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The 1945 Revision of the Insurance Laws of North Carolina

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THE 1945 REVISION OF THE INSURANCE LAWS OF NORTH CAROLINA*

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On August 3, 1944, Governor Broughton appointed a commission of fifteen men, including representatives of the public and of various branches of the insurance business, for the purpose of making a full study of the insurance laws of North Carolina and of submitting recommendations to the next General Assembly. Realization of the necessity for the appointment of this commission resulted from two far-reaching decisions of the United States Supreme Court, on June 5, 1944.

In the first of these cases, *United States* v. *Southeastern Underwriters Association*[1] (S.E.U.A.), 198 stock fire insurance companies, members of the S.E.U.A., and 27 individuals, officers or members of the executive committee of the S.E.U.A., were charged with a conspiracy to fix and maintain arbitrary and non-competitive rates on fire insurance in violation of Section 1 of the Sherman Antitrust Act, and with a conspiracy to monopolize trade and commerce in fire insurance in the states of Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia, in violation of Section 2 of the Act. The lower Federal court sustained a demurrer to the indictment, basing its conclusion upon the holdings of the Supreme Court over a period of seventy-five years that the business of insurance is not commerce, either intrastate or interstate.

The United States Supreme Court reversed the lower court and held that the business of insurance is commerce and when conducted across state lines is subject to the prohibitions of the Federal Antitrust Laws.

In the second case, *Polish National Alliance* v. *National Labor Re-*

* Unless otherwise indicated "C" is used in the footnotes to refer to a Chapter of the North Carolina Session Laws of 1945. "H. B." refers to House Bill and "S. B." to Senate Bill, wherever chapter numbers are not yet available, as the 1945 Session Laws were not published at the time this article went to press. Reference is also made, wherever appropriate, to the section numbers which the new laws will carry in the North Carolina General Statutes.

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[1] 322 U. S. 533, 64 Sup. Ct. 1162, 88 L. ed. 1082 (1944); rehearing denied 65 Sup. Ct. 26 (1944). This important decision has been the subject matter of much Law Review comment: (1944) 44 COL. L. REV. 772; 1944 INS. L. J. 387-398; 1945 INS. L. J. 72; Powell, *Insurance as Commerce. In Constitution and Statute* (1944) 57 HARV. L. REV. 937; Patterson, *The Future of State Supervision of Insurance* (1944) 23 TEX. L. REV. 18; Highsaw, *Insurance as Interstate Commerce: An Analysis of the Underwriters' Case* (1944) 6 LA. L. REV. 24.

lations Board,[2] a fraternal benefit society operating in twenty-seven states, the District of Columbia and Canada, was held subject to the National Labor Relations Act.

Governor Broughton, in appointing the present commission, made the following statement:

"These decisions have created in the minds of State insurance supervisory officials, as well as company officials, much concern and uncertainty as to the future role the states are to have in the regulation of the business of insurance. Serious tax questions are likewise raised because of the Supreme Court's declarations with respect to the interstate character of insurance business.

"Since the beginning of insurance business in America the regulation of such business has been deemed to be exclusively a state function. Decisions of the Supreme Court for over seventy-five years have sustained this view. States have exercised the right to regulate and tax such business, and in North Carolina the revenue from such taxes amounts now to approximately two and one-half million dollars per year.

"Undoubtedly state regulation is infinitely to be preferred; provided such regulation is adequate, firm and in the public interest. Since the two Supreme Court decisions were rendered, recently the Attorney General of the United States has announced that his department will for the present refrain from further action with respect to insurance companies and their method of regulation, until such time as it can be ascertained what provisions with respect to regulation are proposed or in effect in the respective states."

While a study and revision of the insurance laws of North Carolina had been long overdue, the Supreme Court's decisions provided the stimulus for immediate action. Thirty-two years ago, the General Assembly provided for the appointment of a Fire Insurance Investigating Committee consisting of two senators and three members of the House to investigate the conduct of fire insurance companies doing business in North Carolina and to determine whether rates charged in this state are higher or lower than those charged in other states and to report findings and recommendations to the Governor, who shall transmit the same with his recommendations to the next General Assembly.[3]

In 1915, Governor Locke Craig stated to the General Assembly that "This committee found that rates are not uniform and in many instances too high, and that the rules of insurance are not equitable and just." He recommended that "The General Assembly should confer upon the Insurance Commissioner the power to fix maximum rates, and provide by statute for reasonable rules and for uniform rates on each class of property."

[2] 322 U. S. 643, 64 Sup. Ct. 1196, 88 L. ed. 1117 (1944).
[3] N. C. Pub. Laws Extra Sess. 1913, Resolution No. 7.

While the General Assembly in 1915 did not make any provision for the regulation of insurance rates, it did provide for the filing of fire insurance rates with the Insurance Department and approved a revised standard fire insurance policy.[4] It also provided for a hearing by the Insurance Commissioner upon the filing of a complaint by any person aggrieved as a result of any rating of a fire insurance company, bureau or board, the Commissioner to hear the complaint and make a finding as to whether the rate is excessive or unfair and to make recommendations, all of which was to be a matter of record and open to public inspection.[5]

In 1931, the General Assembly provided for a statutory bureau to regulate the rates of workmen's compensation insurance[6] and in 1933 a bureau to regulate automobile insurance rates.[7]

That the recent Supreme Court decisions do not preclude state regulation and taxation of the insurance business was a necessary asumption if the revision of the insurance laws of North Carolina was to amount to anything. That the states may still regulate the business of insurance has been affirmed by Congress in an insurance bill passed on February 27, 1945.[8] This act of Congress provides:

"Sec. 1. That the Congress hereby declares that the continued regulation and taxation by the several states of the business of insurance is in the public interest, and that silence on the part of the Congress shall not be construed to impose any barrier to the regulation or taxation of such business by the several states.

"Sec. 2 (a). The business of insurance and every person engaged therein shall be subject to the laws of the several states which relate to the regulation or taxation of such business."

Following this statement of general policy, there is a provision that no act of Congress shall be construed to invalidate, impair or supersede any state law regulating or taxing the business of insurance, unless such Act of Congress specifically relates to the business of insurance. There is a proviso that after January 1, 1948, the Sherman and Clayton Acts and the Federal Trade Commission Act "shall be applicable to the business of insurance to the extent that such business is not regulated by state law." A three-year moratorium, or until January 1, 1948, is provided against the application of the Robinson-Patman Act to the business of insurance, as well as to the application of the Sherman and Clayton Acts and the Federal Trade Commission Act. This moratorium does not apply to any "agreement to boycott, coerce or intimidate or act of boycott, coercion or intimidation."

[4] N. C. Pub. Laws 1915, c. 109.
[5] *Id.* c. 166, §8.
[6] N. C. GEN. STAT. (1943) §§97-102 to 97-104.
[7] *Id.* §§58-242 to 58-248.
[8] 13 U. S. LAW WEEK 2451 (1945).

Thus Congress has made specific the injunction to the states to assume responsibility for adequate regulatory laws. The North Carolina Insurance Revision Commission did not present the General Assembly with a complete codification of the insurance laws of the state, but, as a result of the Commission's recommendations, a more orderly arrangement of existing laws has been brought about, inconsistencies have been eliminated, gaps filled and many new provisions added. The important changes, as adopted by the General Assembly in thirteen separate acts will be discussed under the following headings:

RATE REGULATION

1. *Fire insurance rates*

Chapter 380 provides for a statutory fire insurance rating bureau to which all fire insurance companies doing business in North Carolina must belong.[9] This rating bureau is to be organized by the member companies under a constitution and by-laws to be approved by the Commissioner of Insurance and which shall not discriminate against any type of insurer because of its plan of operation or otherwise. The governing board of the Fire Insurance Rating Bureau shall have at least one North Carolina member. The expenses of the Bureau, including expert services purchased, shall be apportioned among its members equitably in proportion to services rendered by the Bureau. The Bureau shall furnish its own services without discrimination to its members, and any member may appeal to the Commissioner from any decision of the Bureau.

The Bureau will make rates for fire insurance and allied lines, which rates "shall not unfairly discriminate between risks involving essentially the same construction and hazards and having substantially the same degree of protection."[10] Before using these Bureau rates in the state, it will be necessary to submit them to the Commissioner and receive his approval. He has authority to investigate the necessity for a reduction or increase in rates, and, following such investigation, issue orders to the Bureau for a reduction or increase in rates based upon his findings.

Attention should be called to the provision that "Every rating method, schedule, classification, underwriting rule, by-law or regulation submitted to the Commissioner for approval shall be deemed approved, if not disapproved by him in writing within sixty days after submission."[11] Does this so-called "deemer" clause comply with President Roosevelt's statement that "The anti-trust laws do not conflict with the affirmative regulation of insurance by the states, such as agreed insur-

[9] C. 380, §1 (1), §§58-125 to 58-131.7.
[10] C. 380, §1 (1), §58-131.
[11] C. 380, §1 (1), §58-131.1.

ance rates, if they are approved affirmatively by state officials?"[12] Since the adoption of the act of Congress previously referred to, the federal anti-trust laws would not apply to such rates until January 1, 1948; but after that date, if a rate goes into effect by default after sixty days, would it be regarded as a rate "approved affirmatively by state officials?" The courts might hold that such a rate is fixed by a combination of companies and not by the Commissioner at all. Certainly, it will behoove the North Carolina Commissioner of Insurance to set up machinery to enable him to pass upon all rates within the sixty-day period and thus prevent the operation of the "deemer" clause.

Provision is made for individual companies to deviate from rates fixed by the rating bureau where the experience of the company is such that the deviation is justified and it is approved by the Commissioner.[13] Thirty days' notice and a hearing before the Commissioner are provided in case any company or insured person is adversely affected by any rule, regulation or order of the Commissioner. He may make any order deemed necessary in accordance with his findings, and all orders affecting rates are subject to review on appeal to the Superior Court of Wake County.

The report of the Commission points out that the fire insurance rating bureau law is modeled on the present Virginia law[14] and that there has been a substantial reduction in fire insurance rates in that state.

2. *Casualty, fidelity and surety rates*[15]

No statutory bureau is set up for the making of casualty insurance rates. Instead, multiple bureaus are authorized. Because of the nature of the casualty insurance business and the diverse lines of coverage provided, an insurer in this field must be either a member or subscriber of a licensed rating bureau or shall for itself make its own rates. Nonresident rating bureaus may be licensed by the Commissioner upon complying with certain requirements including the appointment of a resident agent for service of process. When so licensed, the rating bureau is authorized to engage in rate making or the furnishing of its services for use in this state. Bureau agreements and by-laws for its government shall be subject to the approval of the Commissioner and shall not discriminate against any type of insurer because of its plan of operation or otherwise. Every bureau, so licensed, shall furnish its services without discrimination to any licensed insurer. There is provision for

[12] Letter of President Roosevelt to Senator Radcliffe of Maryland dated January 2, 1945, Raleigh News and Observer (Jan. 8, 1945), p. 1.
[13] C. 380, §1 (1), §58-131.3.
[14] VA. CODE (Michie, 1942) §§4314 (1) to 4314 (16).
[15] C. 380, §1 (2), §§58-131.10 to 58-131.25.

appeal to the Commissioner from any decision of a bureau, and "excessive, inadequate, unreasonable or unfairly discriminatory" rates or classifications may be corrected by order of the Commissioner after notice to and hearing of the rating organization involved.[16]

No casualty rate, classification of risks or rating rule may be used in North Carolina until submitted to and approved by the Commissioner. Unlike fire insurance rates, there is no provision for automatic approval of casualty rates after a lapse of time. The right of an individual insurance company to deviate from the rates filed on its behalf by a rating bureau licensed under the act is preserved, the company being required to show, however, that the deviation requested is justified by experience, subject, however, to the approval of the Commissioner. There are provisions for the holding of hearings by the Commissioner on matters involving the application or charging of a rate, and all orders issued by the Commissioner are subject to review on appeal to the Superior Court of Wake County.

3. *Rate regulation of miscellaneous lines*[17]

There is provision for the licensing of companies, bureaus, etc., which make rates to be used by more than one underwriter for insurance on property and risks of any kind in this state other than those already regulated. This is obviously a catch-all for those lines of insurance not otherwise provided for. Licensing is required under regulations similar to those applying to casualty insurance bureaus. Full information must be furnished to the Commissioner and all rates must be filed and approved by the Commissioner.

None of the rate regulations apply to life, accident and health insurance, annuities, reinsurance, insurance on property or risks permanently located outside the state, nor to kinds of insurance for which the Commissioner finds in the practice of the industry there are no established rates.[18]

4. *Workmen's Compensation and Automobile Insurance*[19]

The Compensation Rating and Inspection Bureau of North Carolina was established under the Workmen's Compensation Act to fix rates for workmen's compensation insurance in this state.[20] The North Carolina Automobile Rate Administration Office was established as a statutory bureau to fix rates for automobile bodily injury, property damage and collision insurance.[21] Both bureaus are operated under the same man-

[16] C. 380, §1 (2), §58-131.16.
[17] C. 380, §1 (3), §§58-131.26 to 58-131.33.
[18] C. 380, §1 (3), §58-131.33.
[19] C. 381.
[20] N. C. GEN. STAT. (1943) §§97-102 to 97-104.
[21] *Id.* §§58-246 to 58-248. Fixing the rates of automobile collision insurance is taken from the North Carolina Automobile Rate Administration Office by c. 381, §2 (4), §58-246 (a) and transferred to the Fire Insurance Rating Bureau by c. 380, §1 (1), §58-126.

ager, subject to the supervision of the Commissioner of Insurance. Similar amendments were adopted as to both bureaus in order to provide procedural protection to persons affected by any rates promulgated by the bureaus. Such persons may have a hearing of their complaints before the bureau concerned under regulations to be approved by the Commissioner. The Commissioner is authorized, after notice and hearing, to order a revision of rates which are "excessive, inadequate, unreasonable, unfairly discriminatory or otherwise not in the public interest."[21a] As in the other rate regulation laws, review of any order or decision of the Commissioner may be had by appeal in the Superior Court of Wake County.

Assigned risks in the workmen's compensation field present a difficult problem. Section 97-103 of the General Statutes provides for the assignment of a risk to an insurance carrier when such risk has been tendered to and rejected by any three members of the Bureau. The assignment of such a risk is justified under the policy of the Workmen's Compensation Act that all workers should be protected by insurance against industrial accidents. An amendment to this section[22] provides that the carrier designated by the Manager of the Bureau to carry the assigned risk shall upon receipt by the Bureau of the amount of the premium issue its policy to become effective at 12:01 A.M. the following day. The amendment requires the Bureau to instruct the designated carrier upon receipt of the premium. The purpose of the amendment is clearly to prevent a situation where an employer may be without insurance although ready and willing to provide such coverage. Since these assigned risks are bad risks for the most part, the insurance carrier may request of the Bureau a certificate of the Department of Labor that the insured is complying with the laws, rules and regulations of that department.

There is a provision for deviation from the promulgated rates in the case of automobile liability insurance, but not in the case of workmen's compensation insurance.

North Carolina now has a comprehensive system for fixing insurance rates. The bureaus which fix workmen's compensation and automobile liability insurance rates, like the new Fire Insurance Rating Bureau, are statutory bureaus to which all insurers must belong. There are no other bureaus in this state to fix rates for these lines of insurance. On the other hand, multiple bureaus are provided for rate making in case of casualty, fidelity, surety and insurance lines not otherwise provided for. The multiple type bureau law tends to preserve the status quo

[21a] C. 381, §1 (5), §97-104.1 as to workmen's compensation insurance; *id.* §2 (2), §58-248.1 as to automobile insurance.
[22] C. 381, §1 (3).

as far as existing rate making organizations are concerned, except that they must now become licensed in North Carolina and their rates are subject to the Commissioner's approval or disapproval. The single type bureau law requires all insurance companies doing business in North Carolina to become members of the statutory bureau in question. Thus in the fire insurance field, the Southeastern Underwriters Association cannot operate in North Carolina, but the companies which belong to that association and desire to do business in this state must now become members of the North Carolina Fire Insurance Rating Bureau along with mutual companies, reciprocal exchanges and other types of insurers. All insurers must use the Bureau rates, once they are established, subject to a right of deviation as already explained.

Standard Fire Insurance Policy Form

In 1899, North Carolina for the first time established an Insurance Department and provided much of the insurance legislation,[23] which, with amendments, has constituted the insurance law of this state.[24] A standard fire insurance policy form was then required for the first time in North Carolina.[25] This is apparently the old policy form adopted by New York in 1886.[26] In 1913, the National Convention of Insurance Commissioners began a study of the standard policy form and recommended a revised form, which was adopted in New York in 1917[27] and is known as the New York Revised Form of 1918. In 1915, North Carolina adopted a revised standard policy form,[28] which on comparison is identical with the New York revised form, although adopted two years earlier. Again in 1936, the National Convention of Insurance Commissioners engaged in a study of the standard fire insurance policy form, and, in 1939, they recommended a new revised form to the states for adoption. Nothing was done until 1943, when New York adopted its 1943 Standard Fire Insurance Policy Form based on the recommendations of the Insurance Commissioners.[29] It is this New York 1943 Standard Fire Insurance Policy which North Carolina has now adopted as the "Standard Fire Insurance Policy of the State of North Carolina."[30]

Just as the old form was an improvement over the diverse forms used by insurance companies before 1886, and the 1918 revision was an improvement over the 1886 policy form, so the new Standard Fire In-

[23] N. C. Pub. Laws 1899, c. 54.
[24] N. C. Gen. Stat. (1943) c. 58.
[25] N. C. Pub. Laws 1899, c. 54, §43.
[26] N. Y. Laws 1886, c. 448.
[27] N. Y. Laws 1917, c. 440.
[28] N. C. Pub. Laws 1915, c. 109, §9; N. C. Gen. Stat. (1943) §58-177.
[29] N. Y. Laws 1943, c. 671; N. Y. Ins. Law, §168; Comment, *The 1943 Standard Fire Insurance Policy* (1944) 39 Ill. L. Rev. 66.
[30] C. 378, §1 (14), §58-176.

surance Policy, which went into effect in North Carolina on July 1, 1945, is a great improvement over the policy form which it supplants.

The most important change in the new policy form is the repeal of the so-called "moral hazard" clauses, as found in the 1915 North Carolina revised form and in effect since that time. These "moral hazard" conditions are as follows:

"This entire policy is void, unless otherwise provided by agreement in writing added hereto—

"Ownership, etc.—(a) if the interest of the insured is other than unconditional and sole ownership; or (b) if the subject of insurance is a building on ground not owned by the insured in fee simple; or (c) if, with the knowledge of the insured, foreclosure proceedings are commenced or notice given of sale of any property insured hereunder by reason of any mortgage or trust deed, or (d) if any change, other than by the death of an insured, takes place in the interest, title, or possession of the subject of insurance (except change of occupants without increase of hazard); or (e) if this policy is assigned before a loss."[31]

The violation of any one of these clauses operates to render the policy absolutely void. "The condition (unconditional and sole ownership) is violated if the insured, with respect to the insured property is merely a lienholder, a mortgagee, a lessee, a vendee not in possession and not having paid the purchase price, a conditional vendee, an optionee, a life tenant, a partner, a tenant in common, or a joint tenant."[32] The husband who insures the home or other property in his own name when it is held jointly with his wife or as tenants by the entireties, has violated the clause and the policy is void. This is true although the insurance agent may ask the husband nothing about it, and the husband may think it is unimportant or may inadvertently never mention it.[33] A new section specifically protects policies issued to husband or wife on joint property where there is failure to disclose the interest of the other spouse.[34]

Clause (d) which provides that a change in interest, title or possession avoids the policy was construed in a North Carolina case as rendering a policy void because the insured had placed mortgages on the

[31] Lines 2-32, 1918 policy form. For excellent discussion of these clauses, see Goble, *The Moral Hazard Clauses of the Standard Fire Insurance Policy* (1937) 37 COL. L. REV. 410; Goble, *The Proposed Revised Standard Fire Insurance Policy. The "Unconditional and Sole Ownership" Clause* (1941) 27 A. B. A. J. 164; Comment, *The 1943 Standard Fire Insurance Policy* (1944) 39 ILL. L. REV. 66.

[32] Goble, *supra*, note 31, 37 COL. L. REV. at 416. See also VANCE, INSURANCE (2d ed. 1930) §§186-188.

[33] Professor Goble states that this is the almost unanimous authority in the United States and cites many cases. Goble, *supra*, note 31, 37 COL. L. REV. at 417. There have been no North Carolina Supreme Court decisions involving estates by the entireties in this connection.

[34] C. 378, §1 (20), §58-180.1.

property, although at the time there was nothing due.[35] In another case, a policy was held void because a deed of trust had been executed.[36]

Much has been written about the unfairness of these clauses as construed by the courts rigidly against the insured. In a letter written to the Chairman of the North Carolina Insurance Law Revision Commission, the following excerpt states the case against the old policy form: "There are thousands of cases where the fire loss was caused by an act of God (lightning), or started on adjoining premises, or where the fire was clean and honest and not in the least tainted with incendiary origin or fraud, and where other insurance had nothing whatever to do with the fire, and where an outstanding mortgage on the insured property had no connection, cause or relation to the fire, and yet the insurer relies upon the hard provisions of the policy and gets out from under paying the loss."

By completely eliminating these "moral hazard" clauses, the new standard policy form "becomes an 'interest' policy; *i.e.*, it will cover whatever interest the insured may have in the property, rather than sole and unconditional ownership interest only."[37]

The new policy form provides that other insurance may be prohibited or the amount limited by endorsement attached to the policy.[38] Previously, having other insurance on the property was a ground for relieving the insurer from liability, and the burden was on the insured to secure a proper endorsement to permit other insurance. In the new form, this burden is shifted to the insurance carrier.

The new policy form provides as follows:[39]

"Conditions suspending or restricting insurance. Unless otherwise provided in writing added hereto this Company shall not be liable for loss occurring

(a) while the hazard is increased by any means within the control or knowledge of the insured; or

(b) while a described building, whether intended for occupancy by owner or tenant, is vacant or unoccupied beyond a period of sixty consecutive days; or

(c) as a result of explosion or riot, unless fire ensue, and in that event for loss by fire only."

These suspension clauses take the place of some seven clauses in the old form.[40] The period of "unoccupancy" is extended from "ten days" to "sixty consecutive days." As to "increased hazards," the courts have

[35] Watson v. N. C. Home Insurance Co., 159 N. C. 638, 75 S. E. 1105 (1912).
[36] Hardin v. Liverpool, etc. Insurance Co., 189 N. C. 423, 127 S. E. 353 (1925).
[37] Comment, *The 1943 Standard Fire Insurance Policy* (1944) 39 ILL. L. REV. 66, 78.
[38] Lines 27-29, 1943 policy form.
[39] Lines 30-39, 1943 policy form.
[40] Lines 32-62, 1918 policy form.

in the past confined these to actual physical changes in the use of the property. It is not likely that the courts would now include "moral hazards" under this provision.[41]

A separate section of the law provides that if notice in writing is given by the insured to the agent of the company before loss or damage as to any fact or condition stated in paragraphs (a) or (b) above with respect to "other insurance," it is equivalent to and has the force of an agreement in writing added to the standard policy with respect to the liability of the company and the waiver; but this notice does not affect the right of the company to cancel the policy as therein stated.[42]

Under the old policy, assignment before a loss avoided the policy altogether. The new policy provides on its face that "Assignment of this policy shall not be valid except with the written consent of this company." Thus the policy is not avoided but the assignment itself becomes ineffective. The insured assignor is still protected to the extent of his interest.

It can be safely asserted that the new standard fire insurance policy of North Carolina, which, in addition to the above, makes other important changes to liberalize the old policy form, should prove of much benefit to property owners in this state.

Fire Insurance Regulations

C. 378 relative to Fire Insurance, in addition to providing for the new standard policy form, includes the following additions to and alterations of the existing law:

1. Licensed fire insurance companies are prohibited from assuming reinsurance on property in North Carolina from any unlicensed company.[43]

2. Limitations are placed on the size of any risk which a licensed company may assume.[44]

3. Former statutory provisions[45] which permitted citizens of North Carolina to purchase fire insurance coverage from companies not licensed to do business in the state, are revised to apply to casualty coverages as well as fire insurance.[46] An applicant who insists on purchasing insurance from an unlicensed company must satisfy the Commissioner that such insurance cannot be procured in a licensed company in North Carolina, and the Commissioner may issue a restricted license on the basis of the application and payment of a fee of $20. Before receiving the license, the applicant must file a $1,000 bond that he will comply

[41] Comment, *supra*, note 37, at 78.
[42] C. 378, §1 (17), §58-178.
[43] C. 378, §1 (3), §58-162.
[44] C. 378, §1 (4), §58-162.1.
[45] N. C. Gen. Stat. (1943) §§58-165 to 58-167.
[46] C. 378, §1 (7), §§58-53.1 to 58-53.3.

with all requirements of these sections, including a sworn statement of premiums charged for such insurance and the payment of a five percent gross premium tax thereon. Thus the state on the one hand provides for the citizen whose needs are not met by licensed companies and on the other hand protects those companies and the interest of the public by requiring a license and payment of the gross premium tax.

Accident and Health Insurance

C. 385 reenacts the present statutory provisions[47] relative to accident and health insurance with certain modifications intended to enlarge the rights of the insured and to restrict the opportunities of the insurer to escape liability. The chief change is the addition of two optional standard provisions affecting the liability of the insurer because of the insured's (a) violation of law or (b) use of intoxicating liquor or narcotics.[48]

New sections define industrial sick benefit insurance, blanket accident and health insurance and group accident and health insurance.[49] Standard provisions and appropriate restrictions applicable to each type of insurance are provided, and all policy forms must be filed with and approved by the Insurance Commissioner.[50]

Life Insurance

The most important change in respect to life insurance is found in the new Standard Valuation Law[51] and the new Standard Non-Forfeiture Law.[52] These are known as the "Guertin bill," recommended for adoption by the National Association of Insurance Commissioners after a five-year study by its special committee of experts. In 1943, fourteen states adopted the Guertin bill. It is obvious that the nation-wide character of the life insurance business calls for uniform enactment of this standard law. Companies will have to prepare new policy forms, and the work involved in changing over to new forms will take time. For this reason, the operative date of the Guertin bill was January 1, 1948. North Carolina extended this compulsory operative date two years longer or until January 1, 1950. Any company may elect to comply with the new standard law at any time prior to the operative date by filing notice with the Insurance Commissioner specifying an operative date for that company. As the big companies change over to the Guertin plan, they will probably want to use the same policy forms in all states in which they do business.

[47] N. C. Gen. Stat. (1943) §§58-249 to 58-254.
[48] C. 385, §§1 (3) and (4), §58-253, subsecs. 6 and 7.
[49] C. 385, §1 (5), §§58-254.1 to 58-254.4.
[50] C. 385, §1 (5), §58-254.5.
[51] C. 379, §1 (6), §58-201.1.
[52] C. 379, §1 (7), §58-201.2.

Existing laws use antiquated mortality tables; in North Carolina, the American Experience Table compiled in 1868.[53] Due to the great improvement in mortality since then, especially at younger ages, the old tables are no longer adequate in fixing minimum guaranteed benefits for individual policyholders. There is public dissatisfaction with the use of these outmoded mortality tables. Therefore, the new law requires the use of modern mortality tables in calculating (1) the aggregate liability on account of all a company's policies issued after the operative date (Standard Valuation Law) and (2) in determining the cash surrender values and non-forfeiture benefits which a company must guarantee under each policy of ordinary life or industrial life insurance (Standard Non-Forfeiture Law). The Commissioners 1941 Standard Mortality Tables for ordinary life and for industrial life insurance are specified.[54] In a separate section, not in the Guertin bill, the General Assembly defines industrial life insurance as that form of life insurance under which premiums are paid (1) weekly or (2) monthly or oftener, if the amount of insurance is less than one thousand dollars.[55]

While the new valuation law will not increase aggregate reserve liabilities more than two or three percent for the average company, such reserves will vary considerably from the present basis by ages and plans. The new non-forfeiture law provides minimum values to the policyholder in the event of a lapse of his policy and provides a formula which will give more equitable values at various ages and for various plans of insurance.

The purpose of non-forfeiture laws is to secure to the insured what the excess of premiums paid over cost and expense properly attributable to carrying insurance to the date of lapse will purchase in the form of paid-up or extended insurance and also to give the insured the net value of the policy after default. Moreover, the insured should be able to tell from an examination of the policy exactly what he has in the line of protection.

The actuarial formulas set out in the Guertin bill are difficult to understand or explain, but if they accomplish what is expected, polices issued in the future should more scientifically and more nearly reflect current mortality, interest rates and expense. The North Carolina law not only gives the companies an additional two years to conform but relieves companies of liability for paid-up non-forfeiture benefits unless "premiums have been paid for at least one full year in the case of ordinary insurance or three full years in the case of industrial insurance."[56] The original Guertin bill required such benefits as soon as they accrued,

[53] N. C. GEN. STAT. (1943) §8-46.
[54] C. 379, §1 (6), §58-201.1, subsecs. 3 (a) and (b).
[55] C. 379, §1 (2), §58-195.1.
[56] C. 379, §1 (7), §58-201.2, subsec. 2 (a).

which might be sooner than provided by the above section of the North Carolina law. To that extent, it affects policyholders adversely in case of earlier lapse. It is possible that companies may not insist upon this provision because of the desirability of offering the same policies at the same rates wherever they operate. With these minor modifications, North Carolina now has adopted the Standard Valuation Law and the Standard Non-Forfeiture Law as recommended by the National Conference of Insurance Commissioners. It is a modern, scientific and fair method of protecting policyholders in case of lapse or default and in many cases, larger withdrawal benefits will be guaranteed than present policies provide.

ORGANIZATION AND REGULATION OF INSURANCE COMPANIES[57]

1. *Kinds of insurance*

Under the previously existing law in North Carolina, the organization of insurance companies might be "for any one of the following purposes."[58] Then followed definitions of sixteen kinds of insurance, such as "fire and storm," "marine," "life," "accident," etc., which companies might be established to engage in. Domestic multiple line insurance companies were thus prohibited. However, a foreign insurance company might be admitted to North Carolina to write multiple lines, if authorized to do so by its own charter and if it provided the capital requirements of similar domestic companies and an additional capital of $50,000 for each additional line.

The old definitions of classes of insurance were incomplete and out-of-date and are repealed. A new section defines twenty-one different kinds of insurance which may hereafter be authorized in North Carolina.[59] These definitions are borrowed from the New York Insurance Code.[60] They are clear, accurate and comprehensive and could scarcely be improved upon. North Carolina adds as a twenty-second kind "Miscellaneous insurance," meaning insurance against any other casualty authorized by the charter of the company but not included in the twenty-one kinds of insurance previously defined.[61] With the growing demands for protection against new risks which may develop with technological advances, this addition to the New York definitions appears to be desirable.

2. *Capital and surplus requirements*

Following these definitions are detailed requirements for the organization of new insurance companies to engage in the various kinds of insurance as defined. These requirements relate to the amount of capital

[57] C. 386.
[58] N. C. GEN. STAT. (1943) §58-72.
[59] C. 386, §1 (1), §58-72.
[60] N. Y. INS. LAW, §46.
[61] C. 386, §1 (1), §58-72, subsec. 22.

and surplus for stock companies and the amount of surplus for mutual companies required for engaging in one or more of the specified kinds of insurance.[62] For example, a life insurance company may engage in the business of life insurance as defined in Subsection 1 and also the business of annuities as defined in Subsection 2 and in accident and health insurance as defined in Subsection 3 of the section defining kinds of insurance.[63] For each type of insurance company there is reference by number to the subsections defining kinds of insurance which such a company may engage in. Minimum capital and surplus requirements vary with the number of lines of insurance which a company proposes to sell. But (1) life, (2) fire and marine, and (3) casualty insurance are kept separate, and no company may engage in more than one of these classes of business. To this extent, the carrying of multiple lines by the same company is prohibited. But existing companies, domestic or foreign, authorized to do business in North Carolina on January 1, 1945, shall be permitted to continue to do the same kinds of business authorized to be done on that date without being required to increase capital and/or surplus,[64] and any foreign or alien insurance company licensed to do the business of life insurance in this state continuously for the preceding twenty years may continue to be licensed, in the discretion of the Commissioner, to do the kinds of business which it is presently authorized to do.[65] This provision will permit some of the Connecticut companies which write multiple lines to continue to do so. Reference to the law is necessary to understand the detailed requirements for both stock and mutual companies engaging in the different kinds of insurance business.

Foreign or alien companies seeking admission to North Carolina must comply with the above requirements for domestic companies writing the same kinds of business as to the requirements for fully paid-up and unimpaired capital in case of stock companies and free surplus in case of mutuals. This is an improvement over the former statute and puts domestic and foreign companies on the same basis. Insurance companies must be maintained in a sound financial condition, and the legislature must provide satisfactory and adequate standards of solvency to accomplish this. Without such standards to guarantee solvency, the Insurance Commissioner would be unable to protect North Carolina policyholders against the danger of an unsound company.

It might be pointed out that the amounts of capital and/or surplus required for the various kinds of insurance companies have been gen-

[62] C. 386, §1 (2), §58-77.
[63] C. 386, §1 (2), §58-77, subsec. 1 for stock companies and subsec. 2 for mutual companies.
[64] C. 386, §1 (2), §58-77, subsec. 9.
[65] C. 384, §1 (3), §58-151.

erally increased. But if we consider the fact that the old law was adopted over thirty years ago, it might well be argued that a $50,000 required capital or surplus then would have been more difficult to raise than two or three times that amount at present. Also the new law permits a number of lines of insurance to be written for a lump sum, which may be actually less than under the old law, when each additional line called for an increase in capital or surplus of $50,000.

Foreign and alien fire and casualty companies, both stock and mutual, must also make deposits of cash or securities upon admission to do business in North Carolina, and the Commissioner is authorized to require deposits in excess of the statutory amounts when in his opinion such is necessary for the protection of the public interest. While the old law required the actual deposit of specified securities, the new law permits a company in lieu of such deposit to file a surety bond executed by a company licensed to do business in North Carolina.[66]

3. *Investments*

Limitations on the investment of the funds of insurance companies are of the utmost importance for the protection of policyholders. North Carolina had only a few requirements applicable to the investment of the first hundred thousand dollars of capital of domestic companies. Beyond that any investments approved by the Commissioner might be made. This put an impossible burden on the Commissioner, as the statute furnished no adequate specification of investment standards for his guidance. The old law is repealed, and an entirely new investment law is substituted.[67] Requirements are provided for investments by life insurance companies, on the one hand, and by fire, casualty and miscellaneous insurance companies on the other. Such a distinction is justified, as the investments of fire and casualty companies should be definitely more limited. Loss experience on death claims when spread over a large number of risks shows little variation. Therefore, the danger of insolvency on account of unexpected losses is slight in the case of life insurance companies. But fire and casualty insurance companies are faced with the possibility of greatly increased losses due to public catastrophes or changed economic conditions, so that a large part of their assets must be in liquid, short-term investments, which practically means government bonds. Life insurance companies, however, should have long-term investments to meet the losses anticipated in the distant future, provided they are safeguarded. Thus the investment of the entire reserves of life insurance companies, capital, if any, and minimum required surplus is provided for. There are explicit and detailed restrictions taken largely from the present Maryland investment law.[68] These re-

[66] C. 384, §1 (9), §58-188.8.
[67] C. 386, §1 (4), §58-79.
[68] MD. CODE ANN. (Flack, 1939) art. 48A, §§25, 25A and 25B.

strictions greatly strengthen the existing situation in North Carolina, but the new investment law is still a liberal one from the viewpoint of domestic companies. It will not interfere with sound investment policies.

Foreign and alien companies may be refused a license by the Commissioner, if he finds that the company's investments do not comply in substance with the investment requirements and limitations imposed on domestic companies by the new law.[69] The new requirements will be carefully studied by investment officers of insurance companies but are too detailed and numerous to permit of further comment at this time. Thirty-nine pages of the printed bill are devoted to these investment sections.

4. *Uniform Unauthorized Insurers Act*

A short section of the statutes provided that no action could be maintained in the courts of North Carolina upon any policy of fire insurance issued upon property in this state by any insurer not authorized to do business.[70] For this old section, the new law substitutes the Uniform Unauthorized Insurers Act.[71] This uniform law was approved by the National Conference of Commissioners on Uniform State Laws in 1938 and was adopted by Arkansas and South Dakota in 1939, Louisiana in 1940 and South Carolina in 1943.[72] Whether any states, other than North Carolina, were added to this list in 1945 has not been checked.

The Uniform Act prohibits one from acting as agent in the state for an unlicensed insurer or for any insured in placing insurance with an unauthorized insurer. Certain contracts, such as reinsurance and transportation risks, are excepted. The transaction of business in North Carolina by an unauthorized insurer and the delivery of an insurance policy to an insured person in this state is made equivalent to an appointment by such insurer of the Commissioner of Insurance as process agent.[73] Service of process on such unauthorized insurer is made by leaving two copies of the process with the Commissioner, who shall forward one copy to the unauthorized insurer at its last known principal place of business. This is to be done by registered mail and the Commissioner is to keep proper records.[74]

These provisions of the Uniform Act are clearly modeled on the non-resident motorist service law which provides for substituted service on a non-resident motorist involved in an accident on the highways of

[69] C. 386, §1 (4), §58-79, subsec. IV as to investments for life companies; *id.* §58-79.1, subsec. VII as to investments for fire, casualty and miscellaneous insurance companies.
[70] N. C. GEN. STAT. (1943) §58-164. [71] C. 386, §1 (33), §58-164.
[72] 9 U. L. A. 725 and pocket supp. 102.
[73] C. 386, §1 (33), §58-164, subsec. (e) (1).
[74] C. 386, §1 (33), §58-164, subsec. (e) (2).

the state.[75] The use of the highways as a basis for jurisdiction over a non-resident by substituted service, which was upheld in *Hess* v. *Pawloski*,[76] would appear to justify similar substituted service upon insurers who enter a state to do any insurance business without being licensed or in any way authorized to do so.[77] The notice by registered mail has been held to be a requisite in the non-resident motorist statutes and constitutes due process.[78]

5. *Miscellaneous regulations*

A few other changes may be briefly commented upon:

(a) *Dividends.* A new section gives the Commissioner authority to restrict payment of dividends by North Carolina insurance companies to their stockholders whenever he determines from examination "that the payment of future dividends would impair the financial soundness of the company or be detrimental to its policyholders."[79]

Provisions are also included as to participating or dividend paying companies other than life, which will require fair and equitable treatment of North Carolina policyholders in the payment of dividends.[80]

(b) *Assessments.* A new section provides that no domestic mutual life insurance company shall be organized which provides for any assessment of any policyholder or member in addition to the regular premium charged. No foreign or alien company shall be permitted to do business in this state if it does business on any assessment plan in this state or elsewhere.[81] This does not prevent other kinds of assessment companies from operating in North Carolina as long as they comply with existing statutory requirements[82] and print the words "assessment plan" conspicuously on all applications, circulars or printed matter used and the words "issued upon the assessment plan" in bold type near the top of the front page of every policy issued.[83]

(c) *Reciprocal or Inter-insurance Exchanges.* Since 1913, a section of the insurance law has provided as follows: "Nothing in the general insurance laws except as hereinafter provided and as may specifically apply to such contracts and exchanges, shall be construed to extend to inter-insurance or reciprocal exchanges licensed under this article."[84]

[75] N. C. GEN. STAT. (1943) §§1-105 to 1-107.
[76] 274 U. S. 352, 47 Sup. Ct. 632, 71 L. ed. 1091 (1927).
[77] Doherty v. Goodman, 294 U. S. 623, 55 Sup. Ct. 553, 79 L. ed. 1097 (1935) as to service on non-resident individual carrying on business of selling securities through agents; Stevens, Attorney General v. Television, Inc., 111 N. J. Eq. 306, 162 Atl. 248 (1932); Stoner v. Higginson, 316 Pa. 481, 175 Atl. 527 (1934).
[78] Wuchter v. Pizutti, 276 U. S. 13, 48 Sup. Ct. 259, 72 L. ed. 446 (1928), 6 N. C. L. REV. 481.
[79] C. 386, §1 (10), §58-85.1.
[80] C. 386, §1 (17), §58-97.
[81] C. 386, §1 (26), §58-112.1.
[82] N. C. GEN. STAT. (1943) §§58-105 to 58-112.
[83] C. 386, §1 (23), §58-107.
[84] N. C. GEN. STAT. (1943) §58-148.

This section which excepted reciprocal insurers from the provisions of the general insurance laws is repealed. A new section is adopted[85] which completely reverses the policy of the above section and makes the provisions of the insurance laws relating to all insurers applicable to reciprocals "except as otherwise provided in this article and except where the context otherwise requires." The nature of the business conducted by reciprocal or inter-insurance exchanges raised questions concerning the advisability of the change which was made, but reciprocal insurers are now subject to the insurance laws of North Carolina like any other insurers, and any exceptions to the general application of the law must be specifically provided for.

(d) *Additional or Co-insurer.* No insurer may require the insured to take or maintain additional insurance on the property insured nor make the insured liable as a co-insurer, provided a co-insurance clause may be written in or attached to a policy where the words "co-insurance contract" are properly stamped or overprinted upon the policy form.[86] Thus policyholders are put on notice of the kind of policy issued to them and may consent to accept a co-insurance contract.

(e) *Reserves.* The present section of the statutes concerning reserve funds is replaced by several new sections which clarify and strengthen the requirements as to (1) unearned premium reserves for all companies except life and title insurance,[87] (2) loss reserves of fire and marine companies,[88] and (3) loss and loss expense reserves of casualty and surety companies.[89] The new requirements are detailed and are designed for the attention of company actuaries.

(f) *Limitation of risk.* Two sections[90] limit the amount of single risks which may be assumed by different types of insurance companies. This limitation is fixed at ten percent of the company's policyholders' surplus. Certain exceptions are provided and policyholders' surplus is defined.

(g) *Reinsurance.* A new section gives the Commissioner supervision over contracts of reinsurance and contains other provisions restricting such contracts for the protection of policyholders. The details are for the guidance of the Commissioner as he administers this new section.[91]

Regulation of Agents

A number of amendments to the existing provisions of the North Carolina statutes governing insurance agents have been adopted.[92] Some

[92] C. 458.

[85] C. 386, §1 (29), §58-148. The new section is taken from New York, N. Y. Ins. Law, §423.

[86] C. 377, §1 (1), §58-30.1.

[87] C. 377, §1 (5), §58-35.

[88] C. 377, §1 (5), §58-35.1.

[89] C. 377, §1 (5), §58-35.2.

[90] C. 377, §1 (6), §§58-39.1 and 39.2.

[91] C. 377, §1 (6), §58-39.3.

of them serve merely to clarify the existing law. The following deserve a brief mention:

1. No agent may be licensed whose premium writings for the general public do not exceed those on insurance for himself, members of his family, his employer or employees.[93] This prevents persons becoming licensed as agents in order to write their own insurance or the insurance of their families, employers or employees, and as a result receive preferential treatment over those who buy insurance from real agents. The practice is objectionable as it amounts to rebating the commission. Thus, a corporation might designate a clerk as an insurance agent to write nothing but the corporation's business, or a wealthy man have a member of the family or an employee made an agent to write the family business and nothing else. All such agents, hitherto licensed, are exempted from this change in the law. The test set up by the amendment that a person is not an insurance agent unless more than one-half of his business comes from the public, seems to be reasonable from the viewpoint of protecting the public and bona fide insurance agents.

2. Non-resident *life* insurance agents may be licensed under certain conditions.[94] Residence was previously a prerequisite for all insurance agents, but life insurance has now been excepted from the residence requirement. The countersignature provision of this section is thus applicable to all lines of insurance except life.[95]

3. Non-resident brokers may also be licensed under definite limitations.[96]

4. Resident agents, except life, are prohibited from paying commissions to any non-resident or unlicensed resident agent, except to licensed non-resident brokers who may receive up to fifty percent of the regular commission.[97]

5. Discrimination in the writing of insurance by companies and agents is prohibited.[98]

6. An enlargement of the power of the Commissioner to revoke licenses of companies and agents is provided.[99]

7. Companies with knowledge of an agent's default are required to report the facts promptly to the Commissioner who may then take steps to protect the insurance-buying public against embezzlement by agents. Companies and their officers who make such statements in good faith

[93] C. 458, §1 (2), amending N. C. GEN. STAT. (1943) §58-41.
[94] C. 458, §1 (4), amending N. C. GEN. STAT. (1943) §58-43; *id.* §1 (5), §58-55.
[95] C. 458, §1 (5), §58-44.
[96] C. 458, §1 (5), §58-44.2.
[97] C. 458, §1 (5), §58-44.1. A Virginia statute containing similar provisions was held constitutional in Osborn v. Ozlin, 310 U. S. 53, 60 Sup. Ct. 758, 84 L. ed. 1074 (1940).
[98] C. 458, §1 (5), §58-44.3.
[99] C. 458, §1 (7), §58-44.4.

are given immunity from liability.[100] By thus eliminating the risk of libel suits, companies and their officials should be encouraged to report any defaults of their agents to the Commissioner of Insurance for his action.

THE STATE AS SELF-INSURANT OF ITS PROPERTY

Hitherto in North Carolina, the insurance of some twenty-four million dollars' worth of state buildings and property has been allotted among two to three hundred insurance agents in the state by the Commissioner of Insurance. The rates were fixed by the Commissioner and ranged as much as forty or fifty percent lower than regular commercial rates. It was proposed to the General Assembly that the insurance on state property be let by competitive bidding. This proposal failed in committee, but a more drastic step was taken when the General Assembly approved a bill whereby the state becomes a self-insurant against loss by fire of state-owned buildings and other property.[101] When existing fire insurance policies upon state buildings and property expire, they shall not be renewed. Instead the unexpended appropriations of state departments and institutions for fire insurance premiums for the fiscal year 1944-45 and the appropriation for fire insurance premiums made for the biennium 1945-47 or that may be thereafter made shall be transferred to the "State Property Fire Insurance Fund." This special fund is to be handled as state sinking funds are now handled. The fund is to provide a reserve against loss by fire and the Commissioner of Insurance is to file with the Budget Bureau his estimate of the appropriations which will be necessary to set up and maintain an adequate reserve to protect the state, its departments and institutions and agencies from loss or damage up to fifty percent of the value of the property. In case of total loss, the statute authorizes the Governor and Council of State to transfer funds from the State Property Fire Insurance Fund to the department or institution concerned and in the event there is not sufficient in the sinking fund, then from the Contingency and Emergency Fund and after that from the State Post-War Reserve Fund.

State buildings in recent years have been of fireproof construction, and the risk of a large conflagration is slight. This statute should result in the saving of considerable sums of money to the state and, at the same time, should protect the state's property against risk of loss or damage by fire. It all comes out of taxes under any plan and there is no reason why the state should not save the people as much as pos-

[100] C. 582, §1 (1), §14-96.1, to be inserted after N. C. GEN. STAT. (1943) §14-96, providing for the punishment of embezzlement by insurance agents.
[101] S. B. 359.

sible. Unlike an individual, the state can afford to take such risks, just as some large corporations have become self-insurers.

Taxes Upon Insurance Companies

The *Southeastern Underwriters* case raised doubts as to the validity of state gross premium taxes on insurance companies engaged in interstate commerce when domestic companies were taxed at lower rates or not at all. In North Carolina, a gross premium tax of two and one-half percent was imposed on all companies, except those able to show that fifteen percent of their entire assets was invested in this state, in which case the gross premium tax became three-fourths percent.[102] Since it is obviously impossible for a national insurance company to obtain the advantage of this exception, it was thought that the North Carolina tax might be a discrimination against foreign insurance companies engaged in interstate commerce and therefore of doubtful validity.

The General Assembly rewrote the section of the Revenue law dealing with franchise or privilege taxes on insurance companies and eliminated the above discrimination, imposing a flat two percent gross premium tax on all companies without exception.[103]

A recent United States Supreme Court decision held that a four percent gross premium tax on foreign insurance companies when none was imposed on domestic companies, did not violate the equal protection clause of the Fourteenth Amendment, as a state may exclude foreign corporations and therefore may impose conditions of admission more onerous than those imposed on domestic companies.[104] The question of the effect of the *Southeastern Underwriters* case on this tax was not presented because it was not contended that the Lincoln Life Insurance Company was engaged in interstate commerce. Therefore the question of the validity of such a discriminatory tax where an insurance company is engaged in interstate commerce remains to be determined. The North Carolina legislature acted wisely to eliminate the discrimination, and thus the risk of having the tax declared invalid is avoided. To protect officers and directors of insurance companies against personal liability in case of payment of taxes subsequently held invalid, where payment was not contested, a separate act of the General Assembly provides immunity from any personal liability.[105]

[102] N. C. Gen. Stat. (1943) §105-121. The rate of tax on Workmen's Compensation premiums was fixed at four percent and remains at four percent under the new law.

[103] H. B. 811, §2, §872.

[104] Lincoln National Life Insurance Co. v. Read, 65 Sup. Ct. 1220 (June 11, 1945).

[105] C. 41, §2.

ORGANIZATION OF THE INSURANCE DEPARTMENT

Many important changes have been made in the organization of the Department of Insurance.[106] Amendments of existing laws and new provisions relating to the powers and duties of the Commissioner, the making of rules and regulations, holding hearings and the provision for judicial review of orders and decisions of the Commissioner call for a more extended treatment. THE NORTH CAROLINA LAW REVIEW plans to publish in an early issue next year an article dealing with the administration of the North Carolina Insurance Department. That department, through the Commissioner as executive head, has been given powers adequate to the administration of a modern state insurance law.

PLANS FOR FURTHER REVISION

To continue the study of the insurance laws of North Carolina, the General Assembly authorized the appointment, by the Governor, of a special Commission of twenty members.[107] This Commission is directed to study the various problems presented by the insurance laws of this state and to report its conclusions to the 1947 session of the General Assembly. It is expected that recommendations will be made for further legislation with a view to providing a comprehensive and integrated code of insurance law for North Carolina.

[106] C. 383.
[107] S. B. 373.