

No. 537

AN ACT

Amending the act of May 17, 1921 (P. L. 682), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," providing for the acquisition, organization and retention by any life insurance company or limited life insurance company organized under the laws of the Commonwealth of Pennsylvania of a majority of the stock of other foreign or domestic insurance companies authorized to transact like classes of business, authorizing domestic stock insurance companies to issue stock at not less than par value and providing certain exceptions to the payment for such stock in lawful money.

The Insurance Company Law of 1921.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

First paragraph, section 205, act of May 17, 1921, P. L. 682, amended May 24, 1933, P. L. 984, further amended.

Section 1. The first paragraph of section 205 of the act of May 17, 1921 (P. L. 682), known as "The Insurance Company Law of 1921," amended May 24, 1933 (P. L. 984), is amended to read:

Section 205. Par Value of Stock; Payment of Subscriptions; Forfeitures.—The capital stock of all stock insurance companies shall be divided into shares of not less than five dollars (\$5). All payments on accounts of capital stock in any stock insurance company shall be made in lawful money (*exclusive of stock issued in connection with an authorized merger or consolidation or as consideration for the purchase or acquisition of authorized investments or as a stock dividend*), and no note or obligation given by a stockholder, whether secured by pledge or otherwise, shall be considered as a payment of any part of the capital stock. Ten per centum (10%) shall be paid on each share at the time of subscribing, and the balance on such shares shall be paid at such times as the company may direct, but full payments on all shares shall be made within a period of nine months from the date of organization.

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First paragraph, section 326 of act, amended November 19, 1959, P. L. 1520, further amended.

Section 2. The first paragraph of section 326 of the act, amended November 19, 1959 (P. L. 1520), is amended to read:

Section 326. Sale of Increases of Capital Stock; Issuance to Officers or Employees.—Any increase of capital made by any stock insurance company may be issued at

such price [in excess of] *not less than* par as the stockholders may direct, or as the board of directors may direct under authority conferred by the stockholders. Unless otherwise provided in the charter or articles of agreement, each stockholder shall have the right to first subscribe for the new shares in proportion to his interest in the company: Provided, That in any case no stockholder shall have such right to first subscribe for new shares if the stockholders holding the larger amount in value of the stock of the company direct, subject to such equitable regulations as the directors may prescribe, that such new shares shall be issued in exchange for one or more bona fide outstanding shares of another insurance company in which the issuing company is authorized to invest, or partly in such exchange and partly for cash [where necessary to eliminate fractional shares], and such exchange shall be approved by the Insurance Commissioner, as hereinafter provided.

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Section 3. The first paragraph of section 405 of the act, added May 9, 1947 (P. L. 201), is amended to read:

First paragraph, section 405 of act, added May 9, 1947, P. L. 201, amended.

Section 405. Investment of Surplus and Balance of Reserve.—[Subject] *Except as provided in section four hundred five point one, and subject to the provisions of section four hundred six point one, any surplus funds and the balance of the reserves of any life insurance company, organized under the laws of this Commonwealth, may be invested in the following classes of investment:*

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Section 4. The act is amended by adding, after section 405, a new section to read:

Act amended by adding a new section 405.1.

Section 405.1. Acquisition and Retention of Subsidiary Life Insurance Companies by Life Insurance and Limited Life Insurance Companies Organized Under the Laws of This Commonwealth.—(a) In addition to investments in subsidiaries to the extent if any permissible under the provisions of section four hundred six point one, (g), (1) and (2), any surplus funds and the balance of the reserves of any life insurance company or limited life insurance company organized under the laws of this Commonwealth, may, subject to all other provisions of this section, be used to invest in, acquire and retain the stock (whether acquired before or after the enactment of this section) including voting trust certificates, interim receipts and other similar instruments representing such stock of one or more solvent life insurance companies transacting like classes of business.

(b) No investment authorized by this section shall be retained by any domestic life insurance company or limited life insurance company, unless, at all times after

one year from the date of its acquisition, it holds a majority of the total issued and outstanding stocks or shares of such company having voting powers and no such investments in excess of those permitted by section four hundred six point one, (g), (1) and (2), shall be made unless a notice of intention of such proposed acquisition (or retention in the case of such acquisition made prior to the enactment of this section) shall have been filed with the Insurance Commissioner who may disapprove the acquisition, or at any time thereafter, may order the discontinuance of such investment if he finds that such investment in such stocks is prejudicial to the interest of the policyholders or the members or stockholders of such corporation or that such investment does not comply with the provisions of this section.

(c) Such domestic life insurance company or limited life insurance company shall not make any investment, pursuant to this section, which will at the time of making such investment bring the aggregate cost of its total of such investments to an amount in excess of the greater of thirty-five per centum (35%) of such company's surplus to policyholders or fifty per centum (50%) of its surplus over and above its liabilities and capital. For purposes of this section, the cost of a domestic life or limited life company's total investment, pursuant to this section, shall include its loans, advances and contributions together with but without duplication, the cost of bonds, notes and stocks of such other life insurer companies. In determining the financial condition of a domestic life or limited life company, the aggregate value of the total investment by such company pursuant to this section shall not be allowed as an admitted asset in excess of fifty per centum (50%) of its surplus to policyholders or sixty per centum (60%) of its surplus over and above its liabilities and capital, whichever is greater. For purposes of this section, surplus to policyholders means the excess of total admitted assets over the liabilities which shall be the sum of all capital and surplus accounts minus any impairments thereof.

(d) Any other life insurance company whose stock is held by a domestic life or limited life company pursuant to this section, shall make no investment in or loan or advance to such domestic life or limited life company or to any other company whose stock is held by such domestic life or limited life company pursuant to this section and, except with the approval of the Insurance Commissioner as not prejudicial to the interests of the policyholders or the members or stockholders of such companies, none of such companies shall make transfers to any other such companies of any of its assets other than transfers in connection with reason-

able fees and expenses, interest premiums and annuity considerations, debt repayments and dividends.

Section 5. Subsection (d) of section 406.1 of the act, added May 9, 1947 (P. L. 201), is amended to read:

Subsection (d), section 406.1 of act, added May 9, 1947, P. L. 201, amended.

Section 406.1. General Investment Provisions and Restrictions.—Investment under authority of section four hundred four, or four hundred five and holding of real estate under authority of section four hundred six by any life insurance company, organized under the laws of this Commonwealth, shall be subject to the following provisions:

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(d) No investment shall be made *in the stock or shares of such company or* in any loan upon the stock, shares or obligation of such company or any other insurance company transacting like classes of business.

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Section 6. Subsection (e) of section 406.1, amended November 19, 1959 (P. L. 1522), is repealed.

Subsection (e), section 406.1 of act, amended November 19, 1959, P. L. 1522, repealed.

Section 7. The first paragraph of subsection (g) of section 406.1 of the act, added May 9, 1947 (P. L. 201), is amended to read:

First paragraph, subsection (g), section 406.1 of act, added May 9, 1947, P. L. 201, amended.

Section 406.1. General Investment Provisions and Restrictions.—Investment under authority of section four hundred four, or four hundred five and holding of real estate under authority of section four hundred six by any life insurance company, organized under the laws of this Commonwealth, shall be subject to the following provisions:

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(g) [No] *Exclusive of investments in subsidiaries as provided in section four hundred five point one no investment shall be made which would result in total investments in, or in loans upon, any of the following classes of investment of an amount in excess of the percentage of such company's admitted assets on the thirty-first day of December next preceding the date of investment, which is specified in the class.*

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APPROVED—The 27th day of August, A. D. 1963.

WILLIAM W. SCRANTON

No. 538

AN ACT

Amending the act of June 16, 1836 (P. L. 715), entitled "An act relating to Reference and Arbitration," further providing for the compensation of referees and arbitrators.