

By Mr. Cahoon of Harwich, petition of Oscar J. Cahoon for making certain changes in the laws relating to domestic mutual surety, liability and casualty insurance companies. Insurance.

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**The Commonwealth of Massachusetts**

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

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AN ACT MAKING CERTAIN CHANGES IN THE LAWS RELATING TO DOMESTIC MUTUAL SURETY, LIABILITY AND CASUALTY 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 1. Chapter 175 of the General Laws, as  
2 appearing in the Tercentenary Edition, is hereby  
3 amended by inserting in section 1, as amended, after  
4 the paragraph defining "Resident", the following  
5 paragraph: —

6 "Surplus" of a company other than life, the excess  
7 of assets over liabilities, computed on the basis fixed  
8 by sections ten to twelve, inclusive.

1 SECTION 2. Chapter 175 of the General Laws, as  
2 appearing in the Tercentenary Edition, is hereby  
3 amended by adding thereto, after section 93F, in-  
4 serted by section 3 of chapter 716 of the acts of 1941,  
5 a new section 93G, as follows: —

6 *Section 93G.* A domestic mutual surety, liability  
7 or casualty company formed to transact, or trans-  
8 acting, any of the kinds of business described in or  
9 under any one of the fourth to tenth clauses, inclu-  
10 sive, the twelfth or thirteenth clause of section forty-

11 seven, or formed to transact, or transacting, business  
12 under any two or more of said clauses under section  
13 forty-eight A or section fifty-four, may accumulate  
14 and maintain a surplus exclusive of the minimum  
15 amounts required by said section fifty-four (e), only  
16 up to an amount equal to ten per cent of the average,  
17 for the preceding five years or for the number of years  
18 if less than five such company has been transacting  
19 business, of the annual gross premium income less all  
20 premiums on policies written but cancelled or not  
21 taken in that same year, and all dividends returned or  
22 credited to policyholders in that same year, as shown  
23 by its annual statements under section twenty-five, or  
24 up to one million dollars, whichever is greater; pro-  
25 vided, that in cases where the surplus maintained on  
26 December thirty-first, nineteen hundred and fifty-  
27 three, exclusive of the minimum amounts required by  
28 said section fifty-four (e), exceeds the foregoing limit,  
29 the company shall be entitled to retain it, but shall  
30 not be entitled to add to it so long as it exceeds the  
31 foregoing limit, and if its surplus exclusive of the  
32 minimum amounts required by said section fifty-  
33 four (e) shall become at any time diminished, the  
34 company shall not be entitled to add to it as dimin-  
35 ished so long as it exceeds the foregoing limit; and  
36 provided, further, that the commissioner may at any  
37 time and from time to time, by his written order,  
38 stating his reasons therefor, filed in his office, permit  
39 any such company to accumulate and maintain such  
40 surplus exclusive of the minimum amounts required  
41 by said section fifty-four (e) in excesss of the fore-  
42 going limit for a prescribed period not exceeding one  
43 year in any order.

1 SECTION 3. Section 54 of chapter 175 of the Gen-  
2 eral Laws, as appearing in the Tercentenary Edition  
3 thereof, as most recently amended by chapter 488 of  
4 the acts of 1939, is hereby amended by striking out  
5 the second sentence in paragraph (e) and inserting in

6 place thereof the following sentence:— Any domestic  
7 mutual surety, liability or casualty company trans-  
8 acting business under this clause may accumulate and  
9 maintain the net cash assets required hereunder in  
10 addition to the amount of surplus permitted by sec-  
11 tion ninety-three G, — so that said paragraph (e)  
12 will read as follows:— (e) Any one or more of the  
13 fourth, fifth, sixth, seventh, eighth, ninth, tenth,  
14 twelfth and thirteenth clauses, if authorized to trans-  
15 act business under any one of said clauses; provided,  
16 that before transacting business under any such addi-  
17 tional clause, other than the fourth, it shall have net  
18 cash assets over all of its liabilities, computed on the  
19 basis fixed by sections ten to twelve, inclusive, of not  
20 less than one hundred thousand dollars for each addi-  
21 tional clause, which net cash assets shall be main-  
22 tained as long as it transacts business under such addi-  
23 tional clause; and provided, further, that before  
24 transacting business under the fourth clause, it shall  
25 have a fully paid-up guaranty capital as provided in  
26 section ninety B, or a guaranty fund as provided in  
27 section ninety C, and net cash assets, so computed,  
28 exclusive of said capital or fund, of not less than one  
29 hundred thousand dollars, and that before transact-  
30 ing business under subdivision (b) of the sixth clause,  
31 it shall have a fully paid-up guaranty capital as pro-  
32 vided in section ninety-three in addition to the net  
33 cash assets hereinbefore required for transacting busi-  
34 ness under the sixth clause.

35 Any domestic mutual surety, liability or casualty  
36 company transacting business under this clause may  
37 accumulate and maintain the net cash assets required  
38 hereunder in addition to the amount of surplus per-  
39 mitted by section ninety-three G. The provision of  
40 section twenty-one, that a mutual boiler company may  
41 insure in a single risk an amount not exceeding one  
42 fourth of its net assets, shall not apply to any mutual  
43 company transacting business under this clause.

1 SECTION 4. This act shall apply to any domestic  
2 mutual surety, liability or casualty company hereto-  
3 fore or hereafter organized to transact any of the kinds  
4 of business described in section ninety-three G of  
5 chapter one hundred and seventy-five of the General  
6 Laws, as inserted by section two of this act.