

---

---

By Mr. Chadwick of Winchester, petition of the Savings Banks Association of Massachusetts that savings banks be authorized to invest their deposits and the income derived therefrom in capital stock of certain insurance companies. Banks and Banking.

---

---

**The Commonwealth of Massachusetts**

---

In the Year One Thousand Nine Hundred and Fifty-Two.

---

AN ACT AUTHORIZING SAVINGS BANKS TO INVEST THEIR DEPOSITS AND THE INCOME DERIVED THEREFROM IN THE CAPITAL STOCK OF CERTAIN INSURANCE COMPANIES.

*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 54 of chapter 168 of the General Laws is  
2 hereby amended by inserting after clause Seventh B  
3 the following clause: —

4 Seventh C. In the capital stock of any insurance  
5 company authorized to conduct a fire insurance  
6 business in the commonwealth, provided: —

7 (1) In the period consisting of the five years im-  
8 mediately preceding the date of investment not less  
9 than fifty per cent of the net premiums written by  
10 the company and its subsidiaries shall have been in  
11 respect to risks involving loss of or damage to property  
12 belonging to or in the custody of the insured, which  
13 risks are hereinafter referred to as fire and allied risks.  
14 Not over one third of the net premiums written in  
15 the same period shall have been in respect to liability

16 of owners or operators of motor vehicles for personal  
17 injuries or property damage. For the purpose of this  
18 subdivision a fire insurance company subsidiary  
19 shall be construed to mean any insurance company  
20 fifty per cent or more of the capital stock of which is  
21 owned by said fire insurance company or by any  
22 other subsidiary thereof.

23 (2) At the end of the year immediately preceding  
24 the date of investment, as measured by total ad-  
25 mitted assets, the company is one of the twenty-five  
26 largest American fire insurance companies a majority  
27 of the stock of which is not owned by five or less  
28 stockholders.

29 (3) Of the twenty-five companies referred to in  
30 the preceding paragraph, the company shall be one  
31 of the twelve having the highest average operating  
32 profit ratio for the five years immediately preceding  
33 the date of investment. The annual operating profit  
34 ratio of each of the five years preceding the date of  
35 investment shall be calculated by subtracting from  
36 one hundred per cent the ratio of loss and loss ad-  
37 justment expense to net premiums earned and there-  
38 after subtracting from the remainder the ratio of  
39 other operating expenses, excluding all income taxes,  
40 to net premiums written. The ratios of the five years  
41 immediately preceding the date of investment shall  
42 be averaged to obtain the measurement. The losses,  
43 expenses, premiums written and profits earned re-  
44 ferred to above shall be the totals of such items for  
45 the company and all its insurance subsidiaries.

46 (4) At the end of the year immediately preceding  
47 the date of investment, the combined total of capital  
48 stock, surplus and voluntary reserves, as the latter  
49 term is hereinafter defined, of the company and its

50 insurance subsidiaries shall be at least eighty per  
51 cent of the sum of all of the unearned premiums in  
52 respect to all fire and allied risks plus one half of the  
53 unearned premiums in respect to accident and health  
54 policies and policies covering liability of the insured  
55 for injury or damage to the person or property of  
56 others. As used herein the term "voluntary reserves"  
57 shall be construed to mean all sums allocated to  
58 reserve accounts other than unearned premium and  
59 loss reserves required by sections ten and eleven of  
60 chapter one hundred and seventy-five of the General  
61 Laws.

62 (5) The company shall have paid a dividend in  
63 cash in each of the ten years preceding the date of  
64 investment.

65 (6) The company shall have no preferred stock or  
66 other senior securities outstanding at the date of  
67 investment.

68 No insurance stock shall be purchased and no  
69 additional investment in bank stock shall be made  
70 if the cost thereof added to the cost of insurance  
71 stocks and bank stocks already owned shall exceed  
72 two thirds of the combined guaranty fund and profit  
73 and loss accounts of such bank. No investment  
74 shall be made in the stock of any one insurance com-  
75 pany if the cost thereof added to the amount already  
76 invested in such stock shall exceed one fifteenth of  
77 the combined guaranty fund and profit and loss  
78 account of such bank.

79 In any one calendar year no additional investment  
80 in the stock of insurance companies shall be made  
81 in an amount in excess of one tenth of the combined  
82 guaranty fund and profit and loss accounts of such  
83 bank.

