

CHAPTER 314.

[Published March 23, 1875.]

AN ACT to provide against extraordinary conflagrations, and for the creation of safety funds by fire insurance companies.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows:

SECTION 1. Thereafter [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 quarterly [guaranty] surplus fund and the special reserve fund, and to avail itself of the provisions of this act, upon complying with the requirements thereof.

SECTION 2. Any fire insurance company desiring to create such funds shall, 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 Secretary of 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 Secretary of State 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.

SECTION 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

Lawful for fire insurance companies to create special funds.

How funds may be created.

Secretary of State to make examination of company and make certificates.

Policies to contain certain notice.

Unlawful for companies to pay dividend exceeding 7 per cent. until

seven (7) 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 seven (7) 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 said 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 the [its] dissolution.

special funds
equal capital
stock.

Surplus profits
to be divided
between quar-
terly surplus
and special re-
serve funds.

SECTION 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.

How guaranty
surplus fund to
be held and in-
vested.

SECTION 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 state treasurer, who shall permit the company depositing the same to change such deposits by substituting for those withdrawn others of equal amount and value to, and collect and receive the interests 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 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.

Investments
to be deposited
with State
Treasurer.

Special re-
serve fund—
what deemed,
and how used.

SECTION 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 out-

How estimate
of profit of
company to be
made.

standing claims; second, an amount sufficient to meet the liability of such company for the unearned 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 reinsurance 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 seven 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.

In cases of extraordinary conflagration, company to notify Secretary of State, who shall make examination of company and issue certificate showing its standing.

SECTION 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 secretary of state 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 to the company and one to be recorded in the insurance department, the said special reserve fund shall be immediately held to protect all policyholders 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 secretary of state 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 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 com-

What shall constitute capital and assets of company.

Certificate to be binding upon parties interested.

When company shall be absolved from liability.

pany, 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 the Secretary of State, such company shall be forever discharged from any and all further liability to such claimants and to each of them; and the said superintendent 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; 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 Secretary of State 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 capitals; *and provided further*, that any capital so impaired shall be made up to at least the sum of two hundred thousand dollars (\$200,000); and in case said company, after such requisition, shall fail to make 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.

Superintendent to transfer securities to company.

When stockholders to make up impaired capital.

Proviso.

Amount of special reserve and guaranty surplus funds to be set forth in annual report.

SECTION 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 secretary of state, 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 funds hereby provided for.

How impairment of capital may be made up.

Limit of risk.

SECTION 9. This act shall take effect from and after its passage and publication.

Approved March 5, 1875.

CHAPTER 315.

[Published March 23, 1875.]

AN ACT to provide for uniformity and the free use of text-books in towns and cities.

The people of the state of Wisconsin, represented in Senate and Assembly, do enact as follows:

School boards may be authorized to purchase text-books.

SECTION 1. The qualified electors of any school district or of any town in which the township system of school government has been adopted may, by legal vote, and the board of aldermen or board of trustees of any city or incorporated village may, by ordinance or resolution, authorize the school board or boards of school directors of such district, town, or incorporated city or village to purchase text books, for use in the public schools, said text books to be the property of the district, town, village, or city so purchasing and to be loaned to pupils or otherwise furnished to them under such conditions and regulations as the aforesaid school authorities may prescribe.

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

Approved March 5, 1875.

CHAPTER 316.

[Published March 25, 1875.]

AN ACT to provide for a better system of popular education in the incorporated villages in this state.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows:

SECTION 1. The union school district which has