including within its meaning insurance upon the lives of persons and every insurance appertaining thereto, and the granting, purchasing and disposing of annuities.

2. Fire insurance, including within its meaning insurance against loss or damage by fire, lightning, windstorm, tornadoes or earthquakes.

3. Marine insurance, including within its meaning insurance upon vessels, freights, goods, wares, merchandise, specie, bullion, jewels, profits, commissions, bank notes, bills of exchange, and other evidences of debt, bottomry and *respondalia* interests, and every insurance connected with marine risks and risks of transportation and navigation, including the risks of lake, river and inland transportation and navigation.

4. Title insurance, including within its meaning the issuance of guarantees and policies of insurance affecting titles to real estate, and guaranteeing or insuring owners of real or personal property, or others interested therein, or having liens or encumbrances thereon, against loss by reason of defective titles, encumbrances, or adverse claims of title, or otherwise.

5. Fidelity and surety insurance, including within its meaning the guaranteeing of persons holding places of public or private trust, and guaranteeing and executing all bonds, undertakings, and contracts of suretyship, and guaranteeing the performance of contracts other than insurance policies, and not including guaranteeing the payment of mortgages or trust deeds.

6. Accident insurance, and either sickness or health insurance, including within its meaning insurance against injury, disablement or death resulting from traveling or general accidents, and against disablements resulting from sickness and every insurance appertaining thereto.

7. Plate glass insurance, including within its meaning all insurance against breakage of glass, whether local or in transit.

8. Liability insurance, including within its meaning workmen's compensation insurance and all other insurance against loss or damage resulting from accident to or injury, fatal or non-fatal, suffered by an employee or other person, and for which the insured is liable.

9. Boiler and machinery insurance, including within its meaning insurance upon steam boilers and pipes, fly wheels, engines and machinery connected therewith or operated thereby, against explosion and accident, and against loss and damage to life or property resulting therefrom, and against loss of use and occupancy caused thereby.

10. Burglary insurance, including within its meaning insurance against loss by burglary or theft or both.

11. Credit insurance, including within its meaning insurance of merchants, traders, and those engaged in business and giving credit for loss and damage by reason of giving and extending credit to their customers and those dealing with them, and insurance or guarantee either by agreement to purchase uncollectible debts or otherwise, against loss or damage from the failure of persons indebted or to become indebted to the insured, or to meet existing or contemplated liabilities.

12. Sprinkler insurance, including within its meaning insurance against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers, pumps or other apparatus placed for extinguishing fires, and of water pipes, and against accidental injury to such sprinklers, pumps, or other apparatus.

13. Team and vehicle insurance, including within its meaning insurance against loss or legal liability for loss because of damage to property caused by the use of teams or vehicles whether by accident or collision or by explosion of any engine or tank or boiler or pipe or tire of any vehicle, and also including insurance against theft of the whole or any part of any vehicle; the term vehicle as here used does not include ships or vessels nor boats nor any railroad rolling stock.

14. Automobile insurance, including within its meaning the insurance of the owners of or dealers in automobiles against any and all hazards incident to ownership, maintenance, operation and use of such automobiles. No company shall assume any hazard or risk upon an automobile unless authorized to assume hazards or risks of that character by its charter or articles of incorporation. Nothing herein contained shall be construed to prevent a fire insurance company from issuing a policy of insurance upon an automobile covering the fire hazard only, nor be construed to prevent a marine insurance company from issuing a policy of insurance upon an automobile covering the marine hazard of transportation only, nor be construed to prevent a life insurance company which also transacts liability insurance from issuing a policy of insurance upon an automobile, covering the liability hazard only.

15. Mortgage insurance, including within its meaning the guaranteeing of the payment of the principal, interest and other sums agreed to be paid under the terms of any note or bond secured by mortgage