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THE ALLGEYER CASE AS A CONSTITUTIONAL EMBRASURE OF TERRITORIALITY*

The series of cases in the line from Allgeyer *v.* Louisiana [1] are suggested as an instructive example of the futility of "solving principles" in Constitutional Law. I refer to the principle of territoriality; [2] more specifically, the principle that it is "impossible to permit the statutes of Missouri to operate beyond the jurisdiction of that State and in the State of New York." [3] This principle has never been denied or explicitly qualified in a Supreme Court opinion. Indeed it has lately received new affirmation and more vigorous expression from the present Chief Justice. He speaks of "an imposition upon a contract not made in the Phillipines and having no situs there;" he concludes "we are very clear that the contract and the premiums paid under it are not within the jurisdiction of the Phillipine Islands." [4] Allgeyer *v.* Louisiana is the pattern; more, it is the cast-iron mold for a new judgment. "The authority of these cases," says Taft, C. J., "is controlling in disposing of the one before us. The effect of them is that as a state is forbidden to deprive a person of his liberty without due process of law, it may not compel any one within its jurisdiction to pay tribute to it for contracts or money paid to secure the benefit of contracts made and to be performed outside of the State."

*It seems hardly worth while to acknowledge help in the preparation of so modest a paper,—but in all fairness, whatever of freshness is found herein must be attributed to the stimulation of Professor T. R. Powell.

[1] 165 U. S. 578 (1896).

[2] For an authoritative exposition of this principle see Beale, Conflict of Laws (1916) §§ 104-106. Recent criticisms of the doctrine are to be found in Lorenzen, Territoriality, Public Policy and the Conflict of Laws, 33 Yale L. J. 736; Walter Wheeler Cook, Logical and Legal Bases of the Conflict of Laws, 33 Yale L. J. 457. In its relation to constitutional limitations upon state action, see E. M. Dodd, Jr., Power of the Supreme Court to Review State Decisions in the Field of Conflict of Laws, 39 Harv. L. Rev. 533; Greene, Enforcement of Foreign Divorce Decrees in New York, 11 Cornell L. Q. 141, note 4.

[3] New York Life Insurance Co. *v.* Head, 234 U. S. 149, 161 (1914).

[4] Compania General de Tabacos de Filipinas *v.* Collector of Internal Revenue 275 U. S. ——, 72 L. Ed. 83 (Nov. 21, 1927). The case is discussed in the Harvard L. Rev., January, 1928.

It might therefore be worth while to examine a small group of decisions in that Court, with an eye to an inference upon the flexibility of "unbending" precepts.

Mr. Justice Holmes recently has said with assurance, "the Constitution and first principles of legal thinking allow the law of the place where a contract is made to determine the validity and consequences of the act."[5] After that the remaining query is, —where is a contract made? Most cases agree that a contract is made where the last act is done that gives the promises legally binding effect. Thus it may be held that an insurance contract is made where the policy is mailed; where the agent counter-signs and delivers it; or where the insured accepts the policy and pays the first premium. As in all of these cases, it is the agreement that the insurer's risk is not to attach until the happening of the event specified, the contracts might well be held to have been made at different points of time and place.[6] "No contract is ever completed until the last step essential to its binding effect has been taken." Hard and fast as this rule seems, there is still considerable "give" left, because we can push the inquiry one step further,—what is "the last step essential to its binding effect?"

There are worse ways of beginning a comparative study than by laying our cases on the table.

The first to suggest the problem was, as has been noted, Allgeyer *v.* Louisiana.[7] In that case the Louisiana statute made criminal the doing "of any act in this State to effect * * * insurance on property then in this State * * * in any marine insurance company which has not complied in all respects with the laws of this State * * *." The defendants entered into an open contract of insurance *in New York* with a New York insurance company which was not qualified in Louisiana. The policy was to cover shipments of cotton made from Louisiana to foreign buyers from the time of such shipment, and notification thereof was to be sent by mail to the New York insurance company. A new and separate policy was to be issued for each risk.

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[5] Mutual Life Insurance Co. *v.* Liebing, 259 U. S. 209, 214 (1922).

[6] Mutual Life Insurance Co. *v.* Cohen, 179 U. S. 262 (1900), Equitable Life Society *v.* Clements, 140 U. S. 226 (1890), N. W. Life Insurance Co. *v.* McCue, 223 U. S. 234 (1911), see 63 L. R. A. 834, 52 L. R. A. (N. S.) 276 and see Williston, Contracts, § 97.

[7] *Supra,* note 1.

The Supreme Court held that the mailing of a letter in Louisiana to the New York company in order to bring a specific shipment within the coverage of the blanket policy was not the making of a contract in Louisiana and could not be made a crime by that State. The statute was held to contravene the Fourteenth Amendment in that it attempted to affect a contract made "beyond the territory" of Louisiana. And to make criminal the innocent act of mailing a letter was a denial of liberty. To persuade itself that no contract was made in Louisiana, the Court argued "the only thing that the facts show was done in Louisiana was the mailing of a letter of notification * * * which was done after the *principal* contract was made." Again, "it was the mere notification that the contract *already in existence* would attach to that particular property;" "the giving of the notice is a mere collateral matter; it is not the contract itself, but is an act performed pursuant to a valid contract which the State had no right or jurisdiction to prevent its citizens from making outside the limits of the State."

The last and direct "heir of the body" of the *Allgeyer* decision is the *Philippine Tobacco Co.* case. The Compania General de Tabacos de Filipinas is a Spanish corporation licensed to do business in the Philippine Islands. From time to time it bought goods and put them into its Philippine warehouse subsequently to be shipped abroad for re-sale. The local office, upon each of these occasions would notify the main office in Barcelona and that office thereupon procured insurance under open policies with London and Paris underwriters,—fire insurance when merchandise was stored in the warehouse and marine insurance when the tobacco was shipped. Premiums were charged to the Philippine office. The Philippine Insurance Act provides that where owners of property obtain insurance directly with foreign companies, the owners are required to "pay the tax of one per centum on premium paid, in the manner required by law of insurance companies." The Collector collected this tax from the petitioner under protest. The Supreme Court of the Philippines in upholding the tax denied that it involved a deprivation of property without due process of law.[8]

[8] Section 3 of the Philippine Organic Act 39 Stat. at L. 545, 546, Chap. 416, U. S. C. Tit. 48, § 1008, imposes upon the Philippine legislature the same limitation by which the Fourteenth Amendment restrains the states of the Union.

The Supreme Court of the United States in part reversed and in part affirmed that judgment. The tax upon premiums paid to the Paris insurance company—which company "had no communication whatever with anyone in the Philippine Islands" was invalidated; the tax upon the premium paid to the London company "which was licensed and presumably doing business in the Philippine Islands" was sustained. The reasoning behind the first conclusion is briefly put by the Chief Justice:

> "It is an imposition upon a contract not made in the Philippines and having no situs there and to be measured by money paid as premium in Paris, with the place of payment of loss, if any, in Paris. We are very clear that the contract and the premiums paid under it are not within the jurisdiction of the government of the Philippine Islands."

Allgeyer *v.* Louisiana and the *St. Louis Cotton Compress*[9] case were deemed controlling the issue. The reasoning behind the second conclusion is this:

> "* * * the question arises whether making and carrying out the policy does not involve an exercise or use of the right of the London company to do business in the Philippine Islands under its license, because the policy covers fire risks on property within the Philippine Islands which may require adjustment and the activities of agents in the Philippine Islands with respect to settlement of losses arising thereunder. This we think must be answered affirmatively under Equitable Life Society, 238 U. S. 143. The case is a close one but in deference to the conclusion we reached in the latter case, we affirm the judgment of the court below."[10]

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[9] 260 U. S. 346. An Arkansas statute imposed a tax of 5% on gross premiums paid for insurance upon property in Arkansas when the policies were issued by companies not authorized to do business in that state. As the policies in this case were contracted for and delivered in Missouri, the Supreme Court of the United States invalidated the Arkansas imposition, saying, "The case is stronger than that of Allgeyer in that here no act was done within the state, whereas there a letter constituting a step in the contract was posted within the jurisdiction."

[10] In the Equitable Life Assurance case, Pennsylvania's taxation of the company (a New York corporation but doing business in Pennsylvania), upon its gross premiums from business done within the state, including such premiums as were paid outside the state by residents of Pennsylvania, was sustained. It is difficult to see why this decision should have foreclosed the Philippine Co. case. In the former, the contracts

On the other side of the Philippine case, in point of time, at least, is the still warm Palmetto Fire Insurance Co. *v.* Conn.[11] The Palmetto Insurance Co., a North Carolina corporation qualified to do business in Ohio, sought to enjoin the Superintendent of Insurance in that state (Ohio) from revoking its license. His threat to revoke was on the ground that the Palmetto Co. in issuing certificates of insurance in Michigan under its contract with the Chrysler Corporation, insofar as such certificates applied to cars sold in Ohio, violated Ohio statutes requiring insurance agents to be legally authorized and the business to be taxed. The Chrysler plan was this: Palmetto Co. issued an open policy to Chrysler "and/or whom it may concern" against fire and theft of cars, the insurance to last one year after the car is sold to the retail purchaser. This master policy *was executed in Michigan,* and kept there. When a car was sold to a consumer in Ohio, the dealer notified the Chrysler Corporation and the latter notified the Palmetto agent who sent direct to the purchaser of the car, naming him, a certificate of insurance—a counter-part of which was sent to others who might have a lien on the car, e. g. finance companies. The master policy provided, however, that "the omission to report the sale or to issue a certificate shall not prevent the retail buyer of a car from being protected."

The injunction was denied. The court reasoned that the "thing" in the contract that "Ohio could lay hold of" was this: "When a man bought a car in Ohio, by that act he made effective the agreement of the company to insure future purchasers, and

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were made in Pennsylvania with residents of Pennsylvania. In the Philippine Co. case the contracts were neither made in the Philippines (according to Chief Justice Taft himself) nor were the parties thereto domiciled in the Philippines. The only point of semblance is that in both cases the corporation taxed was doing business within the state. And it remains a mystery why this factor should have been thought decisive by the Chief Justice in the Philippine case.

[11] 272 U. S. 295 (1926) *aff'g.* 9 Fed. (2d) 202, 666, 674. Substantially the same question was in issue in four other cases decided at the same time. Chrysler Sales Corp. *v.* Spencer, 9 Fed. (2d) 674; Utterback-Gleason Co. *v.* Spencer, *semble;* Clark Motor Co. *v.* Smith, 9 Fed. (2d) 666; Chrysler Sales Corp. *v.* Smith, *semble.* And see Palmetto Insurance Co. *v.* Beha, 13 Fed. (2d) 500 (S. D. N. Y., 1926). At the time of their appearance this group of cases aroused interest in the current numbers of many legal periodicals, see 74 U. Pa. L. Rev. 415; 13 Va. L. Rev. 53; 39 Harv. L. Rev. 809; 75 U. Pa. L. Rev. 273; 36 Yale L. J. 419; 25 Mich. L. Rev. 777; 61 Am. L. Rev. 442; 26 Col. L. Rev. 1002.

imposed upon it an obligation that did not exist before * * * the act was done in Ohio and the capacity to do it came from the law of Ohio so that the coöperation of that law was necessary to the obligation imposed."[12] Analytically, there is a promise by *A* to *B* for a present consideration, for the benefit of an indeterminate *C*,[13]—to take effect when *C* becomes determinate by his acting in a certain way. *C's* act that may be said to anchor *A's* hitherto floating obligation is said to be something "that Ohio could lay hold of" though Ohio was entirely foreign to the contract between *A* and *B*. "It is true that the obligation arose from a contract made under the law of another State."

We may stop for a moment to study the implications of these three cases. They all deal with so-called "open" contracts, concededly made outside the state whose power over the subsequent transaction is in question. The only thing done within that state is some act that effects a specification of the general policy to a definite lot of property or to a definite person. In the *Allgeyer* case, the specifying act is the mailing of a letter to the insurer; in the *Philippine Company* case it is notification of a shipment transmitted by the local office in the Philippine Islands to the main office at Barcelona; in the *Palmetto* case it is the purchase of a Chrysler car in Ohio. In the first two cases jurisdiction over the contract by the State of the specifying act was denied; in the last case jurisdiction by that State was affirmed. The dissenters in the *Philippine Company* case (Holmes and Brandeis, JJ.) distinguished the *Allgeyer* case in that there Louisiana was attempting to *penalize* the contracting party whereas the Philippine government was merely taxing the contract. "It readily may be seen that a state may tax things that under the Constitution as interpreted it can not prevent." Of course, the sentence quoted states accurately enough a doctrine of the Supreme Court. But its application to the instant case is faulty because the dissent assumes exactly what the prevailing members of the Court deny—that there is jurisdiction in the Philippine government to touch the contract in any way at all. Certainly such a denial is no more than warranted by the *Allgeyer* case which, though it dealt with a penalty, asserted in the broadest of terms that the contract was "beyond the territory of" Louisiana. If Louisiana had attempted

[12] *Supra*, at page 304.
[13] But *cf.* 26 Col. L. Rev. 1002, 1006 (1926).

to *tax* the contract, would the result of the *Allgeyer* case have been any different?

Yet the learned dissenting Justices are using a legitimate technique of lawyers and judges; they are distinguishing upon its facts the *Allgeyer* case from the case before them. And in doing so they evidence that the strait-jacket conception of jurisdiction plainly implied in the *Allgeyer* case is not altogether to their taste. To the majority of the Court, however, the distinction between a penalty and tax was unsound "in such a case" as the one before it. And in that they evidence as plainly that they decline to limit the rationale of the *Allgeyer* case. The distinction suggested by Mr. Justice Holmes is far from tenuous; it provides the Court with an easy escape from the *Allgeyer* case. But the Court chose not to escape. On the contrary, the Court reinforced the doctrine there laid down.[14]

This then would seem to be the end of our troubles for the time being. But there is the *Palmetto* case to account for—in which, incidentally, Mr. Justice Holmes wrote the opinion of an unanimous court. And there are some half dozen others.

We may proceed to three cases very much alike.

In New York Life Insurance Co. *v.* Head,[15] a Missouri statute regulating loans on policies of life insurance by the issuing Company, was applied by the Missouri court to a loan *closed in New York* but upon the collateral security of an insurance policy that "conceding for the sake of argument" had been made in Missouri. The theory of the Missouri court was that "all subsidiary contracts made by the parties to an insurance contract are within the contemplation and purview of the original contract and are not to be treated as independent agreements. This being so, they are inefficacious to alter, change or modify the rights and obligations as they existed under the original contract of insurance." But the Supreme Court through White, C.J., dismissed this contention as "unnecessary to consider" and reversed the state court decision

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[14] However, it must be admitted that the Court's decision in the second half of the Philippine Co. case shakes considerably the writer's confidence in the above conclusion. See note 10, *supra*. After all, it would have been just as easy for the majority to have distinguished the Equitable Assurance Co. case and followed the Allgeyer case throughout. And see Bothwell *v.* Buckbee-Mears Co., 275 U. S. ——, 48 Sup. Ct. 124 (Dec. 5, 1927).

[15] *Supra*, note 3.

as involving a denial of full faith and credit to the New York law. The Court first posited this question—"how far (was) it * * * within the power of * * * Missouri to extend its authority into the State of New York and there forbid the parties * * * from making such a loan agreement in New York simply because it modified a contract originally made in Missouri?" And the question "admitted of but one answer." [16] Missouri could not affect parties to a Missouri contract "with a perpetual paralysis following them outside the jurisdiction of the state of original contract by prohibiting them from doing any act or making any agreement not in accord with the law of the state where the contract was originally made." This was "so obviously the necessary result of the Constitution that it has rarely been called in question and hence authorities directly dealing with it do not abound."

In New York Life Insurance Co. *v.* Dodge,[17] the facts were substantially the same save that the insured was domiciled in Missouri and carried on all of his transactions from there. The Court by a five to four decision followed the implication of the *Head* case that to hold otherwise "would sanction the impairment of that liberty of contract guaranteed to all by the Fourteenth Amendment." The doctrine was affirmed that Missouri was without power to extend its authority into New York and forbid the later agreement there made simply because it arose out of the first one. Brandeis, J. spoke for the other dissenters, Day, Pitney and Clark, JJ. He did not think the loan agreement was made in New York but in Missouri. But more fundamentally, "the loan agreement *was not an independent contract;* nor is it to be treated as a modification of the original contract. It was an act contemplated by the policy and was subsidiary to it, as an incident thereof. What was done by the officials in New York was not making a New York contract but performing acts under a Missouri contract." [18]

A principle may be inferred from these two cases: the fact that a Missouri insurance contract is the authority for and security

[16] Chief Justice White's penchant for demonstrating the logical impossibility of any view other than the one he is arguing is elsewhere exhibited. See The Intermountain Rate Cases, 234 U. S. 476 (1914); Haddock *v.* Haddock, 201 U. S. 562 (1906); Clark Distilling Co. *v.* Western Md. Ry., 242 U. S. 311 (1917).

[17] 246 U. S. 357 (1917).

[18] *Ibid.*

for a foreign made loan does not give Missouri something "to lay hold of" in order to justify the application of its statutes to the enforcement of the loan.

In the next case, Mutual Life Insurance Co. *v.* Liebing,[19] the Supreme Court permitted the Missouri court to apply the Missouri statute to a loan made under essentially the same circumstances as in the *Dodge* case. A two-fold distinction was pointed out by Holmes, J. for the Court. First, the difference in language between "loans can be had" (*Dodge* and *Head* cases) and "the company * * * will * * * loan" (*Liebing* case). On the latter phraseology, said the Court, it might be held that the application for the loan made in Missouri to the local agent was *ipso facto* an acceptance of the Company's irrevocable offer to make a loan. Second, the check for the loan was delivered in Missouri by the company's local agent to the borrower and therefore (if for no other reason) the contract was made there. But under either supposition—be it noted—Missouri is the favored state not because the loan was deemed subsidiary to and an incident of the Missouri-made insurance policy; but solely because the contract of loan was made there also. There remains then a satisfactory semblance of coherence between this case and the principle just inferred from the *Dodge* and *Head* cases. It is apparently still the desire of the Court to deny the theory of the dissenters in the *Dodge* case, viz., that the loan agreement "was an act contemplated by the policy and was subsidiary to it, as an incident thereof" and that "what was done (by the loan agreement) was not making a (new) contract but performing acts under (the old) contract."

The foregoing three cases warrant this inference as to the subject of our study: Acts contemplated in a prior agreement and done in pursuance of such agreement may be subjected to legal consequences only by the state wherein the acts were done. This sounds like *Palmetto;* but it is strangely foreign to the *Allgeyer* case.

There are at least two other relevant cases. The first is Provident Saving Life Ass. Soc. *v.* Kentucky.[20] The defendant insurance company had withdrawn from business in Kentucky but continued to be bound on previously made contracts, receiv-

[19] *Supra,* note 5.
[20] 239 U. S. 103 (1915).

ing renewal premiums through the mail from Kentucky. The Court said, "these policies are contracts already made; the State cannot destroy them or make *their mere continuance, independent of acts within its limits,* a privilege to be granted or withheld. Neither the continuance of the obligation itself nor acts done elsewhere on account of it can be regarded as being within the State's control." It is obviously inaccurate to state that the continuance of the policies was "independent of acts within its (Kentucky's) limits." Premiums were mailed in Kentucky. The Court must have meant that whatever was done in Kentucky was insignificant —just as the mailing of a letter in Louisiana was deemed insignificant in the *Allgeyer* case as a hook upon which to hang an interdict. It was not—to use the test of Mr. Justice Holmes in the *Palmetto* case, something that Kentucky "could lay hold of."

The last case that need be considered is Aetna Life Insurance *v.* Dunken.[21] A seven year term policy was issued to the insured while he was resident in Tennessee. By its terms at the sole option of the insured it was convertible into a 20-payment life policy upon payment of the difference in premiums. Six years later, the insured *then resident in Texas,* applied for a conversion of his policy "in accordance with the conditions." The old policy was cancelled and a new one issued from New York to the Tennessee agent and by him forwarded to Texas. Three months later the insured died and when the insurance company delayed payment, suit was brought in Texas and the damages recovered included a statutory penalty of 12% and attorney's fees, in accordance with the Texas statute. Writ of error issued on the ground that this Texas statute could not be applied constitutionally to this policy which was not made in Texas. The Supreme Court held that the second policy was not a new contract. "It was issued in pursuance of and was dependent for its existence and its terms upon the express provisions of the contract contained in the first one. * * * Nothing was left to future agreement. The terms of the new policy were fixed where the original policy was made. It was issued not as the result of any new negotiations or agreement but in discharge of a pre-existing obligation. It merely fulfilled promises then outstanding; and did not arise from new or additional promises." This language might have been

[21] 266 U. S. 389 (1924).

written verbatim by the dissenters in the *Dodge* case; doubtless it would have been approved by the Court that decided the *Allgeyer* case or the *Philippine Company* case. But it cries for a reconciliation with the *Head, Dodge* and *Liebing* group of cases, to say nothing of the *Palmetto* case. Here the insured had an option of getting an altogether new policy in place of the old. The option was exercised in Texas by a resident of Texas; the old policy was cancelled, a new one issued, and yet Texas had "nothing to lay hold of."

The distinctions between the *Allgeyer, Dunken* and *Philippine Company* cases on one hand, and the *Palmetto* case on the other, are possibly the following.

First, the act necessary to make effective the pre-existing agreement of the company to insure was in the *Allgeyer* and in the *Philippine Company* cases, the mailing of information; in the *Dunken* case, the mailing of an application; but in the *Palmetto* case, the purchase of a Chrysler car.

Second, in the first three cases, the person or corporation who entered into the original agreement was the same as the one who did the effectuating act. In the *Palmetto* case the parties were different.

As to the first distinction, Mr. Justice Holmes perhaps shadowed it when he said: "It is true that the obligation arose from a contract made under the laws of another State but the act was done in Ohio and the capacity to do it came from the law of Ohio so that the cooperation of that law was necessary to the obligation imposed." But if this suggestion is to be taken, it will involve the repudiation of much that we have already learned. Thus, suppose *A* in New York makes an offer to *B* in Pennsylvania and *B* mails his acceptance from the latter state. The contract is made in Pennsylvania because "the last step *essential to its binding effect*" took place there. Will the fact that *A* gets legal capacity to make an offer from New York where *he* acts enable New York "to lay hold of" the contract and say, tax it; or apply one of its statutory provisions to it? So in the *Head* and *Dodge* cases, certainly legal capacity to borrow was bestowed by the law of the place where the borrower was and such capacity "was necessary to the obligation imposed;" yet the contract of loan could only be "taken hold of" by the state wherein the loan was *"closed"* by the advance of the money or the acceptance of the application. In short, it is not every state "the cooperation (of whose) law (is) necessary to the obligation imposed" that can "take hold of" a contract; it is only the state where "the last step *essential to its binding effect* has been taken" that has such power. So we come back to where we started—what is the last essential act? And apparently we must be satisfied with the answer that in the *Allgeyer, Dunken* and *Philippine* cases the last step essential to the contract's binding effect is one thing and in the *Palmetto* case, it is another. A reason why this should be so may perhaps be found in the second distinction above noted.

The second distinction was that in the *Allgeyer* and *Dunken* cases the contracting parties were the same throughout, whereas in *Palmetto,* the party who made the policy specific by buying a car was different from the person who entered into the original blanket policy. Mr. Justice Holmes felt for this reason when he said. "the substance is that by acts done in Ohio the purchaser obtains for himself the advantage of insurance that before that moment did not exist."

The purchaser in Ohio buys a car; but he also is a brand new insurance customer. Chrysler is like a retailer that sells piecemeal the insurance it has bought in wholesale lots. Chrysler's selling of Palmetto insurance in Ohio is in competition with the selling of locally qualified insurer's. It cuts down their sales and if untaxed would deprive Ohio of much revenue that in the normal course would flow to Ohio coffers.

This I believe is a sound reason for deciding the *Palmetto* case as the court did. But a doubt persists—would not the same reasoning have called for a similar result in the *Allgeyer* and *Philippine* Company cases?

As to those everlasting searchers for a rule—even in Constitutional Law—what is to be told them to sustain their faith? Perhaps this will do:

> 1. Where an "open" contract of insurance entered into in one state, is subsequently made the coverage for a specific unit of goods by means of mailing of information from another state, the latter state may neither penalize the subsequent effectuating act nor justify a tax because of it.
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> 2. Where, however, given the same situation plus the fact that the insurer is qualified to do business in the second state, such state may justify a tax because of the

subsequent effectuating act. *Quaere* whether the second state may *penalize* the effectuating act. *Quaere* whether in view of the second half of the Philippine Company decision the second state need show any act within its borders at all,—whether the mere doing of business by the insurer, other business than the contract in question, that is, is not enough to support jurisdiction to tax.

3. Where an "open" contract of insurance entered into in one state is subsequently made the coverage for a specific unit of goods by means of a sale of such goods in another state and for the benefit of the buyer of such goods, the latter state may justify a tax upon the insurance of such goods; and further, it may penalize or prevent such a mode of acquiring insurance upon the goods purchased.

4. Where an insurance policy offers the insurer a privilege of subsequently borrowing from the insurer, the only state whose statutes may be applied to the loan is the state where the loan itself was consummated. The state that governs the insurance policy "has no power to extend its authority" over the loan.

5. Where an insurance policy made in one state offers an option of conversion into a new policy and such option of conversion is exercised in a second state, then the only state whose statutes may be applied to the new policy is the state where the first policy was made.

The legal systematizer who is pained by this photograph of clashing detail as a faithless representation of the simple concept of territoriality may find comfort in the thought that Supreme Court decisions are not born to sit for their portraits.

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