



OFFICE OF THE ATTORNEY GENERAL OF TEXAS
AUSTIN

GERALD C. MANN
ATTORNEY GENERAL

Honorable O. P. Lockhart, Chairman
Board of Insurance Commissioners
Austin, Texas

Dear Sir:

Opinion No. O-4723
Re: Mutual insurance companies
operating on old line or
legal reserve basis -
Article 4757, V. A. C. S.

Your request for opinion has been received and carefully considered by this department. We quote from your request as follows:

"Re: Golden State Mutual Life
Insurance Co., Los
Angeles, California

"The Company above named has applied to this Department for a certificate of authority to do business in Texas under the provisions of Article 4757 as a mutual life, health and accident insurance company 'operating on the old line or legal reserve basis.' So far as we know, there is no statutory definition in Texas of the term above quoted.

"The Company represents to us that it was incorporated under the laws of California in 1925 to do a life, health and accident business upon the assessment basis - that is, not upon the post mortem or assessment-as-needed basis, but that its charter, by-laws and California permit authorized, and that its actual practice until the 1941 conversion next mentioned was, that it charged and collected level premiums, contracted

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for unalterable sums certain in benefits, and set up at all times the legal reserve on its policies as required by the statutes of California upon the basis of the America Experience Table of Mortality, with an assumed interest rate of 3%, Illinois Standard, and that at no time were such reserves reduced by the percentages permitted such companies under the California laws; but that its policies issued prior to the 1941 conversion, and now still outstanding, all provided in substance that the Company might levy additional assessments upon the policyholders if needed to maintain certain standards of solvency. It is stated that no such assessments have ever been needed or made and that the probabilities are that no assessments will ever be needed.

"In 1941 the Company amended its charter and by-laws so as to provide that thenceforth it could operate as a legal reserve mutual company; but it is stated in the amended charter and by-laws that the amendments were effected by the Company without abandoning its right to operate under the other provisions of California law under which previously it had been incorporated, licensed and operating; and that further operations should be without changing or affecting in any way the old outstanding policies.

"It is stated that since the amendment all policies now issued, and to be issued in the future, are to be without assessment powers and upon the level premium, legal reserve basis, providing for unalterable sums certain in benefits.

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"We enclose herewith the certified copy of charter as amended and by-laws as amended, which we ask you to return to us with your opinion as to whether under this plan of operation this Company can lawfully be admitted to Texas as a mutual company 'operating on the old line or legal reserve basis' under our Article 4757."

Article 4757, Vernon's Annotated Texas Civil Statutes, reads as follows:

"No such foreign life insurance company, or life and accident, health and accident, or life, health and accident insurance company, shall transact any business of insurance in this State, unless such company is possessed of at least one hundred thousand dollars of actual paid up cash money capital invested in such securities as provided under the laws of the State, territory or country of its creation. No mutual life insurance or accident insurance company, or life and accident, health and accident, or life, health and accident insurance company operating on the old line or legal reserve basis, shall transact any business of insurance in this State, unless such company is possessed of at least one hundred thousand dollars of net surplus assets invested in securities provided for under the laws of the State, territory or country of its creation."

After a careful examination of the charter and by-laws submitted us by you with reference to the above named company it is our

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opinion that such company can be lawfully admitted to Texas as a mutual company operating on the old line or legal reserve basis under Article 4757, V. A. C. S., if it possesses the net surplus required by Article 4757, and is not otherwise disqualified.

We are returning herewith the instruments you sent us with reference to this matter.

Very truly yours

ATTORNEY GENERAL OF TEXAS

By

Wm. J. Fanning

Wm. J. Fanning
Assistant

WmJF:MBR

APPROVED JUL 31, 1942

George B. Mann

ATTORNEY GENERAL OF TEXAS

