

# SENATE . . . . No. 143

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To accompany the petition of W. H. Sargeant that the payment of dividends otherwise than annually be authorized on life insurance policies. Insurance.

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## The Commonwealth of Massachusetts

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In the Year One Thousand Nine Hundred and Twenty-Eight.

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An Act authorizing the Payment of Dividends otherwise than Annually on Policies of Life Insurance.

*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 one hundred and forty of chapter one  
2 hundred and seventy-five of the General Laws is  
3 hereby amended by striking out, in the seventh  
4 line, the words "and not otherwise" and insert-  
5 ing in place thereof the words: — except as here-  
6 inafter provided, — and by striking out, in the  
7 fifty-sixth line, the words "and not otherwise"  
8 and inserting in place thereof the words:—  
9 except as hereinafter provided, — and by adding  
10 at the end of said section the following new  
11 paragraph: —

12 Nothing in this section shall be construed to  
13 prohibit the payment at the death of the insured  
14 of a post-mortem dividend for the current policy  
15 year, — so that said section will read as follows:—

16 *Section 140.* Except as provided in this section,  
17 every domestic life company heretofore or here-  
18 after organized, anything in its charter or its  
19 certificate of incorporation or special act to the  
20 contrary notwithstanding, shall provide in every  
21 policy of life or endowment insurance hereafter  
22 issued that the proportion of the divisible surplus  
23 of the company contributed by said policy shall  
24 be ascertained and distributed annually, except  
25 as hereinafter provided, beginning not later than  
26 the end of the third policy year; but such dis-  
27 tribution shall not be made contingent upon the  
28 payment of any further premium except that if  
29 dividends are allowed on an anniversary of the  
30 policy preceding the third such dividends may be  
31 made subject to the payment of the succeeding  
32 year's premium. Every such company shall on  
33 December thirty-first of each year or as soon  
34 thereafter as practicable, after providing for the  
35 reserve required by sections nine and eleven and  
36 for all other liabilities, including dividends de-  
37 clared upon the capital stock, if any, and such  
38 sum as may be held on account of existing deferred  
39 dividend policies, and providing also for a con-  
40 tingency reserve not in excess of the limit pre-  
41 scribed in the following section, apportion its re-  
42 maining funds upon the contribution to surplus  
43 plan, as dividends, to all other policies entitled to  
44 share therein. Each such dividend shall annually,  
45 at the option of the holder of the policy, (a) be  
46 payable in cash, or (b) applied in reduction of  
47 premiums, or (c) to the purchase of a paid-up

48 addition, or (d) be left with the company to ac-  
49 cumulate to the credit of the policy and be pay-  
50 able at the maturity thereof, or be withdrawable  
51 in cash on demand by the holder of the policy, or  
52 applied as hereinafter set forth; but if no election  
53 is made by the holder of the policy prior to any  
54 anniversary thereof, the dividend for that anni-  
55 versary shall be held by the company as provided  
56 in option (d); and if any premium on the policy is  
57 not paid at the expiration of the days of grace, the  
58 company shall keep the policy in force by applying  
59 the dividend accumulations to the payment due on  
60 the policy if such accumulations are sufficient to  
61 make said payment in full, and shall forthwith  
62 mail a notice to the holder thereof at his last  
63 known address, stating what amount has been so  
64 applied, and if a balance of the dividend accumu-  
65 lations remains to the credit of the policy, the  
66 amount thereof, provided that the share of the  
67 surplus so apportioned to a term policy shall not  
68 be available for the purchase of a paid-up addition,  
69 and provided that nothing herein contained shall  
70 operate to continue a policy in force beyond the  
71 period which any dividend accumulations so ap-  
72 plied would carry the policy under its full premium  
73 rate, nor beyond the term for which the policy was  
74 originally issued, and that the affidavit of any  
75 officer, clerk or agent of the company, or of any  
76 one authorized to mail such notice, that the notice  
77 required by this section has been duly mailed by  
78 the company, shall be prima facie evidence that  
79 such notice was duly given.

80 On policies of industrial insurance on which  
81 premiums are payable weekly the annual surplus  
82 distribution shall begin not later than the end of  
83 the fifth policy year, and be applied to the pay-  
84 ment of any premiums, or at the option of the  
85 holder of the policy be made in cash, but such  
86 distribution shall not be made contingent upon  
87 the payment of future premiums.

88 This section shall not apply to contracts of pure  
89 endowment or annuities nor to any stock life  
90 company issuing only non-participating policies.  
91 A foreign life company which does not provide in  
92 every participating policy hereafter issued or de-  
93 livered in the commonwealth that the proportion  
94 of the surplus accruing upon said policy shall be  
95 ascertained and distributed annually, except as  
96 hereinafter provided, either by payment in cash  
97 of the amount apportioned to a policy, or by its  
98 application to the payment of premiums or to the  
99 purchase of paid-up additions, or for the ac-  
100 cumulation of the amounts from time to time  
101 apportioned, said accumulations to be subject  
102 to withdrawal by the policyholder, shall not be  
103 permitted to do new business within the com-  
104 monwealth.

105 Nothing in this section shall be construed to  
106 prohibit the payment at the death of the insured  
107 of a post-mortem dividend for the current policy  
108 year.