HOUSE . . . . . No. 24

The Commonwealth of Massachusetts

Department of Banking and Insurance,
Division of Insurance,
State House, Boston, December 4, 1929.

To the General Court of the Commonwealth of Massachusetts.

In accordance with the provisions of section 33 of chapter 30 of the General Laws, as amended by section 43 of chapter 362 of the Acts of 1923, copies of the recommendations for legislation to be contained in the annual report of the Commissioner of Insurance (Pub. Doc. No. 9) are submitted herewith, together with drafts of bills embodying the legislation recommended. These drafts have been submitted to the counsel for the Senate, as required by law.

MERTON L. BROWN,
Commissioner of Insurance.

RECOMMENDATIONS.

1. Examination of, and Quo Warranto, etc., Proceedings against Fraternal Benefit Societies.

Sections 36 and 44 of chapter 176 of the General Laws empower the Commissioner of Insurance to examine domestic and foreign fraternal benefit societies, and said section 36 and section 43 specify the causes for which the Commissioner may proceed against a society to terminate its authority to do business.

Certain amendments to these sections appear to be desirable and necessary.

1. Section 36 does not provide a penalty for refusal to obey the Commissioner's summons issued during an examination, or for obstructing the Commissioner in making an examination.

It is recommended that this section be amended to establish the same penalty as now exists in respect to the examination of insurance companies under section 4 of chapter 175 of the General Laws.

2. The causes for filing a *quo warranto* proceeding against a domestic fraternal society and for the revocation of the license of a foreign fraternal benefit society are set forth in said sections 36 and 43, respectively.

The causes specified in the case of a domestic society do not include its refusal or that of its officers to submit to an examination by the Commissioner under said section 36, while section 44 provides that the authority of a foreign society refusing to submit to an examination is suspended during its refusal.

The causes so specified do not include the fact that the society's management or condition is such as to render its further transaction of business hazardous to the public, its members or creditors.

It is now provided by sections 5 and 6 of chapter 175 of the General Laws that the refusal of any insurance company or its officers to submit to an examination under

section 4 of that chapter, and that the fact that its condition or management is such as to render its further transaction of business hazardous as aforesaid, is cause for the Commissioner to proceed against the company under said sections 5 or 6.

Sections 36 and 43 should be amended to provide that such a refusal or the foregoing fact shall be cause for proceeding against a domestic society under said section 36, or for the revocation of the license of a foreign society under said section 43.

3. Section 36 now apparently provides that the Commissioner may proceed against a domestic society thereunder only after an examination of its affairs and conditions made thereunder.

Under section 6 of said chapter 175, the Commissioner may proceed against a domestic insurance company without the formality of an examination. The same rule should apply to a fraternal society.

This requirement, it is recommended, should be repealed.

2. Complaints to the Board of Appeal on Motor Vehicle Liability Policies and Bonds.

Section 113D of chapter 175 of the General Laws, as amended, provides, in part, that any person aggrieved by the cancellation by an insurance company of his compulsory motor vehicle liability policy may file a complaint with the Commissioner of Insurance, and have the propriety and reasonableness or the validity of the cancellation, or both, decided by the above-named board of appeal.

The law provides that a company cancelling such a policy shall render fifteen days' written notice to the insured and the Registrar of Motor Vehicles, and that a complaint against the cancellation of such a policy or bond must be filed within ten days after the insured receives written notice of cancellation. The present law is drawn on the assumption that the insured will in all cases receive the notice of cancellation prior to the expiration of said period of fifteen days.

Cases have arisen, however, in which the insured claimed that he did not receive a notice of cancellation from the company, and the Registrar did receive such a notice, or in which the insured did not receive his notice until after the registration had been revoked, or not in time to file his complaint prior to the revocation of the registration.

There may be some doubt whether under the present law a complaint may be filed after the registration has been revoked, although it is filed within ten days after the insured has received his notice.

I accordingly recommend that the present statute be amended to permit a complaint to be filed within ten days after the insured receives a notice of cancellation, whether or not the registration of the motor vehicle has been revoked in consequence of such cancellation, or within a like period after the effective date of the cancellation specified in said notice pursuant to section 113A of said chapter 175, or, if the insured received no such notice, within ten days after the revocation of the registration. If these amendments are adopted it will be necessary further to provide by an amendment to section 34H of chapter 90 that, when a complaint is filed after the registration has been revoked, the revocation shall be rescinded pending the decision on the complaint.

The present law provides that the board of appeal on affirming a cancellation shall specify in its order the date, not less than fifteen nor more than twenty days from the filing of its order, upon which the cancellation shall become effective. This time seems to be rather long, and it is recommended that it be reduced to not less than ten days nor more than fifteen.

3. Suspension of Classifications and Rate Schedules under the Compulsory Motor Vehicle Liability Insurance Act.

The Commissioner of Insurance is required under section 113B of chapter 175 of the General Laws, as amended, by written order to fix and establish classi-

fications of risks and premium charges to be used and charged in connection with the issue of policies and bonds under the aforesaid act.

The statute provides that such classifications and rates shall be fixed and established annually on or before September 15, for the ensuing calendar year; that any person or company aggrieved thereby may petition the Supreme Judicial Court to review said classifications and rates; and that the court may by a special order suspend the operation of the Commissioner's order fixing and establishing classifications and rates.

If such an order is made, and is in force at the end of a given calendar year, it appears that no motor vehicle could be registered for the ensuing year while said order is in force, since there would be in effect no classifications or rates applicable to policies or bonds to be issued or executed during the ensuing calendar year or any part thereof.

The law should therefore be amended to provide that in the foregoing contingency the classifications and rates in force for the current calendar year shall be used and charged for policies and bonds issued or executed for or during the ensuing calendar year, while said order remains in force, and that, if the Commissioner's order is affirmed by the court, the order or decree of the court shall specify the date on which the order of the Commissioner shall become effective.

The time within which a special order as aforesaid may be entered by the court is not fixed by the present statute. The law should be amended to limit the time to within twenty days from the Commissioner's order.

4. Deposits by Domestic Insurance Companies issuing Workmen's Compensation Policies — Avoidance of Such Policies.

I. The Commissioner of Insurance is authorized by section 57 of chapter 152 of the General Laws to require an insurance company to deposit the value of its outstanding claims under its compensation policies with the State Treasurer.

The statute was enacted in 1919 by chapter 226 of the acts of that year, but it has not been invoked until recently.

The application of this statute disclosed several defects which should be remedied.

1. It apparently applies to any company, either foreign or domestic. Foreign companies are required by section 61 of said chapter 152 to file a bond with the Commissioner to secure the making of a deposit covering their outstanding compensation claims if they cease to transact business in the Commonwealth for any reason. Domestic companies are not required to file such a bond. It is therefore the apparent intention that this section apply only to domestic companies, and it should be amended accordingly.

2. The statute does not expressly declare that a deposit made thereunder shall be held in trust by the State Treasurer, although that is undoubtedly its intent. In one case the receiver of a company made claim to the deposit. Obviously the State Treasurer should hold the deposit in trust, whether or not a receiver is appointed, and the statute should definitely so provide.

3. There seems to be some doubt whether deposit under this section may be used to pay claims arising after it was made. There is no reason why a deposit should not be applied to the payment of any claim, whether it arose prior or subsequent to the making of the deposit, and the law should so provide.

4. The penalty imposed upon a company by section 60 for failure to make a deposit under section 57 appears to be inadequate. Section 60 provides that the company shall cease to issue workmen's compensation policies, but it provides no penalty for failure to make a deposit for the issue of such policies contrary thereto.

It is recommended that section 60 be amended to provide a penalty for any company refusing to make a deposit, and on any company or any officer or agent thereof issuing policies while its authority is so suspended.

5. No provision is made for a judicial review of an

order of the Commissioner under section 57, or for a judicial proceeding to enforce compliance with such an order. Provision should be made for a summary review of such an order upon petition of a company aggrieved thereby, and for an information proceeding in the Supreme Judicial Court to enforce such an order and the payment of penalties.

II. It is a general rule of law, applicable to all policies of insurance, that misstatements made in negotiating a policy, or a violation of the terms of the policy, may avoid the policy.

It is now provided by section 113A of chapter 175 of the General Laws, as amended, that such misstatements or violation shall not avoid a "motor vehicle liability policy" issued under the compulsory motor vehicle liability insurance act, as against an injured person having a claim against the insured.

Workmen's compensation policies are intended to protect injured employees or dependents of employees killed, and any defence predicated on misstatements or violations of the policy by the employer should be cut off as against the claimant, as is the case under "motor vehicle liability policies."

5. Examinations of Savings Banks writing Life Insurance.

Section 26 of chapter 178 of the General Laws requires the Commissioners of Banks and Insurance, acting singly or jointly, to examine annually each savings bank writing life insurance.

Under section 4 of chapter 175 of the General Laws, a domestic life insurance company is required to be examined by the Commissioner of Insurance once in three years, or oftener in his discretion.

Since 1921 the number of banks transacting life insurance under chapter 178 has increased from four to thirteen, three of which started to transact such business in 1929. This increase has materially added to the work of the Division of Insurance.

There appears to be no reason for continuing this requirement of an annual examination of such banks.

I accordingly recommend that said section 26 be amended to provide for an examination of such banks triennially, or oftener, at the discretion of either or both the said Commissioners.

6. Reports of Examination as Evidence against Insurance Companies and Fraternal Benefit Societies.

The Commissioner of Insurance is required by section 4 of chapter 175 of the General Laws to examine domestic insurance companies. He and the Commissioner of Banks are required by section 26 of chapter 178 to examine savings banks writing life insurance. He is authorized by section 4 of chapter 175 to examine foreign insurance companies, and by sections 36 and 44 of chapter 176 to examine fraternal benefit societies.

Section 6 of said chapter 175, section 36 of said chapter 176, and section 28 of said chapter 178 provide for proceedings in the Supreme Judicial Court to dissolve or liquidate a domestic insurance company, a domestic fraternal benefit society, and the insurance department of a savings bank writing life insurance, respectively, and section 5 of said chapter 175 and section 41 of said chapter 176 provide for a judicial review of the revocation by the Commissioner of Insurance of the license of a foreign insurance company or foreign fraternal benefit society, respectively.

Ordinarily proceedings under said sections 6, 26 and 28 are instituted by the Commissioner after an examination has been made under said sections 4, 26 and 36.

It should be definitely provided by statute that in any of the foregoing judicial proceedings the report of examination shall, in the discretion of the court, be admissible, as far as material to the issues, as prima facie evidence of the facts set forth therein.

7. Interest Charges on Loans and Overdue Premiums on Life Insurance Policies.

Clause 7 of section 132 and section 142 of chapter 175 of the General Laws provide that the domestic life insurance companies may charge interest on policy loans at a rate not exceeding 6 per cent per annum, or, at the option of the company, compounded semi-annually, and clause 11 of said section 132 contains a similar provision in reference to interest payable on overdue premiums.

The Department believes that a company should not be permitted to charge interest on loans and overdue premiums on a discount basis which enables the company to receive interest at a rate which exceeds 6 per cent.

The Attorney General in an opinion rendered to the Commissioner of Insurance on October 19, 1926, ruled that under these statutes a company collecting interest in advance should compute it on a true discount basis, so that the amount of interest paid by the policyholder will not exceed 6 per cent collectible in arrears. To illustrate: if the company on making a loan of $100 deducts therefrom $6 at the time the loan is made, the company receives interest at the rate of 6.36 per cent on the actual amount loaned. This, the Attorney General ruled, is contrary to these statutes.

The Supreme Judicial Court, however, in the case of Swift *v.* Columbian National Life Insurance Co., 262 Mass. 399, decided in 1928, ruled that these statutes do not require a company to compute interest payable in advance on a true discount basis.

The amount involved in each particular case may be trifling, but the aggregate sum collected by not calculating interest paid on a true discount basis may be rather substantial, and practically every life company does calculate its interest on a true discount basis.

It is recommended that these statutes be amended specifically to provide that interest payable on loans or premiums in arrears shall be calculated so that the effective rate thereof shall not actually exceed 6 per cent per annum.

8. Suspension of Authority of Domestic Mutual Insurance Companies transacting Compulsory Motor Vehicle Insurance.

During the past two or three years it has been necessary for the Commissioner of Insurance to institute liquidation proceedings against several domestic mutual insurance companies transacting business under the compulsory motor vehicle liability insurance act. It is my judgment, based upon this experience, that the Commissioner should be vested with broader powers than he now possesses to terminate the authority of any domestic company transacting this business, and that provision should be made that no such company shall transact such business unless it has a net surplus of not less than $100,000.

Under the present law domestic insurance companies receive a certificate of authority, the operation of which can be suspended only upon an information proceeding in the Supreme Judicial Court and for the specific causes enumerated in the law. (Gen. Laws, c. 175, §§ 6, 32.) In such a proceeding the Commissioner must allege and prove the existence of one of said causes. A domestic mutual company formed since the enactment of St. 1927, chapter 284, to write liability insurance, is required to collect $100,000 in premiums in cash before issuing policies, and maintain a premium income of not less than $100,000, but no provision is made for a surplus except when it transacts the classes of business in addition to liability insurance. (Gen. Laws, c. 175, §§ 54, 93.)

Foreign mutual companies are required to have a license which expires annually and is subject to suspension or revocation by the Commissioner, and such companies transacting this form of insurance are required to have and maintain a net cash surplus of at least $100,000 (Gen. Laws, c. 175, §§ 5, 150, 151), and if their surplus falls below this amount they are required to cease issuing policies and to notify the Commissioner thereof. (Gen. Laws, c. 175, §§ 23A, 156A.)

It is apparent, therefore, that the law provides stronger

safeguards in respect to foreign mutual liability companies than it does in respect to such domestic companies.

The companies above referred to were formed prior to St. 1927, chapter 284, and when formed were not required to have any premiums paid in in cash prior to the issue of policies.

This provision for a license will give the Commissioner a more effective control over these companies than he now possesses, and will enable him more promptly to stay the operation of such companies than he can under the present law.

The Legislature may deem it advisable and expedient, also, to extend the provisions herein recommended to domestic stock liability companies. There seems to be no objection to the application of these provisions to such companies, although at this time there does not appear to be a real necessity for such application.

9. Insurance of Lives, Property or Interests by Domestic Insurance Companies in States in which they are not Duly Licensed — Transaction of Business for Unlicensed Foreign Companies.

The National Convention of Insurance Commissioners in 1928 passed the following resolution:

Whereas, The writing of insurance by a company in a State where it is not authorized constitutes a violation of the laws and is unfair competition for the licensed companies, and at the same time may make it possible to deprive insureds in such unauthorized territory of indemnity for losses sustained; and

Whereas, It lies within the power of the State of domicile of such offending company to enact laws prohibiting this practice while the State of residence of the insured is powerless in the matter; and

Whereas, The practice of setting up an office in one State for the transaction of business with residents of another State now renders such agency virtually immune from the insurance laws of all States; therefore, be it

Resolved by the National Convention of Insurance Commissioners that the Commissioner of each State be requested to use his best

efforts to secure the enactment of the following two new sections of the insurance law of his State unless such provisions are already incorporated therein:

1. The corporate powers of each company incorporated in this State to transact the business of insurance shall be limited to the issuance of policies insuring persons or property or other hazards in the State of domicile and in other States from which it has received authority to transact insurance business from the Insurance Department of such State.

2. Any person or persons who maintain or operate in this State an agency or organization for the transaction of insurance business in another State shall be subject to the laws of this State relating to the licensing of agents and brokers.

This resolution deals with two matters:

1. There are now many insurance companies in the United States which transact business through the mails and thereby insure lives, property or interests in States in which they are not duly licensed to transact business. There is no way by which a State can directly prohibit an insurance corporation domiciled in another State from soliciting and writing insurance on lives, property or interests within its borders through the medium of the mails. The use of the mails for such a purpose could be denied only by an act of the Federal Congress.

Each individual State, however, can regulate or restrict the corporate powers of insurance companies chartered under its laws. The only effective way, apart from such an act of Congress, to prevent insurance companies from insuring lives, property or interests in a State in which they are not licensed is for each State to enact a law curtailing the corporate powers of its own companies so that their charters will permit them to insure lives, property or interests in other States only if they have been duly licensed to transact business therein in accordance with the laws of such States.

Section 45 of chapter 175 of the General Laws now forbids a domestic company to appoint an agent to act for it in procuring business in any State in which it is not duly authorized to transact business. This section does not, however, abridge the corporate powers of a domestic

company to write policies on lives, property or interests in such a State.

Legislation as recommended by the Convention will tend effectively to prevent this abuse. While it may be that not all of our domestic companies have made themselves obnoxious to the authorities of other States by writing insurance on lives, property or interests in States in which they are not licensed, nevertheless, the recommendation is entirely sound in principle.

The bill herewith presented is, it is to be noted, restricted in its application. (1) It permits a domestic company to write insurance on lives, property or interest in a State in which it is not licensed if the policy is procured under a law in that State similar to section 168 of chapter 175 of the General Laws, which permits a special insurance broker under certain limitations to procure insurance on property in this Commonwealth in an unlicensed foreign company, when insurance in authorized companies cannot be obtained. (2) It applies only to the writing of insurance on lives, property or interests in a State which by law prohibits its own companies from insuring lives, property or interests in this Commonwealth without being duly licensed therein. This reciprocal provision is intended to induce other States to prohibit their companies from doing, in so far as this Commonwealth is concerned, what this bill forbids to our domestic companies. (3) The bill further permits domestic companies to continue, renew, revive or reinstate policies made in a State when it was duly authorized to transact business therein, although it is not so authorized at the time the policy is continued, renewed, revived or reinstated. (4) It does not apply to blanket policies covering properties located in several States nor to policies of group life insurance covering employees residing in different States, or to the conversion of a certificate under a group life policy by an employee residing in a State in which the company is not licensed.

This matter is covered by section 1 of the bill herewith presented.

2. Section 160 of chapter 175 of the General Laws now prohibits the negotiation of insurance in foreign insurance companies which are not licensed to transact business in the Commonwealth.

This section should be amended in accordance with the second part of the resolution so that this section will forbid the negotiation of insurance in this jurisdiction in unlicensed foreign companies, whether the insurance covers lives, property or interests in the Commonwealth or elsewhere.

The present statute may possibly be broad enough to cover the case of a person who negotiates insurance in this State in an unlicensed foreign insurance company wherever the subject matter of the insurance may be situated, but the natural construction of the statute, in view of section 3 of said chapter, would seem to be that it applied to property or interests in the Commonwealth.

If this is the true construction of this section, then it might be possible for a person to act in this State as an agent of an unlicensed foreign company, provided he did not place insurance on lives, property or interests in this State. A similar situation arose recently in the State of New Jersey, whose Legislature has passed a law to forbid the transaction of such business, and it was the situation in New Jersey which prompted the passage of the second part of this resolution.

This matter is covered by section 2 of the bill.

This bill was recommended to the last session of the Legislature as set forth in House Document No. 42 of 1929, but was not enacted.

It may be that under the operation of this bill some domestic companies may lose some business. Restrictive legislation of this kind inevitably will affect some persons or companies adversely. Other statutes may be open to the same or a similar objection which does not seem to be very potent. The benefits to be derived from this measure, in my judgment, outweigh the fact that some companies may lose a few dollars in premiums.

Section 45 of the insurance act, above mentioned,

recognizes the principle approved by the National Convention of Insurance Commissioners. If it is sound to prohibit a domestic company from sending an agent into a foreign State, in which the company is not licensed, to solicit business, it seems just as logical and sound to go a step farther and forbid the company to make the contract in any State.

10. Advertising by Unlicensed Foreign Insurance Companies, etc.

Section 151 of chapter 175 of the General Laws requires that foreign insurance companies and fraternal benefit societies shall be licensed by the Commissioner of Insurance. Section 160 of said chapter 175 and section 49 of said chapter 176 further provide that no person shall act or aid in any manner in negotiating insurance in an unlicensed company or society.

There is, however, no prohibition against the publication of advertisements in this Commonwealth on behalf of an unlicensed foreign company or society. Certain unlicensed companies have been advertising in newspapers printed in this Commonwealth and broadcasting advertisements over radio stations located in the Commonwealth.

These practices should be definitely prohibited by law. The purpose of such advertising is no other than to induce our citizens to procure insurance from such companies which pay no taxes here, are not subject to our supervision, cannot be sued in this State, and are engaged in unfair competition with duly licensed companies. In fact, some of these companies are absolutely unreliable and could not qualify for a license under our laws.

Insurance is not commerce, and the Commonwealth undoubtedly has the power to proscribe the printing or publication of advertisements therein on behalf of such companies under the principles declared in Com. *v.* Nutting, 175 Mass. 154; affirmed 183 U. S. 553.

I am informed that the Legislature of Connecticut recently passed a statute similar to that herewith recommended.

The bill embodying these provisions was presented to the last session of the Legislature but was not enacted, and in view of the foregoing practices I renew the recommendation.

11. The Anti-Rebate Law.

Sections 182 to 184, inclusive, of chapter 175 of the General Laws prohibit the allowance and acceptance of rebates on premiums on insurance policies and bonds executed by corporate surety companies as surety.

Section 184 provides, in part, that the prohibitions of sections 182 and 183 shall apply to all kinds of insurance, "except those specified in the second clause of section forty-seven, as to which they shall apply to insurance against loss or damage to motor vehicles, their fittings and contents and against loss or damage caused by teams, automobiles or other vehicles, excepting rolling stock of railways, as provided in said second clause."

This provision was enacted by St. 1908, chapter 511, and, at that time, what is now clause second of section 47 of said chapter 175, was clause second of section 32 of chapter 576 of the Acts of 1907, as amended, and read as follows:

> To insure upon the stock or mutual plan vessels, freights, goods, money, effects, and money lent on bottomry or respondentia, against the perils of the sea and other perils usually insured against by marine insurance, including risks of inland navigation and transportation; also to insure against loss or damage to and loss of use of motor vehicles, their fittings and contents, whether such vehicles are being operated or not, and wherever the same may be, resulting from accident, collision or any of the perils usually insured against by marine insurance, including inland navigation and transportation.

This second clause, however, has been revised from time to time, and, as amended by St. 1928, chapter 106, it reads as follows:

> To insure, (*a*) vessels, freights, goods, money, effects, and money loaned on bottomry or respondentia, against the perils of the sea and other perils usually insured against by marine insurance; (*b*) against risks of inland navigation and transportation; (*c*) in connection with marine or inland navigation or transportation insurance on any

property, against any risk or hazard whether to person or to property, including legal liability on account of loss or damage to either, arising out of the construction, repair, operation, maintenance or use of the subject matter of such primary insurance; (*d*) a person engaged in the business or trade of manufacturing, buying, selling or dealing in, cutting or setting precious stones, jewels, jewelry, gold, silver, or other precious metals, whether as principal, agent, broker, factor or otherwise, against any and all risks of loss or damage including deterioration and loss of use, arising out of or in connection with such business or trade and against legal liability on account of any such loss or damage including deterioration or loss of use; (*e*) against loss or damage to, and loss of use of, motor vehicles, airplanes, seaplanes, dirigibles or other aircraft, their fittings and contents, whether such motor vehicles or aircraft are being operated or not, and wherever the same may be, resulting from accident, collision, fire, lightning, any larceny, pilferage, theft, malicious mischief or vandalism, any of the perils usually insured against by marine insurance or risks of inland navigation and transportation, and against loss or damage caused by the concealment, removal or unlawful disposition or conversion of such vehicles or aircraft by a conditional vendee or mortgagor or bailee in possession; (*f*) against loss or damage to any property caused by teams, airplanes, seaplanes, dirigibles or other aircraft, motor vehicles or other vehicles except rolling stock of railways, and against legal liability for loss or damage caused thereby to the property of another, but not including legal liability for bodily injury or death caused thereby.

It is apparent, therefore, that section 184 as it now stands should be amended to provide that sections 182 and 183 shall not apply to insurance of the kind specified in subdivisions (*a*) and (*b*) of clause second of section 47, since that kind of insurance, commonly styled "marine insurance," is the kind originally excepted by said chapter 511.

12. Formation of Fraternal Benefit Societies.

Sections 6 to 9, inclusive, of chapter 176 of the General Laws, govern and regulate the incorporation of domestic fraternal benefit societies.

The application of these sections discloses certain inconsistencies or omissions which should be corrected.

The statutes provide that a corporation formed thereunder does not exist until after it has complied with

several requirements, including the obtainment of a certain number of members. They further provide that the society, prior to its incorporation, shall not issue benefit certificates or make contracts to pay, or pay benefits. In other words, the society, apparently as a corporation, is prohibited from doing certain acts, although it then has no corporate existence.

A society is required to collect advance assessments amounting to at least $2,500, to be held in trust and to be refunded to the applicants for admission, if the society is not finally incorporated. It is not clear who holds these advance payments in trust, since when they are made the society as a corporation does not exist.

It may be that the society has a quasi-corporate existence for the purposes of section 8 of said chapter, which is the one to which reference is here made. But on its face the statute seems inconsistent.

No provision is made for a bond to secure the repayment of these deposits, as exists under section 73 of chapter 175 of the General Laws, as amended, in relation to premiums collected by a mutual insurance company.

It is accordingly recommended that these sections be amended to provide, first, for the incorporation of the society; second, for the obtainment of the necessary subscriptions, etc., and for the filing of a bond, prior to the securing of advance payments, to guarantee the refund thereof; and third, for the issue by the Commissioner of a certificate authorizing it to transact business.

These amendments are covered by the annexed bill, which, if enacted, will simplify the procedure for incorporating fraternal societies, and fortify the law by adopting substantially the same procedure and provisions as now exist for the incorporation of domestic mutual fire insurance companies under said chapter 175.