MUTUAL INSURANCE ASSOCIATIONS IN THE GERMAN SPEAKING COMMUNITIES OF TEXAS

by

Howard A. Brooks
B. S. in Business, University of Kansas, 1926

Submitted to the Department of Economics and the Faculty of the Graduate School of the University of Kansas in partial fulfillment of the requirements for the degree of Master of Business Administration.

Approved by:

[Signatures]

Instructor in charge

Head of Department

December 29, 1931
The prevalence of mutual insurance associations in German speaking communities of Texas is evident even to the most casual observer, but no one outside the membership of such associations seems to have much knowledge of the nature and extent of the organizations. Furthermore there does not seem to be any published record of the work of these organizations.

The following study is an attempt to gather together from different sources the information pertaining to such organizations. The task has been an interesting one, and the spirit of cooperation of the officials of the various organizations has been a positive delight.

Special acknowledgment is due the following persons:

Com. W. A. Tarver and other members of the State Board,

L. F. Niebuhr, Secretary, Germania Mutual Aid Association, Brenham, Texas,

E. Hagens, Secretary, Hochheim Prairie Mutual Fire and Storm Insurance Association, Yoakum, Texas,

Henry Westermann, Secretary, Farmers' Mutual Fire Insurance Association, Bellville, Texas,
H. G. Gips, Secretary, Garfield Mutual Fire and Storm Insurance Association, Yorktown, Texas,

Peter Pfluger, Secretary, German-American Mutual Association in Case of Fire, Lightning, and Storm Damages in Travis and Adjoining Counties, Texas, Round Rock, Texas,

Joe Birkenfeld, Secretary, German Mutual Fire Insurance Association, Nazareth, Texas,

August Triesch, Secretary, Farmers' Mutual Fire Insurance Association of Comal County, New Braunfels, Texas,

Will Kolwes, Secretary, Farmers' Mutual Aid Association of Washington County, Texas, Brenham, Texas,

Hugo Weinheimer, Secretary, Stonewall Mutual Aid Fire Association of Stonewall, Texas, Stonewall, Texas,

Henry Schlottmann, President, Mutual Aid Feed Association of Washington County, Texas, Brenham, Texas,

Fritz Schilo, President, Sons of Hermann, San Antonio, Texas,

Wm. Fellbaum, Secretary, Comfort Mutual Aid Association, Comfort, Texas,

O. B. Schwethelm, Secretary, Kerr County Aid Association, Kerrville, Texas,

August Cameron, Secretary, Gillespie County Mutual Aid Insurance Association, Fredericksburg, Texas,
G. Gibson, Secretary, Protection Mutual Life Insurance Association of Bandera, Texas, Kerrville, Texas,

Rev. C. F. Bohmfalk, Secretary, Christlicher Sterbekasseverein, San Antonio, Texas,

Emil Fischer, Secretary, Neu Braunfelser Gegenseitiger Unterstützungs Verein, New Braunfels, Texas.

Special acknowledgment is also due Professor E. B. Dade for his encouragement during the completion of this work.

Howard A. Brooks

Brenham, Texas,
December 29, 1931
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CHAPTER I

TEXAS AND GERMAN IMMIGRATION

1. Unique Position of Texas

Texas is unique in that it alone of the southern states has a large proportion of persons of German descent in its population. While the population of most of the states below the Mason and Dixon line consists of the descendants of the original colonial stock, Texas has considerable numbers of persons who have immigrated from different European countries, the largest group of these being the Germans. It is estimated that by 1850 the German element numbered 33,000, or about one-fifth of the white population of Texas at that time. The census of 1920 shows that the number of persons in Texas whose parents were born in Germany amounted to 159,219.

2. German Immigration into Texas

German immigration into Texas began practically with the settlement of Industry, Austin County, in 1831. From this as a nucleus settlements increased

1. Tiling, Moritz, German Element in Texas, p. 125.

Tiling, op. cit., p. 17.
uninterruptedly, very slowly at first, more rapidly after Texas won her independence, until the outbreak of the World War.

A. Causes

Immigration into Texas resulted from the same causes that made large numbers leave the fatherland and settle in the various northern states of the United States. The overpopulation of many of the German states at that time made it difficult for large numbers of people to make a living, and this condition was further aggravated by the many political disturbances following the Napoleonic wars. The cheap land and higher wages in America offered a means of relief from the conditions in Europe, and this fact as well as the better future in store for their children, brought many Germans to this country. The industrial revolution also wrought profound changes in the economic conditions of Europe, and the resulting conditions drove many settlers into this country. Immigration was looked upon with great favor by the merchants and manufacturers of the German states as a means

4. Bieselee, op. cit., pp. 2 and 4
of increasing their exports to this country.

The failure of the Revolution of 1848 drove many settlers to this country, and there was an idea held by some that a German state might be created in or erected out of the territory of Texas. Texas drew many German immigrants because of its vast tracts of unsettled land, its productive soil, and mild climate.

B. Two Distinct Types of Immigrants

From the village of Industry as a center, settlements radiated into the surrounding counties. These settlements were made by individual Germans acting on their own initiative and depending on their own efforts. The Germans who began the settlement of West Texas a few years later came largely through the efforts of the Society for the Protection of German Immigrants into Texas (Verein zum Schutze deutscher Einwanderer in Texas).

C. The Racial Solidarity of the German Groups

The Germans in Texas settled in groups or communities and have clung quite persistently to their language and customs. In the past they have shown a degree of

10. Bieseley, op. cit., p. 44.
solidarity that is perhaps not equaled in any other part of the country. This is probably due to several conditions incident to their settlement of Texas.

It has been charged that the government of the Republic of Texas deliberately placed the German settlers in groups along the frontier to act as a sort of "buffer state" between the Indians and the colonists of English-speaking stock. The German settler, on the whole, was not cordially received by the slave owning American. The Germans were almost to a man opposed to slavery, and the German thrift and industry was a constant reproach and threat to the slaveholder's manner of living. Under such circumstances the early German settlers were probably forced to cling rather closely together for mutual support.

D. Contribution of the German Settlers to the Development of the State.

By their thrift and industry the German settlers subdued the wilderness and established fertile farms. Their influence has been felt in many ways in the state. At the present time we find among the leaders in agri-

cultural, business, political, educational, and religious circles the descendants of these original German settlers. Gradually they are ceasing to think of themselves as Germans, but as Texans and Americans.
CHAPTER II

PROPERTY INSURANCE ASSOCIATIONS

1. Incorporated

All the mutual insurance associations that are incorporated and under the supervision of the State Department of Insurance are listed under the caption, "County Mutual Fire Insurance Associations of Texas." An examination, however, of the respective constitutions of these societies reveals that they are divided into two classes; viz., those doing business on a state-wide scale, and those that confine their operations to one county and, perhaps, the adjoining counties.

A. Associations with State-wide Jurisdiction

There are two companies that carry on operations on a state-wide scale; viz., the Germania Mutual Aid Association (Germania Gegenseitiger Unterstützungs-Verein), and the Hochheim Prairie Mutual Fire and Storm Insurance Association (Hochheim Prairie Gegenseitige Feuer- und Sturm-Versicherungs-Gesellschaft).

The Germania (to abbreviate the name) has a membership of 11,227, organized into 20 districts and 170 local chapters, and with a total insurance in force of $32,886,252.00. The Hochheim Prairie has a total mem-

1. Protokol der Vierunddreissigten Regelmässigen Sitzung des Direktoriums des Germania Gegenseitigen Unterstützungs-Vereins zu Brenham, Texas, Juli 8 und 9, 1930, pp. 17 and 46. This document will hereafter be referred to as Germania, Protokol, 1930.
bership of 5,772, organized into 31 branches, with a total insurance in force of $10,159,140.00. The Hochheim Prairie was organized in 1892 and the Germania in 1896.

(1) General Characteristics

a. Membership

The privilege of carrying insurance in each of these associations is based on membership. In other words, no property can be insured unless the owner is accepted for membership into the society. To be eligible for membership in the Germania, one "must be an honest, moral, sober, German-speaking inhabitant of the State of Texas and a believer in and inclined to the Christian religion." "Persons of Caucasian descent only" are eligible for membership in the Hochheim Prairie. The records of both the Germania and the Hochheim Prairie are required to be kept in English, but the business language of the Hochheim Prai-


rie is required to be German.

b. **Organization and Control**

The control of each society rests in its membership, each of which is entitled to one vote. The general affairs of the associations are controlled by a general assembly. The general assembly of the Germania, or Supreme Chapter, as it is called in the constitution, is composed of one delegate from each district and two delegates at large elected by the group of delegates, the two latter becoming president and vice-president respectively. The officers of the Supreme Chapter are known as the Cabinet of the association, and the district delegates constitute the board of directors.

The Hochheim Prairie General Assembly (General-Versammlung) is composed of delegates elected by its branches, one delegate for every 100 members or major fractions thereof. The General Assembly elects the board of directors, who are required to be members of the trunk society (Stamm-Verein) at Yoakum. The board of directors elects from its number the general

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5. *Germania, Constitution, Art. XV.*

Hochheim Prairie, Statutes, Sec. 4.

6. *Germania, Constitution, Art. XVI.* Not definitely stated in the Statutes of Hochheim Prairie, but may be inferred from context.

7. *Germania, Constitution, Arts. III, IV, and VII.*
officers of the association, who are known as grand officers. In the Germania any member is eligible to be elected to any general office of the association.

The general assembly of each association meets in regular annual session, and may meet at the call of the president.

Amendments to the constitution of the Germania may be submitted to the membership through its local chapters by a two-thirds vote of the Supreme Chapter, or may be submitted on a petition of 500 members of the society. Two-thirds of all members voting are necessary to carry an amendment. Amendments to the Statutes of the Hochheim Prairie are made by a two-thirds majority of the General Assembly. All proposed amendments, however, must be indorsed in writing by at least 20 members of the society.

c. Nature of Risk Assumed

Both associations insure dwellings, outhouses, furniture, grain, seed, feed, and implements; and in

8. Hochheim Prairie, Statutes, Arts. 3 and 15.
   Hochheim Prairie, Statutes, Art. 2, Secs. 1 and 4.
11. Germania, Constitution, Art. XX.
addition the Germania insures churches, school buildings, clothing, and live stock. The Germania divides its risks into country property and city property. The Hochheim Prairie insures only country property. The Germania insures against fire, storm, or lightning; the Hochheim Prairie against fire and storm.

Both associations allow insurance to the extent of two-thirds of the appraised value of the property. Both have limits on the valuation that will be allowed on a single piece of property. The Germania will not enroll property, real or personal, contained on an area of 100 by 150 feet for a greater sum than $5,500.00. The Hochheim Prairie will not accept a value on a single house greater than $2,500.00. The Germania allows its members to insure the excess valuation in other companies provided the total amount of insurance does not exceed two-thirds of the appraised value of the property in question. The Hochheim Prairie does not allow its members to carry insurance in any other company on any piece of property enrolled with it.

13. Germania, Constitution, Art. II.
Hochheim Prairie, Statutes, Art. 11, Sec. 1.
15. Hochheim Prairie, Statutes, Art. 4.
d. Enrollment of Property

"Enrollment of property" is the term applied by both associations to the insuring of property of their members. Any one wishing to insure property must make application for membership to the local chapter of society in whose territory he resides. The local society then sends an appraising committee to examine the property in question. After the committee has appraised the property and reported favorably, and the report has been adopted by the local chapter, the insurance becomes effective immediately in the Germania. In the Hochheim Prairie, after the local society has acted favorably, the risk must be accepted by the Grand Board of directors at Yoakum before the insurance becomes effective.

Admission fees are charged by both societies. The Germania charges a flat fee of $5.00 if the member wishes to insure buildings. If he wishes to insure personal property only, the fee is $2.50. The Hochheim Prairie charges an admission fee of $1.00 for each $100.00 of insurance. There is a further registration fee of 10 cents for each house, 10 cents for

Hochheim Prairie, Statutes, Art. 4.
17. Germania, Constitution, Art. VI, Par. 3.
the contents, and 10 cents for the statute book. The Hochheim Prairie also requires an additional fee of 10 cents for each house and 5 cents for each outbuilding for metal numbers, which must be affixed to the buildings in order to validate the insurance. In both associations after the risk is accepted, a certificate of insurance is issued by the general officers. In the Germania the certificate expires unconditionally in five years, at which time enrollment must be made again. In the Hochheim Prairie Property is subject to reinspection every five years.

e. Losses and Their Payment

In case of loss sustained by a member, the proceedings are the same in both associations. The member sustaining the loss is required to report it immediately to the secretary of his local chapter or branch. The loss must be inspected by a committee from the local body, and its findings are sent to the general officers of the society, who make settlement of the claim in accordance with the report of the committee. In the Hochheim Prairie if a member is dissatisfied with the

18. Hochheim Prairie, Statutes, Art. 5; Art. 7, Sec. 3.

Hochheim Prairie, Statutes, Art. 11.
award of the committee, he may ask for another committee. In this case the dissatisfied person appoints one member of the committee, the local president appoints another, and these two members choose a third. The decision of this second committee is then binding on the association.

f. Finances

The finances of the associations are raised by initiation fees and by assessments. Each of the associations has two separate funds; one for the payment of officers' salaries and other administrative expenses, termed the Administration Fund in the Hochheim Prairie and the General Fund in the Germania; and one from which losses are paid, called the General Fund in the Hochheim Prairie and the Relief Fund in the Germania. It is the policy of both associations to keep a part of their insurance fund permanently invested. In the Hochheim Prairie the Administration Fund is maintained by an annual contribution by each member of 10 cents on each $100.00 of insurance carried by him; and, if necessary, an extra assessment may be made for that purpose. The corresponding fund in the Germania is made up from initiation fees and a part of each regular assessment.

designated for that purpose. In the Hochheim Prairie the insurance fund is made up from initiation fees and assessments; in the Germania, from assessments alone.

It is the policy of both associations to make annual assessments. In the Germania the assessment is made at a rate that is estimated will be sufficient to pay the losses of the following year, plus the administration expenses. The assessment levy October 1, 1929, amounted to 36 cents on each $100.00 of insurance. Of this 33 cents went into the relief fund, or insurance fund, and 3 cents into the general fund. The rule of the Hochheim Prairie is to maintain its insurance fund at a level of $1.00 for each $100.00 of insurance in force, and whatever rate is required to bring the fund up to that figure is the amount decided upon. The 1929 assessment of the Hochheim Prairie was at the rate of 25 cents on each $100.00 of insurance.

After an assessment is made it becomes the duty of each member to pay it immediately. In the Germania it is required that the member pay the amount of his

Germania, Constitution, Art. IX, By-Laws, Art. III.
25. Hochheim Prairie, Statutes, Art. 12, Sec. 2.
assessment within 30 days to the treasurer of the local chapter, who must remit to the general secretary within 60 days. Should the member fail to pay within 30 days a penalty of 10 per cent is added to the assessment. The member then becomes liable to be sued and may be suspended. If the assessment is not paid within 60 days the member is expelled from the association. In the Hochheim Prairie if the assessment is not paid within 30 days, the insurance of the delinquent member is suspended, but may be reinstated upon payment of a fine of 50 cents; if not paid within 60 days, the insurance is canceled.

In the Germania the general officers are paid as follows: president (a full time officer), 25 cents a member a year; vice-president, $200.00 a year; secretary and assistants (full time), 55 cents a member a year; treasurer, $500.00 a year; counsellor (legal adviser), $1,000.00 a year. In the Hochheim Prairie the president receives $600.00 a year; the treasurer, $600.00 a year; and the secretary, $1,800.00 a year.

The officers responsible for handling the finances are required to be bonded.

28. Hochheim Prairie, Statutes, Art. 12, Sec. 4.
29. Germania, Protokol, 1930, p. 64.
s. Expansion

Since the associations are non-profit making organizations, advertising for business is not a part of their program. Since the cost of insurance is low, the problem of securing new members presents no difficulty. The societies began with a single group and after they grew larger and covered more territory so that it became difficult for all their members to come together into one meeting place, other groups were formed. When the number of these groups, as in the case of the Ger-

mania, became so great that representatives from them formed too large a body, districts were formed; and re-

presentation in the general meeting was placed on the basis of districts. As stated before, the associations have no advertising expense, and they have no paid so-

licitors.
B. Associations with County-Wide Jurisdiction

There are four associations doing business on a county-wide basis; viz., The Farmers' Mutual Fire Insurance Association of Austin County, Texas, organized in 1903; The Garfield Mutual Fire and Storm Association of Dewitt County, Texas, organized in 1896; The German-American Mutual Association in Case of Fire, Lightning and Storm Damages in Travis and Adjoining Counties, Texas, organized in 1891; and The German Mutual Fire Insurance Association, Nazareth, Texas, organized in 1911. For the sake of brevity, these associations will hereafter be referred to respectively as Farmers' Mutual, Garfield Mutual, German-American Mutual, and German Mutual.

Of these associations the Farmers' Mutual and the German Mutual limit their membership to residents of the county. The German-American Mutual limits its members to residents of Travis and adjoining counties.

32. Constitution, Rules and Regulations of the Farmers' Mutual Fire Insurance Association of Austin County, Texas, Art. III. Hereafter referred to as Austin County Mutual Constitution.

Constitution and By-Laws of the German Mutual Fire Insurance Association, Nazareth, Texas, Art. V. Hereafter referred to as German Mutual Constitution.

The Garfield Mutual limits its members to "this part" of Texas.

(1) General Characteristics

a. Membership

The Farmers' Mutual does not lay down any requirements for membership. It was organized, however, by German speaking farmers, and the present secretary can write easily only the German language. The German Mutual allows "any farmer in Castro County" to become a member provided he does not live in an incorporated town. The German-American Mutual limits its membership to "German-Americans and their descendants that are able to understand the discussions in the German language" and who are residents of Travis and adjoining counties. The Garfield Mutual allows "every farmer of Caucasian descent" to become a member. The Garfield Mutual and the German-American make German the official language of the association and require the secretary


35. Letter from Henry Westermann, Secretary, Bellville, Texas, to writer under date of February 4, 1931.

36. Farmers' Mutual Const., Art. V.


38. Garfield Mutual, By-Laws, Art. I, Sec. 3.
to keep the records in that language. The Garfield Mutual, however, provides that its benefit certificates (policies) shall be made out in English. The Farmers' Mutual and the German Mutual make no language requirement of any kind.

b. Organization and Control

The scheme of organization and control of three of these associations is similar to that of the associations with a state-wide jurisdiction; i.e., the associations are divided into groups or branches and are represented by delegates in the general meeting, which is held annually in all the associations except the Farmers' Mutual, in which it is held semi-annually. The German Mutual is not divided into groups.

The affairs of the associations are managed by officers and directors elected annually. The officers common to all the associations are president, vice-president, secretary, and treasurer. In the Garfield Mutual the annual meeting elects a board of directors consisting of seven members, and this group elects the officers from among their own number. In the Farmers' Mutual the

   German-American Mutual, Laws, Art. I, Par. 3; Art. III, Par. 3.
41. Farmers' Mutual, Const., Art. IX.
   German-American Mutual, Laws, Art. 8, Pars. 1, 6, and 7.
officers are also the board of directors. The other two associations elect, in addition to the officers, a board of directors consisting of three members. The German Mutual elects one member of its board of directors each year for a term of three years.

Two of the associations state definitely that each member is entitled to one vote. The constitutions of the other two do not state definitely the privilege of their members in this regard. The law, however, requires that the final authority shall rest in the membership, but provides several bases for votes.

c. Nature of Risk Assumed

The nature of risk assumed is stated rather in-

42. Farmers' Mutual, Const., Art. V.
Garfield Mutual, By-Laws, Art. II.
German-American Mutual, Laws, Art. 2.
German Mutual, Const., Art. 2.

43. Garfield Mutual, By-Laws, Art. VIII, Sec. 4; Art. I, Sec. 4.

44. See Appendix A, p.

45. Farmers' Mutual, Const., Arts. II, XII, and XIII.
Garfield Mutual, By-Laws, Art. I, Sec. 2; Arts. VII, IX, and XI.
German-American Mutual, Laws, Arts. 6-7.
German Mutual, Const., Arts. 1, 4, and 11.
definitely in the constitutions of most of the associations, and in some cases is stated negatively rather than positively. The Farmers' Mutual bars vacant buildings, stores, cotton gins, sorghum presses, all farm products, and "all buildings which are located in close proximity to fire traps and exposed to danger of fire." "Schoolhouses, churches, and halls being indispensable to the public may be insured at the rate of $1.10 on each $100.00 insured." The risk in this association is insured against fire and lightning. No property appraised at more than $6,000.00 is accepted, and the risk is insured for 50 per cent of its appraised value.

The Garfield Mutual insures "buildings of the farmers." The buildings must be in the country, and can not be near a city if the adjoining property has been laid out into lots. The risk is insured against fire and storm. No dwellings are insured for more than $2,000.00 and no outbuildings for more than $1,000.00. Insurance is not issued for a greater amount than the material value of the building.

The German-American divides its risks into first, second, and third classes. A first-class risk is defined as a dwelling that is 80 feet or more from any other dwelling or from barns. A second-class risk is a dwelling that is from 60 to 80 feet from any
other dwelling or from barns. A third-class risk is one in which the distance is reduced to from 30 to 60 feet. When assessments are made, the second-class risk pays 150 per cent of the first; the third-class, 200 per cent.

Houses must be at least 300 feet from buildings in which "fire-dangerous" (inflammable) substances are manufactured, and in which steam engines or wood-working machinery is used. "Movable property" can be insured, and is in the same class as the building in which it is located.

Corn and grain may be insured in the second class; "cotton and roughness," in the third class. "Corn and cotton seed may be insured from the first day of October to the thirty-first day of September;" grain and hay from the first of July to the fifteenth of the following July.

 Implements valued at less than $10.00 are not accepted. Neither are "ware-houses, valuable papers, gold and silver, jewelry and cotton."

Incubators may not be used in insured buildings.

"Public buildings, such as churches, schoolhouses, and the like" are accepted as risks if owned by German-Americans and "one of the trustees has a vote in the meeting."

No risks are accepted in cities and towns that are laid out in building lots.

Each member is required to have at each separate risk a ladder long enough to reach the roofs of the buildings, and a firehook with a handle 12 feet long.

The risks are insured at three-fourths of their appraised value against damages by fire, lightning, and storm.

The German Mutual accepts "buildings, household goods, grain in stack or granary." Town property is not accepted unless it is more than 200 feet from any other building. The association will not pay for damages that occur from incubators or brooders, nor for fires that may have resulted from the use of gasoline or kerosene in kindling fires.

The risks are insured for three-fourths of their appraised value.

Three of the associations insure for a term of five years; the By-Laws of the Garfield Mutual do not

47. It might be said in this connection that German villages and small towns in Texas have usually "just grown up." In many cases they do not seem to have been plotted or planned.
specify any term for which the risk is accepted.

Three of the associations have the requirement that property insured in the association may not be insured in any other company. The Garfield Mutual provides that no one can be a member who has insurance in any other association or company.

49.

d. Enrollment of property

In all the associations the proceedings for enrolling property are very similar to those of the state-wide mutuals. Application is made by the member or prospective member; the property is viewed by an appraising committee; and, on their favorable report, the risk is assumed by the association.

48. Farmers' Mutual, Const., Art. IV, Sec. 4.
    German-American Mutual, Laws, Art. VII, Par. 1.
    German Mutual, Const., Art. 1.
49. Farmers' Mutual, Const., Art. XVI.
    Garfield Mutual, By-Laws, Art. XIV, Par. 2.
    German-American Mutual, Laws, Art. 4, Par. 14.
    German Mutual, Const., Art. 6.
50. Farmers' Mutual, Const., Art. IV.
    Garfield Mutual, By-Laws, Art. IX.
    German-American Mutual, Laws, Art. 4.
    German Mutual, Const., Art. 3.
e. Losses and Their Payment

The procedure in this case is the same in all the associations. The member suffering the loss must report the fact to the association or to his local group, appraisers view the damage and estimate the loss, the report is sent to the secretary, and settlement is made by the treasurer.

f. Finances

All the associations have two funds. One arises from the payment of entrance fees, the other from assessments. The Farmers' Mutual collects 50 cents on each $100.00 of insurance and puts this into its "reserve fund." The general meeting decides how much of this is to be kept intact and permanently invested. The fund for the payment of fire losses is made up

51. Farmers' Mutual, Const., Art. XIV.
    Garfield Mutual, By-Laws, Art. X.
    German-American Mutual, Laws, Art. 6.
    German Mutual, Const., Art. 3V, Sec. 1

52. Farmers' Mutual, Const., Art. IV, Sec. 1; Art. X, Sec. 1; Art. XIV, Sec. 2.
    Garfield Mutual, By-Laws, Art. VII, Sec. 4; Art. X, Secs. 4, 5; Art. XIII.
    German-American Mutual, Laws, Art. 6, Par. 5; Art. 7, Par. 11.
    German Mutual, Const., Arts. 7 and 8.
from assessments.

The Garfield Mutual also maintains a "reserve fund" from the entrance fees of $1.00 on the $100.00 of insurance. This fund is kept intact and invested. The interest from this fund is paid into the current fund, which is largely made up from assessments, and from which both the running expenses and losses of the association are paid.

The German-American Mutual prohibits surplus funds. As losses occur, assessments are made; for running expenses the directors may levy a special assessment of five cents on each $100.00 valuation of insurance.

The German Mutual collects an entrance fee of 30 cents on the $100.00 valuation for running expenses. It levies assessments for the payment of losses and apparently does not have a permanently invested fund.

Two of the associations have no stated provisions as to procedure in case of non-payment of assessments. The Garfield Mutual provides that in case a member does not pay his assessment within 30 days, he shall be suspended for the next 30 days. During that time he may be reinstated on payment of the assessment together with a fine of 50 cents. Otherwise he is dropped from the membership roll.

The German-American Mutual requires the assessment
to be paid within 15 days; and "should any one be tardy or refuse to pay, then his part shall be collected through the court, and he must pay all costs of suit and reasonable attorney's fees, and then be expelled from the Association."

In all these associations the officers serve practically without pay; nominal fees are paid, usually only to the secretary and the treasurer. A per diem is usually paid the appraisers for viewing risks and losses.

All the associations require that the treasurer be bonded.

6. New Business

As is the case with the state-wide mutuals, no advertising is done, and no active solicitation is carried on for new business. The initiative comes from the prospective member.
2. **Unincorporated**

There are two general classes of unincorporated insurance associations, general property insurance associations and feed insurance associations.

A. **General Property**

There are three unincorporated general property insurance associations in the state: The Farmers' Mutual Fire Insurance Association of Comal County; The Farmers' Mutual Aid Association of Washington County, Texas; and The Stonewall Mutual Aid Fire Association of Stonewall, Texas. These will hereafter be referred to respectively as the Comal County Mutual, The Washington County Mutual, and the Stonewall Mutual.

The Comal County Mutual was organized in 1889. It has a membership of 2,440 and property insured to the amount of $4,750,000.00. This association takes the city of New Braunfels as its center and does not accept risks outside of a radius of 40 miles from it.

The Washington County Mutual was organized in 1895. It has a membership of 1103, and insurance in force to the amount of $2,587,177.00. Its field of operation is Washington and adjoining counties.

53. Letter from August Triesch, Secretary, May 2, 1931.

54. Statutes of the Farmers' Mutual Fire Insurance Association of Comal County, Paragraph 3. Hereafter referred to as Comal County Mutual, Statutes.

55. Writer's notes taken at annual meeting of Association held at Prairie Hill, Texas, June 2, 1931.
The Stonewall Mutual has a membership of 216 and insurance in force to the amount of $556,340.00. Its field of operation lies within the territory within a radius of 15 miles from the Stonewall schoolhouse.

(1) General Characteristics

In the words of one of the secretaries, "Affairs are conducted in a very simple and plain manner." The constitutions and by-laws are very simply stated, and perhaps do not adequately state the activities of the associations.

a. Membership

The Comal County Mutual makes no statement of the requirements for membership. It was organized, however, by farmers and is still managed by farmers. Its Statutes are published in both German and English, and its officers all bear German names.

The Washington County Mutual Constitution states that "any one can become a member by having his property insured according to the rules and regulations of this association, subscribing to this constitution and

56. Letter from Hugo Weinheimer, Secretary, to writer under date of August 21, 1931.

57. Constitution and By-Laws of the Stonewall Mutual Aid Fire Association of Stonewall, Texas, Par. 1. Hereafter referred to as Stonewall Mutual, Constitution.

58. August Triesch, Secretary, letter of May 2, 1931.
pays his dues promptly." In the new constitution proposed for adoption on June 2, 1931, this statement is changed to read, "Any white person can become a member, etc." All the officers of the Washington County Mutual have German names.

Any farmer residing within 15 miles of the Stonewall schoolhouse is eligible to membership in the Stonewall Mutual. "Widows and minors shall be equally entitled to all privileges in this association."

None of the associations makes any requirement as to language. The new constitution of the Washington County Mutual makes the English language the official language of the association.

b. Organization and Control

In all three associations each member has one vote. At a general meeting of the membership, held annually, the governing body of the association is elected. The Comal County Mutual elects eleven directors, and they


60. Writer's notes of annual meeting.

61. Stonewall Mutual, Constitution, Pars. 1 and 3.

62. Writer's notes.

63. Comal Co. Mutual, Statutes, Pars. 18, 22, 23, 25.

Stonewall Mutual, Const., Pars. 9, 11, 12, 16, 19, 20.

Washington Co. Mutual, Const., Arts. 4 and 5.
in turn elect from their own number the president, secretary, and treasurer of the association. The Washington County Mutual elects an Executive Board of six, three of whom are president, secretary, and treasurer, the other three being called commissioners.

The Stonewall Mutual elects a board of nine members, who elect from their own number the president, vice-president, secretary, and treasurer of the association.

c. Nature of Risk

The Comal County Mutual insures against loss by fire "country dwellings, also inventory—furniture, etc. thereof, outhouses, farm complements, musical instruments, paintings, libraries, school buildings, churches, and fixtures thereof."

No dwelling may be insured for more than $4,000.00 and no barn for more than $1,500.00.

"Cotton gins and other easily inflammable buildings" are barred from insurance, as well as buildings on surveyed lots. No property is insured for more than 50 percent of its appraised value.

The Washington County Mutual insures against damage by fire, storm or lightning. Its statements with regard to risks are indefinite and negatively stated.

64. Comal Co. Mutual, Statutes, Pars. 2, 4, 6.
Stonewall Mutual, Const., Pars. 1, 3, 4, 14, 15.
Washington Co. Mutual, Const., Art. 2.
No homestead can be insured for more than $10,000.00, and insurance is refused on "cotton gins, sorghum presses, and all farm products, all buildings with single flues and all such that are too close to buildings considered dangerous of catching fire." In the Washington County Mutual insurance is limited to 50 per cent of appraised value.

The Stonewall Mutual insures against fire at 50 per cent of appraised value the buildings of its members provided they are situated 100 feet or more apart. Insurance on cotton gins is barred, as well as on farm buildings less than 200 feet from cotton gins or steam boilers, unless such buildings are covered with tin and are not less than 150 feet from gins or boilers. No single building can be appraised at more than $4,000.00.

65. Assumption of Risk

Since there is only one general meeting of the associations during the year, it is not possible to have each risk voted on by the membership as is done in those associations with smaller local bodies. The practice of these associations is to accept insurance and adjust

65. Comal Co. Mutual, Statutes, Pars. 12, 13, 15, 16.
Stonewall Mutual, Const., Pars. 1 and 5.
Washington Co. Mutual, Const., Arts. 9, 10, 11.
losses through its directors or commissioners. In practice these officials meet at frequent intervals and pass on questions of accepting risks or paying losses. None of the associations accepts risks insured in any other organization.

e. **Losses and Their Payment**

In case of loss the member notifies a director or commissioner, who inspects the loss and determines the amount to be paid.

f. **Finances**

All three associations require an entrance fee from each member. The Comal County Mutual and the Stonewall Mutual require a payment of $1.00 on each $100.00 of insurance taken. The Washington County Mutual requires a payment of $1.80 on each $100.00 of insurance.

Additional funds required are collected from assessments on members. The last assessment of the Washington County Mutual for the annual period was

Stonewall Mutual, Const., Pars. 6, 7, 14, 18.
Washington Co. Mutual, Const., Arts. 6, 10, 11, 14, 15.

Stonewall Mutual, Const., Pars. 1, 6, 9, 10.
Washington Co. Mutual, Const., Arts. 6, 10, 11, 14, 15.
20 cents on each $100.00 of insurance carried.

In its lifetime of 42 years the Comal County Mutual has levied 16 assessments. Of these the first five were at the rate of 20 cents on each $100.00 of insurance, the next eleven at the rate of 30 cents.

All three associations allow surplus funds to be invested, and require the treasurer to be bonded.

Officers serve without pay; but nominal fees are allowed the secretary, and a per diem is allowed to those who inspect risks and losses. The member is usually expected to pay for inspection of the risk, but the cost of inspecting losses is borne by the associations.

8. Securing New Business

As in the associations previously mentioned, no active solicitation for new business is carried on.

68. Writer's notes.

69. August Triesch, Secretary, Letter of May 2, 1931.
B. Feed Insurance Associations

None of the three associations discussed in the preceding paragraphs insures farm products such as grain, hay, feed, and the like. To take care of this kind of risk, auxiliary associations known as feed insurance associations have been formed in Comal and Washington Counties. These are a rather recent development.

In general they are operated in the same manner as the general property insurance associations, and a part of the officers may be common to both associations.

70. Statutes of the Farmers' Mutual Feed Insurance Association of Comal County.

Constitution and By-Laws of the Mutual Aid Feed Association of Washington County, Texas.
CHAPTER III
LIFE INSURANCE ASSOCIATIONS

I. Fraternal

There are two fraternal insurance societies among the German groups in Texas, the Catholic Staatsverband and the Sons of Hermann (commonly known as the O. D. H. S., i. e. Orden der Hermanns-Söhne).

Both of these have one point in common; the organization consists of a grand lodge and subordinate local lodges.

The Catholic Staatsverband has 36 local lodges, 976 members, and insurance in force to the amount of $785,500.00.

The Sons of Herman has 283 lodges for men (Brüder-Logen) and 114 lodges for women (Schwestern-Logen), with a total number of 21,116 members, and with insurance in force to the amount of $19,345,500.00.

(1) General Characteristics

A. Membership

The Catholic Staatsverband admits to membership


practical Catholics, male and female, residents of Texas, of every honorable profession, business or occupation, of good moral character and sound bodily health.

The first Sons of Hermann lodge in the United States was founded in New York in 1840. It was intended that only Germans should be admitted and that the German language should be used in their assemblies. The first lodge in Texas held its first meeting January 1, 1861.

Only white persons, of blameless character, who are in sound physical and mental health, between the ages of 16 and 50, are admitted to membership.

B. Organization and Control

The government of both societies is vested in the grand lodge, which in the case of the Catholic Staatsverband consists of the grand officers and such individual members as may care to attend the general annual meeting.


6. Catholic Staatsverband, Const., Art. XIV, Par. 3.
The grand lodge of the Sons of Hermann consists of the grand officers and delegates chosen by the local lodges.

In the Catholic Staatsverband a local lodge may be formed by three persons eligible to membership. Each local lodge must have a spiritual director, who need not be a member. 7

A member of the Catholic Staatsverband may be suspended for failure to "perform his Easter duties, leading an immoral life, shortening his or her own life, by dissipating habits, false answers on application as to life or health." Failure to remove the deficiency within 30 days causes the expulsion of the member with the loss of all his insurance rights. The society will not pay the death claim of any member committing suicide. 8

The Sons of Hermann allows local lodges to be formed with at least 10 members. Each lodge is required to elect a lodge physician, who need not be a member. 9

C. Insurance

Both societies conduct their insurance business

10. Sons of Hermann, Gesetze, p. 29, Art. 10, Sec. 1.
11. Sons of Hermann, Gesetze, p. 197, Art. 8, Sec. 1.
on a legal reserve basis. The Catholic Staatsverband uses the 
American Mortality Table; the Sons of Hermann, the  
National Fraternal Congress Table of Mortality. Since the 
rates and policies of both societies are on the same basis as those of old line life insurance 
companies, no detailed examination is in order for the 
purposes of this study.

The law allows fraternal societies to engage in 
juvenile insurance. The Catholic Staatsverband does not seem to engage in this type of insurance, while, the Sons of Hermann carries only a very small amount.

D. Other Activities

In the Sons of Hermann the grand lodge maintains, and each local lodge is required to maintain a relief 
fund to aid members in cases of sickness, accident, and the like.

The Order also maintains a Home for the Aged and Orphans (Alten- und Waisen-Heim).

Another of its activities is to offer summer courses in German.

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12. See Appendix A, p. 64.


15. Sitzung, 1930, p. 3.

2. Local Mutual Aid Associations

These are the simplest type of life insurance organization. The oldest associations of this sort in Texas are found in German communities, but they have not had the growth and expansion among the Germans that has been manifested in the case of the various property insurance associations. Although not making a great deal of headway among the German people, this form of insurance in recent years has become quite widespread among the non-German people of the state.

There are four associations of long standing in German communities. The Comfort Mutual Aid Insurance Association was organized in 1893 and has a membership of 597. The Gillespie County Mutual Aid Insurance Association, Fredericksburg, Texas, was organized in 1893 and has a membership of 1060. The Kerr County Aid Association, Kerrville, Texas, was organized in 1903 and has a membership of 1176. The Protection Mutual Life Insurance Association of Bandera, Texas, has a membership of 665.

A. Incorporated

With certain exceptions, all mutual aid associ-

17. See Appendix A, p. 66 ff.


ations are required to be incorporated and subject to the jurisdiction of the State Board of Insurance Commissioners.

(1) **General Characteristics**

The law governing and regulating local mutual aid associations was passed in 1929. It is probable that the law was based on the practice of the most reputable associations doing business in the state. At any rate this law pretty thoroughly standardizes the practice of this type of insurance association.

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a. **Membership**

The qualifications for membership are determined by the by-laws of each individual association and are usually quite simply stated. The only requirements are usually that the person must come within a certain age limit, be in insurable health, and be a resident of the territory


The Constitution and By-Laws of the Gillespie County Mutual Aid Insurance Association, Art. 4. Hereafter referred to as Gillespie County Mutual, Constitution.

By-Laws of the Kerr County Aid Association, Section Thirteen, Eighteen, Twenty. Hereafter referred to as Kerr County Mutual, By-Laws.

in which the association operates. Men and women alike are eligible to membership.

b. Organization and Control

The basis of control of these associations rests in the membership, who exercise this power in the annual meeting of the association. The membership elects a board of directors, five in number in the Protection Mutual, seven in the other three associations. Each board of directors in turn elects from its own number the officers of the association, who serve until the next annual meeting.

c. Nature of Risk

Only one form of insurance obtains, the death benefit. The amount of the death benefit is dependent on the number of members in the association at the time of the death of the insured. The claim may be payable to any one with an insurable interest or to a purely

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<td>Gillespie County Mutual, Const., Arts. 2, 3.</td>
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<td>Kerr County Mutual, By-Laws, Secs. Three, Four.</td>
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<td>22. Comfort Mutual, Const., Arts. 1, 6, 12.</td>
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<td>Gillespie Co. Mutual, Const., Arts. 1, 6, 12.</td>
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<td>Protection Mutual, Const., Arts. I, V, VI.</td>
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d. **Assumption of Risk**

The person desiring insurance is generally required to present a statement showing him or her to be in good health. This statement is obtained at the applicant's own expense. Then after the application has been accepted by the officers of the association the insurance is in force.

c. **Finances**

Funds are derived from assessments, membership fees, and interest on the permanently invested fund, if such exists. Three of the associations have a permanently invested fund; the Protection Mutual has none. Assessments may be made for the purpose of paying death claims and for running expenses.

In the older associations the officers served without pay, except the secretary, who was allowed a

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   Gillespie Co. Mutual, Const., Arts. 4, 7.
   Kerr Co. Mutual, By-Laws, Sec. Thirteen.
   Protection Mutual, Const., Arts. IV.

   Gillespie Co. Mutual, Const., Arts. 7, 8.
   Protection Mutual, Const., Arts. VI, VII.
nominal salary. This is not true, however, of a great many of those organized at a later date. This form of insurance appears to have been commercialized, and the officers promote organizations for the purpose of providing themselves with salaried positions.

B. Unincorporated

Investigation reveals only one association that is not included in the incorporated group, the Sterbekasseverein der Prediger und Glieder der Südlichen Deutschen Konferenz der Bischöflichen Metodistenkirche (Burial Fund Association of the Ministers and Members of the Southern German Conference of the Methodist Episcopal Church). It was organized in 1899 and at the present time has 549 members.

(1) General Characteristics

a. Membership

The original constitution limits the membership to the ministry and members of the Southern German Conference of the Methodist Episcopal Church, who were almost all of German descent. In 1926 when the conference merged with the Swedish Mission Conference and the Gulf Conference under the name of Southern Conference, the

membership became open to the members of the Southern Conference. Presumably, however, the membership remains mostly German.

Withdrawal from the membership of the Methodist Episcopal Church, however, or removal to another state does not affect membership in the association. 27

b. Organization and Control

The management of the association is exactly the same as that prescribed for the incorporated mutual aid associations. 29

c. Nature of Risk

The association pays a death benefit of not more than $500.00 within 30 days after the death certificate has been given to the secretary of the association.

d. Assumption of Risk

Persons between the ages of 18 and 45 years are admitted to membership provided they answer satisfactorily the prescribed questions for membership.


28. Constitution of the Mutual Aid Society of the Southern Conference of the Methodist Episcopal Church, Arts. 4, 5, 6, By-Laws, Art. 11. This is a sort of translation, rather inaccurately done, of the official constitution which still remains German.


30. The prescribed questions are very simple. They include name and address, date and place of birth, marital status, occupation, whether or not ever rejected for life insurance by any company, whether applicant has received any medical attention within past two years, and name and relation of beneficiary.
e. **Finances**

Income is derived from membership fees, assessments, and interest from the permanently invested fund. Assessments are made at rates varying from 80 cents for members between the ages of 18 and 30 to $1.55 for members between 40 and 45 at age of entry.

The officers serve without pay except the secretary, who is allowed $25.00 for each death occurring among the membership.

C. **Merged**

Since it is only within the past five years that local mutual aid associations have been under the jurisdiction of and have been making annual reports to the State Board, there is consequently no record of associations that have discontinued operations by means of a merger with other companies or otherwise. Investigation brings to light only one, the Neu Braunfelser Gegen- seitiger Unterstützung-Verein of New Braunfels, Texas.

This association was founded in 1876 by a group who assembled in response to a call issued by the Rev. B. Sickel, pastor of the Protestant church in New Braun- fels.

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31. By-Laws, Arts. 1, 2, 3, 4, 7, and 8.

32. Information pertaining to the history and organization of this association was taken from Übersichtliche Darstellung über die Gründung, Entwicklung und das Wirken des Neu Braunfelser gegenseitigen Unterstützungs-Vereins Zur Feier des 25-jährigen Bestehens desselben.
In organization, control, and methods of operation it was identical with the associations just described.

In the beginning the upper age limit at time of entrance was set at 60. Experience soon proved this to be a mistake, and the age limit was gradually reduced to 45.

The record of death losses paid during the first 25 years shows that in no case had the deceased member paid in even as much as 25 per cent of the death benefit paid to his survivors. To continue in the face of such a showing, it was necessary to have a constantly increasing addition of new members in the younger age group.

With growing competition from legal reserve companies, this became more and more difficult, and finally in 1929 the membership voted to merge with another group in another city. This company later transferred all the members over 60 to another company, who in turn transferred them to a third company.

As a result of these changes a large number of the members withdrew, and others were dropped for nonpayment of dues; consequently the association practically ceased to function.


34. Information contained in a letter from Emil Fischer, New Braunfels, Texas, former secretary, under date of November 2, 1931.
CHAPTER IV
SUMMARY AND CONCLUSIONS

The German element has made a large contribution in the development of the state of Texas from the time of the Republic until the present time. Here as in the rest of the country they have been characterized by thrift, industry, orderliness, and respect for law and property. Owing to a number of conditions it appears that the German groups in Texas have not been absorbed in the general population to the same extent as in many other parts of the United States, but have tended to perpetuate themselves as a distinct racial group.

The mutual insurance association seems to be one of the important economic phenomena of the German group. Although this form of insurance is not confined to the German groups, it prevails to a greater extent than in any other group in the state.

The associations in the German communities are all of comparatively long standing, none of them being less than 20 years old and most of them being at least twice as old.

Such associations have been possible because of the willingness of individuals to work with little or no remuneration for the good of the whole group. Such individuals, almost without exception, have remained at
their posts a lifetime. The present state of the associations has come from a trial and error method, all policies and procedures being shaped and determined by the results of past experience.

The fact that the membership of the various associations is predominately German, whether the by-laws of the individual associations make this a prerequisite for membership or not, results in a homogeneity and uniformity of interest that is not possible to obtain in strictly commercial insurance companies. The resulting moral risk, together with the fact that property is never insured at its full value, results in a very low rate of loss and a correspondingly low rate of insurance.

In general the business of the associations is conducted with a considerable degree of conservatism, and there are no radical departures from a settled policy. The officers of the associations perform their duties with a high degree of care and conscientiousness. The affairs of the associations are quite carefully and painstakingly managed.

A practice that is common to nearly all of the associations is that membership is a prerequisite to insurance, election to membership being by secret bal-

1. The present president of the Germania is past 80 years of age, and the secretary who recently retired was 79 years of age at the time and had given 34 years of service to the association. See Protokol, 1930, pp. 9, 10, 20 ff.
lot. This practice probably results in the elimination of many undesirable members and, to a great extent, reduces the moral hazard.

Another feature that is common to most of the associations is the establishment and maintenance of a permanently invested fund. The existence of this fund tends to give stability to the association and a community of interest to the membership that would be lacking were there no such fund. This fund is regarded by many persons as the backbone of the association.

Simplicity, directness, absence of technicality, and a spirit of cooperation, all result in the smooth functioning of the machinery of the association.

To sum up, it may be said that the property insurance associations have done their work very satisfactorily in the past; that they seemingly are permanently established and promise to keep on rendering service indefinitely if conducted along the same lines and in the same spirit that have characterized them in the past.

In the life insurance groups, the fraternal society, the Sons of Hermann, has probably passed through all the vicissitudes peculiar to such organizations and at the present time is in a flourishing condition and will probably continue as a strong organization in the years to come.
The mutual aid association, while it has given good service in the past, seems to be on the wane in German communities, the idea of legal reserve insurance appealing with greater force to the younger people. As a result the present associations will probably eventually find themselves with a large group of members in the higher age limits and an increasing death rate with corresponding inability to pay the death benefits, at which time they will be compelled to disband.

The experience of the older societies in the German communities has probably provided the basis for the law regulating such associations, which have spread to a remarkable degree outside the German communities.
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Constitution and By-Laws of the Mutual Aid Feed Association of Washington County, Texas.

LIFE INSURANCE ORGANIZATIONS

FRATERNAL


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MUTUAL AID ASSOCIATIONS

INCORPORATED

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The Constitution and By-Laws of the Gillespie County Mutual Aid Insurance Association.
By-Laws of the Kerr County Aid Association.

Constitution and By-Laws of Protection Mutual Life Insurance Association of Bandera, Texas.

UNINCORPORATED

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APPENDIX

INSURANCE IN TEXAS--THE LEGAL BACKGROUND

Since the associations discussed in this work have their foundations and existence in the various permissive and regulatory acts of the state law-making body, any discussion dealing with them, in order to be entirely clear, must be accompanied by a brief consideration of the legal structure underlying them.

I. Regulation and Taxation

1. The State Board

All insurance companies in Texas are under the jurisdiction of the State Board of Insurance Commissioners.

A. Personnel

The State Board of Insurance Commissioners consists of three members, appointed by the governor with the advice and consent of the Senate. One member is known as the Life Insurance Commissioner and is chairman of the Board. The other two members are known respectively as the Fire Insurance Commissioner and the Casualty Insurance Commissioner. The term of office is six years, the term of one commissioner expiring every two years. No one may be a commissioner who is interested in any in-

1. Insurance Laws, State of Texas, Digest of 1929, Chapter A. All the legal references in this section are taken from the same source.
surance company except as insured. Each of the commissioners is bonded to the state in the sum of $5,000.00.

2. **Powers and Duties**

a. **General Powers**

The Board of Insurance Commissioners is the executive body charged with administering and enforcing the insurance laws of the state of Texas. All companies incorporated in the state must first apply to the Board of Insurance Commissioners and later, if the charter is allowed, must file a copy of the articles of incorporation with the Board. The Board calculates the value of insurance policies in force and sees that the required amount of securities are on deposit. For companies chartered outside the state the Board may accept the valuation made by the insurance department of the state in which they are incorporated. The Board requires annual reports from all companies doing business in the state. It is required to keep records of these and to make an annual report to the governor of the state.

The Board issues certificates of authority to do business for the following year to all companies that satisfactorily meet the legal requirements. It is required to revoke this certificate immediately in case

2. Chapter One.
any insurance company doing business in the state shall take any legal action against a citizen of the state of Texas in any federal court or shall remove any action brought against it in a state court to a federal court. After such revocation no renewal of such certificate may be made for three years.

3.

b. Power of Attorney

All life insurance companies, mutual life insurance companies, fraternal benefit societies, local mutual benefit associations, and subscribers to indemnity contracts are required to file with the Board of Insurance Commissioners an irrevocable power of attorney to the effect that in case any legal action is taken against a particular company, the Board of Insurance Commissioners may accept such service on behalf of the company, and the company shall be bound thereby.

2. Taxation
A. Life Insurance Companies
a. Taxation of Domestic Companies

All life insurance companies incorporated under the laws of the state of Texas are required to pay state, county, and municipal taxes on all real estate owned, in exactly the same way as other real estate is

3. Arts. 4763, 4819, 4843, 5027, 4875a-25.
4. Art. 4754.
rendered. The assessment of personal property is made as follows: From the total valuation of its assets is subtracted the amount of its reserves and the valuation of its real estate. The remainder is the assessed taxable value of its personal property. Home insurance companies are not required to pay an occupation tax.

b. Gross Receipts Tax

All foreign life insurance companies doing business in the state of Texas are required to pay an annual occupation tax of two per cent of its gross receipts. This tax is payable to the state, and no other occupation tax may be levied by the state or by any county, city, or town.

c. The "Robertson Law"

The "Robertson Law" requires that all life insurance companies, as a condition of their right to do business in the state, shall keep invested in Texas securities at least 75 per cent of their legal reserves. Texas securities are defined by law to be bonds issued under the Federal Farm Loan Act when secured by Texas real estate, bonds of the state of Texas or any of its municipalities, promissory notes or other obligations the payment of which is secured by Texas real estate,

5. Art. 4769 ff.

6. Chapter Four.
first mortgage bonds of any solvent corporation incorporated under the laws of the state of Texas. Each company is also permitted as a part of its investment to purchase not more than one building site and to erect not more than one office building in any city of the state of more than 4,000 inhabitants. All real estate owned by the companies or acquired by foreclosure are counted as satisfying the investment requirements of the law.

The law requires that a gross receipts tax of three per cent be collected from each company if less than 30 per cent of its reserves are invested in Texas securities. But as the total amount of reserves so invested is increased above 30 per cent the tax is gradually diminished until a tax of two per cent is reached for having 75 per cent of its reserves invested in Texas securities, at which point the tax remains stationary.

The "Robertson Law" was probably an attempt to "keep Texas money in Texas." Although it probably has not worked out as its framers had hoped, it still stands on the statute books.

After its passage a number of life insurance companies withdrew from the state, and with the withdrawal of the funds of these companies, interest rates in Texas are said to have increased, and remained notice-
ably higher than in neighboring states.

B. Property Insurance Companies

Fire and marine companies are taxed on their real estate and personal property in the same manner as domestic life insurance companies. The Law of 1913 placed a tax of one and one-fourth per cent of the gross premiums of fire insurance companies doing business in the state of Texas.

C. Fraternal and Mutual Companies

Fraternal benefit societies are declared by law to be charitable and benevolent institutions and, as such, exempt from taxation of every kind, except that real estate may be taxed when used for other than lodge purposes. Purely cooperative or mutual fire insurance companies carried on by the members for the protection of their own property and not for profit are exempt from taxation except on real estate owned by them.

D. Filing Fees.

All companies, regardless of classification, are

10. Art. 4858.
11. Art. 7064.
12. Arts. 3913 and 3920.
required to pay certain filing and other fees.

II. Insurance Companies Authorized by Law

1. Life Insurance Companies

A. Life, Health, and Accident Companies

Three or more persons may associate themselves together for the purpose of forming a life insurance company, a health insurance company, or an accident insurance company; or if one company does all three kinds of business, it must be in three distinct departments. The capital stock must not be less than $100,000.00 and fully paid. The time for which such a corporation shall be chartered may not exceed 500 years.

The articles of incorporation, in prescribed legal form, are submitted to the Board of Insurance Commissioners, who in turn submit them to the Attorney-General, who examines them to see that they are in accordance with the laws of the state. If he approves, a record is made by the Board and a receipt furnished the incorporators for a fee of one dollar, from which time the company is deemed to have a corporate existence. Each stockholder is entitled to one vote for each share of stock owned, and the vote may be in person or by written proxy. The law requires a majority of the stock to be represented in

13. Chapter Three.
any stockholders' meeting.

The net values of life insurance policies issued after December 31, 1909 are calculated on the basis of the Actuary's or Combined Experience Table of Mortality at four per cent interest, unless issued on the reserve basis of a lower rate of interest, in which case the values are calculated on the American Experience Mortality Table at the lower rate of interest.

B. Mutual Life Insurance Companies

Nine or more persons may form a mutual life insurance company, insuring the lives of individuals on the level premium, legal reserve plan. Such companies are non-stock companies. The procedure in incorporating is the same as for stock companies, but mutual companies may not issue policies until bona fide applications for insurance amounting to $200,000.00 have been received and net premiums at least equal to the largest single risk have been paid in. This state of affairs must be reached within six months from date of filing articles of incorporation or certificate of authority to do business will be canceled.

The company is controlled by the annual meeting of policy holders, in which each policy holder has one vote.

15. Chapter Seven.
for each $500.00 of insurance carried by him.

Mutual companies are allowed to issue no policies except on the participating plan with dividends payable annually. The reserve values of the policies are computed on the American Experience Table of Mortality with interest at three and one-half per cent. Mutual companies are subject to the same general laws as stock companies except where specific legislation states otherwise.

C. Fraternal Companies

Fraternal benefit societies are defined by law as corporations, societies, orders, or voluntary associations without capital stock, carried on for the benefit of their members, and having a lodge system with ritualistic work and representative form of government. Such societies are exempt from the general insurance laws of the state and are governed by the particular law applying to them.

Fraternal societies, in addition to death benefits, may provide for the payment of benefits in case of temporary disability as a result of disease, accident, or old age. Benefits as a result of old age may not be paid until the age of 70 has been reached. Such societies may provide for monuments and tombstones for

their members and for the payment of funeral benefits.

Such societies are permitted to grant insurance on the lives of children, the premiums being based on the "Standard Industrial Mortality Table Three and one-half per cent" or on the "English Life Table Number Six" or such other table as may be approved by the Chairman of the Board of Insurance Commissioners.

Adult members may be accepted between the ages of 16 and 60 according to the by-laws of the society. All premiums must be based on the "National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress, August 23, 1899, or any higher standard with interest assumption of not more than four per cent per annum." Or a society may adopt a table based on its own experience for at least 20 years and covering not less than 100,000 lives with interest assumption at not more than four per cent.

Seven or more persons, citizens of the United States, and a majority of them citizens of the state of Texas, may organize a fraternal benefit society. The procedure is practically the same as for the organization of any other insurance company. The society may not assume any risk until applications have been received for insurance amounting to $500,000.00.

Fraternal societies must invest their funds in
the same manner and in the same securities as required by law for stock companies.

Fraternal societies are also permitted to value their policies on an "accumulation basis." Under this plan each member is credited with the amount of premium paid, credited yearly with the interest earned on this amount, and charged with his share of the death losses for each year. In case the loss for any year exceeds the member's payment, then the payment must be increased. Members must be furnished with a statement each year showing the amount to their credit.

Grand and subordinate lodges of Masons, Odd Fellows, Knights of Pythias (exclusive of the insurance branch of the supreme lodge, Knights of Pythias), the Junior Order of American Mechanics (exclusive of their insurance branch), and certain other societies are exempt from the provisions of the fraternal benefit law.

D. Assessment Companies

The provisions of the law permitting assessment, or natural premium, companies were repealed in 1929; and no more companies are allowed to be organized or to operate under this plan. Companies that were in existence at that time were allowed to continue. There were few legal requirements for such companies, the most im-

17. Chapter Five.
Important being that each company should have a surplus of at least $100,000.00 invested and that it should have paid for the twelve-month period prior to its annual report the maximum amount of its policies.

E. Local Mutual Aid Associations

Associations providing death benefits to beneficiaries of deceased members and operating on the plan of assessments as needed, are known as local mutual aid associations. The scope of activity of any society may extend only within a radius of 50 miles from the city or town in which it maintains its offices. The law requires each association to be independent of every other.

Not less than five persons may organize a local mutual aid association. The procedure in incorporating is practically the same as required for stock companies. The association must secure a membership of at least 500 within six months from the date of incorporation, in which case a certificate of authority to do business is issued by the Board of Insurance Commissioners.

Membership may be prescribed by the by-laws of each association. The sole form of insurance allowed by law for local mutual aid associations is death benefits. The amount of the death benefit depends on the amount received from assessments; the certificates is-

18. Chapter 9A.
sued must so state; and guaranteed benefits, surrender or loan values are not allowed. The payment of death benefits may be made to any one having an insurable interest in the life of the member or to a purely charitable or religious institution.

The revenues of the associations must be derived from membership fees and assessments. Assessments may be made to meet death benefit claims, for surplus funds, and for expenses. Calls for assessment must specify the purpose for which it is made. Any surplus funds may be invested in such securities as the funds of life insurance may be invested in. The Board of Insurance Commissioners may require the affairs of each society to be examined at least once every two years for societies having over 1,000 members.

Whenever membership shall fall below a point where one regular assessment brings in an amount less than 50 per cent of the maximum value of the policy issued, according to law the association is automatically dissolved. In lieu of dissolution, however, the association may merge with another going association after getting the approval of the Board of Insurance Commissioners.

The local mutual aid association law does not apply to labor unions or to orders or associations
that pay a death benefit of not more than $150.00.

2. **Property Insurance Companies**

   **A. Fire and Marine Companies**

   Texas companies of this class are incorporated under the general incorporation law of the state. Such companies may carry practically any risk except life insurance. No company of this type may insure any one risk, except cotton bales and grain, in an amount exceeding 10 per cent of its paid up capital stock unless the risk is reinsured in some other solvent company. All such companies are allowed to reinsure any part of their risks in other solvent companies authorized to do business in the state. The rates to be charged by such companies are fixed by the State Board of Insurance Commissioners. The Board also establishes uniform policies which all such companies are required to use.

   **B. Mutual Insurance Companies**

   A company of this type may be formed by not less than 20 persons, a majority of whom are residents of the state of Texas. The law requires the word "mutual" to be a part of the name of each company. The actual
procedure in incorporating is the same as for incorporating any other sort of insurance company. Such companies may write any kind of insurance except life insurance or fidelity or surety bonds.

Before being given a license to do business by the Board of Insurance Commissioners, any such company must have bona fide applications for at least 20 policies from 20 separate members covering at least 300 separate risks. If such company intends to transact workmen's compensation insurance, it must have applications from at least 50 employers covering at least 2,000 employees. The premiums of these applications must have been collected in advance.

Such companies must have invested a surplus fund of not less than $20,000.00, unless engaged in casualty insurance, in which case it must have invested not less than $50,000.00.

Each member of every such company is entitled to at least one vote; or he may have a number of votes based on the amount of insurance he has in force, the number of policies held, or the amount of premiums paid, as provided in the by-laws of the company.

Except where specifically exempted, all such companies are subject to the general laws of the state.
3. **Other Insurance Companies**

Other companies authorized by law are surety companies, employers' insurance companies, general casualty companies, Lloyd's plan organizations, and indemnity contract companies. Since none of these have a bearing on the associations discussed in this work, a detailed discussion of them will not be given.

23. **III. Insurance Statistics**

1. **Life**

At the close of the insurance year (August 31, 1929) there was in force $2,444,000,000.00 in life insurance, of which $1,033,000,000.00 (42.3 per cent) was carried by Texas companies. At this time there were 142 legal reserve life insurance companies licensed to do business in the state. There were also 68 fraternal benefit societies and 149 local mutual aid associations.

On January 31, 1929 the 104 foreign insurance companies doing business in Texas had invested in Texas securities the amount of $223,563,898.52 in accordance with the "Robertson law" as compared with

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22. Chapters Sixteen to Twenty, inclusive.

23. Board of Insurance Commissioners, Fifty-fourth Annual Report, August 31, 1929.

$6,984,464.31 in 1908 at the time the "Robertson law" was passed.

2. **Property**

On August 31, 1929 there were 18 Texas fire and marine companies, 194 from other states, 51 from foreign countries, 13 Texas mutuals, 31 mutuals from other states, and 18 county mutuals. These companies carried total risks of $4,966,417,870.22.