

Title 210 - NEBRASKA DEPARTMENT OF INSURANCE

Chapter 3 - CAPITAL STOCK INSURANCE COMPANIES; ISSUE AND SALE OF STOCK; REQUIREMENTS; AGENTS

001. Statutory authority. Pursuant to the authority granted in Sections Neb.Rev.Stat. §44-101.01 R.S. Supp., 1969, §44-208 R.S. 1943, §44-208.03 R.S. 1943, §44-208.04 R.S. 1943, §44-208.06 R.S. 1943, §44-208.07 R.S. 1943 and §44-303 R.S. 1943, the Department of Insurance promulgates the following rule which governs the promotional activities of capital stock insurance companies, including the issue and sale of shares of stock. The term "promotional activities" is held to mean all activities leading up to the issuance of the Certificate of Authority which permits the company to write all lines of insurance authorized by its articles of incorporation.

002. General requirements. All insurance companies subject to this rule are required to make formal application to the Department of Insurance in order to solicit subscriptions for or issue stock in the State of Nebraska. Such application must include a detailed outline of the proposed stock selling campaign. It must also show the par value of shares of stock, the amount to be set aside for the capital stock account, the amount to be set aside for the surplus account, and the approximate amount to be expended for organization and promotion expenses, including agents' commissions. In addition, such companies must comply with the following requirements:

002.01 Copies of all stock certificates, applications, agreements, contracts, receipts, notes, orders, advertising, prospectus, or other forms used, or to be used by the company or its agents for stock selling purposes must be submitted to the Department of Insurance and approved by the Department before being used.

002.02 A copy of the application required by this rule to be filed with the Department of Insurance must be furnished to each subscriber prior to accepting any payment from such subscriber.

002.03 "Organization and promotion expense" including all commissions paid for sale of stock must not exceed 10% of the total monies paid for stock or subscriptions sold.

002.04 The Department will not approve contracts for the payment of commissions on sales of stock which contain provisions for the payment of additional commissions for "establishing the Company in business." All agents' contracts must be in writing and filed with the Department of Insurance.

002.05 All sales of stock must be conducted by the Company and its officers

in their official capacity or by agents especially appointed by the Company and commissioned for that purpose. All applications must run to the company and payments must be made payable to the Company. All payments for stock must be made either in cash or in securities eligible for investment by insurance companies.

002.06 No portion of the amount allocated to the Surplus Account shall be used, either directly or indirectly, for a purpose other than "establishing the Company in business" which is held to mean all company activities subsequent to being licensed to do business such as establishing statutory reasons, appointing agents, establishing agencies, advertising, and soliciting insurance risks, printing, underwriting expenses, and all other work incident to the securing of premium income.

002.07 All books, files, records, accounts and vouchers must be kept, arranged and explained in such manner that the Department Examiners may readily ascertain the specific items actually charged or chargeable to "Organization and Promotion expense" and to the Reserve Account for "establishing the company in business. "

002.08 No person, firm, corporation or co-partnership shall be engaged, employed or authorized to solicit or sell any stock, applications for policies, for membership, for indemnity, or for power of attorney, unless and until such person, firm, corporation or co-partnership obtains, upon written application, authorization from the Department of Insurance. Provided, that the incorporators or directors shall be deemed authorized within the meaning of this rule.

002.09 Applications for Certificates of Authority will be held pending investigation and examination by Department Examiners to determine if this rule and the law governing the organization and promotion of capital stock insurance companies have been complied with.

002.10 Until the expiration of three years after the date the corporation is authorized to do business, shares of stock owned by the original incorporators and by persons engaged in the original stock selling campaign may not be sold or transferred at a price above the original price thereof, without prior approval of the Department of Insurance.

002.11 Except to the extent immediately hereinabove stated, sales and transfers of shares of stock by the record owner or owners of same, are excluded from the operation of the above rules.

002.12 No company, agent or other person shall in any manner represent that

the company, its organization, stock soliciting methods, stock issue, officers or directors are approved or endorsed by the Department of Insurance.

002.13 This rule pertains only to domestic corporations which intend to or do solicit stock subscriptions or sell stock to persons other than the original incorporators.