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An Act Authorizing and Regulating Certain Classes of indemnity Contracts Empowering Corporations to Make Such Contracts and Fixing Certain Fees, and the Penalty for Violation Thereof.

### **Section 1. Authority**

Individuals, partnerships and corporations of this state, hereby designated subscribers, are authorized to exchange reciprocal or inter-insurance contracts with each other, or with individuals, partnerships and corporations of other states and countries in which they are authorized or not forbidden to do business, providing indemnity among themselves from any loss which may be insured against under other provisions of the laws, excepting life or accident and health insurance.

### **Section 2. Execution By Attorney**

The contracts may be executed by an attorney, agent or other representative, herein designated "attorney," duly authorized and acting for the subscribers.

### **Section 3. Filing of Declaration**

Subscribers so contracting among themselves shall through their attorney file with the insurance commissioner of this state a declaration verified by the oath of the attorney, setting forth:

- A. The name or title of the office at which the subscribers propose to exchange indemnity contracts. The name or title shall not be so similar to any other name or title adopted by a similar organization or by any insurance corporation or association as in the opinion of the insurance commissioner is calculated to result in confusion or deception;
- B. The kind or kinds of insurance to be effected or exchanged;
- C. A copy of the form of policy contract or agreement under or by which insurance is to be effected or exchanged;

D.

## **Section 8. Report by Attorney**

The attorney shall make a report to the insurance commissioner for each calendar year on or before [insert date] showing the financial condition of affairs at the office where the contracts are issued and shall furnish any additional information and reports required. The attorney shall not be required to furnish for filing the names and addresses of any subscribers nor the loss ratio. The business affairs and assets of the organizations shall be subject to examination by the insurance commissioner.

## **Section 9. Exchange Insurance Contracts**

A corporation now or hereafter organized under the laws of this state shall, in addition to the rights, powers and franchises specified in its articles of incorporation, have full power and authority to exchange insurance contracts of the kind and character herein mentioned. The right to exchange contracts is hereby declared to be incidental to the purposes for which the corporations are organized and as much granted as the rights and powers expressly conferred.

## **Section 10. Exchange Indemnity Contracts**

An attorney, agent or representative who shall, except for purpose of applying for certificate of authority as herein provided, exchange any contracts of indemnity of the kind and character specified in this Act, or directly or indirectly solicit or negotiate any applications for same without first complying with the foregoing provisions shall be deemed guilty of a misdemeanor, and, upon conviction, shall be subjected to a fine of not less than \$100 nor more than \$1,000.

## **Section 11. Certificate of Authority**

Each attorney by or through whom is issued any policies of or contracts for indemnity of the character referred to in this Act shall procure from the insurance commissioner annually a certificate of authority stating that all the requirements of this Act have been complied with, and upon such compliance and payment of the fees required by this Act, the insurance commissioner shall issue a certificate. The insurance commissioner may for cause revoke any certificate of authority.

## **Section 12. Annual License Fee**

An attorney, in lieu of all taxes, shall pay to the state with the filing of each annual report, as an annual license fee [insert number] percent of the gross premiums of deposits for the preceding calendar year, deducting all amounts returned to subscribers or credited to their accounts other than for losses; and shall pay a filing fee of \$[insert number].

## **Section 13. Insurance Law Exceptions**

Except as herein provided, no insurance law of this state shall apply to the exchange of indemnity contracts unless they are specially mentioned.

**Editor's Note:** In 1918, the NAIC adopted the following report, which constituted amendments to the 1912 Model Indemnity Contracts Act.

Model Indemnity Contracts Act

**Reciprocal or Inter-Insurance**

To the National Convention of Insurance Commissioners:

Your Committee on Laws and Legislation, to which was referred the question of examining the laws of the various States pertaining to the exchange of reciprocal or inter-insurance contracts with a view to making recommendations or changes in the Commissioner's Bill, submits the following report:

Your committee does not deem it advisable at this time to recommend legislation in the form of a new bill, but suggests certain