

as may be entered within one year after the passage of this act.

SECTION 3. This act shall not take effect until it shall have been accepted by the votes of the board of directors, or the officers having the powers of directors, of each of said corporations and copies of the respective votes of acceptance shall have been filed with the secretary of the commonwealth.

Effective upon  
acceptance,  
etc.

*Approved February 14, 1933.*

AN ACT RELATIVE TO GUARANTY CAPITAL OF CERTAIN  
DOMESTIC MUTUAL INSURANCE COMPANIES.

*Chap. 23*

*Be it enacted, etc., as follows:*

SECTION 1. Chapter one hundred and seventy-five of the General Laws, as appearing in the Tercentenary Edition thereof, is hereby amended by striking out section seventy-nine and inserting in place thereof the following: —  
*Section 79.* A mutual fire company may, at the time of its formation or, if two thirds of the votes of its policyholders cast at a meeting duly called for the purpose are recorded in favor of such action, at any time after its formation, establish a guaranty capital of not less than twenty-five thousand nor more than two hundred thousand dollars, divided into shares of a par value of one hundred dollars each, to be invested as provided by this chapter for the investment of the capital stock of domestic stock companies. Any such company may, at any time by a like vote and with the written approval of the commissioner, increase said guaranty capital to an amount not exceeding two hundred thousand dollars. The holders of shares of guaranty capital shall be entitled to a semi-annual dividend of not more than three and one half per cent on their respective shares if the net profits or unused premiums, left after all expenses, losses and liabilities then incurred, with the reserve for reinsurance, are provided for, shall be sufficient to pay the same. Shareholders and members of such companies shall, except as otherwise provided herein, be subject to the same provisions of law relative to their right to vote as apply respectively to shareholders in stock companies and policyholders in mutual fire companies. The guaranty capital shall be applied to the payment of losses only when the company has exhausted its assets, exclusive of uncollected premiums; and when thus impaired, the directors may make good the whole or any part of it by assessments upon the contingent funds of the company at the date of such impairment. Such guaranty capital shall be retired by the directors of the company at par when the profits accumulated under section eighty equal two per cent of its insurance in force; and such guaranty capital may, upon the recording in favor of such action of two thirds of the votes cast at a meeting duly called for the purpose and with the written approval of the

G. L. (Ter.  
Ed.), 175,  
§ 79,  
amended.

Guaranty capital of certain domestic mutual insurance companies.

commissioner, be reduced or retired, if the net assets of the company above its reinsurance reserve and all other claims and obligations, exclusive of guaranty capital, for two years last preceding and including the date of its last annual statement under section twenty-five has been not less than twenty-five per cent of the amount of the guaranty capital. Due notice of any proposed action under this section on the part of the company shall be mailed to each policyholder of the company not less than thirty days before the meeting when such action is proposed to be taken, and shall also be advertised in two papers of general circulation, approved by the commissioner, not less than three times a week for a period of not less than four weeks before said meeting. No company with a guaranty capital which has ceased to do new business shall retire such capital or pay any dividends thereon, except from income from its investments, until it shall have performed or cancelled its policy obligations. The holders of the guaranty capital of a mutual fire company shall not be entitled in any event to share in the distribution of its assets beyond the amount of the par value of their shares and any dividends declared and payable thereon.

G. L. (Ter. Ed.), 175, § 90B, amended.

Certain restrictions as to issue of policies by certain mutual companies.

SECTION 2. Said chapter one hundred and seventy-five, as so appearing, is hereby further amended by striking out section ninety B and inserting in place thereof the following: — *Section 90B.* No policy shall be issued by a mutual company formed to transact business under the fourth clause of section forty-seven until it has established a fully paid up guaranty capital of not less than two hundred thousand dollars nor more than five hundred thousand dollars which shall be subject to the provisions of section seventy-nine, except as hereinafter and in section ninety-three D provided. Any such company may, subject to all the provisions of section seventy-nine relative to the increase of the guaranty capital of a domestic mutual fire company, increase said guaranty capital to an amount not exceeding five hundred thousand dollars. While a company is transacting business under said clause, the provisions of said section seventy-nine relative to the retirement of guaranty capital of a mutual fire company shall not apply, nor shall the provisions of said section relative to the reduction of guaranty capital authorize the reduction of its guaranty capital below two hundred thousand dollars.

Principals on certain bonds, etc., to be deemed members of company.

The principal on any bond or obligation executed by a mutual company as surety shall be deemed the member of the company under sections seventy-six, seventy-nine, eighty, eighty-one, eighty-three to eighty-five, inclusive, and ninety.

*Approved February 14, 1933.*