The Commonwealth of Massachusetts

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

AN ACT RELATING TO NON-PROFIT HOSPITAL SERVICE CORPORATIONS.

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

1 Section 1. The General Laws are hereby amended by striking out chapter 176A, as amended, and inserting in place thereof the following chapter:—

4 Chapter 176A.

5 Non-Profit Hospital Service Corporations.

6 Section 1. Any corporation organized under the laws of the commonwealth for the purpose of establishing, maintaining and operating a non-profit hospital service plan whereby hospital care may be provided by such corporation, or by a hospital with which it has a contract for such care and which is maintained by the commonwealth or a political
subdivision thereof, or maintained by a corporation
organized for hospital purposes under the laws of the
commonwealth, or such other hospitals as shall be
designated by the commissioner of public health, to
such of the public who become subscribers to said
plan under a contract which entitles each subscriber
or his dependents or employees or dependents
of employees of employers who contribute the
subscription fees in whole or in part to certain
hospital care, shall be governed by this chapter.

Nothing in this section shall prevent such a cor-
poration from reimbursing a subscriber for serv-
ices received in a non-participating hospital, as
follows:—

1. Outside the commonwealth in the event of
accident, illness or maternity.
2. Within the commonwealth only in the event
of accident, emergency illness or quarantinable
disease.

Section 2. Persons desiring to form such a non-
profit hospital service corporation shall incorporate
as provided in section three of chapter one hundred
and eighty.

The board of directors of each such corporation
shall consist of seventeen members, six of whom
shall be executive officers or trustees of hospitals re-
ferred to in section one, three of whom shall be
officers or agents of contributing employers who are
not identified with a hospital as officers, directors
or employees, and three of whom shall be contributing
employees of contributing employers.

Every certificate of organization of a corporation
subject to this chapter filed under said chapter one
hundred and eighty shall have endorsed thereon or
attached thereto the consent of the commissioner of insurance and of the commissioner of public health. The recommendations and criticisms of the latest report of each examination made by the commissioner of insurance shall be read at the next annual or special meeting of every non-profit hospital service corporation, and at the next meeting of the board of directors and thereafter a copy thereof shall be filed at the home office of the corporation and shall be made available for inspection by any member upon request.

Section 3. No non-profit hospital corporation shall make or issue any contract to provide hospital care until it has obtained from the commissioner of insurance, in this section called the commissioner, a certificate, in such form as he may prescribe, stating that the corporation has complied with the conditions set forth in this chapter and all other provisions of law authorizing it to make or issue such contract. No such certificate shall be issued until the commissioner is satisfied, by such examination as he may make and such evidence as he may require, that the corporation has complied with the laws of the commonwealth, adopted a proper system of accounting, and employed either full time or on a consulting basis a competent accountant, a competent claim manager, a competent and experienced underwriter, and a competent and experienced actuary; nor, until the commissioner is satisfied, by such examination as he may make and by an affidavit filed with him, and by such evidence as he may require, that the corporation is without liabilities, except such organization expenses as the commissioner shall approve as reasonable; nor until
he is satisfied that its officers and directors are of
good repute and competent to manage a non-profit
hospital corporation.

Section 4. Any corporation subject to this chapter
may contract with corporations formed under chap-
ter one hundred and seventy-six B or one hundred
and seventy-six C for the joint administration of
their business.

Any corporation subject to this chapter may enter
into contracts for the rendering of hospital service
only with hospitals referred to in section one.

Every contract made by such corporation with
a participating hospital shall contain a provision
whereby such hospital guarantees to subscribers or
their dependents or employees or dependents of
employees of employers who contribute the sub-
scription fees in whole or in part the benefits of the
subscriber's certificate in effect at the time of ad-
mission to such hospital notwithstanding the ability
of such corporation to pay therefor. Officers of the
commonwealth and of counties, cities and towns
within the commonwealth are authorized to execute
contracts containing such provision.

All rates of payments to hospitals made by such
corporations under such contracts shall be approved
in advance by the commissioner of public health, in
this section called the commissioner. No rates of
payments to hospitals shall be approved by the
commissioner if such rates are excessive, inadequate
or unfairly discriminatory. On approval by the
commissioner such contracts and rates shall remain
in effect for a period of one calendar year. Nothing
herein shall be construed to prohibit or require
uniformity in rates, payments, practices or con-
115 tracts. If nursing or other services at any hospital
116 are rendered gratis, nothing herein is intended to
117 prohibit or require the commissioner to take that
118 fact into account in approving or disapproving
119 the rates.
120 Whenever the commissioner approves or disapp-
121 roves rates under this section, he shall file a certified
122 copy of such contracts and rates with the com-
123 missioner of insurance forthwith.
124 The commissioner may make, and, at any time,
125 alter or amend, reasonable rules or regulations to
126 facilitate the operation and enforcement of this sec-
127 tion and to govern hearings and investigations there-
128 under.
129 He may, at any time, require any participating
130 hospital or non-profit hospital service corporation to
131 file with him such data, statistics, schedules or infor-
132 mation as he may deem proper or necessary to enable
133 him to approve or disapprove contracts and rates
134 of payments to hospitals.
135 He may issue such orders as he finds proper, ex-
136 pedient or necessary to enforce and administer the
137 provisions of this section, to secure compliance with
138 any rules and regulations made thereunder, and to
139 enforce adherence to the contracts and rates of pay-
140 ments to hospitals approved by him.
141 The supreme judicial court for the county of Suf-
142 folk shall have jurisdiction in equity upon the peti-
143 tion of the commissioner and upon a summary hear-
144 ing, to enforce all lawful orders of the commissioner.
145 Memoranda of all actions, orders, findings and deci-
146 sions of the commissioner shall be signed by him and
147 filed in his office as public records open to public
148 inspection.
Any hospital or non-profit hospital service corporation aggrieved by any action, order, finding or decision of the commissioner under this section may, within twenty days from the filing of such memorandum thereof in his office, file a petition in the supreme judicial court for the county of Suffolk for a review of such action, order, finding or decision. An order of notice returnable not later than seven days from the filing of such petition shall forthwith issue and be served upon the commissioner. Within ten days after the return of said order of notice, the petition shall be assigned for a speedy and summary hearing on the merits. The action, order, finding or decision of the commissioner shall remain in full force and effect pending the final decision of the court unless the court or a justice thereof after notice to the commissioner shall by a special order otherwise direct. The court shall have jurisdiction in equity to modify, amend, annul, reverse or affirm such action, order, finding or decision, shall review all questions of fact and of law involved therein, and may make any appropriate order or decree. The court may make such order as to costs as it deems equitable. The court shall make such rules or orders as it deems proper governing proceedings under this section to secure prompt and speedy hearings and to expedite final decisions thereon.

Any corporation subject to this chapter shall repay amounts withheld from hospitals, under provisions of its contracts with hospitals permitting the discounting of hospital payments in the event of certain circumstances, when such payments would not reduce the contingent reserve below the amount required by section twenty-three.
If the rates paid hospitals by such a corporation over a period of one year or more have been below the charges paid by the public during the same period, any corporation, subject to this chapter with the approval of the commissioner of insurance and providing sufficient funds are available as surplus, may reimburse hospitals by the amount by which the payments made by the public in general during such period exceeded the rates paid by the corporation to those hospitals during the same period. The amount paid hospitals under this provision shall be calculated on the over-all number of days of hospitalization in each hospital multiplied by the excess of the per diem payment paid by the public to that hospital over the per diem payment by such corporations, but in the event that sufficient funds are not available to pay the full differential, the amount available may be prorated on the same basis.

Section 5. Contracts issued and rates charged by non-profit hospital service corporations to its subscribers for hospital care shall be subject to the approval of the commissioner of insurance, in this section called the commissioner. No such contracts shall be issued and no such rates shall be charged by a non-profit hospital service corporation to its subscribers for hospital care until such contracts and rates have been approved in advance by the commissioner, except as otherwise provided herein. No such contracts or rates shall be approved until after a public hearing advertised in newspapers in Boston, Brockton, Fall River, Pittsfield, Springfield and Worcester, and held within thirty days of the date of the filing of a copy of the form of such contracts or rates with the commissioner at which the
commissioner shall introduce as evidence the latest certified copy of hospital service contracts and rates governing the same as filed with him by the commissioner of public health.

The commissioner shall approve or disapprove such contracts or rates within thirty days following the conclusion of the public hearing, to be effective for the ensuing calendar year but not earlier than thirty days subsequent to such approval. No such contracts shall be approved if the benefits provided therein are unreasonable in relation to the rate charged, nor if the rates are excessive, inadequate or unfairly discriminatory. Classifications shall be fair and reasonable. On approval such contracts and rates shall continue in effect for a period of one calendar year, except that an increase in benefits to subscribers may, with the approval of the commissioner, be allowed not more than once in each such year, and provided such contracts may be cancelled for non-payment of subscribers' fees, misrepresentation or fraud or as provided in sections seven and nine. Contracts written after said date, shall, subject to the above, be in effect for that part of the calendar year which remains.

Nothing in this section shall be taken to prohibit as unreasonably or unfairly discriminatory the establishment of classifications or modifications of classifications or risks based upon size, expense, management, individual expense, purpose, location or dispersion of hazard or any other reasonable considerations, providing such classification and modifications apply to all risks under the same or substantially similar circumstances or conditions.

Under such rules and regulations as he shall adopt,
the commissioner may by written order suspend or modify requirement of filing or prior approval of rates as to any group plan or as to classes of risks the rates for which cannot practicably be filed and approved before they are used.

The commissioner may make and, at any time, alter or amend, reasonable rules or regulations to facilitate the operation and enforcement of this section and to govern hearings and investigations thereunder.

He may, at any time, require any non-profit hospital service corporation to file with him such data, statistics, schedules or information as he may deem proper or necessary to enable him to approve or disapprove contracts and rates to subscribers.

He may issue such orders as he finds proper, expedient or necessary to enforce and administer the provisions of this section, to secure compliance with any rules and regulations made thereunder, and to enforce adherence to the contracts and rates to subscribers.

The supreme judicial court for the county of Suffolk shall have jurisdiction in equity upon the petition of the commissioner and upon a summary hearing, to enforce all lawful orders of the commissioner. Memoranda of all actions, orders, findings and decisions of the commissioner shall be signed by him and filed in his office as public records open to public inspection.

Any subscriber, non-profit hospital service corporation or other person aggrieved by any action, order, finding or decision of the commissioner under this section may, within twenty days from the filing of such memorandum thereof in his office, file a
petition in the supreme judicial court for the county of Suffolk for a review of such action, order, finding or decision. An order of notice returnable not later than seven days from the filing of such petition shall forthwith issue and be served upon the commissioner. Within ten days after the return of said order of notice, the petition shall be assigned for a speedy and summary hearing on the merits. The action, order, finding or decision of the commissioner shall remain in full force and effect, pending the final decision of the court unless the court or a justice thereof after notice to the commissioner shall by a special order otherwise direct. The court shall have jurisdiction in equity to modify, amend, annul, reverse or affirm such action, order, finding or decision, and shall uphold the commissioner's action, order, finding or decision if supported by the weight of evidence. The court may make any appropriate order or decree. The court may make such order as to costs as it deems equitable. The court shall make such rules or orders as it deems proper governing proceedings under this section to secure prompt and speedy hearings and to expedite final decisions thereon.

The commissioner shall require every such corporation to keep its books, records, statistics, accounts and vouchers in such manner that he or his authorized representatives may readily verify its annual statements and ascertain whether the corporation has complied with the law. At least once in three years, and whenever he determines it to be prudent, he shall personally, or by his deputy or examiner, visit each non-profit hospital service corporation and thoroughly inspect and ex-
amine its affairs to ascertain its financial condition,
it's ability to fulfill its obligations, whether it has
complied with the law, and any other facts relating
to its business methods and management, and the
equity of its dealings with its subscribers.

A report of examination of any corporation made
under this section shall as far as material and relevant
be admitted in the discretion of the court in any
judicial proceedings brought by or in behalf of the
commissioner or any subscriber or non-profit hospital
service corporation as evidence tending to prove
the facts stated in such report, but nothing in this
paragraph shall be construed to require the com-
missoner to make an examination under this section
before bringing such a proceeding.

The commissioner may investigate, in such manner
and to such extent as he may deem expedient, any
complaint of a subscriber under any subscriber's
contract.

Section 6. The commissioner of insurance, or
any person authorized by him to make examinations
or investigations or to conduct hearings provided
for by this chapter, shall have free access to all
the assets of non-profit hospital service corporations
for the purpose of verification, and to all the books
and papers relating to their business and to the
books and papers of their representatives. Said
commissioner or any person authorized by him
may summon and examine under oath any person
who has knowledge of the affairs, transactions or cir-
cumstances being examined or investigated; and
whoever without justifiable cause neglects upon due
summons to appear and testify before the com-
missioner of insurance or his authorized representa-
tive, and whoever obstructs said commissioner or
his representative in making examinations or in-
estigations under this chapter, shall be punished
as provided herein.

Section 7. No contract between the subscriber
and the corporation shall be issued or delivered in
the commonwealth:—

(a) Until a copy of the form of the contract and a
table of rates shall have been approved by the com-
missioner of insurance, in this section called the
commissioner; nor

(b) If the commissioner notifies the corporation
in writing that in his opinion the form of said con-
tract does not comply with the laws of the common-
wealth, specifying the reason for his opinion, pro-
vided that such action of the commissioner shall be
subject to review by the supreme judicial court;

(c) Unless it contains in substance the following
provisions:—

(1) A provision that the contract may not be
cancelled by the corporation or revised during the
calendar year, except for non-payment of sub-
scription fees, misrepresentation, or fraud, or as
provided in sections five or nine, or for any other
cause which may be approved by the commissioner
and then only by written notice delivered to the
remitting agent and to the subscriber, or mailed,
postpaid, to him at his last address, as shown by
the records of the corporation, and with a return
of the unearned portion of the subscription fee.

(2) A statement of the hospital services to be
paid for by the corporation and the period during
which they will be furnished, and, if any hospital
services are excluded, a statement of such exception.
(3) A statement of the period of grace which will be allowed for making any payment due from the subscriber under its contract, which in any event shall not be less than ten days.

(4) A provision that the subscriber or any person claiming under a subscriber's contract shall have a period of at least two years from the time the cause of action arises to bring suit thereon.

Section 8. Except as provided in section nine, no subscriber's contract shall be issued by a non-profit hospital service corporation unless prior thereto a written representation relative to physical condition, in such form as the commissioner of insurance may prescribe, signed by the subscriber, has been made a part of the application; provided, however, that subscribers' contracts may be issued which exclude particular illnesses or diseases or illnesses or diseases arising from a particular source.

Section 9. Any plan between such a corporation and more than fifty subscribers wherein the corporation agrees to furnish certain hospital benefits to each of the subscribers and certain of his dependents, all as defined in a certificate to be issued each subscriber, and where the subscribers' fees are remitted to the corporation by all subscribers in the group through a common remitting agent, whether he be an individual, an association, a partnership or a corporation, shall be considered a group hospital service plan. Contracts may be issued without medical examination or written representation, subject however to subsequent disapproval by the commissioner of insurance if he finds that the basis does not preclude future individual selection. The commissioner shall not approve any such basis where less than twenty-five per cent of those eligible in
the group agree to become subscribers of the corporation. If on any anniversary of a group the number of the eligible members of that group enrolled as subscribers drops below twenty-five per cent of the total eligible, the commissioner may require the corporation to cancel all contracts in that group without any liability for hospital admissions of any of the subscribers in that group after date of cancellation; or if the remitting agent, for any reason, discontinues that method of payment the corporation may decline to accept payments from individual subscribers within that group and may cancel all of such contracts without any liability for hospital admissions of any of the subscribers in that group after date of cancellation; provided, that if the commissioner requires cancellation because the percentage of eligible members drops below twenty-five per cent on any anniversary, or if cancellation occurs because the remitting agent discontinues that method of payment, the corporation shall convert those subscribers remaining in that group on the anniversary date to non-group subscribers at the rate for non-group subscribers; provided, further, that at least seventy-five per cent of those enrolled on the anniversary date in that group agree to convert.

Any group consisting of not less than ten nor more than fifty subscribers may be enrolled without medical examination or written representation, provided that all members of the group are employees of one employer, and provided, further, that the number enrolled represents at least seventy-five per cent of those employed by that employer.

Any group consisting of not less than five nor
more than nine may be enrolled without medical examination or written representation provided that all members of the group are employees of one employer and provided further that the number enrolled represents all those employed by that employer less one.

If a subscriber leaves a group, he may convert to the non-group plan without written representation at rates in effect for non-group subscribers; provided, that no group exists at his new place of employment.

Section 10. The president, vice-president, if any, the secretary, assistant secretary, if any, the treasurer and assistant treasurer, if any, shall be annually sworn and their oaths entered of record in the books of the non-profit hospital service corporation.

Each director shall file with the secretary a written acceptance of the trust before he is qualified to act. The secretary, the treasurer, if any, and each assistant secretary and each assistant treasurer of such a corporation shall, before entering upon his duties, give a bond payable to the corporation, conditioned upon the faithful performance of his duties. The bond shall be executed as surety by a surety company authorized to transact business in the commonwealth, and shall be in a form satisfactory to the commissioner of insurance and in such penal sum as the commissioner shall prescribe. If the authority of any such surety company to transact business in the commonwealth is terminated, each officer bonded as aforesaid by such surety company shall forthwith execute a new bond in compliance with this section. The president, or in his absence the vice-president, if any, shall prescribe at all meetings of the directors
or subscribers. In the absence of both said officers a temporary president may be chosen. The corporation shall keep a list of all subscribers. The secretary shall keep a record of the attendance, the votes taken and the manner in which each director votes, and of all other proceedings of all meetings of the directors and subscribers, and a record of all contracts issued, and such other books and records as the president and directors may require. The records so kept shall be evidence of all elections and of the transactions to which they relate, and shall be open to the inspection of any interested person.

Section 11. When any such non-profit hospital service corporation publishes its assets it shall in the same connection and with equal conspicuousness publish its liabilities, both computed on the basis allowed for its annual statements.

Section 12. Any non-profit hospital service corporation may provide for the issuance to its employees of hospital service coverage and medical service coverage. The term "employee" as used in this section shall include an officer.

Section 13. No non-profit hospital service corporation, or any officer or agent thereof, shall make, issue, circulate or use, or cause or permit to be made, issued, circulated or used, any written or oral statement misrepresenting the terms of any subscriber's contract issued or to be issued by any non-profit hospital service corporation, or the benefits or privileges promised thereunder.

Section 14. Acquisition costs in connection with the solicitation of subscribers and cost of administration shall at all times be limited to such amounts as the commissioner of insurance shall approve as
adequate and reasonable, but in any event, such
acquisition costs plus solicitation costs shall not
exceed in any one year ten per cent of the earned
subscription fees during that year, except that
during the first five years after the issuance of a
certificate of compliance by said commissioner such
corporation may disburse not more than twenty per
cent of such amount in each year.

Section 15. The reserve and contingent reserve
funds of any corporation subject to this chapter shall
be invested only in securities permitted by the laws
of the commonwealth for the investment of the capital
of insurance companies. The directors or other
officers of such a corporation making or authorizing
an investment or loan not included in the securities
permitted for investment shall be personally liable
to the corporation for any loss caused by such invest-
ment. Such a corporation may invest in real estate
necessary for its convenient accommodation in the
transaction of its business in an amount not in excess
of ten per cent of its invested assets, including cash
in banks.

No investment, sale or loan shall be made which
has not first been authorized by the board of direc-
tors, or by a committee thereof charged with the
duty of investing or loaning the funds of the corpora-
tion; nor shall any deposit be made in a bank or
banking institution unless such bank or banking
institution has first been approved as a bank of
deposit by the board of directors or said committee
thereof, and unless the vote authorizing such invest-
ment, sale or loan or approval of the place of deposit
has been duly recorded in the books of the cor-
poration.
Section 16. Any dispute arising between a corporation subject to this chapter, and any hospital with which such corporation has a contract for hospital service as authorized by this chapter, may with the consent of both parties be submitted to the commissioner of public health for his decision with respect thereto. Any dispute or controversy arising between a non-profit hospital service corporation and any subscriber or any person whose subscription certificate has been cancelled may with the consent of both parties within thirty days after such dispute or controversy arises be submitted to the commissioner of insurance for his decision with respect thereto. All decisions and findings of the commissioner of public health and the commissioner of insurance made under any provision of this chapter may be reviewed upon a petition in equity filed within ten days after the promulgation of such decision or finding in the superior court within and for the county of Suffolk by any party aggrieved by such decision and finding.

Section 17. Every such corporation shall annually, on or before the first day of March, file in the office of the commissioner of insurance a statement, verified by at least two of the principal officers of said corporation, showing its condition as of the thirty-first day of December next preceding. Said statement shall be in such form and shall contain such other matters as said commissioner shall prescribe. A corporation neglecting to make and file its annual statement in the form and within the time herein specified shall forfeit one hundred dollars for each day during which such neglect continues, and upon notice by said commissioner to that effect its authority to do new business shall cease while such default continues.
Section 18. Every corporation subject to this chapter is hereby declared to be a charitable and benevolent corporation and its property and income shall be exempt from state, city, county, district and municipal taxes.

Section 19. Every non-profit hospital service corporation shall, within thirty days after the adoption of any amendment to its by-laws, file with the commissioner of insurance for his approval a copy of such amendment certified under its corporate seal by its secretary.

Section 20. The commissioner of insurance may require any non-profit hospital service corporation to submit for his inspection copies of any circular or other advertising matter issued by it in the commonwealth.

Section 21. All provisions of this chapter relative to the filing of subscriber contract forms with, and the approval of such forms by, the commissioner of insurance shall also apply to all forms of riders, endorsements and applications designed to be attached to such forms, and when so attached to constitute a part of the contract.

Section 22. If the commissioner of insurance, in this section called the commissioner, is satisfied, as to any corporation subject to this chapter that (1) it has failed to comply with the provisions of its charter, or (2) it is being operated for profit, or (3) it is fraudulently conducted, or (4) its condition is such as to render its further transaction of business hazardous to the public or to its subscribers, or (5) its officers and agents have refused to submit to an examination under section five, or (6) it has exceeded its powers, or (7) it has violated any provision of law, or (8) it has compromised, or is attempt-
ing to compromise, with its creditors on the ground
that it is financially unable to pay its claims in full
except as authorized under hospital contracts, or
(9) it is insolvent, he may apply to the supreme ju-
dicial court for an injunction restraining it from
further proceeding with its business. The court
may forthwith issue a temporary injunction restrain-
ing the transaction of any business, and it may, after
a full hearing, make the injunction permanent, and
appoint one or more receivers to take possession of
the books, papers, moneys and other assets of the
corporation, settle its affairs, and distribute its
funds to those entitled thereto, subject to such
rules and orders as the court may prescribe.
The commissioner may institute a rehabilitation
proceeding against any non-profit hospital service
corporation for any cause specified in the preceding
paragraph, other than (6) or (7), by making applica-
tion to the supreme judicial court for his appoint-
ment as receiver to rehabilitate such corporation and
conserve its assets. The court may on such applica-
tion issue a temporary injunction restraining the cor-
poration in whole or in part from further proceeding
with its business, and may appoint the commissioner
as temporary receiver forthwith, and, after due no-
tice and a full opportunity to be heard, may appoint
the commissioner as permanent receiver and author-
ize him to take possession of all the property and
effects of the corporation and to conduct its business
for the purpose of rehabilitating it by taking such
measures as may be proper to eliminate the causes
and the conditions which caused the institution of
such proceeding, subject to the order of the court,
or may dismiss the petition.
The receiver may at any time make application to the court for the termination of a proceeding under this section and for the return to the corporation of all its property and effects, with authority to resume the conduct of its business. The court, if satisfied after due notice and a full hearing that the purposes of the proceeding have been substantially accomplished, shall grant such application.

In any rehabilitation proceeding the court may authorize the receiver to employ such counsel and other assistants as may be necessary for the proper conduct of such proceeding. The compensation of such counsel and assistants and all other necessary expenses of conducting such proceeding shall be paid out of the funds or assets of the insurer in the possession of the receiver.

In the event of liquidation or dissolution of a non-profit hospital service corporation the assets remaining after the payment of outstanding liabilities shall be distributed equitably to the hospitals with whom the corporation has contracts.

Section 23. Every such corporation shall set aside at the end of each calendar year out of its surplus funds, if any, but not otherwise, a special contingent reserve fund in an amount equal to, for the first year, the sum of one half of its then surplus funds, over and above its other reserves and other liabilities, and three per cent of its net premium written during the current calendar year, which three per cent of premium written, however, shall not exceed fifteen per cent of its incurred losses during such calendar year; thereafter, it shall at the end of each succeeding calendar year from any available surplus funds so increase such contingent reserve fund that on
December thirty-first of each such year the amount of the contingent reserve fund shall exceed the required amount on the next preceding December thirty-first by an amount equal to five per cent of the net premium income of such corporation during such whole calendar year; provided, however, that the contingent reserve fund at the end of any calendar year shall not exceed forty per cent of its incurred losses during such calendar year. Such contingent reserve fund may not be withdrawn or reduced below the amount required by this section without the approval of the commissioner of insurance.

Section 24. Upon written notice by a non-profit hospital service corporation of its appointment of a person to act as its agent whose compensation in whole or in part is computed on a commission basis, the commissioner of insurance, in this section called the commissioner shall, if he is satisfied that the appointee is a suitable and competent person of full age and intends to hold himself out and carry on business in good faith as an agent and upon payment by the corporation of a fee of two dollars, issue to him a license which shall state in substance that the person named therein is the constituted agent of the non-profit hospital service corporation in the commonwealth. Such notice shall be upon a form furnished by the commissioner, and shall be accompanied by a statement executed on oath by the appointee which shall give his name, age, residence, present occupation, his occupation for the five years next preceding the date of the notice, and such other information as the commissioner may require upon a form furnished by him. The commissioner may, at any time, for cause shown and after a hearing,
revoke the license or suspend it for a period not exceeding the unexpired term thereof, and may, for cause shown and after a hearing, revoke the license while so suspended, and shall notify both the corporation and the agent in writing of such revocation or suspension. A license issued hereunder shall expire on the thirtieth day of June next after its issue, unless sooner revoked or suspended as aforesaid, or unless the corporation, by a written notice filed with the commissioner, cancels the authority of the agent to act for it. Such license may, in the discretion of the commissioner and upon payment by the corporation of said fee, be renewed for any succeeding year by a renewal certificate without requiring anew the detailed information hereinbefore specified. Every corporation shall be bound by the acts of the person named in the license within the scope of his apparent authority as its acknowledged agent while such license remains in force. Notices of hearings required by this section shall be deemed sufficient when sent postpaid by registered mail to the last business or resident address of the licensee appearing on records of the commissioner. The affidavit of the commissioner or of any person authorized by him to send such notice that such notice has been sent in accordance with this section shall be prima facie evidence that such notice was duly given.

Section 25. An officer of a non-profit hospital service corporation may without a license act for such corporation in the negotiation, continuance or renewal of any subscriber's contract which it may lawfully make.

Section 26. No corporation subject to this chapter
shall pay any salary, compensation or emolument to any officer, trustee or director thereof, nor any salary, compensation or emolument amounting in any year to more than five thousand dollars to any person, unless such payment be first authorized by a vote of its board of directors. No corporation subject to this chapter shall make any agreement with any of its officers, trustees or employees whereby it agrees that for any services rendered or to be rendered he shall receive any salary, compensation or emolument for a period of more than three years from the date of such agreement.

Section 27. The pertinent provisions of section one hundred and thirty-eight A of chapter one hundred and seventy-five shall apply to deductions on pay-roll schedules from the salary of any state, county or municipal employee for the payment of the amount payable by such an employee under a contract issued to him as a subscriber by a non-profit hospital service corporation described in this chapter.

Section 28. Whoever violates any provision of this chapter for which no other penalty is provided by law, shall be punished by a fine of not more than five hundred dollars.

Section 29. The provisions of this chapter shall be applicable on or after January first, nineteen hundred and fifty to all non-profit hospital service corporations heretofore or hereafter formed, except those provisions of section two relating to the composition of the board of directors shall take effect as of the next annual meeting of any such corporation. Any existing corporation shall comply with the provisions of section three hereof as though it were a new cor-
poration on or before January first, nineteen hundred and fifty, in so far as it relates to the employment of persons specified therein.

Section 30. The invalidity of any section or provision of this chapter shall not invalidate any other section or provision thereof.

Section 2. All laws, or parts of laws, inconsistent with the provisions of this act are hereby repealed.