

# MAINE STATE LEGISLATURE

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SEVENTY-EIGHTH LEGISLATURE

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HOUSE

NO. 272

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*House of Representatives, Feb. 14, 1917.*

*Printed under joint rules.*

*W. R. ROIX, Clerk.*

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STATE OF MAINE

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IN THE YEAR OF OUR LORD ONE THOUSAND NINE  
HUNDRED AND SEVENTEEN

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AN ACT relating to retiring of guaranty capital of a mutual  
fire insurance company.

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*Be it enacted by the People of the State of Maine, as follows:*

Section 56 of Chapter 53, Revised Statutes, 1916, is here-  
2 by amended to read as follows:

‘Such agreement shall set forth the fact that the sub-  
2 scribers thereto associate themselves with the intention to  
3 constitute a corporation, the name by which it shall be  
4 known, the class or classes of insurance for the transaction  
5 of which it is to be constituted, the plan or principle upon  
6 which its business is to be conducted, the town or city in  
7 which it is established or located, and if a stock company,

8 the amount of its capital stock, and if a mutual company with  
9 a guaranty capital, the amount thereof. The capital stock  
10 of a stock company organized for any of the purposes here-  
11 inbefore mentioned shall not be less than one hundred  
12 thousand dollars; a mutual company incorporated to trans-  
13 act any class or kind of insurance other than fire, marine or  
14 plate glass shall have a guaranty capital as provided in sec-  
15 tion fifty-seven and holders of certificates of such guaranty  
16 capital shall not receive dividends in excess of seven per  
17 cent in any one year, and in no case unless such dividends  
18 are properly earned after determining all liability as required  
19 by the insurance commissioner. Mutual companies may be  
20 incorporated to transact fire, marine and plate glass insur-  
21 ance and may operate in accordance with the provisions of  
22 section thirty-six, and other provisions of the laws of this  
23 state relating to such companies, provided, that they shall  
24 confine their business to not more than ten towns; mutual  
25 companies which do not so limit their business, may incor-  
26 porate for any of the foregoing purposes but before doing  
27 any business they shall establish a guaranty fund or capital  
28 of not less than ten thousand dollars which may be divided  
29 into shares of not less than one hundred dollars and certifi-  
30 cates issued therefor. A dividend not exceeding seven per  
31 cent in any one calendar year may be paid from the net  
32 earnings of the company after providing for all expenses,  
33 losses, reserves and liabilities then incurred. Such  
34 guaranty fund or capital shall be invested as provided in sec-

35 tion twenty and shall be deposited with the treasurer of  
36 state. When the cash and other available assets of the com-  
37 pany are exhausted such part of said fund as may be re-  
38 quired shall, with the approval of the insurance commis-  
39 sioner, be drawn and used to pay losses then due. When  
40 such fund is so drawn upon the directors shall make good  
41 the amount so drawn by assessments upon the contingent  
42 funds or notes of the company and unless such fund is re-  
43 stored within six months from date of withdrawal, the  
44 shareholders shall be assessed in proportion to the amount of  
45 stock owned by them for the purpose of restoring said  
46 capital. Shareholders and members of such companies shall  
47 be subject to the same provisions of law relative to their  
48 right to vote as apply respectively to shareholders in stock  
49 companies and policy-holders in purely mutual companies;  
50 said guaranty capital may be retired, by vote of the policy-  
51 holders, when the surplus funds of the company over and  
52 above all liabilities, including guaranty capital, shall equal or  
53 exceed the amount of such guaranty capital, or any part of  
54 said guaranty capital may be retired; provided that the  
55 amount of net surplus and guaranty fund shall not be less  
56 than ten thousand dollars. Said guaranty capital shall be  
57 retired when the net cash assets of the company equal to  
58 three times the amount of guaranty capital. Any mutual  
59 fire, marine or plate glass insurance company which has es-  
60 tablished a guaranty capital as provided herein and has ob-  
61 tained applications for insurance as required by section

62 fifty-eight, shall be authorized by the insurance commis-  
63 sioner to write business and such company may take a  
64 premium note as provided in section thirty-six, or in lieu of  
65 said note it may charge and collect a premium in cash and  
66 by its by-laws and policies fix the contingent mutual liability  
67 of its members for the payment of losses and expenses not  
68 provided for by its cash funds; but such contingent liability  
69 of a member shall not be less than an amount equal to and in  
70 addition to the cash premium written in his policy and in no  
71 case less than one per cent of the maximum liability of the  
72 company under said policy. The total amount of the liability  
73 of the policy holder shall be plainly and legibly stated upon  
74 the filing-back of each policy. Whenever any reduction is  
75 made in the contingent liability of members such reduction  
76 shall apply proportionally to all policies in force.'