

HOUSE . . . . No. 1977

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**The Commonwealth of Massachusetts**

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HOUSE OF REPRESENTATIVES, April 14, 1947.

The committee on Insurance, to whom was referred the petition (accompanied by bill, House, No. 1093) of George W. Roberts that mutual fire insurance companies be authorized to pay dividends to certain risks under special circumstances, report the accompanying bill (House, No. 1977).

For the committee,

HENRY M. DUGGAN.

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Forty-Seven.

AN ACT AUTHORIZING MUTUAL FIRE INSURANCE COMPANIES TO PAY DIVIDENDS AND SPECIAL DIVIDENDS TO CERTAIN RISKS AND UNDER CERTAIN CIRCUMSTANCES.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 Chapter 175 of the General Laws is hereby amended  
2 by striking out section 80, as amended by chapter 196  
3 of the acts of 1947 and inserting in place thereof the  
4 following section: —

5 *Section 80.* From time to time the directors of a  
6 mutual fire company may by vote fix and determine  
7 the percentages of dividend or expiration return of  
8 premium to be paid on expiring or cancelled policies,  
9 or to be paid upon anniversary dates of policies  
10 having no expiration dates, which may, in their dis-  
11 cretion, and with the written approval of the com-  
12 missioner, and upon such conditions, if any, as he  
13 may prescribe, be different for policies insuring for the  
14 same term against the different kinds of risks men-  
15 tioned in the several provisions of the clause or  
16 clauses of section forty-seven under which such a  
17 company may transact business; and the percentage  
18 aforesaid for fire policies insuring farm risks, fire-  
19 proof risks, including risks equipped with automatic  
20 sprinkler and fire alarm systems, or manufacturing  
21 or storage risks, or manufacturing or storage risks

22 confined to lumber and woodworking only, risks sub-  
23 ject to special inspection, special underwriting and  
24 special reinsurance treatment, insured under either A  
25 policies issued by ten or more companies or B policies  
26 issued by one company which by joint underwriting  
27 cedes a portion of the risk to nine or more other  
28 companies in a group, may in like manner be different  
29 from that for policies insuring other risks against  
30 fire for the same term. Policies insuring risks in this  
31 commonwealth in the same classification shall have  
32 an equal rate of dividend or return of premium. If  
33 an assessment is levied under section eighty-three the  
34 rate thereof may be different for policies insuring  
35 risks in any classification from that for policies in-  
36 suring other classifications of risks for the same term,  
37 but policies insuring risks in the same classification  
38 shall have the same rate of assessment, and all funds  
39 of the company, actual and contingent, shall be  
40 available for the payment of any claim against it.  
41 Every policy placed in any classification made under  
42 this section shall, when issued, bear an endorsement,  
43 satisfactory to the commissioner, to the effect that it  
44 is so classified.

45 Whenever any such insurance company, whose  
46 business is confined chiefly to the insurance of sprin-  
47 klered risks and which is conducted solely for the  
48 benefit and protection of its members and which pays  
49 no commissions or brokerages for the acquirement of  
50 its business, shall reinsure in a like company the  
51 whole or any portion of a risk covered by its policy  
52 or policies of insurance, it may do so either (1) by  
53 existing methods of reinsurance or (2) by agreement  
54 with its policyholder or policyholders attached to and  
55 made a part of such policy or policies, which agree-

56 ment shall contain a schedule giving (a) the name  
57 and location of each reinsuring company and (b) the  
58 portion of the risk reinsured in each such company.  
59 Such agreement may also provide that the dividend  
60 or return of premium to be paid or credited upon  
61 termination of such policy or policies shall be the  
62 sum of (1) the dividend or return of premium to be  
63 paid or credited upon that portion of the premium or  
64 premium deposit retained by the company issuing  
65 such policy or policies and (2) the aggregate amount  
66 of such dividends or returns or premium paid or cred-  
67 ited upon all portions of the premium or premium  
68 deposit ceded to all such reinsuring companies.

69 Any such company may accumulate and hold  
70 profits, but only until such profits equal four per cent  
71 of its insurance in force; and such accumulation shall  
72 be subject to the laws relative to the investment of  
73 the capital stock of domestic companies, except that  
74 it may also be invested in shares of co-operative banks,  
75 in deposits in savings banks, and in deposits in savings  
76 departments of trust companies, chartered under the  
77 laws of this commonwealth, subject as to such de-  
78 posits to the laws, rules and regulations governing the  
79 same. Such accumulation may be used from time to  
80 time in the payment of losses, dividends and expenses.

81 Every policyholder of a domestic company and  
82 every policyholder in this commonwealth of a foreign  
83 company shall be notified, at his last known address,  
84 within six months after the expiration of his policy,  
85 of the amount of any dividend declared and payable  
86 thereon, unless in the meantime such dividend has  
87 been paid in cash or applied in payment of the pre-  
88 mium on the renewal of the policy.