

Insurance—Reinsurance.

One insurance company may reinsure the risks of another company, where the original policies remain in force and where provisions are made for the payment of the risks to the insuring company.

January 28th, 1920.

Hon. Geo. P. Porter,
State Auditor,
Helena, Montana.

Dear Sir:

I am returning herewith agreements and resolutions in re reinsurance between Equity Mutual Insurance Company and Equity Mutual Fire Insurance Company

The Montana Equity Mutual Hail and Fire Insurance Company was organized under Sections 4076-4091, Revised Codes of 1907. Under such sections a mutual insurance company could only be formed for the purpose of insuring growing crops against loss or damage by hail, and farm implements by fire. In 1917 the legislature by Chapter 120 amended Section 4076 so as to permit an insurance company, organized under such sections, to also insure farm property against loss or damage by fire or other casualty, and to insure horses, cattle, and other stock against loss or damage by fire or lightning. Thereafter the Montana Equity Mutual Hail and Fire Insurance Company filed amended articles of incorporation changing its name to Equity Mutual Insurance Company, and authorizing it to engage in all lines of business authorized by said Section 4076 as amended by said Chapter 120.

The resolutions and agreements submitted, while somewhat broad in their scope, are evidently intended simply for the purpose of providing for the reinsurance of the risks now held by the Equity Mutual Fire Insurance Company in the Equity Mutual Insurance Company.

From a careful examination of the matter I am of the opinion that the Equity Mutual Fire Insurance Company may lawfully reinsure its risks in the Equity Mutual Insurance Company, and that the Equity Mutual Insurance Company can lawfully reinsure such risks.

It must be borne in mind, however, that the reinsurance of the risks of this one company by the other company does not constitute any merger of the two companies, and that both companies still remain existing companies. The only effect of these arrangements and resolutions is to reinsure the risks, not to merge the two companies. When such risks are reinsured in the Equity Mutual Insurance Company that company must issue to the Equity Mutual Fire Insurance Company policies of reinsurance, and the Equity Mutual Fire Insurance Company must pay to the Equity Mutual Insurance Company the premium or charges for such reinsurance. The original policies of insurance between the Equity Mutual Fire Insurance Company and the insured still remain in full force and effect, and the premiums and charges for such insurance must be paid by the insured to the Equity Mutual Fire Insurance Company. In cases of a loss the Equity Mutual Fire Insurance Company will be liable to the insured for the

amount of the insurance under the original policy, but will be entitled to receive from the Equity Mutual Insurance Company the amount thereof covered by the policy of reinsurance.

With this understanding of the effect of such resolutions and agreements I see no reason why you may not approve the same.

Respectfully,

S. C. FORD,

Attorney General.