

MUTUAL FIRE INSURANCE AMENDMENT BILL.

MEMORANDUM.

THIS Bill is designed to enable mutual life insurance associations to issue policies on the share principle. Premium notes run out every three years, and necessarily at different dates, computed from the times when the insurances were effected, and the liability under them diminishes after each of the three years—circumstances which obviously tell against the financial stability of the associations. It is felt that their financial position would be more assured if they were permitted to issue shares the liability under which would not terminate at short and varying periods.

Moreover, the associations could more readily borrow any necessary moneys if they could give as security the unpaid calls under those shares. The borrowing-powers under the Bill are, however, carefully restricted in like manner as in the Mutual Fire Insurance Act, 1908—viz., the amount borrowed must not exceed one-half of the unpaid calls under the shares, and must be expended solely in paying ascertained fire losses.

No. 20.—1.

Mr. Dive.

## MUTUAL FIRE INSURANCE AMENDMENT.

### ANALYSIS.

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### A BILL INTITULED

AN ACT to amend the Mutual Fire Insurance Act, 1908.

Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

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1. This Act may be cited as the Mutual Fire Insurance Amendment Act, 1910, and shall be read together with and be deemed to form part of the Mutual Fire Insurance Act, 1908 (hereinafter called the principal Act).

Short Title.

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2. Any association may effect insurances on the premium-note principle or on the share principle, or partly on one of such principles and partly on the other.

Power to effect insurance on the premium-note or share principle.

3. (1.) Insurances on the premium-note principle may be effected for such period or respective periods as the directors may think fit.

Period of insurance on the premium-note principle.

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(2.) Any such insurances may be continued if the directors think fit until the face value of the premium note has been exhausted either by premiums paid or assessments levied, or by both of such methods, or until the premium note has been cancelled by the association, whichever event shall first happen.

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(3.) Section thirty-three of the principal Act is hereby repealed.

4. Where any such insurance is effected for a longer period than five years, the form of the premium note or undertaking shall be altered accordingly, and the provisions of the principal Act shall (the

Section 33 of the principal Act repealed.

Adaptation of principal Act to insurance for more than five years.

necessary consequential alterations being deemed made therein) extend and apply to such insurances, and to the premium note or undertaking given in respect thereof, and to the rights and liabilities of the association and of the member or insured respectively, and of the assignees of the policy and the premium note or undertaking. 5

Scheme of insurance on the share principle.

5. An association may effect insurances on the share principle in manner hereinafter expressed:—

- (a.) The association may issue a policy of insurance to any person to whom it might lawfully issue a policy under the premium-note principle, and in respect of property which it might lawfully insure under that system. 10
- (b.) The premiums on the policy shall be payable annually in advance in cash, independently of the liability of the insured under or in respect of his share.
- (c.) The association may issue a share or shares to such insured under which he shall be liable to pay to the association a sum being not less than *five* pounds per centum of the amount for which he shall be insured. 15
- (d.) Assessments on account of losses and expenses of the association may be made by way of calls on the said shares in and on the like proportion, manner, and conditions, as nearly as may be, as assessments can be made on premium notes; and such assessments shall be evidenced and be payable and recoverable in manner provided with respect to assessments on premium notes. The liability of the insured under the share principle is not to be contingent on the insurance being in force. 20 25
- (e.) The holder for the time being of every such share shall be a member of the association, but the assured shall not, nor shall any assignee of the policy be a member unless holding a share. 30
- (f.) Votes at meetings of the association may be given by the holders for the time being of shares according, and according only, to the scale provided in section ten of the principal Act, substituting in such scale for the amount insured a sum twenty times the total amount of minimum liability under the shares held by the shareholder. 35

Levies for reserve fund.

6. The power given by section fifty-two of the principal Act to levy an annual assessment on premium notes or undertakings for the purposes of a reserve fund shall extend and apply to shares. Such annual assessment shall not exceed twenty-five per centum of the amount of calls which the holder of the share is liable to pay under the share. 40

Interest on shares.

7. The association may pay to the holder for the time being of any share interest not exceeding five pounds per centum per annum on all amounts or calls actually paid under such share, but not on insurance premiums paid. 45

Transfer of policies and shares under share system.

8. (1.) Any policy issued under the share principle may, with the written consent of the Board, be assigned to any person for the time being interested in the insured property. 50

(2.) The liability of a shareholder shall continue irrespectively of his being interested in any insurance.

(3.) Any share may, with the written consent of the Board, and on payment of all calls and levies as then made thereon, be transferred by the holder thereof to some person approved of in writing by the Board; and from and after such payment and transfer the transferor shall cease to be liable under the share, and the transferee shall become liable in his place.

9. Every insurance under the share principle shall have effect for a term of three years certain, and may be continued thereafter year by year by payment of the annual renewal premium so long as the association shall be willing to continue the risk.

Duration of insurances on the share principle.

10. The provisions of the principal Act relating to the forfeiture of policies shall, so far as applicable, extend and apply to policies issued under the share principle.

Forfeiture of policies.

11. No shareholder shall be liable in respect of any loss or other claim or demand against the association otherwise than upon his share or shares, and to the extent of the calls and levies than can be made thereon.

Liability of shareholders.

12. The Board may, with the consent of the person liable under any premium note, convert the same into a share under this Act upon such terms and subject to such conditions as the Board shall think fit.

Power to convert premium notes into shares.

13. The provisions of sections fifty to fifty-four of the Dairy Industry Act, 1908, shall extend and apply to shares in any association as if such sections (the necessary consequential amendments being deemed made therein) were repeated in this Act.

Surrender and reissue of shares.

14. (1.) The Board may borrow money for such period and on such terms and conditions as it deems expedient, and the whole of the assets (including premium notes, shares, and moneys payable under the premium notes and shares of the association respectively) shall be held liable to pay the same and the interest and other charges in respect thereof. And, for further securing the payment of the principal moneys, interest, and charges, the association may do such acts and execute such mortgages and other securities (including such powers of sale and of appointing receivers, and other powers and provisions) as the Board shall think fit.

Directors may borrow money.

(2.) The money so borrowed shall only be for the purpose of paying ascertained fire losses, and shall not exceed one-half the amount for the time being remaining unpaid upon the premium notes and shares of the association.

(3.) No person lending money to the association shall be concerned to inquire whether the transaction is authorised by this Act, or otherwise as to the propriety or regularity thereof, or be affected by notice of any impropriety or irregularity therein, or be concerned to see to the application of the money borrowed; and the receipt of the association shall be an effectual discharge to the lender for the money thereby expressed to be received.

(4.) Section thirty of the principal Act is hereby repealed.

Repeal of section 30 of the principal Act. Property liable.

15. (1.) All the property and assets of the association (including premium notes and shares, and moneys payable under shares and premium notes respectively) shall be liable for all losses that may arise.

(2.) Section fifty-one of the principal Act is hereby repealed.

Repeal of section 51 of the principal Act.

Power to Governor to make regulations as to rights and liabilities of premium-note or share members on winding up.

16. (1.) The Governor may make regulations determining the rights and liabilities, in the case of the winding-up of an association, of persons who have given premium notes or undertakings, and holders of shares which respectively are in force at the time of winding up.

(2.) Such regulations shall have the same effect as if they were contained in this Act. 5

Power to make by-laws.

17. In addition to the power to make by-laws given by section twenty-five of the principal Act, the Board may from time to time make any by-laws or regulations (not manifestly inconsistent with the principal Act or this Act) for or in connection with the following 10 matters:—

- (a.) The effecting of insurance on the premium-note principle or the share principle :
- (b.) The issue of premium notes, shares, and policies :
- (c.) The application for, allotting, and making and collecting of 15 calls on shares :
- (d.) The fixing from time to time of the amounts of the annual payments on premium notes or undertakings :
- (e.) The fixing from time to time of the rate of interest, not exceeding five pounds per centum per annum, to be paid 20 on amounts or calls paid under shares :
- (f.) The fixing from time to time of the maximum liability of all shareholders under their shares :
- (g.) The conversion of premium notes into shares, and the terms and conditions of such conversion : 25
- (h.) The transfer of policies, premium notes, and shares :
- (i.) The surrender and reissue of shares :
- (j.) The prescribing of forms of premium notes or undertakings, applications, shares, policies, and other documents :
- (k.) And generally for more effectually carrying out or supple- 30 menting the provisions of the principal Act and of this Act.

By-laws, how made and authenticated.

18. (1.) Every such by-law or regulation shall be made, and every repeal, amendment, or re-enactment thereof shall be confirmed, in manner provided by section twenty-five of the principal Act. 35

(2.) The production of a document purporting to be a copy of a by-law or regulation of the association made under the principal Act or this Act, and to be sealed with the common seal of the association, shall, until the contrary be proved, be evidence of such by-law or regulation, and that the same has been duly made and 40 confirmed.