



CHAPTER 35.

An Act Respecting Mutual Fire Insurance Companies.

[21st June, 1902.]

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows :—

1. This Act may be cited as the “Mutual Fire Insurance Companies Short title. Act, 1902.”

2. Where the words following occur in this Act they shall be con- Interpretation.
strued in the manner hereinafter mentioned unless a contrary intention shall appear, viz. :—

“Registrar” means the Registrar of Joint Stock Companies for the Province :

“Mutual Insurance” means insurance against loss by fire given in consideration for premium note as provided by this Act, with or without a cash payment thereon :

“Mutual Fire Insurance Company” or “Mutual Company” means a company organised in terms of this Act and empowered only to transact mutual insurance business :

“Member” means a holder of a subsisting mutual insurance policy issued by a mutual company :

“Shareholder” means a holder of a share or shares of guarantee capital issued by a mutual company under this Act :

“Rural” means situated outside the bounds or area of any city or town

Incorporation.

3. Any thirty or more persons who have each an insurable interest in rural property, real or personal, exposed to damage by fire, who may desire to form a mutual fire insurance company under this Act

Certificate of agreement to form company.

may make, sign and acknowledge (in duplicate) before some person competent to take the acknowledgment of deeds, and file in the office of the Registrar (who is hereby authorised to receive and file the same) a certificate in writing in which shall be stated :—

That the persons signing have agreed to form a mutual fire insurance company under this Act :

That each person signing will become a member of the company by insuring with the company rural subjects, in which he has an insurable interest, to the amount he sets opposite his name, and that according to the mutual insurance plan, and subject to the rates, tariff and entrance fees to be determined by the provisional directors of the company. The total amount of such insurance shall not be less than sixty thousand dollars of risks which the provisional directors can accept :

The amount of guarantee stock, if any, to be issued by the company and the number of shares of which this stock shall consist :

The name of the company which shall contain the words “ mutual fire,” and shall be subject to approval by the Registrar :

The name of the city, town or electoral district in which the principal office of the company is to be located :

The number and names of the provisional directors of the company—who shall be not fewer than seven nor more than fifteen—who shall manage all the affairs of the company until the first general meeting of the company, and

That the members are not individually liable for the debts of the company beyond the amounts due under the premium notes given by each to the company, and that the shareholders, if any, are not individually liable for such debts beyond the amounts unpaid on the share or shares of guarantee stock each may hold.

Publication of certificate and call of first general meeting.

4. The Registrar, on receiving such certificate in duplicate together with payment of a fee of ten dollars, shall fix the date and place of the first general meeting of the company, and cause a notice of incorporation to be published in the next and three following issues of the British Columbia Gazette, in or as near as may be to the form following, viz. :—

“ THE MUTUAL FIRE INSURANCE COMPANIES ACT, 1902.

“ Certificate filed for incorporation of the Mutual Fire Insurance Company of this date.

Head office in _____, Province of British Columbia.

The guarantee stock to be issued is \$ _____ in shares of \$ _____ each, (or no guarantee stock is meantime to be issued.)

The following are the provisional directors of the company, viz.:
[Insert names and addresses.]

The liability of the members (and shareholders, if any) is limited.

The first general meeting of the company will be held in
 on the day of , 1902, at the hour of o'clock in .

Registrar."

"Registrar's Office,

"Victoria, B. C., 19 ."

5. A copy of any certificate of incorporation, filed in pursuance of this Act, certified by the Registrar, or a copy of the British Columbia Gazette containing the Registrar's notice of such certificate, shall be received in all Courts and places as presumptive evidence of the facts therein stated. Certified copy of certificate of incorporation as evidence.

6. Upon filing the said certificate the subscribers thereto, and all other persons thereafter becoming members or shareholders, shall be a body corporate, by and under the name adopted, and have a common seal. Incorporation.

7. A mutual company so incorporated may sue or be sued in any Court under the corporate name; it may purchase, lease, hold, sell, convey or mortgage any real or personal property required for the business of the company, or for the investment of any reserve fund, guarantee stock or other moneys belonging to the company; it may also invest funds belonging to the company on mortgage over real estate; or in the purchase of provincial or municipal bonds, or on such other securities or investments as the directors may select; or it may appoint such officers or agents as the business of the company shall require, and define their powers and duties, and fix their remuneration and the amount of the security to be required of them; and it may make by-laws not inconsistent with this Act for the management of its business, the issue, denomination and transfer of its shares, the regulation of the tariff of rates, the levying of assessments, and the terms and conditions of its insurance policies. Powers of company.

8. The corporate powers of the company may be exercised by the provisional board of directors prior to the date of the first meeting of the company, and thereafter by the successive boards of directors appointed by the members, or members and shareholders of the company. Directors may exercise powers.

9. The corporate powers of the company shall be forfeited and cease except for the purposes of winding up, provided— Forfeiture of the corporate powers.

(1.) That there are not, before the lapse of one year from the date of filing the certificate of incorporation, mutual insurance

policies of the company in force to a total amount of three hundred thousand dollars; or

- (2.) That at any time thereafter the total amount of such insurance policies shall have diminished and become less than three hundred thousand dollars; or,
- (3.) That at any time the company becomes insolvent and unable, from any cause, to meet its obligations within three months after liquidation thereof by judgment of the Court or of a Referee.

Provisional directors to appoint officers and fix a tariff of rates, etc.

10. Within one month after incorporation of the company the provisional directors shall meet and appoint a president and vice-president from their own number. They shall also appoint a secretary and a treasurer, and such other officers as may be required, to hold office till after the first general meeting of the company. They shall, also, within such period, prepare a tariff of rates for premium notes, and for entrance fees and fixed annual payments, to be paid or undertaken by members in exchange for the insurance policies of the company, and they shall adopt such other measures as will conduce to the establishment and furtherance of the company business. They shall also prepare such by-laws as they deem necessary to regulate the business of the company, or for any other purpose, to be submitted to the first general meeting of the company.

Admission of members.

11. The company, through its board of directors, may admit as a member thereof the owner of any rural property, real or personal, by the issuance to such owners of a policy of Mutual Insurance, insuring such owner against loss by fire in respect thereof, and every person so admitted shall be entitled to like rights and be subjected to like liabilities as other members of the company.

Limitation of liability.

12. No member of a mutual company shall be liable in respect of any loss or other claim, or demand against the company, otherwise than upon and to the extent of the amount unpaid upon his premium note or other undertaking.

Member may withdraw with consent of directors.

13. Any member of a mutual company may, with consent of the directors, at any time withdraw therefrom upon such terms as the directors may require in respect of the obligations of the company.

Issue of guarantee stock.

14. Any mutual company may, under the authority of the Certificate of Incorporation, or by resolution adopted after due notice at a general meeting of the company, issue a guarantee stock of an amount not exceeding \$100,000, and that in shares of such denomination as they may direct, and subject to such terms of payment and possessing such rights and privileges as may be prescribed by the company.

15. Each subscriber for shares of guarantee stock of a mutual company, who is not otherwise a member of the company, shall, as a shareholder, have all the powers and privileges of a member of the company, and he shall be entitled to take part in and vote at all meetings of the company in person or by proxy in favour of another member or shareholder of the company. Rights of subscribers for guarantee stock.

16. At the first general meeting of the company, the members will appoint as a board of directors not fewer than seven, nor more than fifteen, duly qualified members or shareholders of the company, and they shall also pass such by-laws as shall be necessary in the interests of the company, and they may appoint auditors or other officers of the company. First general meeting.

17. At all general meetings all members and shareholders in good standing shall have one vote each, but they may vote in person or by proxy in favour of another member or shareholder. The chairman at all meetings shall have a casting vote only in case of an equality of votes on a division. The election of directors and all other officers shall be by ballot. Members to have one vote.

18. The directors of the company shall hold office for a period of three years, but of the directors elected at the first general meeting, one-third, as may be determined by lot, will retire at the end of one year, and another third similarly determined will retire at the end of two years. The rotation will be arranged at the first meeting of the directors after their election. Directors to hold office for three years and retire by rotation.

19. No person shall be eligible for the office of director, except as after provided, who is not a holder in his own right of a subsisting policy of the company for at least one thousand dollars, or of shares in the company guarantee stock to the amount of two hundred dollars, par value. Qualifications of directors.

20. The manager of a mutual company may be elected also a director, though he may not be a member, and he may be paid an annual salary or he may be remunerated for his services in such other form as the other directors may determine. Manager may be a director.

21. No applicant for insurance shall be deemed a member of the company, or be entitled to be elected as a director of the company, or be entitled to take part in any of the company's meetings, until his policy of insurance has been issued to him by the board of directors. Applicant not a member.

22. No paid officer or person in the employment of the company, other than the manager, shall be eligible to be elected a director, or to take part in the election of the directors though he may be a member of the company. Paid officers not eligible for directors.

Quorum at general and board meetings.

23. Fifteen members actually present will form a quorum at all general meetings of the company, and five directors shall be a quorum at all board meetings.

Annual general meetings.

24. Meetings of the members or members and shareholders of a mutual company shall be held in every year within two months after the 31st day of December, at such time and place as may be prescribed by the directors or by the by-laws of the company. At such meeting, in addition to the election of directors, there shall be submitted and considered a report of the transactions of the company for the preceding year, together with a full statement of its affairs, exhibiting in detail its receipts and expenditures, and its assets and liabilities, and a report by the auditors of the company thereon.

Notices of annual or special general meetings.

25. Notice of an annual or special general meeting of the company shall be published in one or more daily or weekly newspapers published and circulating in the district embraced in the operations of the company, and by circular letter, mailed by the secretary, to the last-known postal address of the members and shareholders at least fourteen days previous to the date of the meeting.

Who may call a general meeting.

26. The president, or the board of directors, or any fifteen members or shareholders of the company, may, at any time, direct the secretary of the company to call a general meeting of the company to be held at such time and place and for such purposes as those calling the meeting may determine, but priority shall always be given to a meeting convened by the board of directors.

Failing a quorum at an annual meeting, directors to hold office.

27. In the event of a quorum not being present at the annual general meeting of the company, the retiring directors will hold office until their successors are appointed, and the board will convene another general meeting, to be held within two months of the date of the annual general meeting, to transact the business of the annual general meeting.

Directors to fill vacancy at board.

28. In the event of a vacancy arising on the board of directors through the death, insolvency, disqualification, or resignation of any of the directors, or through the absence from three consecutive meetings of the board of any member, without leave of the board, which shall, ipso facto void his rights, the vacancy so arising will be filled by the directors, whose appointee shall hold office until the next annual general meeting of the company.

Annual general meeting may vote payment to directors.

29. At any annual general meeting of the company it will be lawful to vote to the directors, or any of them, for the preceding year, such sum or sums of money as may be deemed reasonable remuneration for their services.

30. The directors may be paid a reasonable allowance for travelling expenses to attend meetings of the board, or to attend to the business of the company. Directors entitled to travelling expenses.

31. The board shall not loan money to, or borrow money from any director of the company, or enter into any contract with any director other than the issue of a policy of insurance in the ordinary course of business. Lending money, &c., to directors forbidden.

32. The Board may issue debentures, mortgages or promissory notes in favour of any person, firm, company or banking institution for money borrowed, and they may borrow money for the purposes of the company for any term not exceeding one year and on such conditions as to interest and mode of repayment as they may think proper; and they may renew such debentures, mortgages or promissory notes from time to time if necessary within the said term of one year; but the total amount so borrowed shall at no time exceed one-fourth of the total amount remaining due on the premium notes held by the company. Borrowing powers of board.

33. Within one month after the annual general meeting in each year the secretary of the company shall file with the Registrar a return, signed by the president and the secretary, setting forth:— Annual return to the registrar.

- (1.) The names of the members of the company, the amounts of their respective policies and the amount due on their respective premium notes:
- (2.) The amount of guarantee stock (if any) issued; the names of the shareholders, the number of shares held by each, and the amount paid up and due thereon:
- (3.) A copy of the annual statement of revenues and expenditure, and balance sheet, duly certified by the auditor of the company:
- (4.) A full copy of all by-laws adopted by the directors or by a general meeting during the preceding year:
- (5.) The names of the president, vice-president, secretary, treasurer, directors and auditors of the company appointed for the current year.

34. The treasurer, or manager, or secretary of a mutual company having charge of the funds of the company shall give security to the satisfaction of the board of directors in an amount to be fixed by a general meeting, or by the directors, but not to be less than \$2,000, for the faithful discharge of his duties. Treasurer to give security.

35. Every mutual company shall keep full and distinct records of all its business and transactions, including registers of all policies issued and premium notes and cash payments received in respect thereof; registers of all shares of guarantee stock (if any) issued, and of the amounts paid in respect thereof; books of account showing all cash Full records of all the business done to be kept.

transactions; minute books and letter books, and such other records as are usual and necessary to give a full and clear idea of the operations of the company; and these records shall at all times be accessible to any director or auditor of the company, or to any one having authority from a general meeting on their behalf to examine and report upon the same.

Special auditor may be appointed by the Lieut.-Governor in Council.

36. Any fifteen members, or members and shareholders, may at any time petition the Lieutenant-Governor in Council to appoint an auditor to audit and report on the books of the company, provided the petitioners deposit the sum of two hundred dollars with the Minister of Finance for the Province as a guarantee of good faith, which sum will be held to the order of the auditor. Thereupon the Lieutenant-Governor in Council may appoint an auditor accordingly, who shall have free access to and carefully examine all the books of the company and make a report to the Lieutenant-Governor in Council, to the board of directors and to the petitioners; and he shall also make such award as to the expenses of the audit as he deems right in the circumstances, and the petitioners, directors, officers and company shall all be bound by such award and findings.

Auditors of the company to be appointed.

37. At the annual general meeting or at a general meeting of which due notice has been given one or more auditors of the company may be appointed, who shall make periodical examination of the books of the company and report to the directors thereon, and who shall receive such remuneration as may be fixed by that or any other general meeting or by the directors of the company.

How shares of guarantee stock transferable.

38. The shares of the guarantee stock of a mutual company (if any) shall be personal property, and may be transferred in the same manner as shares in a joint stock company under the "Companies Act," but until such shares are fully paid up no transfer thereof will be valid without the consent of the directors of the company.

Calls in respect of guarantee stock.

39. In the event of no by-law being passed to provide for the payment of the amounts due for shares of guarantee stock, the directors may from time to time make calls thereon either on the instructions of a general meeting of the company or as the exigencies of the company may render necessary.

Guarantee fund.

40. The guarantee fund, whether paid up or unpaid, shall belong to the company, and be liable for all its debts and losses, and the shareholders shall, in respect thereof, have such right and responsibilities as the company in general meeting may declare by resolution or by by-law passed before the said fund is subscribed for, and unless the whole of said fund is repaid or discharged the said resolution or by-law shall not be rescinded or altered in any way without the consent of three-fourths of the shareholders in writing.

41. If default is made by a shareholder in payment of any call upon his shares for a period of two months after such call is due the directors may, on giving one month's notice to the shareholder by registered letter mailed to his last known postal address, declare the share or shares of such defaulter, and all sums previously paid thereon, to be forfeited to the company, and they may thereafter either cancel the share or shares, or sell and re-issue them at such price or prices as they may deem sufficient and for the benefit of the company only; or in the option of the directors they may sue for and compel payment of the unpaid calls on such shares.

Forfeiture for non-payment of calls.

42. Contracts of insurance by mutual companies shall not exceed the term of three years, and unless a mutual company has either a guarantee stock subscribed for of not less than thirty thousand dollars, or a reserve fund of at least seventy thousand dollars, and premium notes to the amount of at least eighty thousand dollars, no single risks shall be undertaken and held by the company alone for an amount larger than two thousand dollars. The maximum amount of any single risk that can be undertaken and held by a mutual company alone is five thousand dollars.

Contracts of insurance not to exceed three years.

Limit as to amount of risk.

43. The directors of a mutual company may make arrangements with another mutual or stock company carrying on business in the Dominion of Canada for re-insurance of risks undertaken by the company on such terms and conditions as to premiums and rates of losses as may be arranged.

Re-insurance.

44. All contracts of mutual insurance issued by the directors, sealed with the seal of the company, signed by the president or vice-president and countersigned by the secretary, shall be binding on the company.

Validity of mutual insurance contracts.

45. A mutual company may insure the owners of dwelling houses, household furniture, machinery, live stock, farm produce, farm buildings and implements, churches, schools, creameries, cheese factories, warehouses, stores and merchandise and other isolated buildings and commodities situated in rural districts in the Province, against loss through damage of such subjects by fire or lightning, whether the same happens by accident or any other means, except that of design on the part of the insured, or by the invasion of an enemy, or by insurrection.

Subjects that may be insured.

46. Any contract may be renewed at the discretion of the board of directors by renewal receipts instead of a new policy, on the insured paying the required cash premium note, but such renewal must be effected before the actual lapse of the period of the principal contract.

Contract may be renewed by renewal receipt.

47. The rate to be charged or taken by way of premium note shall not be less than one dollar per hundred dollars per annum till such

Rates to be charged by way of premium notes.

time as the gross amount at risk is two million dollars, when the rate may be reduced, but only by such an amount as will leave the total available assets of the company at not less at any time than two per cent. of the gross amount at risk.

Premium notes.

48. Every member shall, before he receives his policy, deposit with the company a premium note payable on demand, or payable partly by fixed payment and partly on demand, to the company for the sum of money to be determined by a tariff or classification of risks established by the directors. The directors may require that the premium note be indorsed by a guarantor, to their satisfaction, before it is accepted. The member shall also pay as an entrance fee such a proportion of his premium note in cash as may be determined by the directors, but such entrance fee shall not exceed 10 per cent. of the whole.

Failure to pay fixed payment may nullify the policy.

49. In the event of fixed payments being stated on the premium notes, it shall not be necessary for the company to give the grantor notice of the time when these fixed payments shall become due, and failure to pay the same within 30 days after they become due may, in the option of the directors, nullify the policy.

Assessment on premium notes.

50. In the event of the directors levying an assessment on the premium notes, either where there are no fixed payments, or where such levy is necessary over and above the amount of the fixed payment, such assessment shall become due and payable in 30 days after notice thereof has been mailed to the member or person or persons who have given the premium note, directed to his or their last known postal address. Failure to pay such assessment within 30 days after the same became due, may, in the option of the directors, nullify the policy of insurance.

Nullity of the policy not to cancel note.

51. Declared nullity of the policy of insurance in terms of the last two preceding sections shall in no way relieve the member or other grantor or grantors of the premium note of his or their liabilities for the sums then due as fixed payments or assessments, nor for the share of any further losses or expenses the company may incur during the term of the contract unless the directors in their discretion decide otherwise, and the directors may recover such sums due, or to become due, and expenses by suit in the Small Debts Court of the district where the head office of the company is situated.

Secretary's certificate or oath to be prima facie evidence.

52. Where suit is raised to recover payment of an assessment levied by the directors on a premium note, the certificate or oath of the secretary of the company specifying the assessment and the amount due by the grantor or grantors of the note by means of such assessment shall be taken and received as *prima facie* evidence thereof in any Court in the Province.

53. If there is a loss on property insured by the company the directors may retain the amount of the premium note given for insurance thereon until the time has expired for which insurance has been made, and at the expiration of the said time the assured shall have the right to demand and receive such part of the retained sum as has been assessed for or become due under fixed payments.

Contents of note to be retained in event of loss to implement contract.

54. Forty days after the expiration of the term of insurance the premium note given for the insurance policy shall, on application therefor, be given up to the grantor thereof, provided all assessments levied and all losses and expenses with which the note is chargeable have been paid.

Note to be given up after term of contract.

55. Notwithstanding anything herein contained, the directors may form a reserve fund from the surplus of the payments made by the members after payment of the company's losses and expenses, and if deemed necessary for that purpose and in the best interests of the company, the directors may levy an assessment on the premium notes, but such assessment for a reserve fund shall not be levied on an amount to make the total payments for the year, including the fixed payments, more than ten per cent. on the original amount of the premium note. Such reserve fund may from time to time be applied by the directors to pay off the losses and expenses of the company for any one year.

Reserve fund may be established.

56. The reserve fund shall be the property of the company as a whole, and no member shall have any right to claim any share or interest therein in respect of any payment contributed by him towards it, but in the event of the company being wound up possessed of an existing reserve fund, the then members shall be entitled to divide the same among themselves pro rata according to the amount of their premium notes with the company.

Reserve fund to be the property of company.

57. The provisions of the "Fire Insurance Policy Act" shall apply to all policies issued by a mutual company, but it shall be optional with the directors to pay or allow claims which are void under the 3rd, 4th or 8th of the statutory conditions in said Act, and to waive the objection therein mentioned.

Fire insurance policy Act to apply to the mutual policies.

58. A mutual company may effect policies of insurance on the cash premium plan for periods less than one year on rural properties, and the directors shall prepare a tariff of rates for such policies, but no single risk shall be undertaken of a larger amount than two thousand dollars.

Short term policies may be issued on cash plan.

59. Policy holders under the cash plan shall not as such be members of the company or have any liability for its debts or obligations.

Policy holders under cash plan not thereby to be members of company.

60. In the event of judgment being obtained against a mutual company, the issue of execution will be delayed for sixty days from the date of judgment.

Judgment against a mutual company not to issue for sixty days

Winding up.

61. In the event of the corporate powers of the company being forfeited in terms of section 9 of this Act, or in the event of the members adopting a resolution at a general meeting, of which due notice has been given, to wind up a mutual company, the company may in general meeting appoint a receiver, or receivers, to conduct the winding up proceedings, and such receiver, or receivers, shall thereupon have the full power and authority of directors in the matter.

Receiver to effect re-insurance if funds are available.

62. It shall be lawful for the receiver to use the reserve or guarantee funds if necessary to effect an equitable re-insurance of all risks held by the company, whether held under the premium note plan or a short-term policy on the cash plan.

Receiver to file statement.

63. After winding up the affairs of the company, the receiver will file with the Registrar a full statement of his transactions and intromissions, with copy of minutes of a general meeting approving of his report and management.

VICTORIA, B. C. :

Printed by RICHARD WOLFENDEN, Printer to the King's Most Excellent Majesty.
1902.