

SENATE No. 633

The Commonwealth of Massachusetts

SENATE, February 11, 1964.

The committee on Banks and Banking, to whom was referred the petition (accompanied by bill, Senate, No. 13) of the Savings Banks Association of Massachusetts, by Norman F. Barrett, president, for legislation relative to investment by savings banks in certain stocks of fire and casualty insurance companies, reports the accompanying bill (Senate, No. 633).

For the committee,

GEORGE D. HAMMOND.

The Commonwealth of Massachusetts

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

AN ACT RELATIVE TO INVESTMENT BY SAVINGS BANKS IN CERTAIN STOCKS OF FIRE 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. Section forty-eight of chapter one hundred
2 sixty-eight of the General Laws, as most recently amended
3 by sections one and two of chapter one hundred of the acts
4 of one thousand nine hundred fifty-eight, is hereby amended
5 by striking out said section and inserting the following sec-
6 tion:—

7 *Section 48.* Such corporation may invest in the capital
8 stock of any insurance company authorized to conduct a fire
9 and casualty insurance business in this commonwealth, sub-
10 ject to the conditions, limitations and requirements of this
11 section.

12 1. *Kind of Business.* — In the calendar year immediately
13 preceding the date of investment not less than one-fourth
14 of the net premiums written by such company and its sub-
15 sidiaries shall have been in respect to risks involving loss of
16 or damage to property belonging to or in the custody of the
17 insured, which risks shall be deemed to be fire and allied
18 risks. As used herein, the term “fire and allied risks” shall
19 be deemed to include homeowners, commercial, and industrial
20 multiple peril risks, boiler and machinery, glass, burglary
21 and theft and fidelity risks. Net premiums written in the
22 same period in respect to casualty risks shall have been not
23 less than one-fourth of the net premiums written by the
24 company and its subsidiaries. The term “casualty risks”
25 shall be deemed to include risks involving liability of the
26 insured for injury or damage to the person or property of
27 others, workmen’s compensation, accident and health, hospi-

28 tal and medical, surety and credit risks. Not more than one-
29 half of the net premiums written in the same period shall
30 have been in respect to liability of owners or operators of
31 motor vehicles for personal injury or property damage. If
32 more than one-fifth of the net premiums written by the
33 company and its subsidiaries in the same period shall have
34 been life insurance premiums, the company or the subsidiary
35 or subsidiaries writing such life insurance business shall be
36 licensed to conduct such business in this commonwealth.

37 2 *Subsidiary Defined.* — For the purposes of this section,
38 “subsidiary” shall be construed to mean any insurance com-
39 pany fifty per cent or more of the capital stock of which is
40 owned by such insurance company or by any other subsidiary
41 thereof.

42 3. *Large Company Requirement.* — At the end of the calen-
43 dar year immediately preceding the date of investment the
44 total admitted assets of such company shall be not less than one
45 hundred million dollars, and it shall be one of the companies
46 which meet the provisions of paragraph 1 and of which a ma-
47 jority of the stock is not owned by five or less stockholders.

48 4. *Operating Profit Ratio.* — Of the companies referred
49 to in paragraph 3, such company shall be one of the fifteen
50 having the highest average operating profit ration for the five
51 years immediately preceding the date of investment. The
52 annual operating profit ratio of each of the five years pre-
53 ceding the date of investment shall be calculated by subtract-
54 ing from one hundred per cent the ratio of loss and loss
55 adjustment expense to net premiums earned and thereafter
56 subtracting from the remainder the ratio of other operating
57 expenses, excluding all income taxes, to net premiums writ-
58 ten. The ratios of the five years immediately preceding the
59 date of investment shall be averaged to obtain the measure-
60 ment. The losses, expenses, premiums written and profits
61 earned referred to above shall be the totals of such items for
62 such company and all its fire and casualty insurance subsidi-
63 aries, except that, if less than ninety per cent of the capital
64 stock of a subsidiary is owned by such company, the totals of
65 said items for such subsidiary shall be included in the calcu-

66 lation only in proportion to the percentage of stock so owned.
67 5. *Ratio of Assets to Liabilities.* — At the end of the
68 calendar year immediately preceding the date of investment,
69 the total admitted assets of the company shall be equal to or
70 in excess of one hundred and twenty-five per cent of all
71 liabilities of the company excluding capital, surplus and volun-
72 tary reserves.

73 6. *Dividends.* — Such company shall have paid a dividend
74 in cash in each of the ten years preceding the date of invest-
75 ment.

76 7. *Other Limitations.* — The following additional limita-
77 tions also shall apply to stocks of insurance companies: —

78 (a) *Preferred Stock, etc.* — Such company shall have no
79 preferred stock or other senior securities outstanding at the
80 date of investment.

81 (b) *Aggregate Investment Limit.* — No insurance stock
82 shall be purchased and no additional investment in bank
83 stock shall be made if the cost thereof added to the cost of
84 insurance stocks and bank stocks already owned shall exceed
85 two-thirds of the total of the guaranty fund and surplus of
86 such corporation, referred to in section fifty-seven, appear-
87 ing as provided in paragraph 3 (a) of section forty-seven.

88 (c) *Investment Limit in One Company.* — No investment
89 shall be made in the stock of any one insurance company if
90 the cost thereof added to the amount already invested in its
91 stock shall exceed one-fifteenth of the total of said guaranty
92 fund and surplus of such corporation, as so appearing.