

sub-title "Mutual Insurance Companies", relating to dividends on policies of such companies, and providing the manner and conditions of the declaration and payment of such dividends.

SECTION 1. *Be it enacted by the General Assembly of Maryland, That Section 163 (Dividends on Policies) of Article 48A of the Annotated Code of Maryland (1939 Edition), title "Insurance", sub-title "Mutual Insurance Companies", be and it is hereby repealed and re-enacted, with amendments, to read as follows:*

163. (Dividends on Policies.) From time to time the directors of any such company may, by vote, fix and determine [the percentage of] dividends [or expiration return of premium] to be paid [on expiring policies, which percentages may differ, following the different loss experience of different classes of risks of the same term. But all policies insuring risks in the same classification, shall have an equal rate of dividend or expiration return of premium for the same term, and in case of an assessment, the rate thereof may be different for each different class of risks, provided that every policy in a company thus dividing its risks into two or more classifications shall, when issued, bear an endorsement clearly indicating the class to which it is assigned. Every policyholder of a domestic company, and every policyholder in this State of a company of another state or foreign country, shall be notified at his last known address within six months after the expiration of his policy of the amount of any dividend or expiration of premium declared and payable thereon, unless in the meantime such dividend or return has been paid in cash or applied in payment of the premium on the renewal of the policy.] *to policyholders on participating policies from the earned surplus of such company, and when declared shall establish an adequate reserve from which such dividends are to be paid. No such dividend shall be declared or paid if by the payment thereof the minimum surplus or other required surplus of such company will be impaired. In declaring or paying any such dividend the board of directors of such company may make reasonable classifications of policies, and policies in the same classification shall be treated without unfair discrimination. If any such company shall offer an alternative method or plan for dividend classifications, the policy shall contain an endorsement setting forth the class to which it is assigned. Each such company shall establish a procedure which makes reasonable provision for notice to the policyholder respecting dividends declared and payable under his policy.*