

HOUSE No. 2565

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, January 29, 1958.

The committee on Banks and Banking, to whom was referred the petition (accompanied by bill, House, No. 855, of the Savings Bank Association of Massachusetts relative to investments by savings banks in certain stocks of fire and casualty insurance companies, report the accompanying bill (House, No. 2565).

For the committee,

WILLIAM D. MORTON, JR.

The Commonwealth of Massachusetts

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

AN ACT RELATING TO INVESTMENTS BY SAVINGS BANKS IN CERTAIN STOCKS OF FIRE AND CASUALTY INSURANCE COMPANIES.

1 *Whereas*, The deferred operation of this act would tend to
2 defeat its purpose, which is to make possible the determination
3 by the Division of Banks and Loan Agencies of the legality for
4 investment by savings banks in certain stocks of fire insurance
5 companies under the new provisions herein contained, it is
6 hereby declared to be an emergency law, necessary for the im-
7 mediate preservation of the public convenience.

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 48 of chapter 168 of the General Laws, as most re-
2 cently amended by chapter 432 of the acts of 1955, is hereby
3 further amended by striking out paragraphs 1, 3, 4 and 5 and
4 inserting in place thereof the following:—

5 1. *Kind of Business.*— In the period consisting of the five
6 calendar years immediately preceding the date of investment
7 not less than one third of the net premiums written by such com-
8 pany and its subsidiaries shall have been in respect to risks in-
9 volving loss of or damage to property belonging to or in the
10 custody of the insured, which risks shall be deemed to be fire
11 and allied risks. As used herein, the term “fire and allied risks”
12 shall be deemed to include home-owners, commercial, and in-
13 dustrial multiple peril risks, boiler and machinery, glass, bur-
14 glary and theft and fidelity risks. Net premiums written in the
15 same period in respect to casualty risks shall not have exceeded
16 those written in respect to fire and allied risks. The term “cas-
17 ualty risks” shall be deemed to include risks involving liability
18 of the insured for injury or damage to the person or property of
19 others, workmen’s compensation, accident and health, hospital
20 and medical, surety and credit risks. Net premiums written in
21 the same period in respect to life insurance shall not have ex-

22 ceded those written in respect to fire and allied risks. Not
23 more than one third of the net premiums written in the same
24 period shall have been in respect to liability of owners or opera-
25 tors of motor vehicles for personal injury or property damage.
26 Not more than one third of the net premiums written in the
27 same period shall have been for the reinsurance of risks origi-
28 nally written by other insurance companies. If more than one
29 fifth of the net premiums written by the company and its sub-
30 sidiaries in the same period shall have been life insurance pre-
31 miums, the company or the subsidiary or subsidiaries writing
32 such life insurance business shall have been authorized to con-
33 duct such business in this commonwealth and such authoriza-
34 tion shall not have been revoked.

35 3. *Large Company Requirement.* — At the end of the year im-
36 mediately preceding the date of investment the total admitted
37 assets of such company shall be not less than fifty million dol-
38 lars, and it shall be one of the twenty-five largest companies
39 which meet the provisions of paragraphs one and five and of
40 which a majority of the stock is not owned by five or less stock-
41 holders.

42 4. *Operating Profit Ratio.* — Of the twenty-five companies or
43 less referred to in paragraph three, such company shall be one
44 of the twelve having the highest average operating profit ratio
45 for the five years immediately preceding the date of invest-
46 ment. The annual operating profit ratio of each of the five
47 years preceding the date of investment shall be calculated by
48 subtracting from one hundred per cent the ratio of loss and loss
49 adjustment expense to net premiums earned and thereafter sub-
50 tracting from the remainder the ratio of other operating ex-
51 penses, excluding all income taxes, to net premiums written.
52 The ratios of the five years immediately preceding the date of
53 investment shall be averaged to obtain the measurement. The
54 losses, expenses, premiums written and profits earned referred
55 to above shall be the totals of such items for such company and
56 all its fire and casualty insurance subsidiaries, except that, if less
57 than ninety per cent of the capital stock of a subsidiary is owned
58 by such company, the totals of said items for such subsidiary
59 shall be included in the calculation only in proportion to the
60 percentage of stock so owned.

61 5. *Capital Funds and Reserves.* — At the end of the year im-
62 mediately preceding the date of investment, the combined total
63 of capital stock, surplus and voluntary reserves of such com-
64 pany and its fire and casualty insurance subsidiaries shall be at
65 least eighty per cent of the sum of all of the unearned premiums
66 in respect to all fire and allied risks except automobile physical
67 damage risks plus one half of the unearned premiums in respect
68 to accident and health and hospital and medical policies, poli-
69 cies covering liability of the insured for injury or damage to the
70 person or property of others, workmen's compensation, surety,
71 credit and automobile physical damage risks. As used in this
72 paragraph the term "voluntary reserves" shall be construed to
73 mean all sums allocated to reserve accounts in policyholders'
74 surplus, and shall not be construed to include any reserve ac-
75 counts classified as liabilities in the annual statements of fire
76 insurance companies and their subsidiaries filed with the divi-
77 sion of insurance of this commonwealth.