

# HOUSE . . . . . No. 118

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Bill accompanying the recommendations of the Insurance Commissioner (House, No. 117). Insurance. January 5.

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## The Commonwealth of Massachusetts.

In the Year One Thousand Nine Hundred and Seventeen.

### AN ACT

To increase the Reserve of Liability Companies for Outstanding Losses.

*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 reserve for outstanding losses under  
2 insurance against loss or damage from accident to or in-  
3 juries suffered by an employee or other person and for  
4 which the insured is liable shall be computed as fol-  
5 lows:—

6 1. For all liability suits being defended under policies  
7 written more than

8 (a) Ten years prior to the date as of which the state-  
9 ment is made, one thousand five hundred dollars for each  
10 suit.

11 (b) Five and less than ten years prior to the date as  
12 of which the statement is made, one thousand dollars for  
13 each suit.

12 (c) Three and less than five years prior to the date as  
15 of which the statement is made, eight hundred and fifty  
16 dollars for each suit.

17 2. For all liability policies written during the three  
18 years immediately preceding the date as of which the  
19 statement is made, such reserve shall be sixty per centum  
20 of the earned liability premiums of each of such three  
21 years less all loss and loss expense payments made under  
22 liability policies written in the corresponding years; but  
23 in any event, such reserve shall, for the first of such  
24 three years, be not less than seven hundred and fifty  
25 dollars for each outstanding liability suit on said year's  
26 policies.

27 3. For all compensation claims under policies written  
28 more than three years prior to the date as of which the  
29 statement is made, the present values at four per centum  
30 interest of the determined and the estimated future pay-  
31 ments.

32 4. For all compensation claims under policies written  
33 in the three years immediately preceding the date as of  
34 which the statement is made, such reserve shall be sixty-  
35 five per centum of the earned compensation premiums of  
36 each of such three years, less all loss and loss expense  
37 payments made in connection with such claims under  
38 policies written in the corresponding years; but in any  
39 event in the case of the first year of any such three-year  
40 period such reserve shall be not less than the present  
41 value at four per centum interest of the determined and  
42 the estimated unpaid compensation claims under policies  
43 written during such year: *provided, however*, that in com-  
44 puting the reserve for the statement for December thirty-  
45 first, nineteen hundred and seventeen, and December  
46 thirty-first, nineteen hundred and eighteen, the ratios  
47 sixty per centum and sixty-two and one-half per centum  
48 respectively shall be used instead of sixty-five per centum  
49 as hereinbefore provided.

1 SECTION 2. The term "earned premiums" as used  
2 herein shall include gross premiums charged on all policies  
3 written, including all determined excess and additional pre-  
4 miums, less return premiums, other than premiums re-  
5 turned to policy holders as dividends, and less reinsurance  
6 premiums and premiums on policies cancelled, and less  
7 unearned premiums on policies in force. But any par-  
8 ticipating company which has charged in its premiums a  
9 loading solely for dividends shall not be required to in-  
10 clude such loading in its earned premiums, provided a  
11 statement of the amount of such loading has been filed  
12 with and approved by the insurance commissioner.

13 The term "compensation" as used in this act shall re-  
14 late to all insurances effected by virtue of statutes pro-  
15 viding compensation to employees for personal injuries  
16 irrespective of fault of the employer. The term "lia-  
17 bility" shall relate to all insurance except compensation  
18 insurance against loss or damage from accident to or  
19 injuries suffered by an employee or other person and for  
20 which the insured is liable.

21 The terms "loss payments" and "loss expense pay-  
22 ments" as used herein shall include all payments to  
23 claimants, including payments for medical and surgical  
24 attendance, legal expenses, salaries and expenses of in-  
25 vestigators, adjusters and field men, rents, stationery,  
26 telegraph and telephone charges, postage, salaries and  
27 expenses of office employees, home office expenses, and  
28 all other payments made on account of claims, whether  
29 such payments shall be allocated to specific claims or  
30 unallocated.

1 SECTION 3. All unallocated liability loss expense pay-  
2 ments made in a given calendar year subsequent to the

3 first four years in which an insurer has been issuing lia-  
4 bility policies shall be distributed as follows: Thirty-five  
5 per centum shall be charged to the policies written in  
6 that year, forty per centum to the policies written in the  
7 preceding year, ten per centum to the policies written in  
8 the second year preceding, ten per centum to the policies  
9 written in the third year preceding and five per centum to  
10 the policies written in the fourth year preceding, and such  
11 payments made in each of the first four calendar years in  
12 which an insurer issues liability policies shall be dis-  
13 tributed as follows: In the first calendar year one hun-  
14 dred per centum shall be charged to the policies written  
15 in that year, in the second calendar year fifty per centum  
16 shall be charged to the policies written in that year and  
17 fifty per centum to the policies written in the preceding  
18 year, in the third calendar year forty per centum shall  
19 be charged to the policies written in that year, forty per  
20 centum to the policies written in the preceding year, and  
21 twenty per centum to the policies written in the second  
22 year preceding, and in the fourth calendar year thirty-  
23 five per centum shall be charged to the policies written  
24 in that year, forty per centum to the policies written in  
25 the preceding year, fifteen per centum to the policies  
26 written in the second year preceding, and ten per centum  
27 to the policies written in the third year preceding, and a  
28 schedule showing such distribution shall be included in  
29 the annual statement.

30 All unallocated compensation loss expense payments  
31 made in a given calendar year subsequent to the first  
32 three years in which an insurer has been issuing compen-  
33 sation policies shall be distributed as follows: Forty per  
34 centum shall be charged to the policies written in that  
35 year, forty-five per centum to the policies written in the  
36 preceding year, ten per centum to the policies written in

37 the second year preceding and five per centum to the  
38 policies written in the third year preceding, and such  
39 payments made in each of the first three calendar years  
40 in which an insurer issues compensation policies shall be  
41 distributed as follows: In the first calendar year one  
42 hundred per centum shall be charged to the policies  
43 written in that year, in the second calendar year fifty  
44 per centum shall be charged to the policies written in  
45 that year and fifty per centum to the policies written in  
46 the preceding year, in the third calendar year forty-five  
47 per centum shall be charged to the policies written in  
48 that year, forty-five per centum to the policies written in  
49 the preceding year and ten per centum to the policies  
50 written in the second year preceding, and a schedule  
51 showing such distribution shall be included in the annual  
52 statement.

53 Whenever, in the judgment of the insurance commis-  
54 sioner, the liability or compensation loss reserves of any  
55 insurer under his supervision, calculated in accordance  
56 with the foregoing provisions, are inadequate, he may, in  
57 his discretion, require such insurer to maintain additional  
58 reserves based upon estimated individual claims or other-  
59 wise.

1 SECTION 4. Each insurer that writes liability or com-  
2 pensation policies shall include in the annual statement  
3 required by law a schedule of its experience thereunder  
4 in such form as the insurance commissioner may prescribe.

1 SECTION 5. Chapter three hundred and fifteen of the  
2 acts of the year nineteen hundred and eleven is hereby  
3 repealed.





