

## No. 236

## AN ACT

## SB 1377

Amending the act of May 17, 1921 (P.L.789), entitled, as amended, "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties; and repealing existing laws," limiting the period during which policyholders may be assessed, and further providing for additional assessment procedures by the Insurance Commissioner.

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

Section 1. Section 503, act of May 17, 1921 (P.L.789), known as "The Insurance Department Act of one thousand nine hundred and twenty-one," amended March 22, 1956 (P.L.1328), is amended to read:

Section 503. Nonpayment of Judgments by Mutual Companies; Assessment of Policyholders; Dissolution.—Whenever proof shall be submitted to the Insurance Commissioner showing that any execution against any mutual insurance company of this State, in pursuance of judgment obtained against said company in any court of record of this Commonwealth, has been returned nulla bona by the sheriff of the county in which said company is located, he shall, after approval of the Attorney General, apply to the court of common pleas of Dauphin County, or to a judge thereof in vacation, for an order upon such company to show cause why its business should not be closed. Upon the hearing of such rule or order, the court or judge aforesaid shall direct the officers of said company to assess and collect from the policyholders thereof to the extent that such policyholders are liable to such assessment, a sum sufficient to satisfy said judgment and execution and all other claims against said company, or make any other order or orders in the premises as may appear to said court or judge just and necessary. *Any assessment hereunder shall be against each member in proportion to such liability as expressed in his policy. No member shall be assessed for any loss that occurred when his policy was not in effect and no assessment shall be made after five years from the expiration date of a policy.* In case it shall finally appear to said court or judge that the company aforesaid cannot collect from its members sufficient funds to satisfy the claims against it, the said company shall be adjudged insolvent, and the court or judge aforesaid shall decree its dissolution, and appoint the Insurance Commissioner as receiver to take charge of its effects with like powers as hereinafter provided.

Section 2. The act is amended by adding a new section to read:

*Section 509.1. Assessment of Members of a Mutual Insurance Company by Insurance Commissioner.—(a) Upon petition to and approval by the court, the Insurance Commissioner shall make an assessment upon all members of a mutual insurance company to provide such funds as are necessary for the payment of claims and administrative expenses after giving consideration to the assets of the company in the possession of the Insurance Commissioner. Such assessment shall be against each member in proportion to such liability as expressed in his policy.*

*(b) No member shall be assessed for any loss that occurred when his policy was not in effect.*

*(c) No assessment shall be made after five years from the expiration date of a policy.*

*(d) The court, for proper cause shown, may relieve the Insurance Commissioner from the obligation to make an assessment hereunder.*

*(e) Where a loss occurs as the result of a litigated claim against a company, the time of occurrence of such loss, for purposes of this section, shall be the date of entry of such verdict or judgment.*

*(f) Subsections (c) and (e) of this section shall not apply to the assessment of the members of any company the date of dissolution of which is prior to the effective date of this act.*

Section 3. This act shall take effect immediately.

APPROVED—The 25th day of November, A. D. 1970.

RAYMOND P. SHAFER

The foregoing is a true and correct copy of Act of the General Assembly No. 236.



Secretary of the Commonwealth.