

No. 162

AN ACT

Amending the act of May 17, 1921 (P. L. 682), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," requiring certain domestic mutual insurance companies to maintain unearned premium reserves.

The Insurance Company Law of 1921.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 807, act of May 17, 1921, P. L. 682, amended February 16, 1956, P. L. 1046, further amended.

Section 1. Section 807, act of May 17, 1921 (P. L. 682), known as "The Insurance Company Law of 1921," amended February 16, 1956 (P. L. 1046), is amended to read:

Section 807. Reserves.—A mutual insurance company, other than a mutual life company, shall maintain unearned premium and other reserves separately, for each kind of insurance, upon the same basis as that required of domestic stock insurance companies transacting the same kind of insurance, except that the Insurance Commissioner may, by written order, fix a different basis of reserve for losses and claim in workmen's compensation insurance. Any reserve for losses or claims based upon the premium income shall be computed upon the net premium income, after deducting any so-called dividend or premium returned or credited to the member. [The] *Except when cash premiums are payable in advance, the provisions relating to unearned premium reserve shall not apply to policies issued by a domestic mutual fire insurance company which policies set forth therein, or in the promissory note attached thereto, a limited or unlimited liability to assessment [unless a cash premium is payable in advance on such policies, and in such case when the annual total gross premium income less return premiums of the company from such policies shall amount to seventy-five thousand dollars (\$75,000.00), or more, the provisions requiring unearned premium reserves, as hereinafter set forth, shall thereafter apply regardless of the annual premium income of such company in any subsequent year].*

Beginning the effective date of this act, a domestic mutual fire insurance company and a mutual insurance company, other than a mutual life company, not heretofore required by law to establish and maintain unearned premium reserves and which issues policies on which cash premiums are payable in advance, shall establish

and maintain unearned premium reserves under the foregoing provisions on the policies issued on and after the effective date of this act. The company may accumulate such reserves progressively over a five-year period, commencing the effective date of this act, by establishing and maintaining during the year one thousand nine hundred fifty-six and each succeeding calendar year, at least twenty per cent of the unearned premium reserves, until the full statutory unearned premium reserves have been established. Thereafter, the company shall maintain the full unearned premium reserves on all policies on which cash premiums are payable in advance. A domestic mutual insurance company other than a mutual life company which is incorporated subsequent to the effective date of this act shall at all times establish and maintain the full unearned premium reserves on all policies.

Beginning on the effective date of this amending act of 1959, the provisions relating to unearned premium reserves shall apply with respect to policies issued on and after that date to those mutual insurance companies which were heretofore exempt from such provisions by reason of the amount of their gross premium income. Such companies may accumulate such reserves progressively over a five year period, by establishing and maintaining, during the year 1959 and each succeeding calendar year, at least twenty per cent of the unearned premium reserves until the full statutory unearned premium reserves have been established.

The provisions of this amending act shall not be construed to extend or lengthen the time within which any other mutual insurance company is required to accumulate the full statutory unearned premium reserves.

Section 2. This act shall take effect immediately.

Act effective
immediately.

APPROVED—The 17th day of July, A. D. 1959.

DAVID L. LAWRENCE

No. 163

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