

# SENATE, No. 226

(Revised Statutes, Sections 17:17-1, 17:17-3, 17:17-4, 17:17-6, 17:17-8, 17:24-7,  
17:32-2, 17:18-13, 17:18-14, 17:18-15.)

## STATE OF NEW JERSEY

INTRODUCED MARCH 7, 1938

By Mr. VAN WINKLE

(By Request)

Referred to Committee on Banking and Insurance

AN ACT concerning the regulation and incorporation of insurance companies, regulating the transaction of insurance business in this State, and amending sections 17:17-1, 17:17-3, 17:17-4, 17:17-6, 17:17-8, 17:24-7 and 17:32-2 of the Revised Statutes, and supplementing chapter eighteen of Title 17 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State of New*  
2 *Jersey:*

1 1. Section 17:17-1 of the Revised Statutes is hereby amended to read as  
2 follows:

3 17:17-1. Ten or more persons may form a corporation for the purpose  
4 of making of any kinds of insurance, as follows:

5 a. Against direct or indirect loss or damage to property, including loss  
6 of use or occupancy, by fire [.] ; smoke [.] ; smudge [.] ; lightning [.] ;  
7 tempest on land, including windstorm, tornado and cyclone [.] ; earthquake  
8 [.] ; collapse of buildings; hail [.] ; frost or snow [.] ; weather or climatic  
9 conditions, including excess or deficiency of moisture, flood, rain or drought,  
10 rising of the waters of the ocean or its tributaries [.] ; [against perils to  
11 property arising from the use of elevators, aircraft, automobiles or other

12 motor vehicles,] bombardment [.] ; invasion [.] ; insurrection [.] ; riot  
13 [.] ; civil war or commotion [.] ; military or usurped power [.] ; vandalism  
14 [.] or malicious mischief [.] ; striking employees; [and by] explosion,  
15 whether fire ensues or not, except explosion of steam boilers and flywheels;  
16 and arising from the use of elevators, aircraft, automobiles or other  
17 vehicles; [and] against loss or damage by insects or disease to farm crops  
18 or products and loss of rental value of land used in producing the crops or  
19 products.

20 b. Against any kinds of loss or damage to: Vessels, craft, aircraft, cars,  
21 automobiles and vehicles of every kind, including all kinds of automobile and  
22 aircraft insurance (excepting insurance against loss by reason of bodily  
23 injury to the person), as well as all goods, freights, cargoes, merchandise,  
24 effects, disbursements, profits, moneys, bullion, precious stones, securities,  
25 choses in action, evidence of debt, valuable papers, bottomry and respondentia  
26 interests, and all other kinds of property and interests therein, in respect  
27 to, appertaining to or in connection with any and all risks or perils of  
28 navigation, transit, or transportation, including war risks, on or under any  
29 seas or other waters, on land or in the air, or while being assembled, packed,  
30 crated, baled, *compressed* or similarly prepared for shipment or while  
31 awaiting the same or during any delays, storage, transshipment or reship-  
32 ment incident thereto, including marine builder's risk and all personal  
33 property floater risks, and to person or to property in connection with or  
34 appertaining to a marine, inland marine, transit or transportation insurance,  
35 including liability for loss of or damage to either, arising out of or in con-  
36 nection with the construction, repair, operation, maintenance or use of the  
37 subject matter of the insurance (but not including life insurance or surety  
38 bonds) but, except as herein specified, not against loss by reason of bodily  
39 injury to the person.

40 c. Upon the lives or health of persons, and every insurance appertain-  
41 ing thereto, and to grant, purchase or dispose of annuities.

42 d. Against bodily injury or death by accident, and upon the health of  
43 persons, including a funeral benefit to an amount not exceeding one hun-  
44 dred dollars or against loss or damage to automobiles or motor vehicles,  
45 or to wagons or vehicles propelled by a horse or team of any description,  
46 resulting from collision with moving or stationary objects, against perils to  
47 property arising from the use of elevators, aircraft, automobiles or other  
48 motor vehicles, or against loss by legal liability for damage to persons or  
49 property resulting from collision of automobiles, aircraft, or motor vehicles,  
50 or of wagons or vehicles propelled by a horse or team with moving or  
51 stationary objects.

52 e. Against loss or damage resulting from accident to or injury suffered  
53 by any person for which loss or damage the insured is liable.

54 f. Against damage to property of the insured or loss of life or damage  
55 to the person or property of others for which the insured is liable, caused by  
56 the explosion of steam boilers, pipes, engines, motors and machinery con-  
57 nected therewith or operated thereby.

58 g. Against loss from the defaults of persons in positions of trust,  
59 public or private, or against loss or damage on account of neglect or  
60 breaches of duty or obligations guaranteed by the insurer; and against loss  
61 by banks, bankers, brokers, financial or moneyed corporations or associa-  
62 tions, of any bills of exchange, notes, checks, drafts, acceptances of drafts,  
63 bonds, securities, evidences of debt, deeds, mortgages, documents, gold or  
64 silver, bullion, currency, money, platinum and other precious metals, refined  
65 or unrefined and articles made therefrom, jewelry, watches, necklaces,  
66 bracelets, gems, precious and semiprecious stones, and also against loss  
67 resulting from damage, except by fire, to the insured's premises, furnishings,  
68 fixtures, equipment, safes and vaults therein caused by burglary, robbery,  
69 hold-up, theft or larceny, or attempt thereat. No such indemnity indemnify-  
70 ing against loss of any property as specified herein shall indemnify against  
71 the loss of any such property occurring while in the mail or in the custody  
72 or possession of a carrier for hire for the purpose of transportation, except

73 for the purpose of transportation by an armored motor vehicle accompanied  
74 by one or more armed guards.

75 h. Against loss or damage on account of encumbrances upon or defects  
76 in titles to real property [and against loss by reason of the nonpayment of  
77 principal and interest of bonds and mortgages]. Any company organized  
78 or operating under this paragraph shall have the right, in addition to its  
79 other powers, to make searches, abstracts, examine titles to real property  
80 and chattels, and procure and furnish information in relation thereto.

81 i. Against loss from bad debts, commonly known as credit insurance.

82 j. Against loss or damage by burglary, theft, larceny, robbery, forgery,  
83 fraud, vandalism or malicious mischief, or any one or more of such hazards;  
84 and against any and all kinds of loss or destruction of or damage to  
85 moneys, securities, currencies, scrip, coins, bullion, bonds, notes, drafts,  
86 acceptances of drafts, bills of exchange and other valuable papers or docu-  
87 ments, except while in the custody or possession of and being transported  
88 by a carrier for hire or in the mail; and against loss or damage to auto-  
89 mobiles and aircraft by burglary, larceny, or theft, vandalism or malicious  
90 mischief, confiscation or wrongful conversion, disposal or concealment,  
91 whether held under conditional sale contract or subject to chattel mortgages,  
92 or otherwise, or any one or more of such hazards.

93 k. Against loss of and damage to glass, including lettering and orna-  
94 mentation thereon, and the frame in which the glass is set resulting from  
95 breakage of the insured glass.

96 l. Against loss or damage by water or other fluid to any goods or  
97 premises arising from the breaking or leakage of sprinklers, pumps, or other  
98 apparatus erected for extinguishing fires, or of other conduits or containers,  
99 or by water entering through leaks or openings in buildings, and of water  
100 pipes and against accidental injury to such sprinklers, pumps, conduits, con-  
101 tainers, water pipes and other apparatus; including loss of use or occupancy  
102 of the property so damaged. [;]

103 m. Upon the lives of horses, cattle and other livestock or against loss  
104 by theft of any such property or both.

105 n. Against loss or damage to property by smoke or smudge, or both.

106 o. Against loss or damage to property by any other casualty which may  
107 lawfully be the subject of insurance.

108 Any company, which, by its charter, is authorized to make insurance  
109 against loss or damage to property caused by fire, lightning, or tempest on  
110 land, may, without amending its charter, transact all of the kinds of insur-  
111 ance described in paragraphs "a," "b," and "l" hereof, if it is possessed  
112 of the capital stock or cash premiums required by sections 17:17-6 and  
113 17:17-7 of this Title.

1 2. Section 17:17-3 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-3. No company shall be formed for the purpose of engaging in  
4 any other kind of insurance than that specified in one of the paragraphs of  
5 section 17:17-1 of this Title, or more kinds of insurance than are specified  
6 in a single paragraph, except that a company may be formed:

7 a. For the purposes specified in paragraphs "a," "b," "l" and "o" of  
8 said section 17:17-1; or

9 b. For the purposes specified in paragraphs "c" and "d" of said sec-  
10 tion 17:17-1; or

11 c. For any or all of the purposes specified in paragraphs "d" to "g"  
12 and "i" to "o" of said section 17:17-1.

1 3. Section 17:17-4 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-4. The persons so proposing to incorporate shall sign a certificate  
4 stating their intention to form a corporation under chapters seventeen to  
5 thirty-three of this Title (§17:17-1 et seq.), and setting forth:

6 a. The name of the company, which shall contain the words "insurance  
7 company," except that a company which may be formed for any or all of the  
8 purposes specified in paragraphs "d" to "o" of section 17:17-1 of this Title  
9 may adopt a name containing the words "insurance company," "indemnity  
10 company," "casualty company," "surety company" or "guaranty com-

11 pany." The name shall not so closely resemble that of any existing corpo-  
 12 ration as to be likely to mislead the public, and shall be approved by the com-  
 13 missioner;

14 b. The place where its principal office in this State is to be located;

15 c. The kind or kinds of insurance proposed to be transacted by the com-  
 16 pany, stating the paragraphs of section 17:17-1 of this Title authorizing the  
 17 same;

18 d. If formed under paragraphs "a," "b," "c," "d," "e," "f" or "k"  
 19 of section 17:17-1 of this Title, whether the company is to be a stock com-  
 20 pany or a mutual company;

21 e. If a stock company, the amount of its capital stock, which shall not  
 22 be less than two hundred thousand dollars, except, if incorporated under  
 23 paragraph "h" of section 17:17-1 of this Title, the capital stock shall not  
 24 be less than one hundred thousand dollars, the number of shares into which  
 25 it is divided, and the par value of each share; and

26 f. The period, if any, limited for the duration of the company.

27 The certificate may contain such other particulars as may be necessary  
 28 to explain and make manifest or limit the objects and purposes of the cor-  
 29 poration, and such other provisions not inconsistent with chapters seven-  
 30 teen to thirty-three of this Title (§17:17-1 et seq.), or the Constitution or  
 31 laws of this State, which the incorporators may choose to insert for the con-  
 32 duct of the affairs of the company, the regulation of its business, or for de-  
 33 fining, regulating and limiting the powers of the directors or stockholders.

1 4. Section 17:17-6 of the Revised Statutes is hereby amended to read  
 2 as follows:

3 17:17-6. No stock insurance company organized under chapters seven-  
 4 teen to thirty-three of this Title (§17:17-1 et seq.), except companies or-  
 5 ganized under paragraph "h" of section 17:17-1 of this Title, shall com-  
 6 mence business unless it has a capital stock of at least two hundred thousand  
 7 dollars, actually paid in cash and additional capital stock of one hundred  
 8 thousand dollars, actually paid in cash, for each kind of insurance more

9 than one which it may transact as specified in section 17:17-3 of this Title,  
 10 and also a surplus actually paid in cash equal to one-half of the capital stock.  
 11 A company shall not commence the kind of business specified in paragraph  
 12 "g" of section 17:17-1 of this Title, unless it has a capital stock of at least  
 13 two hundred and fifty thousand dollars actually paid in cash, and an addi-  
 14 tional capital stock of one hundred thousand dollars, actually paid in cash,  
 15 for every other kind of insurance which it is authorized to transact, and also  
 16 a surplus actually paid in cash equal to one-half of the capital stock. No  
 17 stock insurance company organized under paragraph "h" of section 17:17-1  
 18 of this Title shall commence business unless it has a capital stock of at least  
 19 one hundred thousand dollars, actually paid in cash, and also a surplus  
 20 actually paid in cash equal to one-half such capital stock.

1 5. Section 17:17-8 of the Revised Statutes is hereby amended to read  
 2 as follows:

3 17:17-8. Before granting authority to a company to issue policies or  
 4 make contracts of insurance, the commissioner shall be satisfied, by such  
 5 examination and evidence as he sees fit to make and require, that the whole  
 6 amount of the capital stock set forth in the certificate of incorporation and  
 7 the required minimum surplus of the company, if a stock company, has  
 8 been actually paid in cash, and is possessed by the company in money, or  
 9 in the stocks, bonds, or bonds and mortgages authorized for insurance com-  
 10 panies by chapter two (§17:2-1 et seq.), and chapter twenty-four (§17:24-1  
 11 et seq.), of this Title; or, if a mutual company, that it has received and is  
 12 in possession of the cash premiums, and bona fide engagements for insur-  
 13 ance to the extent and of the value hereinbefore required. This section  
 14 shall not apply to insurance companies incorporated by certificates filed in  
 15 the department prior to March twenty-seventh, one thousand nine hundred  
 16 and twenty-eight.

17 In determining the financial condition of any corporation organized  
 18 under paragraph "h" of section 17:17-1 of this Title, the commissioner  
 19 shall allow as admitted assets such assets as are authorized in chapters

20 two (§17:2-1 et seq.) and twenty-four (§17:24-1 et seq.) of this Title, and  
21 may allow as an asset on account of the required surplus, the title plant of  
22 such company at its fair value as determined by the commissioner, less such  
23 charge-offs as he may require.

1       6. Chapter eighteen of Title 17 of the Revised Statutes is hereby suppl-  
2 mented as follows:

3       Every title insurance company of this State or of another State or  
4 foreign country doing business in this State under paragraph "h" of  
5 §17:17-1 of this Title shall set up, accumulate, and maintain a reserve as  
6 follows:

7       a. During the first ten years of its doing business after the effective  
8 date of this act, it shall set up, accumulate, and maintain a reserve at the  
9 end of each calendar month at least equal to three per centum (3%) of the  
10 total gross fees and premiums received or to be received on account of  
11 policies issued during the next preceding calendar month for title insur-  
12 ance, examinations or searches of title, and for abstracts of title, written,  
13 issued, or performed, as the case may be, after the effective date of this  
14 act; and at the end of every such calendar month the amount so required  
14½ to be accumulated shall be charged as a reserve liability of such company  
15 in determining its financial condition.

16       b. After the expiration of the said first ten years and in lieu of the re-  
17 serve required by the preceding paragraph "a", every such company  
18 shall, at the end of each month thereafter, set up and accumulate a similar  
19 reserve of two per centum (2%) of the total of said gross fees and pre-  
20 miums received or to be received on account of policies issued during the  
21 preceding calendar month and during the one hundred nineteen immedi-  
22 ately preceding calendar months for title insurance, examinations or  
23 searches of title, and for abstracts of title, written, issued, or performed,  
24 as the case may be; and at the end of every such calendar month thereafter  
25 the amount so required to be accumulated shall be charged as a reserve  
26 liability of such company in determining its financial condition.

1 7. Chapter eighteen of Title 17 of the Revised Statutes is hereby sup-  
2 plemented as follows:

3 In addition to the reserves hereinabove required by section 17:18-13,  
4 every such company shall set up and maintain a loss reserve at least equal  
5 to the aggregate estimated amounts due or to become due on account of  
6 all unpaid losses and claims upon title insurance policies of which the com-  
7 pany has received notice.

1 8. Chapter eighteen of Title 17 of the Revised Statutes is hereby sup-  
2 plemented as follows:

3 In cases where a title insurance company of this State or of another  
4 State or foreign country doing business in this State under paragraph  
5 "h" of §17:17-1 of this Title issues its title insurance policy upon the ex-  
6 amination and certification of title of another such company, the reserve  
7 required under section 17:18-13 above shall be allocated between the com-  
8 panies upon the basis of the amount of the total fee and premium retained  
9 by each, respectively.

1 9. Section 17:24-7 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:24-7. A company organized under chapters seventeen to thirty-  
4 three of this Title (§ 17:17-1 et seq.), to transact the business authorized  
5 by paragraph "h" of section 17:17-1 of this Title, may also, with its capital  
6 and surplus, take, buy, sell and deal in first mortgages on real estate, [and  
7 issue bonds, debentures and certificates against the mortgages.] and, also,  
8 may act as agent for investors in and the holders of mortgages and inter-  
9 ests therein, in the purchase, sale, and servicing thereof; to act as agent  
10 in fact for investors in supervising and inspecting land and buildings for  
11 the purposes of loans to be made by them thereon, and in recommending  
12 as to the amounts of such loans and in the amounts to be advanced  
13 thereon; and to service real estate acquired by such investors through  
14 foreclosure proceedings or otherwise; provided, that no contract of insur-  
15 ance or guaranty or other obligation to pay money be incurred in con-

16 nection with such managing or servicing beyond the obligation of account-  
 17 ing for funds received.

18 Companies incorporated and authorized to conduct the business of  
 19 insuring titles under charters issued prior to the enactment of this  
 20 amendment shall enjoy all of the powers given by this act as amended and  
 21 all of the powers they enjoy under their existing certificates of incorpora-  
 22 tion; provided, however, that they shall not be permitted to write any new  
 23 contracts guaranteeing payment of principal and interest of bonds and  
 24 mortgages, or shares or parts of mortgages, or mortgage participation  
 25 certificates, or shares or parts of bonds secured by mortgage, or bonds  
 26 secured by trust mortgage, or participation certificates or coupon bonds  
 27 entitling the holder to a proportionate share in a series or number of  
 28 mortgages and bonds, or extensions or renewals thereof, or other obliga-  
 29 tions directly or indirectly secured by bonds and mortgages, except such  
 30 contracts of guaranty as may be issued or made by way of extensions,  
 31 substitutions, refunding issues of bonds or participations, or otherwise in  
 32 performing existing contracts of that character.

1 10. Section 17:32-2 of the Revised Statutes is hereby amended to read  
 2 as follows:

3 17:32-2. No such company shall be admitted until it:

4 a. Files in the department a certified copy of its charter, deed of settle-  
 5 ment or certificate of organization, and a statement of its financial condition  
 6 and business, in the form and detail the commissioner requires, signed and  
 7 sworn to by its president and secretary or other proper officer;

8 b. Satisfies the commissioner that it is fully and legally organized under  
 9 the laws of its State or country to do the business it proposes to transact;  
 10 that its condition or methods of operation are not such as would render  
 11 its operation hazardous to the public or its policyholders in this State;  
 12 that it has, if a stock company, a fully paid-up, well invested and unim-  
 13 paired capital and surplus of not less than the amount required by this  
 14 subtitle to be possessed by a stock insurance company of this State trans-

15 acting the same class or classes of insurance, or if a mutual company, that  
16 it has net cash assets of that amount;

17 c. Constitutes, by a duly executed instrument filed in the department,  
18 the commissioner and his successor in office its true and lawful attorney,  
19 upon whom all original process in any action or legal proceeding against it  
20 may be served, and therein agrees that any original process against it which  
21 may be served upon the commissioner shall be of the same force and  
22 validity as if served on the company, and that the authority thereof shall  
23 continue in force irrevocable so long as any liability of the company re-  
24 mains outstanding in this State; and

25 d. Obtains from the commissioner a certificate that it has complied with  
26 all the requirements of this subtitle applicable to it, and is authorized to  
27 transact business in this State. This certificate shall expire on May first  
28 of the following year, and shall be renewed each year before the first day  
29 of May; provided, that all such certificates outstanding and in force at the  
30 date of the passage of this act shall continue in full force and effect until  
31 the first day of May next following the approval of this act, unless sooner  
32 revoked by the commissioner in accordance with section 17:32-14 of this  
33 Title; and provided, further, that no such certificate shall be issued by the  
34 commissioner if, in the judgment of the commissioner, the name of such  
35 company shall so closely resemble the name of any existing company  
36 authorized to transact business in this State as to be likely to mislead the  
37 public, unless such company shall agree to use, wherever its name shall  
38 appear or be used by it in connection with the transaction of business in  
39 this State, in type of equal size and prominence, the name of the State in  
40 which incorporated.

1 11. This act shall take effect immediately.

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#### STATEMENT

This bill has been drafted by a committee of the New Jersey Title Association at the suggestion of the Commissioner of Banking and Insurance that

the insurance law be strengthened by setting up a requirement for reserves and by the elimination of the power to guarantee payment of principal and interest of mortgages.

This bill as drawn, as the result of many conferences with the commissioner, now has the approval of the Department of Banking and Insurance.

The provisions for amendments to subdivision "a" of section 17:17-1 were incorporated at the request of the department.

[OFFICIAL COPY REPRINT]  
ASSEMBLY AMENDMENTS TO  
SENATE, No. 226

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STATE OF NEW JERSEY

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ADOPTED MAY 2, 1938

On page 9, amend section 7, line 3, by striking out "17:18-13," and inserting in lieu thereof "6 of this act,".

On page 9, amend section 8, line 7, by striking out "17:18-13 above" and inserting in lieu thereof "6 of this act".

[SECOND OFFICIAL COPY REPRINT]

**SENATE, No. 226**

(Revised Statutes, Sections 17:17-1, 17:17-3, 17:17-4, 17:17-6, 17:17-8, 17:24-7,  
17:32-2, 17:18-13, 17:18-14, 17:18-15.)

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**STATE OF NEW JERSEY**

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INTRODUCED MARCH 7, 1938

By Mr. VAN WINKLE

(By Request)

Referred to Committee on Banking and Insurance

AN ACT concerning the regulation and incorporation of insurance companies, regulating the transaction of insurance business in this State, and amending sections 17:17-1, 17:17-3, 17:17-4, 17:17-6, 17:17-8, 17:24-7 and 17:32-2 of the Revised Statutes, and supplementing chapter eighteen of Title 17 of the Revised Statutes.

1     BE IT ENACTED *by the Senate and General Assembly of the State of New*  
2 *Jersey:*

1     1. Section 17:17-1 of the Revised Statutes is hereby amended to read as  
2 follows:

3     17:17-1. Ten or more persons may form a corporation for the purpose  
4 of making of any kinds of insurance, as follows:

5     a. Against direct or indirect loss or damage to property, including loss  
6 of use or occupancy, by fire; smoke; smudge; lightning; tempest on  
7 land, including windstorm, tornado and cyclone; earthquake; collapse  
8 of buildings; hail; frost or snow; weather or climatic conditions, in-  
9 cluding excess or deficiency of moisture, flood, rain or drought, rising  
10 of the waters of the ocean or its tributaries; bombardment; invasion; in-  
11 surrection; riot; civil war or commotion; military or usurped power;

12 vandalism or malicious mischief; striking employees; explosion, whether  
13 fire ensues or not, except explosion of steam boilers and flywheels;  
14-16 and arising from the use of elevators, aircraft, automobiles or other  
17 vehicles; against loss or damage by insects or disease to farm crops  
18 or products and loss of rental value of land used in producing the crops or  
19 products.

20       b. Against any kinds of loss or damage to: Vessels, craft, aircraft, cars,  
21 automobiles and vehicles of every kind, including all kinds of automobile and  
22 aircraft insurance (excepting insurance against loss by reason of bodily  
23 injury to the person), as well as all goods, freights, cargoes, merchandise,  
24 effects, disbursements, profits, moneys, bullion, precious stones, securities,  
25 choses in action, evidence of debt, valuable papers, bottomry and respondentia  
26 interests, and all other kinds of property and interests therein, in respect  
27 to, appertaining to or in connection with any and all risks or perils of  
28 navigation, transit, or transportation, including war risks, on or under any  
29 seas or other waters, on land or in the air, or while being assembled, packed,  
30 crated, baled, compressed or similarly prepared for shipment or while  
31 awaiting the same or during any delays, storage, transshipment or reship-  
32 ment incident thereto, including marine builder's risk and all personal  
33 property floater risks, and to person or to property in connection with or  
34 appertaining to a marine, inland marine, transit or transportation insurance,  
35 including liability for loss of or damage to either, arising out of or in con-  
36 nection with the construction, repair, operation, maintenance or use of the  
37 subject matter of the insurance (but not including life insurance or surety  
38 bonds) but, except as herein specified, not against loss by reason of bodily  
39 injury to the person.

40       c. Upon the lives or health of persons, and every insurance appertain-  
41 ing thereto, and to grant, purchase or dispose of annuities.

42       d. Against bodily injury or death by accident, and upon the health of  
43 persons, including a funeral benefit to an amount not exceeding one hun-  
44 dred dollars or against loss or damage to automobiles or motor vehicles,

45 or to wagons or vehicles propelled by a horse or team of any description,  
46 resulting from collision with moving or stationary objects, against perils to  
47 property arising from the use of elevators, aircraft, automobiles or other  
48 motor vehicles, or against loss by legal liability for damage to persons or  
49 property resulting from collision of automobiles, aircraft, or motor vehicles,  
50 or of wagons or vehicles propelled by a horse or team with moving or  
51 stationary objects.

52 e. Against loss or damage resulting from accident to or injury suffered  
53 by any person for which loss or damage the insured is liable.

54 f. Against damage to property of the insured or loss of life or damage  
55 to the person or property of others for which the insured is liable, caused by  
56 the explosion of steam boilers, pipes, engines, motors and machinery con-  
57 nected therewith or operated thereby.

58 g. Against loss from the defaults of persons in positions of trust,  
59 public or private, or against loss or damage on account of neglect or  
60 breaches of duty or obligations guaranteed by the insurer; and against loss  
61 by banks, bankers, brokers, financial or moneyed corporations or associa-  
62 tions, of any bills of exchange, notes, checks, drafts, acceptances of drafts,  
63 bonds, securities, evidences of debt, deeds, mortgages, documents, gold or  
64 silver, bullion, currency, money, platinum and other precious metals, refined  
65 or unrefined and articles made therefrom, jewelry, watches, necklaces,  
66 bracelets, gems, precious and semiprecious stones, and also against loss  
67 resulting from damage, except by fire, to the insured's premises, furnishings,  
68 fixtures, equipment, safes and vaults therein caused by burglary, robbery,  
69 hold-up, theft or larceny, or attempt thereat. No such indemnity indemnify-  
70 ing against loss of any property as specified herein shall indemnify against  
71 the loss of any such property occurring while in the mail or in the custody  
72 or possession of a carrier for hire for the purpose of transportation, except  
73 for the purpose of transportation by an armored motor vehicle accompanied  
74 by one or more armed guards.

75 h. Against loss or damage on account of encumbrances upon or defects  
76-77 in titles to real property. Any company organized or operating  
78 under this paragraph shall have the right, in addition to its  
79 other powers, to make searches, abstracts, examine titles to real property  
80 and chattels, and procure and furnish information in relation thereto.

81 i. Against loss from bad debts, commonly known as credit insurance.

82 j. Against loss or damage by burglary, theft, larceny, robbery, forgery,  
83 fraud, vandalism or malicious mischief, or any one or more of such hazards;  
84 and against any and all kinds of loss or destruction of or damage to  
85 moneys, securities, currencies, scrip, coins, bullion, bonds, notes, drafts,  
86 acceptances of drafts, bills of exchange and other valuable papers or docu-  
87 ments, except while in the custody or possession of and being transported  
88 by a carrier for hire or in the mail; and against loss or damage to auto-  
89 mobiles and aircraft by burglary, larceny, or theft, vandalism or malicious  
90 mischief, confiscation or wrongful conversion, disposal or concealment,  
91 whether held under conditional sale contract or subject to chattel mortgages,  
92 or otherwise, or any one or more of such hazards.

93 k. Against loss of and damage to glass, including lettering and orna-  
94 mentation thereon, and the frame in which the glass is set resulting from  
95 breakage of the insured glass.

96 l. Against loss or damage by water or other fluid to any goods or  
97 premises arising from the breaking or leakage of sprinklers, pumps, or other  
98 apparatus erected for extinguishing fires, or of other conduits or containers,  
99 or by water entering through leaks or openings in buildings, and of water  
100 pipes and against accidental injury to such sprinklers, pumps, conduits, con-  
101 tainers, water pipes and other apparatus; including loss of use or occupancy  
102 of the property so damaged.

103 m. Upon the lives of horses, cattle and other livestock or against loss  
104 by theft of any such property or both.

105 n. Against loss or damage to property by smoke or smudge, or both.

106 o. Against loss or damage to property by any other casualty which may  
107 lawfully be the subject of insurance.

108 Any company, which, by its charter, is authorized to make insurance  
109 against loss or damage to property caused by fire, lightning, or tempest on  
110 land, may, without amending its charter, transact all of the kinds of insur-  
111 ance described in paragraphs "a," "b," and "l" hereof, if it is possessed  
112 of the capital stock or cash premiums required by sections 17:17-6 and  
113 17:17-7 of this Title.

1 2. Section 17:17-3 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-3. No company shall be formed for the purpose of engaging in  
4 any other kind of insurance than that specified in one of the paragraphs of  
5 section 17:17-1 of this Title, or more kinds of insurance than are specified  
6 in a single paragraph, except that a company may be formed:

7 a. For the purposes specified in paragraphs "a," "b," "l" and "o" of  
8 said section 17:17-1; or

9 b. For the purposes specified in paragraphs "c" and "d" of said sec-  
10 tion 17:17-1; or

11 c. For any or all of the purposes specified in paragraphs "d" to "g"  
12 and "i" to "o" of said section 17:17-1.

1 3. Section 17:17-4 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-4. The persons so proposing to incorporate shall sign a certificate  
4 stating their intention to form a corporation under chapters seventeen to  
5 thirty-three of this Title (§17:17-1 et seq.), and setting forth:

6 a. The name of the company, which shall contain the words "insurance  
7 company," except that a company which may be formed for any or all of the  
8 purposes specified in paragraphs "d" to "o" of section 17:17-1 of this Title  
9 may adopt a name containing the words "insurance company," "indemnity  
10 company," "casualty company," "surety company" or "guaranty com-

11 pany." The name shall not so closely resemble that of any existing corpo-  
12 ration as to be likely to mislead the public, and shall be approved by the com-  
13 missioner;

14 b. The place where its principal office in this State is to be located;

15 c. The kind or kinds of insurance proposed to be transacted by the com-  
16 pany, stating the paragraphs of section 17:17-1 of this Title authorizing the  
17 same;

18 d. If formed under paragraphs "a," "b," "c," "d," "e," "f" or "k"  
19 of section 17:17-1 of this Title, whether the company is to be a stock com-  
20 pany or a mutual company;

21 e. If a stock company, the amount of its capital stock, which shall not  
22 be less than two hundred thousand dollars, except, if incorporated under  
23 paragraph "h" of section 17:17-1 of this Title, the capital stock shall not  
24 be less than one hundred thousand dollars, the number of shares into which  
25 it is divided, and the par value of each share; and

26 f. The period, if any, limited for the duration of the company.

27 The certificate may contain such other particulars as may be necessary  
28 to explain and make manifest or limit the objects and purposes of the cor-  
29 poration, and such other provisions not inconsistent with chapters seven-  
30 teen to thirty-three of this Title (§17:17-1 et seq.), or the Constitution or  
31 laws of this State, which the incorporators may choose to insert for the con-  
32 duct of the affairs of the company, the regulation of its business, or for de-  
33 fining, regulating and limiting the powers of the directors or stockholders.

1 4. Section 17:17-6 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-6. No stock insurance company organized under chapters seven-  
4 teen to thirty-three of this Title (§17:17-1 et seq.), except companies or-  
5 ganized under paragraph "h" of section 17:17-1 of this Title, shall com-  
6 mence business unless it has a capital stock of at least two hundred thousand  
7 dollars, actually paid in cash and additional capital stock of one hundred  
8 thousand dollars, actually paid in cash, for each kind of insurance more

9 than one which it may transact as specified in section 17:17-3 of this Title,  
10 and also a surplus actually paid in cash equal to one-half of the capital stock.  
11 A company shall not commence the kind of business specified in paragraph  
12 "g" of section 17:17-1 of this Title, unless it has a capital stock of at least  
13 two hundred and fifty thousand dollars actually paid in cash, and an addi-  
14 tional capital stock of one hundred thousand dollars, actually paid in cash,  
15 for every other kind of insurance which it is authorized to transact, and also  
16 a surplus actually paid in cash equal to one-half of the capital stock. No  
17 stock insurance company organized under paragraph "h" of section 17:17-1  
18 of this Title shall commence business unless it has a capital stock of at least  
19 one hundred thousand dollars, actually paid in cash, and also a surplus  
20 actually paid in cash equal to one-half such capital stock.

1 5. Section 17:17-8 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-8. Before granting authority to a company to issue policies or  
4 make contracts of insurance, the commissioner shall be satisfied, by such  
5 examination and evidence as he sees fit to make and require, that the whole  
6 amount of the capital stock set forth in the certificate of incorporation and  
7 the required minimum surplus of the company, if a stock company, has  
8 been actually paid in cash, and is possessed by the company in money, or  
9 in the stocks, bonds, or bonds and mortgages authorized for insurance com-  
10 panies by chapter two (§17:2-1 et seq.), and chapter twenty-four (§17:24-1  
11 et seq.), of this Title; or, if a mutual company, that it has received and is  
12 in possession of the cash premiums, and bona fide engagements for insur-  
13 ance to the extent and of the value hereinbefore required. This section  
14 shall not apply to insurance companies incorporated by certificates filed in  
15 the department prior to March twenty-seventh, one thousand nine hundred  
16 and twenty-eight.

17 In determining the financial condition of any corporation organized  
18 under paragraph "h" of section 17:17-1 of this Title, the commissioner  
19 shall allow as admitted assets such assets as are authorized in chapters

20 two (§17:2-1 et seq.) and twenty-four (§17:24-1 et seq.) of this Title, and  
21 may allow as an asset on account of the required surplus, the title plant of  
22 such company at its fair value as determined by the commissioner, less such  
23 charge-offs as he may require.

1       **6. Chapter eighteen of Title 17 of the Revised Statutes is hereby supple-**  
2 **mented as follows:**

3       Every title insurance company of this State or of another State or  
4 foreign country doing business in this State under paragraph "h" of  
5 §17:17-1 of this Title shall set up, accumulate, and maintain a reserve as  
6 follows:

7       a. During the first ten years of its doing business after the effective  
8 date of this act, it shall set up, accumulate, and maintain a reserve at the  
9 end of each calendar month at least equal to three per centum (3%) of the  
10 total gross fees and premiums received or to be received on account of  
11 policies issued during the next preceding calendar month for title insur-  
12 ance, examinations or searches of title, and for abstracts of title, written,  
13 issued, or performed, as the case may be, after the effective date of this  
14 act; and at the end of every such calendar month the amount so required  
14½ to be accumulated shall be charged as a reserve liability of such company  
15 in determining its financial condition.

16       b. After the expiration of the said first ten years and in lieu of the re-  
17 serve required by the preceding paragraph "a", every such company  
18 shall, at the end of each month thereafter, set up and accumulate a similar  
19 reserve of two per centum (2%) of the total of said gross fees and pre-  
20 miums received or to be received on account of policies issued during the  
21 preceding calendar month and during the one hundred nineteen immedi-  
22 ately preceding calendar months for title insurance, examinations or  
23 searches of title, and for abstracts of title, written, issued, or performed,  
24 as the case may be; and at the end of every such calendar month thereafter  
25 the amount so required to be accumulated shall be charged as a reserve  
26 liability of such company in determining its financial condition.

1 7. Chapter eighteen of Title 17 of the Revised Statutes is hereby sup-  
2 plemented as follows:

3 In addition to the reserves hereinabove required by section 17:18-13,  
4 every such company shall set up and maintain a loss reserve at least equal  
5 to the aggregate estimated amounts due or to become due on account of  
6 all unpaid losses and claims upon title insurance policies of which the com-  
7 pany has received notice.

1 8. Chapter eighteen of Title 17 of the Revised Statutes is hereby sup-  
2 plemented as follows:

3 In cases where a title insurance company of this State or of another  
4 State or foreign country doing business in this State under paragraph  
5 "h" of §17:17-1 of this Title issues its title insurance policy upon the ex-  
6 amination and certification of title of another such company, the reserve  
7 required under section 17:18-13 above shall be allocated between the com-  
8 panies upon the basis of the amount of the total fee and premium retained  
9 by each, respectively.

1 9. Section 17:24-7 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:24-7. A company organized under chapters seventeen to thirty-  
4 three of this Title (§ 17:17-1 et seq.), to transact the business authorized  
5 by paragraph "h" of section 17:17-1 of this Title, may also, with its capital  
6-7 and surplus, take, buy, sell and deal in first mortgages on real estate, and, also,  
8 may act as agent for investors in and the holders of mortgages and inter-  
9 ests therein, in the purchase, sale, and servicing thereof; *provided*, that no  
10 contract of insurance or guaranty or other obligation to pay money be in-  
11 curred in connection with such managing or servicing beyond the obliga-  
12-17 tion of accounting for funds received.

18 Companies incorporated and authorized to conduct the business of  
19 insuring titles under charters issued prior to the enactment of this  
20 amendment shall enjoy all of the powers given by this act as amended and  
21 all of the powers they enjoy under their existing certificates of incorpora-

tion; *provided, however*, that they shall not be permitted to write any new contracts guaranteeing payment of principal and interest of bonds and mortgages, or shares or parts of mortgages, or mortgage participation certificates, or shares or parts of bonds secured by mortgage, or bonds secured by trust mortgage, or participation certificates or coupon bonds entitling the holder to a proportionate share in a series or number of mortgages and bonds, or extensions or renewals thereof, or other obligations directly or indirectly secured by bonds and mortgages, except such contracts of guaranty as may be issued or made by way of extensions, substitutions, refunding issues of bonds or participations, or otherwise in performing existing contracts of that character.

1       10. Section 17:32-2 of the Revised Statutes is hereby amended to read  
2 as follows:

3       17:32-2. No such company shall be admitted until it:

4       a. Files in the department a certified copy of its charter, deed of settle-  
5 ment or certificate of organization, and a statement of its financial condition  
6 and business, in the form and detail the commissioner requires, signed and  
7 sworn to by its president and secretary or other proper officer;

8       b. Satisfies the commissioner that it is fully and legally organized under  
9 the laws of its State or country to do the business it proposes to transact;  
10 that its condition or methods of operation are not such as would render  
11 its operation hazardous to the public or its policyholders in this State;  
12 that it has, if a stock company, a fully paid-up, well invested and unim-  
13 paired capital and surplus of not less than the amount required by this  
14 subtitle to be possessed by a stock insurance company of this State trans-  
15 acting the same class or classes of insurance, or if a mutual company, that  
16 it has net cash assets of that amount;

17       c. Constitutes, by a duly executed instrument filed in the department,  
18 the commissioner and his successor in office its true and lawful attorney,  
19 upon whom all original process in any action or legal proceeding against it  
20 may be served, and therein agrees that any original process against it which

21 may be served upon the commissioner shall be of the same force and  
22 validity as if served on the company, and that the authority thereof shall  
23 continue in force irrevocable so long as any liability of the company re-  
24 mains outstanding in this State; and

25     d. Obtains from the commissioner a certificate that it has complied with  
26 all the requirements of this subtitle applicable to it, and is authorized to  
27 transact business in this State. This certificate shall expire on May first  
28 of the following year, and shall be renewed each year before the first day  
29 of May; *provided*, that all such certificates outstanding and in force at the  
30 date of the passage of this act shall continue in full force and effect until  
31 the first day of May next following the approval of this act, unless sooner  
32 revoked by the commissioner in accordance with section 17:32-14 of this  
33 Title; *and provided, further*, that no such certificate shall be issued by the  
34 commissioner if, in the judgment of the commissioner, the name of such  
35 company shall so closely resemble the name of any existing company  
36 authorized to transact business in this State as to be likely to mislead the  
37 public, unless such company shall agree to use, wherever its name shall  
38 appear or be used by it in connection with the transaction of business in  
39 this State, in type of equal size and prominence, the name of the State in  
40 which incorporated.

1     11. This act shall take effect immediately.

[THIRD OFFICIAL COPY REPRINT]

SENATE, No. 226

(Revised Statutes, Sections 17:17-1, 17:17-3, 17:17-4, 17:17-6, 17:17-8, 17:24-7,  
17:32-2, 17:18-13, 17:18-14, 17:18-15.)

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STATE OF NEW JERSEY

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INTRODUCED MARCH 7, 1938

By Mr. VAN WINKLE

(By Request)

Referred to Committee on Banking and Insurance

AN ACT concerning the regulation and incorporation of insurance companies, regulating the transaction of insurance business in this State, and amending sections 17:17-1, 17:17-3, 17:17-4, 17:17-6, 17:17-8, 17:24-7 and 17:32-2 of the Revised Statutes, and supplementing chapter eighteen of Title 17 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State of New*  
2 *Jersey:*

1 1. Section 17:17-1 of the Revised Statutes is hereby amended to read as  
2 follows:

3 17:17-1. Ten or more persons may form a corporation for the purpose  
4 of making of any kinds of insurance, as follows:

5 a. Against direct or indirect loss or damage to property, including loss  
6 of use or occupancy, by fire; smoke; smudge; lightning; tempest on  
7 land, including windstorm, tornado and cyclone; earthquake; collapse  
8 of buildings; hail; frost or snow; weather or climatic conditions, in-  
9 cluding excess or deficiency of moisture, flood, rain or drought, rising  
10 of the waters of the ocean or its tributaries; bombardment; invasion; in-  
11 surrection; riot; civil war or commotion; military or usurped power;

12 vandalism or malicious mischief; striking employees; explosion, whether  
13 fire ensues or not, except explosion of steam boilers and flywheels;  
14-16 and arising from the use of elevators, aircraft, automobiles or other  
17 vehicles; against loss or damage by insects or disease to farm crops  
18 or products and loss of rental value of land used in producing the crops or  
19 products.

20       b. Against any kinds of loss or damage to: Vessels, craft, aircraft, cars,  
21 automobiles and vehicles of every kind, including all kinds of automobile and  
22 aircraft insurance (excepting insurance against loss by reason of bodily  
23 injury to the person), as well as all goods, freights, cargoes, merchandise,  
24 effects, disbursements, profits, moneys, bullion, precious stones, securities,  
25 choses in action, evidence of debt, valuable papers, bottomry and respondentia  
26 interests, and all other kinds of property and interests therein, in respect  
27 to, appertaining to or in connection with any and all risks or perils of  
28 navigation, transit, or transportation, including war risks, on or under any  
29 seas or other waters, on land or in the air, or while being assembled, packed,  
30 crated, baled, compressed or similarly prepared for shipment or while  
31 awaiting the same or during any delays, storage, transshipment or reship-  
32 ment incident thereto, including marine builder's risk and all personal  
33 property floater risks, and to person or to property in connection with or  
34 appertaining to a marine, inland marine, transit or transportation insurance,  
35 including liability for loss of or damage to either, arising out of or in con-  
36 nection with the construction, repair, operation, maintenance or use of the  
37 subject matter of the insurance (but not including life insurance or surety  
38 bonds) but, except as herein specified, not against loss by reason of bodily  
39 injury to the person.

40       c. Upon the lives or health of persons, and every insurance appertain-  
41 ing thereto, and to grant, purchase or dispose of annuities.

42       d. Against bodily injury or death by accident, and upon the health of  
43 persons, including a funeral benefit to an amount not exceeding one hun-  
44 dred dollars or against loss or damage to automobiles or motor vehicles,

45 or to wagons or vehicles propelled by a horse or team of any description,  
46 resulting from collision with moving or stationary objects, against perils to  
47 property arising from the use of elevators, aircraft, automobiles or other  
48 motor vehicles, or against loss by legal liability for damage to persons or  
49 property resulting from collision of automobiles, aircraft, or motor vehicles,  
50 or of wagons or vehicles propelled by a horse or team with moving or  
51 stationary objects.

52 e. Against loss or damage resulting from accident to or injury suffered  
53 by any person for which loss or damage the insured is liable.

54 f. Against damage to property of the insured or loss of life or damage  
55 to the person or property of others for which the insured is liable, caused by  
56 the explosion of steam boilers, pipes, engines, motors and machinery con-  
57 nected therewith or operated thereby.

58 g. Against loss from the defaults of persons in positions of trust,  
59 public or private, or against loss or damage on account of neglect or  
60 breaches of duty or obligations guaranteed by the insurer; and against loss  
61 by banks, bankers, brokers, financial or moneyed corporations or associa-  
62 tions, of any bills of exchange, notes, checks, drafts, acceptances of drafts,  
63 bonds, securities, evidences of debt, deeds, mortgages, documents, gold or  
64 silver, bullion, currency, money, platinum and other precious metals, refined  
65 or unrefined and articles made therefrom, jewelry, watches, necklaces,  
66 bracelets, gems, precious and semiprecious stones, and also against loss  
67 resulting from damage, except by fire, to the insured's premises, furnishings,  
68 fixtures, equipment, safes and vaults therein caused by burglary, robbery,  
69 hold-up, theft or larceny, or attempt thereat. No such indemnity indemnify-  
70 ing against loss of any property as specified herein shall indemnify against  
71 the loss of any such property occurring while in the mail or in the custody  
72 or possession of a carrier for hire for the purpose of transportation, except  
73 for the purpose of transportation by an armored motor vehicle accompanied  
74 by one or more armed guards.

75 h. Against loss or damage on account of encumbrances upon or defects  
76-77 in titles to real property. Any company organized or operating  
78 under this paragraph shall have the right, in addition to its  
79 other powers, to make searches, abstracts, examine titles to real property  
80 and chattels, and procure and furnish information in relation thereto.

81 i. Against loss from bad debts, commonly known as credit insurance.

82 j. Against loss or damage by burglary, theft, larceny, robbery, forgery,  
83 fraud, vandalism or malicious mischief, or any one or more of such hazards;  
84 and against any and all kinds of loss or destruction of or damage to  
85 moneys, securities, currencies, scrip, coins, bullion, bonds, notes, drafts,  
86 acceptances of drafts, bills of exchange and other valuable papers or docu-  
87 ments, except while in the custody or possession of and being transported  
88 by a carrier for hire or in the mail; and against loss or damage to auto-  
89 mobiles and aircraft by burglary, larceny, or theft, vandalism or malicious  
90 mischief, confiscation or wrongful conversion, disposal or concealment,  
91 whether held under conditional sale contract or subject to chattel mortgages,  
92 or otherwise, or any one or more of such hazards.

93 k. Against loss of and damage to glass, including lettering and orna-  
94 mentation thereon, and the frame in which the glass is set resulting from  
95 breakage of the insured glass.

96 l. Against loss or damage by water or other fluid to any goods or  
97 premises arising from the breaking or leakage of sprinklers, pumps, or other  
98 apparatus erected for extinguishing fires, or of other conduits or containers,  
99 or by water entering through leaks or openings in buildings, and of water  
100 pipes and against accidental injury to such sprinklers, pumps, conduits, con-  
101 tainers, water pipes and other apparatus; including loss of use or occupancy  
102 of the property so damaged.

103 m. Upon the lives of horses, cattle and other livestock or against loss  
104 by theft of any such property or both.

105 n. Against loss or damage to property by smoke or smudge, or both.

106 o. Against loss or damage to property by any other casualty which may  
107 lawfully be the subject of insurance.

108 Any company, which, by its charter, is authorized to make insurance  
109 against loss or damage to property caused by fire, lightning, or tempest on  
110 land, may, without amending its charter, transact all of the kinds of insur-  
111 ance described in paragraphs "a," "b," and "l" hereof, if it is possessed  
112 of the capital stock or cash premiums required by sections 17:17-6 and  
113 17:17-7 of this Title.

1 2. Section 17:17-3 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-3. No company shall be formed for the purpose of engaging in  
4 any other kind of insurance than that specified in one of the paragraphs of  
5 section 17:17-1 of this Title, or more kinds of insurance than are specified  
6 in a single paragraph, except that a company may be formed:

7 a. For the purposes specified in paragraphs "a," "b," "l" and "o" of  
8 said section 17:17-1; or

9 b. For the purposes specified in paragraphs "c" and "d" of said sec-  
10 tion 17:17-1; or

11 c. For any or all of the purposes specified in paragraphs "d" to "g"  
12 and "i" to "o" of said section 17:17-1.

1 3. Section 17:17-4 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-4. The persons so proposing to incorporate shall sign a certificate  
4 stating their intention to form a corporation under chapters seventeen to  
5 thirty-three of this Title (§17:17-1 et seq.), and setting forth:

6 a. The name of the company, which shall contain the words "insurance  
7 company," except that a company which may be formed for any or all of the  
8 purposes specified in paragraphs "d" to "o" of section 17:17-1 of this Title  
9 may adopt a name containing the words "insurance company," "indemnity  
10 company," "casualty company," "surety company" or "guaranty com-

11 pany." The name shall not so closely resemble that of any existing corpo-  
12 ration as to be likely to mislead the public, and shall be approved by the com-  
13 missioner;

14 b. The place where its principal office in this State is to be located;

15 c. The kind or kinds of insurance proposed to be transacted by the com-  
16 pany, stating the paragraphs of section 17:17-1 of this Title authorizing the  
17 same;

18 d. If formed under paragraphs "a," "b," "c," "d," "e," "f" or "k"  
19 of section 17:17-1 of this Title, whether the company is to be a stock com-  
20 pany or a mutual company;

21 e. If a stock company, the amount of its capital stock, which shall not  
22 be less than two hundred thousand dollars, except, if incorporated under  
23 paragraph "h" of section 17:17-1 of this Title, the capital stock shall not  
24 be less than one hundred thousand dollars, the number of shares into which  
25 it is divided, and the par value of each share; and

26 f. The period, if any, limited for the duration of the company.

27 The certificate may contain such other particulars as may be necessary  
28 to explain and make manifest or limit the objects and purposes of the cor-  
29 poration, and such other provisions not inconsistent with chapters seven-  
30 teen to thirty-three of this Title (§17:17-1 et seq.), or the Constitution or  
31 laws of this State, which the incorporators may choose to insert for the con-  
32 duct of the affairs of the company, the regulation of its business, or for de-  
33 fining, regulating and limiting the powers of the directors or stockholders.

1 4. Section 17:17-6 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-6. No stock insurance company organized under chapters seven-  
4 teen to thirty-three of this Title (§17:17-1 et seq.), except companies or-  
5 ganized under paragraph "h" of section 17:17-1 of this Title, shall com-  
6 mence business unless it has a capital stock of at least two hundred thousand  
7 dollars, actually paid in cash and additional capital stock of one hundred  
8 thousand dollars, actually paid in cash, for each kind of insurance more

9 than one which it may transact as specified in section 17:17-3 of this Title,  
10 and also a surplus actually paid in cash equal to one-half of the capital stock.  
11 A company shall not commence the kind of business specified in paragraph  
12 "g" of section 17:17-1 of this Title, unless it has a capital stock of at least  
13 two hundred and fifty thousand dollars actually paid in cash, and an addi-  
14 tional capital stock of one hundred thousand dollars, actually paid in cash,  
15 for every other kind of insurance which it is authorized to transact, and also  
16 a surplus actually paid in cash equal to one-half of the capital stock. No  
17 stock insurance company organized under paragraph "h" of section 17:17-1  
18 of this Title shall commence business unless it has a capital stock of at least  
19 one hundred thousand dollars, actually paid in cash, and also a surplus  
20 actually paid in cash equal to one-half such capital stock.

1 5. Section 17:17-8 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:17-8. Before granting authority to a company to issue policies or  
4 make contracts of insurance, the commissioner shall be satisfied, by such  
5 examination and evidence as he sees fit to make and require, that the whole  
6 amount of the capital stock set forth in the certificate of incorporation and  
7 the required minimum surplus of the company, if a stock company, has  
8 been actually paid in cash, and is possessed by the company in money, or  
9 in the stocks, bonds, or bonds and mortgages authorized for insurance com-  
10 panies by chapter two (§17:2-1 et seq.), and chapter twenty-four (§17:24-1  
11 et seq.), of this Title; or, if a mutual company, that it has received and is  
12 in possession of the cash premiums, and bona fide engagements for insur-  
13 ance to the extent and of the value hereinbefore required. This section  
14 shall not apply to insurance companies incorporated by certificates filed in  
15 the department prior to March twenty-seventh, one thousand nine hundred  
16 and twenty-eight.

17 In determining the financial condition of any corporation organized  
18 under paragraph "h" of section 17:17-1 of this Title, the commissioner  
19 shall allow as admitted assets such assets as are authorized in chapters

20 two (§17:2-1 et seq.) and twenty-four (§17:24-1 et seq.) of this Title, and  
21 may allow as an asset on account of the required surplus, the title plant of  
22 such company at its fair value as determined by the commissioner, less such  
23 charge-offs as he may require.

1       6. Chapter eighteen of Title 17 of the Revised Statutes is hereby supple-  
2 mented as follows:

3       Every title insurance company of this State or of another State or  
4 foreign country doing business in this State under paragraph "h" of  
5 §17:17-1 of this Title shall set up, accumulate, and maintain a reserve as  
6 follows:

7       a. During the first ten years of its doing business after the effective  
8 date of this act, it shall set up, accumulate, and maintain a reserve at the  
9 end of each calendar month at least equal to three per centum (3%) of the  
10 total gross fees and premiums received or to be received on account of  
11 policies issued during the next preceding calendar month for title insur-  
12 ance, examinations or searches of title, and for abstracts of title, written,  
13 issued, or performed, as the case may be, after the effective date of this  
14 act; and at the end of every such calendar month the amount so required  
14½ to be accumulated shall be charged as a reserve liability of such company  
15 in determining its financial condition.

16       b. After the expiration of the said first ten years and in lieu of the re-  
17 serve required by the preceding paragraph "a", every such company  
18 shall, at the end of each month thereafter, set up and accumulate a similar  
19 reserve of two per centum (2%) of the total of said gross fees and pre-  
20 miums received or to be received on account of policies issued during the  
21 preceding calendar month and during the one hundred nineteen immedi-  
22 ately preceding calendar months for title insurance, examinations or  
23 searches of title, and for abstracts of title, written, issued, or performed,  
24 as the case may be; and at the end of every such calendar month thereafter  
25 the amount so required to be accumulated shall be charged as a reserve  
26 liability of such company in determining its financial condition.

1 7. Chapter eighteen of Title 17 of the Revised Statutes is hereby sup-  
2 plemented as follows:

3 In addition to the reserves hereinabove required by section six of this act,  
4 every such company shall set up and maintain a loss reserve at least equal  
5 to the aggregate estimated amounts due or to become due on account of  
6 all unpaid losses and claims upon title insurance policies of which the com-  
7 pany has received notice.

1 8. Chapter eighteen of Title 17 of the Revised Statutes is hereby sup-  
2 plemented as follows:

3 In cases where a title insurance company of this State or of another  
4 State or foreign country doing business in this State under paragraph  
5 "h" of §17:17-1 of this Title issues its title insurance policy upon the ex-  
6 amination and certification of title of another such company, the reserve  
7 required under section six of this act above shall be allocated between the com-  
8 panies upon the basis of the amount of the total fee and premium retained  
9 by each, respectively.

1 9. Section 17:24-7 of the Revised Statutes is hereby amended to read  
2 as follows:

3 17:24-7. A company organized under chapters seventeen to thirty-  
4 three of this Title (§ 17:17-1 et seq.), to transact the business authorized  
5 by paragraph "h" of section 17:17-1 of this Title, may also, with its capital  
6-7 and surplus, take, buy, sell and deal in first mortgages on real estate, and, also,  
8 may act as agent for investors in and the holders of mortgages and inter-  
9 ests therein, in the purchase, sale, and servicing thereof; *provided*, that no  
10 contract of insurance or guaranty or other obligation to pay money be in-  
11 curred in connection with such managing or servicing beyond the obliga-  
12-17 tion of accounting for funds received.

18 Companies incorporated and authorized to conduct the business of  
19 insuring titles under charters issued prior to the enactment of this  
20 amendment shall enjoy all of the powers given by this act as amended and  
21 all of the powers they enjoy under their existing certificates of incorpora-

22 tion; *provided, however*, that they shall not be permitted to write any new  
 23 contracts guaranteeing payment of principal and interest of bonds and  
 24 mortgages, or shares or parts of mortgages, or mortgage participation  
 25 certificates, or shares or parts of bonds secured by mortgage, or bonds  
 26 secured by trust mortgage, or participation certificates or coupon bonds  
 27 entitling the holder to a proportionate share in a series or number of  
 28 mortgages and bonds, or extensions or renewals thereof, or other obliga-  
 29 tions directly or indirectly secured by bonds and mortgages, except such  
 30 contracts of guaranty as may be issued or made by way of extensions,  
 31 substitutions, refunding issues of bonds or participations, or otherwise in  
 32 performing existing contracts of that character.

1       10. Section 17:32-2 of the Revised Statutes is hereby amended to read  
 2 as follows:

3       17:32-2. No such company shall be admitted until it:

4       a. Files in the department a certified copy of its charter, deed of settle-  
 5 ment or certificate of organization, and a statement of its financial condition  
 6 and business, in the form and detail the commissioner requires, signed and  
 7 sworn to by its president and secretary or other proper officer;

8       b. Satisfies the commissioner that it is fully and legally organized under  
 9 the laws of its State or country to do the business it proposes to transact;  
 10 that its condition or methods of operation are not such as would render  
 11 its operation hazardous to the public or its policyholders in this State;  
 12 that it has, if a stock company, a fully paid-up, well invested and unim-  
 13 paired capital and surplus of not less than the amount required by this  
 14 subtitle to be possessed by a stock insurance company of this State trans-  
 15 acting the same class or classes of insurance, or if a mutual company, that  
 16 it has net cash assets of that amount;

17       c. Constitutes, by a duly executed instrument filed in the department,  
 18 the commissioner and his successor in office its true and lawful attorney,  
 19 upon whom all original process in any action or legal proceeding against it  
 20 may be served, and therein agrees that any original process against it which

21 may be served upon the commissioner shall be of the same force and  
22 validity as if served on the company, and that the authority thereof shall  
23 continue in force irrevocable so long as any liability of the company re-  
24 mains outstanding in this State; and

25 d. Obtains from the commissioner a certificate that it has complied with  
26 all the requirements of this subtitle applicable to it, and is authorized to  
27 transact business in this State. This certificate shall expire on May first  
28 of the following year, and shall be renewed each year before the first day  
29 of May; *provided*, that all such certificates outstanding and in force at the  
30 date of the passage of this act shall continue in full force and effect until  
31 the first day of May next following the approval of this act, unless sooner  
32 revoked by the commissioner in accordance with section 17:32-14 of this  
33 Title; *and provided, further*, that no such certificate shall be issued by the  
34 commissioner if, in the judgment of the commissioner, the name of such  
35 company shall so closely resemble the name of any existing company  
36 authorized to transact business in this State as to be likely to mislead the  
37 public, unless such company shall agree to use, wherever its name shall  
38 appear or be used by it in connection with the transaction of business in  
39 this State, in type of equal size and prominence, the name of the State in  
40 which incorporated.

1 11. This act shall take effect immediately.