

HOUSE No. 429.

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, May 26, 1885.

The Committee on Insurance, to whom was referred the petition of Charles Marsh and others for incorporation as a Mutual Insurance Company, report the accompanying Bill.

For the Committee,

JOHN J. WHIPPLE.

Commonwealth of Massachusetts.

In the Year One Thousand Eight Hundred and Eighty-five.

AN ACT

To authorize the formation of Mutual Fire Insurance Companies with a Subscription Fund.

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. Mutual fire insurance companies
2 with a subscription fund may be formed in the
3 manner prescribed by chapter one hundred and
4 nineteen of the Public Statutes for the organiza-
5 tion of insurance companies, and shall be subject
6 to the provisions of all general laws which now
7 are or hereafter may be applicable to such com-
8 panies not inconsistent herewith.

1 SECT. 2. The original subscription fund shall
2 be two hundred thousand dollars, which may be
3 increased to an amount not exceeding one million
4 dollars, upon approval by the insurance commis-
5 sioner, in the manner provided by section sixty-
6 two of chapter one hundred and nineteen of the

7 Public Statutes, and shall be invested in the secu-
8 rities in which stock companies are required by
9 law to invest their capital. Said fund shall be
10 divided into shares of one hundred dollars each,
11 transferable in the same manner as shares in cap-
12 ital stock, and no part thereof shall be applied to
13 the payment of premiums for insurance. The
14 shareholders shall be the members of the cor-
15 poration, with the same powers, rights and obliga-
16 tions as belong and apply to stockholders in stock
17 fire insurance companies. Such company shall
18 issue no policy of insurance until the whole
19 amount of the fund has been subscribed for and
20 paid in cash, nor until the insurance commissioner
21 shall certify the fact of such subscription and
22 payment and that the company has complied with
23 the laws and is entitled to transact business.

1 SECT. 3. The holders of shares in the sub-
2 scription fund and policy-holders in any such
3 company shall be subject to the same provisions
4 of law in voting at all meetings of the company
5 as apply respectively to shareholders in stock
6 companies and to policy-holders in purely mutual
7 companies.

1 SECT. 4. The subscription fund shall be liable
2 for the payment of losses and other obligations of
3 the company, but shall not be liable for the
4 redemption of scrip certificates issued to policy-
5 holders. Whenever the fund shall be impaired
6 to the amount of twenty-five per cent. the com-

7 pany shall make the fund good to the original
8 amount, in the mode and subject to the provisions
9 of sections fifty-nine, sixty and sixty-one of
10 chapter one hundred and nineteen of the Public
11 Statutes relating to the impairment of the capital
12 of stock insurance companies.

1 SECT. 5. Premiums for insurance with said
2 company shall be paid wholly in cash, and such
3 premium shall constitute the entire liability of the
4 insured.

1 SECT. 6. The holders of shares in the sub-
2 scription fund shall be entitled to a semi-annual
3 dividend of not exceeding five per cent. if the
4 income and net profits of the company, to be
5 ascertained in the mode now prescribed by law,
6 are sufficient to pay the same, and if any divi-
7 dend be less than the maximum, the deficiency
8 may be made up from subsequent income and net
9 profits.

1 SECT. 7. The net profits of the company after
2 the payment of dividends to the shareholders,
3 shall be divided annually among the insured
4 whose policies terminated within the year, in pro-
5 portion to the contribution of each to such profits.
6 Such dividends shall be made only in scrip certi-
7 ficates, payable only out of the accumulation of
8 net profits, which accumulation, together with the
9 income thereof, shall constitute and be kept and
10 invested by the company as a separate fund, in

11 trust for the redemption of such scrip certificates,
12 and the contingent payment of losses and ex-
13 penses, as herein provided ; and such certificates,
14 until redeemed, shall be subject to future losses
15 and expenses of the company, and to be reduced
16 in case the losses and expenses in any subsequent
17 year shall exceed the income of that year prima-
18 rily applicable to their payment. No part of such
19 redemption fund shall be used for the payment
20 of losses and expenses, unless, and only to the
21 extent that, the assets of the company, other
22 than the subscription fund, shall be insufficient
23 therefor ; and whenever any portion thereof
24 shall be used for such payment, the outstand-
25 ing certificates shall be reduced in proportion,
26 so that the redemption fund at all times shall
27 equal the amount of the unredeemed certificates.
28 Whenever the principal of the redemption fund
29 shall exceed the amount of the principal of the
30 subscription fund the excess shall be applied an-
31 nually to the redemption of the certificates in the
32 order of their issue. The net income of the re-
33 demption fund shall be divided annually among
34 the holders of its certificates.

1 SECT. 8. No company organized under this
2 act shall hold on any one risk an amount exceed-
3 ing one-tenth of its subscription fund, nor shall
4 take or have at risk in any town or fire insur-
5 ance district of any city or town an amount ex-
6 ceeding its net assets, exclusive of its redemption

7 fund, available for the payment of losses in Massa-
8 sachusetts.

1 SECT. 9. This act shall take effect upon its
2 passage.

