THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL No. 186 Session of 1991

INTRODUCED BY HOLL, O'PAKE, SALVATORE, BELAN AND CORMAN, JANUARY 29, 1991

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, NOVEMBER 16, 1992

AN ACT

1 2 3 4 5	terminatio additional	the establishment, organization, operation and n of fraternal benefit societies; imposing powers and duties on the Insurance Department and urance Commissioner; providing penalties; and eals.
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context clearly indicates otherwise:		

laws or rules of the society to be a benefit member under a
 benefit contract.

3 "Certificate." The document issued as written evidence of 4 the benefit contract.

5 "Commissioner." The Insurance Commissioner of the6 Commonwealth.

7 "Department." The Insurance Department of the Commonwealth. 8 "Impaired." For a society that does not write variable 9 contracts, impaired means whenever the society's assets are less 10 than its total liabilities. For a society that does write 11 variable contracts, impaired means whenever the society's assets 12 are less than its total liabilities, plus the required surplus 13 for a mutual life insurer to write such contracts.

14 "Insurance laws." Laws and regulations pertaining to 15 insurance companies.

16 "Laws." The society's articles of incorporation,

17 constitution and bylaws, however designated.

18 "Lodge." Subordinate member units of the society, known as 19 camps, courts, councils, branches or by any other designation. 20 "Premiums." Premiums, rates, dues or other required 21 contributions by whatever name known, which are payable under 22 the certificate.

23 "Rules." Rules, regulations or resolutions adopted by the 24 supreme governing body or board of directors which are intended 25 to have general application to the members of the society.

26 "Society." Fraternal benefit society, unless otherwise27 indicated.

28 Section 103. Fraternal benefit societies.

29 Any incorporated society, order or supreme lodge, without 30 capital stock, including one exempted under the provisions of 19910S0186B2585 - 4 - section 617(a)(2) whether incorporated or not, conducted solely
for the benefit of its members and their beneficiaries and not
for profit, operated on a lodge system with or without
ritualistic form of work, having a representative form of
government and providing benefits in accordance with this act,
is hereby declared to be a fraternal benefit society.
Section 104. Lodge system.

8 (a) General rule.--A society is operating on the lodge 9 system if it has a supreme governing body and subordinate lodges 10 into which members are elected, initiated or admitted in 11 accordance with its laws, rules and rituals. Subordinate lodges 12 shall be required by the laws of the society to hold regular 13 meetings at least once in each quarter in furtherance of the 14 purposes of the society.

(b) Lodges for children.--A society may, at its option, organize and operate lodges for children under the minimum age for adult membership. Membership and initiation in local lodges shall not be required of such children, nor shall they have a voice or vote in the management of the society.

20 Section 105. Representative form of government.

21 A society has a representative form of government when the 22 following circumstances occur:

(1) It has a supreme governing body constituted in oneof the following ways:

(i) The supreme governing body is an assembly
 composed of delegates elected directly by the members or
 at intermediate assemblies or conventions of members or
 their representatives, together with other delegates as
 may be prescribed in the society's laws. A society may
 provide for election of delegates by mail. The elected
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1 delegates shall constitute a majority in number and shall not have less than two-thirds of the votes and not less 2 3 than the number of votes required to amend the society's 4 laws. The assembly shall be elected and shall meet at 5 least once every four years and shall elect a board of directors to conduct the business of the society between 6 meetings of the assembly. Vacancies on the board of 7 directors between elections may be filled in the manner 8 prescribed by the society's laws. 9

10 (ii) The supreme governing body is a board composed 11 of persons elected by the members, either directly or by their representatives in intermediate assemblies, and any 12 other persons prescribed in the society's laws. A society 13 14 may provide for election of the board by mail. Each term 15 of a board member may not exceed four years. Vacancies on 16 the board between elections may be filled in the manner 17 prescribed by the society's laws. Those persons elected 18 to the board shall constitute a majority in number and 19 not less than the number of votes required to amend the 20 society's laws. A person filling the unexpired term of an elected board member shall be considered to be an elected 21 22 member. The board shall meet at least quarterly to 23 conduct the business of the society.

24 (2) The officers of the society are elected either by25 the supreme governing body or by the board of directors.

26 (3) Only benefit members are eligible for election to
27 the supreme governing body, the board of directors or any
28 intermediate assembly.

29 (4) Each voting member has one vote; no vote may be cast30 by proxy.

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Section 106. Purposes, powers and limitations of societies.
 (a) Purposes.--A society shall operate for the benefit of
 members and their beneficiaries by:

4 (1) providing benefits as specified in section 401; and 5 (2) operating for one or more social, intellectual, educational, charitable, benevolent, moral, fraternal, 6 patriotic or religious purposes for the benefit of its 7 8 members, which may also be extended to others. These purposes may be carried out directly by the society, or 9 10 indirectly through subsidiary corporations or affiliated 11 organizations.

12 (b) Powers.--Every society shall have the power to adopt 13 laws and rules for the government of the society, the admission 14 of its members and the management of its affairs. The society 15 shall have the power to change, alter, add to or amend such laws 16 and rules and shall have such other powers as are necessary and 17 incidental to carrying into effect the objects and purposes of 18 the society.

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19 (c) Limitations.--No subsidiary corporation or affiliated 20 organization shall transact insurance or engage in any other 21 activity regulated under Pennsylvania law unless the subsidiary 22 corporation or affiliated organization complies with all 23 provisions of the applicable law. No society or subsidiary corporation or affiliated organization through which a society 24 25 carries out its purposes shall own or operate a funeral home or 26 undertaking establishment. 27 CHAPTER 2

28

MEMBERSHIP

29 Section 201. Qualifications for membership.

30 (a) General rule.--A society shall specify in its laws or 19910S0186B2585 - 7 - 1 rules:

2 (1) Eligibility standards for each and every class of
3 membership. If benefits are provided on the lives of
4 children, the minimum age for adult membership shall be 15
5 years and the maximum age shall be 21 years.

6 (2) The process for admission to membership for each
7 membership class.

8 (3) The rights and privileges of each membership class. 9 Only benefit members shall have the right to vote on the 10 management of the insurance affairs of the society.

(b) Social members.--A society may also admit social members who shall have no voice or vote in the management of the insurance affairs of the society.

14 (c) Membership is personal.--Membership rights in the
15 society are personal to the member and are not assignable.
16 Section 202. Office, meetings, publications and grievance
17 procedures.

18 Office and meetings. -- The principal office of any (a) domestic society shall be located in this Commonwealth. The 19 20 meetings of the supreme governing body of the society may be 21 held in any state or country on the North American continent, or 22 in any other location determined by the supreme governing body. 23 All business transacted at such meetings shall be as valid in all respects as if the meetings were held in this Commonwealth. 24 25 The minutes of the proceedings of the supreme governing body and 26 of the board of directors shall be in the English language.

27 (b) Publications.--

(1) A society may provide in its laws for an official
publication in which any notice, report or statement required
by law to be given to members, including notice of election,
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1 may be published. Any required reports, notices and 2 statements shall be printed conspicuously in the publication. If the records of a society show that two or more members 3 have the same mailing address, an official publication mailed 4 5 to one member is deemed to be mailed to all members at the 6 same address unless a member requests a separate copy. This paragraph shall not apply to certificate requirements, 7 8 reports or notices in connection with the issuance of 9 certificates.

10 (2) Not later than June 1 of each year, a synopsis of 11 the society's annual statement providing an explanation of 12 the facts concerning the condition of the society thereby 13 disclosed shall be printed and mailed to each benefit member 14 of the society or, in lieu thereof, the synopsis may be 15 published in the society's official publication.

16 (c) Grievance procedures.--A society may provide in its laws 17 or rules for grievance or complaint procedures for members. 18 Section 203. Personal liability.

(a) General rule.--The officers and members of the supreme
governing body or any subordinate body of a society shall not be
personally liable for any benefits provided by a society.

22 (b) Indemnification and reimbursement.--

23 (1) Any person may be indemnified and reimbursed by any 24 society for expenses reasonably incurred by, and liabilities 25 imposed upon, that person in connection with or arising out 26 of any action, suit or proceeding, whether civil, criminal, 27 administrative or investigative, or threat thereof, in which 28 that person may be involved by reason of the fact that that person is or was a director, officer, employee or agent of 29 30 the society or of any firm, corporation or organization which - 9 -19910S0186B2585

the person served in any capacity at the request of the
 society.

3 (2) A person shall not be so indemnified or reimbursed:
4 (i) in relation to any matter in an action, suit or
5 proceeding as to which the person shall finally be
6 adjudged to be or have been guilty of a breach of a duty
7 as a director, officer, employee or agent of the society;
8 or

9 (ii) in relation to any matter in an action, suit or 10 proceeding, or threat thereof, which has been made the 11 subject of a compromise settlement;

12 unless in either case the person acted in good faith for a 13 purpose the person reasonably believed to be in or not 14 opposed to the best interests of the society and, in a 15 criminal action or proceeding, in addition, had no reasonable 16 cause to believe that his conduct was unlawful.

17 The determination whether the conduct of such person (3) 18 met the standard required in order to justify indemnification 19 and reimbursement in relation to any matter described in 20 paragraph (2) may only be made by the supreme governing body 21 or board of directors by a majority vote of a quorum 22 consisting of persons who were not parties to such action, 23 suit or proceeding or by a court of competent jurisdiction. 24 The termination of any action, suit or proceeding by 25 judgment, order, settlement, conviction, or upon a plea of no 26 contest, as to that person shall not in itself create a 27 conclusive presumption that the person did not meet the 28 standard of conduct required in order to justify 29 indemnification and reimbursement. The foregoing right of indemnification and reimbursement shall not be exclusive of 30 19910S0186B2585 - 10 -

other rights to which that person may be entitled as a matter
 of law and shall inure to the benefit of that person's heirs,
 executors and administrators.

4 Insurance. -- A society shall have power to purchase and (C) 5 maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the society, or who is 6 or was serving at the request of the society as a director, 7 officer, employee or agent of any other firm, corporation or 8 9 organization against any liability asserted against that person 10 and incurred in any such capacity or arising out of that 11 person's status as such, whether or not the society would have the power to indemnify the person against such liability under 12 13 this section.

14 Section 204. Waiver.

15 The laws of the society may provide that no subordinate body 16 nor any of its subordinate officers or members shall have the 17 power or authority to waive any of the provisions of the laws of 18 the society. Such provision shall be binding on the society and 19 every member and beneficiary of a member.

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CHAPTER 3

GOVERNANCE

22 Section 301. Organization.

(a) General rule.--A domestic society organized on or after
the effective date of this act shall be formed as provided in
this section.

(b) Articles of incorporation.--Seven or more citizens of the United States, a majority of whom are citizens of this Commonwealth, who desire to form a fraternal benefit society may make, sign and acknowledge before some officer competent to take acknowledgment of deeds, articles of incorporation in which 19910S0186B2585 - 11 - 1 shall be stated:

2 (1) The proposed corporate name of the society, which
3 shall not so closely resemble the name of any society or
4 insurance company as to be misleading or confusing.

5 (2) The purposes for which it is being formed and the 6 mode in which its corporate powers are to be exercised. Such 7 purposes shall not include more liberal powers than are 8 granted by this chapter.

9 The names and residences of the incorporators and (3) 10 the names, residences and official titles of all the 11 officers, trustees, directors or other persons who are to 12 have and exercise the general control of the management of 13 the affairs and funds of the society for the first year or until the ensuing election at which all the officers shall be 14 15 elected by the supreme governing body, which election shall 16 be held not later than one year from the date of issuance of the permanent certificate of authority. 17

18 (c) Filing.--Such articles of incorporation, duly certified copies of the society's bylaws and rules, copies of all proposed 19 forms of certificates and applications therefor and circulars to 20 21 be issued by the society and a bond conditioned upon the return 22 to applicants of the advanced payments if the organization is 23 not completed within one year shall be filed with the commissioner, who may require such further information as the 24 25 commissioner deems necessary. The bond with sureties approved by 26 the commissioner shall be in an amount, not less than \$300,000 27 nor more than \$1,500,000, as required by the commissioner. All 28 documents filed shall be in the English language. If the purposes of the society conform to the requirements of this 29 30 chapter and all provisions of the law have been complied with, 19910S0186B2585 - 12 -

1 the commissioner shall so certify, retain and file the articles 2 of incorporation and furnish the incorporators a preliminary 3 certificate of authority authorizing the society to solicit 4 members as provided in this section.

5 (d) Duration of preliminary certificate. -- No preliminary certificate of authority granted under the provisions of this 6 section shall be valid after one year from its date of issuance 7 or after a further period, not exceeding one year, as may be 8 9 authorized by the commissioner upon cause shown, unless the 500 10 applicants required under subsection (e) have been secured and 11 the organization has been completed as provided in this section. The articles of incorporation and all other proceedings 12 13 thereunder shall become null and void in one year from the date 14 of the preliminary certificate of authority, or at the 15 expiration of the extended period, unless the society shall have 16 completed its organization and received a certificate of 17 authority to do business as provided in this section.

18 (e) Solicitation of members. -- Upon receipt of a preliminary certificate of authority from the commissioner, the society may 19 solicit members for the purpose of completing its organization, 20 21 shall collect from each applicant the amount of not less than 22 one regular monthly premium in accordance with its table of rates, and shall issue to each applicant a receipt for the 23 24 amount collected. No society shall incur any liability other 25 than for the return of the advance premium, nor issue any 26 certificate, nor pay or allow, or offer or promise to pay or 27 allow, any benefit to any person until the following conditions 28 are met:

29 (1) Actual bona fide applications for benefits
30 aggregating at least \$500,000 have been secured on not less
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than 500 applicants, and any necessary evidence of
 insurability has been furnished to and approved by the
 society.

4 (2) At least ten subordinate lodges have been
5 established into which the 500 applicants have been admitted.

6 (3) There has been submitted to the commissioner, under 7 oath of the president or secretary, or corresponding officer 8 of the society, a list of the applicants, giving the name and 9 address of each, the date each was admitted, the name and 10 number of the subordinate lodge of which each applicant is a 11 member, and the amount of benefits to be granted and premiums 12 for each applicant.

13 (4) It shall have been shown to the commissioner, by sworn statement of the treasurer, or corresponding officer of 14 15 the society, that at least 500 applicants have each paid in 16 cash at least one regular monthly premium as provided in this 17 subsection, which premiums in the aggregate shall amount to 18 at least \$150,000. These advance premiums shall be held in 19 trust during the period of organization and if the society 20 has not qualified for a certificate of authority within one year, as provided in this section, the premiums shall be 21 22 returned to the applicants.

23 The commissioner may make such examination and (5) 24 require such further information as the commissioner deems advisable. Upon presentation of satisfactory evidence that 25 26 the society has complied with all the provisions of law, the 27 commissioner shall issue to the society a certificate of 28 authority to that effect and to the effect that the society is authorized to transact business pursuant to the provisions 29 30 of this chapter. The certificate of authority shall be prima 19910S0186B2585 - 14 -

1 facie evidence of the existence of the society at the date of 2 the certificate. The commissioner shall cause a record of the 3 certificate of authority to be made. A certified copy of the 4 record may be given in evidence with like effect as the 5 original certificate of authority.

6 (f) Limitations.--The provisions of subsection (e) shall not7 apply to:

8 (1) Any society organized prior to April 6, 1893, under 9 any statute of this Commonwealth which was engaged in doing business in this Commonwealth on that date. After the 10 effective date of this act, any such society may exercise all 11 12 the rights conferred by this act and all the rights, powers, 13 privileges and exemptions now exercised or possessed by it, under its charter or articles of incorporation or articles of 14 15 association, and neither its existence as a corporation nor 16 its rights to exercise any corporate rights, vested in it by 17 virtue of its past incorporation, shall be affected by 18 anything contained in this act.

19 (2) Any fraternal benefit society incorporated under the 20 provisions of the act of April 6, 1893 (P.L.10, No.6), the act of May 20, 1921 (P.L.916, No.324), the act of July 17, 21 22 1935 (P.L.1092, No.357) or the act of July 29, 1977 (P.L.105, 23 No.38), relating to fraternal benefit societies. For the 24 purposes of this act, a corporation which is exempt from the requirements of this section by reason of paragraph (1) shall 25 be deemed to be a holder of a certificate of authority issued 26 27 under this act.

(g) Reincorporation not required.--Any incorporated society authorized to transact business in this Commonwealth at the time this act becomes effective shall not be required to

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1 reincorporate.

2 Section 302. Amendments to laws.

3 (a) General rule. -- A domestic society may amend its laws in 4 accordance with the provisions thereof by action of its supreme 5 governing body at any regular or special meeting thereof or, if its laws so provide, by referendum. The referendum may be held 6 in accordance with the provisions of its laws by the vote of the 7 voting members of the society, by the vote of delegates or 8 representatives of voting members or by the vote of local 9 10 lodges. A society may provide for voting by mail. No amendment 11 submitted for adoption by referendum shall be adopted unless, within six months from the date of submission thereof, a 12 13 majority of the members voting shall have signified their 14 consent to the amendment by one of the methods specified in this 15 section. A society having a direct election form of organization as described in section 105(1)(ii) may amend its constitution or 16 17 articles of incorporation only by referendum.

18 (b) Approval of amendment. -- No amendment to the laws of any 19 domestic society shall take effect unless approved by the commissioner who shall approve the amendment if the commissioner 20 21 finds that it has been duly adopted and is not inconsistent with 22 any requirement of the laws of this Commonwealth or with the 23 character, objects and purposes of the society. Unless the 24 commissioner shall disapprove the amendment within 60 days after 25 the filing, the amendment shall be considered approved. The 26 approval or disapproval of the commissioner shall be in writing 27 and shall be mailed to the secretary or corresponding officer of 28 the society at its principal office. If the commissioner disapproves the amendment, the reasons for the disapproval shall 29 30 be stated in the written notice.

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1 (c) Copies to members. --Within 90 days from the approval thereof by the commissioner, the amendments, or a synopsis 2 3 thereof, shall be furnished to all members of the society either 4 by mail or by publication in full in the official publication of 5 the society. The affidavit of any officer of the society or of anyone authorized by it to mail any amendments or synopsis 6 7 thereof, stating facts which show that same have been duly addressed and mailed, shall be prima facie evidence that the 8 amendments or synopsis thereof have been furnished the 9 10 addressee.

(d) Filings of foreign societies.--Every foreign or alien society authorized to do business in this Commonwealth shall file with the commissioner a duly certified copy of all amendments of, or additions to, its laws within 90 days after their enactment.

16 (e) Certified copies as evidence.--Printed copies of the 17 laws as amended, certified by the secretary or corresponding 18 officer of the society, shall be prima facie evidence of the 19 legal adoption.

20 Section 303. Institutions.

21 A society may create, maintain and operate or may establish 22 organizations to operate, not-for-profit institutions to further the purposes permitted by section 106(a)(2). These institutions 23 24 may furnish services free or at a reasonable charge. Any real or 25 personal property owned, held or leased by the society for this 26 purpose shall be reported in every annual statement but shall 27 not be allowed as an admitted asset of the society except as provided in section 501(b). 28

29 Section 304. Reinsurance.

30 (a) General rule.--A domestic society may, by a reinsurance 19910S0186B2585 - 17 -

agreement, cede any individual risk or risks in whole or in part 1 to an insurer (other than another fraternal benefit society) 2 having the power to make such reinsurance and authorized to do 3 business in this Commonwealth, or if not so authorized, one 4 5 which is approved by the commissioner, but no society may reinsure substantially all of its insurance in force without the 6 written permission of the commissioner. It may take credit for 7 the reserves on the ceded risks to the extent reinsured, but no 8 credit shall be allowed as an admitted asset or as a deduction 9 10 from liability, to a ceding society for reinsurance made, ceded, 11 renewed or otherwise becoming effective after the effective date of this chapter, unless the reinsurance is payable by the 12 13 assuming insurer on the basis of the liability of the ceding 14 society under the contract or contracts reinsured without 15 diminution because of the insolvency of the ceding society. 16 (b) Reinsurance by another society. -- Notwithstanding the

17 limitation in subsection (a), a society may reinsure the risks 18 of another society in a consolidation or merger approved by the 19 commissioner under section 305.

20 Section 305. Consolidations and mergers.

(a) General rule.--A domestic society may consolidate or merge with any other society by complying with the provisions of this section. It shall file with the commissioner:

(1) A certified copy of the written contract containing
 in full the terms and conditions of the consolidation or
 merger.

(2) A sworn statement by the president and secretary or
 corresponding officers of each society showing the financial
 condition of the society on a date fixed by the commissioner
 but not earlier than December 31 next preceding the date of
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1 the contract.

(3) A certificate of the officers, duly verified by
their respective oaths, that the consolidation or merger has
been approved by a two-thirds vote of the supreme governing
body of each society, which vote had been conducted at a
regular or special meeting of each body or, if the society's
laws permit, by mail.

8 (4) Evidence that at least 60 days prior to the action 9 of the supreme governing body of each society, the text of 10 the contract was furnished to all members of each society 11 either by mail or by publication in full in the official 12 publication of each society.

13 (b) Approval by commissioner.--If the commissioner finds that the contract is in conformity with the provisions of this 14 15 section, that the financial statements are correct and that the consolidation or merger is just and equitable to the members of 16 17 each society, the commissioner shall approve the contract and 18 issue a certificate to that effect. Upon this approval, the 19 contract shall be in full force and effect unless any society 20 which is a party to the contract is incorporated under the laws of any other state or territory. In such event the consolidation 21 22 or merger shall not become effective unless and until it has been approved as provided by the laws of that state or territory 23 and a certificate of the approval filed with the commissioner of 24 25 this Commonwealth or, if the laws of that state or territory 26 contain no such provision, then the consolidation or merger shall not become effective unless and until it has been approved 27 by the commissioner of insurance of that state or territory and 28 a certificate of the approval filed with the commissioner of 29 30 this Commonwealth.

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1 (c) Vesting of rights and liabilities.--When the consolidation or merger becomes effective as provided in this 2 3 section, all the rights, franchises and interests of the 4 consolidated or merged societies in and to every species of 5 property, real, personal or mixed, and things in action thereunto belonging shall be vested in the society resulting 6 7 from or remaining after the consolidation or merger without any other instrument, except that conveyances of real property may 8 9 be evidenced by proper deeds, and the title to any real estate 10 or interest therein, vested under the laws of this Commonwealth 11 in any of the societies consolidated or merged, shall not revert 12 or be in any way impaired by reason of the consolidation or 13 merger, but shall vest absolutely in the society resulting from 14 or remaining after the consolidation or merger.

(d) Effect of affidavit.--The affidavit of any officer of
the society or of anyone authorized by it to mail any notice or
document, stating that such notice or document has been duly
addressed and mailed, shall be prima facie evidence that the
notice or document has been furnished the addressees.
Section 306. Conversion of fraternal benefit society into
mutual life insurance company.

22 Any domestic fraternal benefit society may be converted and licensed as a mutual life insurance company by compliance with 23 24 all the requirements of the act of May 17, 1921 (P.L.682, 25 No.284), known as The Insurance Company Law of 1921, if the plan 26 of conversion has been approved by the commissioner. A plan of 27 conversion shall be prepared in writing by the board of 28 directors setting forth in full the terms and conditions of conversion. The affirmative vote of two-thirds of all members of 29 30 the supreme governing body at a regular or special meeting shall 19910S0186B2585 - 20 -

be necessary for the approval of such plan. No conversion shall take effect unless and until approved by the commissioner who may give approval if the commissioner finds that the proposed change is in conformity with the requirements of law and not prejudicial to the certificateholders of the society. SECTION 307. DOMESTICATION.

7 (A) FILING REQUIREMENTS.--A FOREIGN OR ALIEN SOCIETY
8 AUTHORIZED TO DO BUSINESS IN THIS COMMONWEALTH MAY BECOME A
9 DOMESTIC SOCIETY BY FILING WITH THE COMMISSIONER IN THE ENGLISH
10 LANGUAGE:

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(1) ARTICLES OF DOMESTICATION WHICH SHALL SET FORTH THE
NAME OF THE SOCIETY, THE ADDRESS, INCLUDING STREET AND
NUMBER, OF ITS PRINCIPAL OFFICE IN THIS COMMONWEALTH AND ANY
OTHER PROVISIONS OF ITS CURRENT ARTICLES OF INCORPORATION
THAT THE SOCIETY DESIRES TO RETAIN.

16 (2) A STATEMENT THAT UPON DOMESTICATION THE SOCIETY WILL
17 BE SUBJECT TO ALL THE LAWS OF THIS COMMONWEALTH APPLICABLE TO
18 DOMESTIC FRATERNAL BENEFIT SOCIETIES.

19 (3) A BRIEF STATEMENT OF THE PURPOSE OR PURPOSES FOR
20 WHICH IT IS TO BE DOMESTICATED, WHICH SHALL BE A PURPOSE OR
21 PURPOSES FOR WHICH A DOMESTIC SOCIETY MAY BE INCORPORATED
22 UNDER THIS CHAPTER.

23 (4) A LETTER OR ORDER APPROVING THE REDOMESTICATION FROM
24 THE INSURANCE DEPARTMENT OF THE CURRENT STATE OF DOMICILE.

(5) A CERTIFICATE OF THE PRESIDENT AND SECRETARY OF THE
SOCIETY DULY VERIFIED BY THEIR RESPECTIVE OATHS THAT THE
DOMESTICATION HAS BEEN APPROVED BY THE MAJORITY OF THE VOTES
CAST BY THE SUPREME GOVERNING BODY OF THE SOCIETY, UNLESS A
GREATER PERCENTAGE OF AFFIRMATIVE VOTES IS REQUIRED EITHER BY
THE SOCIETY'S CONSTITUTION AND BYLAWS OR BY THE STATUTE IN
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1 THE SOCIETY'S STATE OF DOMICILE.

(B) APPROVAL BY COMMISSIONER.--IF THE COMMISSIONER FINDS 2 3 THAT THE FILING BY THE SOCIETY IS IN PROPER ORDER, THAT THE 4 DOMESTICATION IS IN THE BEST INTEREST OF THE MEMBERS OF THE 5 SOCIETY, THAT THE SOCIETY HAS COMPLIED WITH THE REQUIREMENTS FOR THE ISSUANCE OF A CERTIFICATE OF AUTHORITY TO DO BUSINESS IN 6 THIS COMMONWEALTH AND THAT THE SOCIETY WILL MAINTAIN ITS 7 8 PRINCIPAL OFFICE IN THIS COMMONWEALTH, THE COMMISSIONER SHALL 9 APPROVE THE ARTICLES OF DOMESTICATION AND ISSUE A CERTIFICATE TO 10 THAT EFFECT. 11 (C) EFFECT OF DOMESTICATION. -- UPON APPROVAL OF THE ARTICLES 12 OF DOMESTICATION BY THE COMMISSIONER, THE SOCIETY SHALL 13 THEREAFTER BECOME A DOMESTIC SOCIETY AND SHALL BE SUBJECT TO ALL 14 THE LAWS OF THIS COMMONWEALTH APPLICABLE TO DOMESTIC SOCIETIES. 15 CHAPTER 4 16 CONTRACTUAL BENEFITS Section 401. Benefits. 17 18 (a) General rule.--A society authorized to do business in 19 this Commonwealth may provide the following contractual benefits in any form: 20 (1) Death benefits. 21 22 (2) Endowment benefits. 23 (3) Annuity benefits. 24 (4) Temporary or permanent disability benefits. 25 (5) Hospital, medical or nursing benefits. 26 (6) Other benefits which are authorized for insurers 27 licensed to write life, accident and health insurance and 28 which are not inconsistent with this chapter. 29 Eligible members. -- A society shall specify in its rules (b) 30 those persons who may be issued, or covered by, the contractual

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benefits in subsection (a), consistent with providing benefits
 to members and their dependents. A society may provide benefits
 on the lives of children under the minimum age for adult
 membership upon application of an adult person.

5 Section 402. Beneficiaries.

(a) Designation. -- The owner of a benefit contract shall have 6 the right at all times to change the beneficiary or 7 beneficiaries in accordance with the laws or rules of the 8 9 society unless the owner waives this right by specifically 10 requesting in writing that the beneficiary designation be 11 irrevocable. A society may, through its laws or rules, limit the scope of beneficiary designations and shall provide that no 12 13 revocable beneficiary shall have or obtain any vested interest 14 in the proceeds of any certificate until the certificate has 15 become due and payable in conformity with the provisions of the 16 benefit contract.

(b) Payment of funeral benefits.--A society may make provision for the payment of funeral benefits to the extent of that portion of any payment under a certificate as might reasonably appear to be due to any person equitably entitled thereto by reason of having incurred expense occasioned by the burial of the member, provided the portion so paid shall not exceed the sum of \$2,000.

(c) Absence of beneficiary.--If, at the death of any person 24 25 insured under a benefit contract, there is no lawful beneficiary 26 to whom the proceeds shall be payable, the amount of the benefit, except to the extent that funeral benefits may be paid 27 as provided in this section, shall be payable to the personal 28 29 representative of the deceased insured, or if none, then payment 30 may be made in accordance with 20 Pa.C.S. § 3101(d) (relating to 19910S0186B2585 - 23 -

payments to family and funeral directors). If the owner of the
 certificate is other than the insured, the proceeds shall be
 payable to the owner.

4 Section 403. Benefits not attachable.

5 No money or other benefit, charity, relief or aid to be paid, 6 provided or rendered by any society shall be liable to attachment, garnishment or other process, or to be seized, 7 taken, appropriated or applied by any legal or equitable process 8 9 or operation of law to pay any debt or liability of a member or 10 beneficiary, or any other person who may have a right 11 thereunder, either before or after payment by the society. Section 404. Benefit contract. 12

13 (a) General rule.--Every society authorized to do business in this Commonwealth shall issue to each owner of a benefit 14 15 contract a certificate specifying the amount of benefits 16 provided by the contract. The certificate, together with any 17 riders or endorsements attached to it, the laws of the society, 18 the application for membership, the application for insurance and declaration of insurability, if any, signed by the 19 20 applicant, and all amendments to each thereof, shall constitute the benefit contract, as of the date of issuance, between the 21 22 society and the owner, and the certificate shall so state. The 23 certificate shall also incorporate by reference the laws of the 24 Society. The society shall maintain a copy of its laws at each 25 lodge for inspection by the benefit member, and shall furnish a 26 copy to each benefit member upon request. A copy of the 27 application for insurance and declaration of insurability, if any, shall be endorsed upon or attached to the certificate. All 28 29 statements on the application shall be representations and not 30 warranties. Any waiver of this provision shall be void. 19910S0186B2585 - 24 -

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1 (b) Effect of subsequent changes. -- Any changes, additions or amendments to the laws of the society duly made or enacted 2 3 subsequent to the issuance of the certificate shall bind the 4 owner and the beneficiaries, and shall govern and control the 5 benefit contract in all respects the same as if the changes, additions or amendments had been made prior to and were in force 6 at the time of the application for insurance, except that no 7 change, addition or amendment shall destroy or diminish benefits 8 9 which the society contracted to give the owner as of the date of 10 issuance.

(c) Effect on minority.--Any person upon whose life a benefit contract is issued prior to attaining the age of majority shall be bound by the terms of the application and certificate and by all the laws and rules of the society to the same extent as though the age of majority had been attained at the time of application.

(d) Payment of deficiencies.--A society shall provide in its laws that, if its reserves as to all or any class of certificates become impaired its board of directors or corresponding body may require that there shall be paid by the owner to the society the amount of the owner's equitable proportion of such deficiency as ascertained by its board, and if the payment is not made:

(1) it shall stand as an indebtedness against the
certificate and draw interest not to exceed the rate
specified for certificate loans under the certificates; or

(2) in lieu of or in combination with paragraph (1), the
owner may accept a proportionate reduction in benefits under
the certificate.

30 The society may specify the manner of the election and which 19910S0186B2585 - 25 - 1 alternative is to be presumed if no election is made.

2 (e) Certified copies as evidence.--Copies of any of the
3 documents mentioned in this section, certified by the secretary
4 or corresponding officer of the society, shall be received in
5 evidence of the terms and conditions thereof.

(f) Content.--No certificate, application, rider or 6 endorsement used in connection therewith shall be delivered or 7 issued for delivery in this Commonwealth unless the form 8 contains provisions required for like forms issued by life, 9 10 accident and health insurers in this Commonwealth and a copy of 11 the form has been filed with and approved by the commissioner in the manner provided for like policies issued by life, accident 12 13 and health insurers in this Commonwealth. Every life, accident, 14 health or disability insurance certificate, every annuity 15 certificate, and every application, rider or endorsement used in 16 connection therewith approved prior to the effective date of this act shall be brought into compliance with this chapter 17 18 within one year of the effective date of this act.

19 (g) Premium grace period.--The certificate may contain a 20 provision for a grace period for payment of premiums of one full 21 month in its certificates.

(h) Additional provisions.--The certificate shall alsocontain the following:

(1) A provision stating the amount of premiums which are
payable under the certificate and a provision reciting or
setting forth the substance of any sections of the society's
laws or rules in force at the time of issuance of the
certificate which, if violated, will result in the
termination or reduction of benefits payable under the
certificate.

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1 (2) A provision that any member expelled or suspended, 2 except for nonpayment of a premium or within the contestable 3 period for material misrepresentation in the application for 4 membership or insurance, shall have the privilege of 5 maintaining the certificate in force by continuing payment of 6 the required premium.

7 A provision that in case the age or sex of the (3) 8 member or of any other person is considered in determining 9 the premium and it is found at any time before final settlement under the certificate that the age or sex has been 10 11 misstated, and the discrepancy and premium involved have not 12 been adjusted, the amount payable under the certificate shall 13 be such as the premium would have purchased at the correct 14 age and sex. If the correct age was not an insurable age 15 under the society's charter or laws, only the premiums paid 16 to the society, less any payments previously made to the 17 member, shall be returned or, at the option of the society, the amount payable under the certificate shall be such as the 18 19 premium would have purchased at the correct age according to 20 the society's promulgated rates and any extension thereof based on actuarial principles. 21

22 (i) Transfer of contract or ownership. -- Benefit contracts 23 issued on the lives of persons below the society's minimum age for adult membership may provide for transfer of control or 24 25 ownership to the insured at an age specified in the certificate. 26 A society may require approval of an application for membership in order to effect this transfer and may provide in all other 27 respects for the regulation, government and control of the 28 certificates and all rights, obligations and liabilities 29 30 incident thereto and connected therewith. Ownership rights prior 19910S0186B2585 - 27 -

1 to the transfer shall be specified in the certificate.

2 (j) Assignment.--A society may specify the terms and
3 conditions on which benefit contracts may be assigned.
4 Section 405. Nonforfeiture benefits, cash surrender values,

6 (a) Existing certificates.--For certificates issued prior to 7 one year after the effective date of this act, the value of 8 every paid-up nonforfeiture benefit and the amount of any cash 9 surrender value, loan or other option granted shall comply with 10 the provisions of law applicable immediately prior to the 11 effective date of this act.

certificate loans and other options.

12 (b) New certificates.--For LIFE certificates issued on or <-13 after one year from the effective date of this act for which 14 reserves are computed on the Commissioner's 1941 Standard 15 Ordinary Mortality Table, the Commissioner's 1941 Standard 16 Industrial Table or the Commissioner's 1958 Standard Ordinary 17 Mortality Table, or the Commissioner's 1980 Standard Mortality 18 Table, or any more recent table made applicable to life 19 insurers, every paid-up nonforfeiture benefit and the amount of 20 any cash surrender value, loan or other option granted shall not 21 be less than the corresponding amount ascertained in accordance 22 with the laws of this Commonwealth applicable to life insurers issuing policies containing like benefits based upon such 23 tables. FOR ANNUITY CERTIFICATES ISSUED ON OR AFTER ONE YEAR 24 <----25 FROM THE EFFECTIVE DATE OF THIS ACT, EVERY PAID-UP ANNUITY 26 BENEFIT, CASH SURRENDER VALUE OR DEATH BENEFIT SHALL NOT BE LESS 27 THAN THE CORRESPONDING AMOUNT IN ACCORDANCE WITH THE LAWS OF 28 THIS COMMONWEALTH APPLICABLE TO LIFE INSURERS ISSUING POLICIES 29 CONTAINING LIKE BENEFITS.

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5

CHAPTER 5

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- 28 -

2 Section 501. Investments.

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3 (a) General rule.--A society shall invest its funds only in 4 investments authorized by the laws of this Commonwealth for the investment of assets of life insurers and subject to the 5 limitations thereon. Any foreign or alien society permitted or 6 seeking to do business in this Commonwealth which invests its 7 8 funds in accordance with the laws of the state, district, territory, country or province in which it is incorporated, 9 10 shall be held to meet the requirements of this section for the 11 investment of funds.

12 (b) Real estate.--In addition to the investment of assets as 13 prescribed in this section or any other laws of this 14 Commonwealth, a fraternal benefit society may purchase, receive, 15 hold and convey real estate or any interest therein for the 16 purpose of maintenance or construction of camps or recreational 17 areas with necessary facilities for all its members. These 18 assets shall be shown on the annual statement at cost in the 19 year acquired and may not exceed 5% of other admitted assets of 20 the society.

21 Section 502. Funds.

(a) General rule.--All assets shall be held, invested and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment on the surrender of any part thereof, except as provided in the benefit contract.

(b) Special funds.--A society may create, maintain, invest,
disburse and apply any special fund or funds necessary to carry
out any purpose permitted by the laws of the society.

30 (c) Separate accounts.--A society may, pursuant to 19910S0186B2585 - 29 -

resolution of its supreme governing body, establish and operate 1 one or more separate accounts and issue contracts on a variable 2 basis, subject to the insurance laws regulating life insurers 3 4 establishing those accounts and issuing those contracts. To the 5 extent the society deems it necessary in order to comply with any applicable Federal or State laws, or any rules issued 6 thereunder, the society may: 7

8 Adopt special procedures for the conduct of the (1)9 business and affairs of a separate account.

10 (2) For persons having beneficial interests therein, 11 provide special voting and other rights, including, without limitation special rights and procedures relating to 12 13 investment policy, investment advisory services, selection of certified public accountants, and selection of a committee to 14 15 manage the business and affairs of the account.

Issue contracts on a variable basis to which section 16 (3) 17 404(b) and (d) shall not apply.

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CHAPTER 6

REGULATION

Section 601. Valuation. 20

21 (a) Existing certificates. -- Standards of valuation THE 22 MINIMUM RESERVES for certificates issued prior to one year after the effective date of this act shall be those provided by the 23 laws applicable immediately prior to the effective date of this 24 25 act.

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26 (b) New certificates.--The minimum standards of valuation <-----27 RESERVES for certificates issued on or after one year from the <-----28 effective date of this act shall be based on the following 29 tables:

(1) For certificates of life insurance - the 30 19910S0186B2585 - 30 -

1 Commissioner's 1941 Standard Ordinary Mortality Table, the 2 Commissioner's 1941 Standard Industrial Mortality Table, the 3 Commissioner's 1958 Standard Ordinary Mortality Table, the 4 Commissioner's 1980 Standard Ordinary Mortality Table or any 5 more recent table made applicable to life insurers.

6 (2) For annuity and pure endowment certificates, for 7 total and permanent disability benefits, for accidental death 8 benefits and for noncancelable accident and health benefits -9 such tables as are authorized for use by life insurers in 10 this Commonwealth.

<--

(c) Valuation methods and standards.--All of the valuations under subsection (a) or (b) shall be under valuation methods and <--standards, including interest assumptions, INTEREST STANDARDS in <--accordance with the laws of this Commonwealth applicable to life insurers issuing policies containing like benefits.

16 (d) Other valuation standards. -- The commissioner may, in his 17 discretion, accept other standards for valuation if the 18 commissioner finds that the reserves produced thereby will not be less in the aggregate than reserves computed in accordance 19 20 with the minimum valuation standard prescribed in this section. 21 The commissioner may, in his discretion, vary the standards of 22 mortality applicable to all benefit contracts on substandard 23 lives or other extra hazardous lives by any society authorized to do business in this Commonwealth. 24

(e) Excess reserves.--Any society, with the consent of the commissioner of insurance of the state of domicile of the society and under such conditions, if any, which the commissioner may impose, may establish and maintain reserves on its certificates in excess of the reserves required thereunder, but the contractual rights of any benefit member shall not be 19910S0186B2585 - 31 - 1 affected thereby.

2 Section 602. Reports.

3 (a) General rule.--Reports shall be filed in accordance with4 the provisions of this section.

5 (b) Annual statement.--Every society transacting business in this Commonwealth shall annually, on or before March 1, unless 6 7 for cause shown the time has been extended by the commissioner, file with the commissioner a true statement of its financial 8 condition, transactions and affairs for the preceding calendar 9 10 year and shall pay the fee prescribed in section 701 611 for the <----11 filing. The statement shall be in general form and context as approved by the National Association of Insurance Commissioners 12 <----13 A NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, APPROVED BY <-----THE INSURANCE DEPARTMENT, for fraternal benefit societies and as 14 15 supplemented by additional information required by the 16 commissioner.

17 (c) Valuation of certificates. -- As part of the annual statement required in this section, each society shall, on or 18 before March 1, file with the commissioner a valuation of its 19 20 certificates in force on December 31 last preceding. The 21 commissioner may, in his discretion for cause shown, extend the 22 time for filing the valuation for not more than two calendar 23 months. The valuation shall be done in accordance with the 24 standards specified in section 601. The valuation and underlying 25 data shall be certified by a qualified actuary.

(d) Failure to file statement.--A society neglecting to file the annual statement in the form and within the time provided by this section shall forfeit \$100 for each day during which that neglect continues and, upon notice by the commissioner to that effect, its authority to do business in this Commonwealth shall 19910S0186B2585 - 32 - 1 cease while the default continues.

2 Section 603. Annual license.

3 Societies which are now authorized to transact business in 4 this Commonwealth may continue such business until April 1 next 5 succeeding the effective date of this act. The authority of such societies and all societies hereafter licensed, may thereafter 6 be renewed annually, but in all cases to terminate on the 7 succeeding April 1. However, a license so issued shall continue 8 in full force and effect until the new license is issued or 9 10 specifically refused. For each license or renewal the society 11 shall pay the commissioner the prescribed fee. A duly certified copy or duplicate of such license shall be prima facie evidence 12 13 that the licensee is a fraternal benefit society within the 14 meaning of this act.

15 Section 604. Examination of societies.

16 (a) General rule.--The commissioner, or any person he may 17 appoint, may examine any domestic, foreign or alien society 18 transacting or applying for admission to transact business in 19 this Commonwealth in the same manner as authorized for 20 examination of domestic, foreign or alien insurers. Requirements 21 of notice and an opportunity to respond before findings are made 22 public as provided in the insurance laws regulating insurers shall also be applicable to the examination of societies. 23

(b) Payment of expenses.--The expense of each examination and of each valuation, including compensation and actual expense of examiners, shall be paid by the society examined or whose certificates are valued, upon statements furnished by the commissioner.

29 Section 605. Foreign or alien society; admission.

30No foreign or alien society shall transact business in this19910S0186B2585- 33 -

Commonwealth without a license issued by the commissioner. Any 1 such society desiring admission to this Commonwealth shall 2 3 comply substantially with the requirements and limitations of 4 this act applicable to domestic societies. Any such society may be licensed to transact business in this Commonwealth upon 5 filing the following with the commissioner and upon a showing 6 that its assets are invested in accordance with the provisions 7 of this act: 8

9 (1) A duly certified copy of its articles of10 incorporation.

11 (2) A copy of its bylaws, certified by its secretary or12 corresponding officer.

13 (3) A power of attorney to the commissioner as14 prescribed in section 613.

15 (4) A statement of its business under oath of its 16 president and secretary or corresponding officers in a form 17 prescribed by the commissioner, duly verified by an 18 examination made by the supervising insurance official of its 19 home state or other state, territory, province or country, 20 satisfactory to the commissioner.

(5) Certification from the proper official of its home state, territory, province or country that the society is legally incorporated and licensed to transact business therein.

(6) Copies of its certificate forms.

25

26 (7) Such other information as the commissioner may deem27 necessary.

28 Section 606. Injunction, liquidation and receivership of 29 domestic society.

30 (a) Notice of deficiencies and sanctions.--When the 19910S0186B2585 - 34 - 1 commissioner upon investigation finds that a domestic society:

2

has exceeded its powers;

3 (2) has failed to comply with any provision of this act;
4 (3) is not fulfilling its contracts in good faith;
5 (4) has a membership of less than 400 after an existence

6 of one year or more;

7 (5) is conducting business fraudulently or in a manner 8 hazardous to its members, creditors, the public or the 9 business; or

10

(6) has become impaired;

11 the commissioner shall notify the society of the deficiency or deficiencies and state in writing the reasons for his 12 13 dissatisfaction. The commissioner shall at once issue a written 14 notice to the society requiring that the deficiency or deficiencies which exist are corrected. After this notice the 15 16 society shall have a 30-day period in which to comply with the 17 commissioner's request for correction and, if the society fails 18 to comply, the commissioner shall notify the society of the 19 findings of noncompliance and require the society to show cause 20 on a date named why it should not be enjoined from carrying on 21 any business until the violation complained of shall have been 22 corrected or why an action in quo warranto should not be 23 commenced against the society.

(b) Action by Attorney General.--If on that date the society does not present good and sufficient reasons why it should not be so enjoined or why such action should not be commenced, the commissioner may present the facts relating thereto to the Attorney General who shall, if he deems the circumstances warrant, commence an action to enjoin the society from transacting business or in quo warranto.

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1 (c) Hearing and order.--The court shall thereupon notify the 2 officers of the society of a hearing. If after a full hearing it 3 appears that the society should be so enjoined or liquidated or 4 a receiver appointed, the court shall enter the necessary order. 5 No society so enjoined shall have the authority to do business 6 until all of the following occur:

7

8

(1) The commissioner finds that the violation complained of has been corrected.

9 (2) The costs of such action shall have been paid by the 10 society if the court finds that the society was in default as 11 charged.

12

(3) The court has dissolved its injunction.

13 (4) The commissioner has reinstated the certificate of14 authority.

(d) Liquidation.--If the court orders the society liquidated, it shall be enjoined from carrying on any further business, whereupon the receiver of the society shall proceed at once to take possession of the books, papers, money and other assets of the society and, under the direction of the court, proceed forthwith to close the affairs of the society and to distribute its funds to those entitled thereto.

(e) Validity of action and appointment of receiver.--No action under this section shall be recognized in any court of this Commonwealth unless brought by the Attorney General upon request of the commissioner. Whenever a receiver is to be appointed for a domestic society, the court shall appoint the commissioner as the receiver.

(f) Applicability to voluntary dissolution.--The provisions of this section relating to hearing by the commissioner, action by the Attorney General at the request of the commissioner, 19910S0186B2585 - 36 -

hearing by the court, injunction and receivership shall be 1 applicable to a society which shall voluntarily determine to 2 3 discontinue business.

4 Section 607. Suspension, revocation or refusal of license of 5 foreign or alien society.

(a) Notice of deficiencies and sanctions.--When the 6 7 commissioner upon investigation finds that a foreign or alien society transacting or applying to transact business in this 8 Commonwealth: 9

10

(1) has exceeded its powers;

11 (2) has failed to comply with any of the provisions of this act; 12

13

(3) is not fulfilling its contracts in good faith; or 14 (4) is conducting its business fraudulently or in a 15 manner hazardous to its members or creditors or the public; 16 the commissioner shall notify the society of such deficiency or 17 deficiencies and state in writing the reasons for his 18 dissatisfaction. The commissioner shall at once issue a written notice to the society requiring that the deficiency or 19 20 deficiencies which exist are corrected. After such notice the 21 society shall have a 30-day period in which to comply with the 22 commissioner's request for correction and, if the society fails 23 to comply, the commissioner shall notify the society of the 24 findings of noncompliance and require the society to show cause 25 on a date named why its license should not be suspended, revoked 26 or refused. If on that date the society does not present good 27 and sufficient reason why its authority to do business in this 28 Commonwealth should not be suspended, revoked or refused, the 29 commissioner may suspend or refuse the license of the society to 30 do business in this Commonwealth until satisfactory evidence is

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furnished to the commissioner that the suspension or refusal
 should be withdrawn or the commissioner may revoke the authority
 of the society to do business in this Commonwealth.

4 (b) Existing contracts unaffected.--Nothing contained in
5 this section shall be taken or construed as preventing any such
6 society from continuing in good faith all contracts made in this
7 Commonwealth during the time the society was legally authorized
8 to transact business in this Commonwealth.

9 Section 608. Injunction.

10 No application or petition for injunction against any 11 domestic, foreign or alien society, or lodge thereof, respecting 12 any matter pertaining to a regulatory law administered by the 13 commissioner shall be recognized in any court of this 14 Commonwealth unless made by the Attorney General upon request of 15 the commissioner.

16 Section 609. Licensing of agents.

(a) General rule.--Agents of societies shall be licensed in
accordance with the insurance laws regulating the licensing,
revocation, suspension, or termination of license of resident
and nonresident agents.

(b) Exemptions from licensure. -- No examination or license 21 22 shall be required of any regular salaried officer, employee or member of a licensed society who devotes substantially all of 23 his services to activities other than the solicitation of 24 25 fraternal insurance contracts from the public and who receives 26 for the solicitation of such contracts no commission or other compensation directly dependent upon the amount of business 27 28 obtained.

29 (c) Examination.--Any person who in the preceding calendar 30 year has solicited and procured life insurance contracts on 19910S0186B2585 - 38 -

behalf of any society in an amount of insurance in excess of 1 \$100,000, or, in the case of any other kind or kinds of 2 3 insurance which the society might write, on the persons of more 4 than 25 individuals and who has received or will receive a 5 commission or other compensation therefor, shall be required to take an examination. No examination shall be required of any 6 agent who was in the service of a society on January 28, 1978. 7 8 (d) Limitation.--No society doing business in this 9 Commonwealth shall pay any commission or other compensation to 10 any person for any services in obtaining in this Commonwealth 11 any new contract of life, accident or health insurance, or any new annuity contract, except to a licensed, fraternal insurance 12 13 agent of that society.

14 Section 610. Unfair methods of competition and unfair and15 deceptive acts and practices.

16 Every society authorized to do business in this Commonwealth 17 shall be subject to the provisions of the act of July 22, 1974 18 (P.L.589, No.205), known as the Unfair Insurance Practices Act, but nothing in that act shall be construed as applying to or 19 20 affecting the right of any society to determine its eligibility 21 requirements for membership by reason of common bond, or be 22 construed as applying to or affecting the offering of benefits 23 exclusively to members or persons eligible for membership in the 24 society by a subsidiary corporation or affiliated organization 25 organized to carry out the purposes set forth in section 26 106(a)(2).

27 Section 611. Fees.

The commissioner shall charge and collect fees from fraternal benefit societies as set forth in section 612-A of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative 19910S0186B2585 - 39 - Code of 1929. All fees collected shall be paid daily into the
 State Treasury.

3 Section 612. Taxation.

Every society organized or licensed under this act is hereby declared to be a charitable and benevolent institution, and all of its funds shall be exempt from all and every Commonwealth, county, district, municipal and school tax other than taxes on real estate and office equipment.

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9 Section 613. Service of process.

10 (a) Appointment of commissioner. Every society authorized 11 to do business in this Commonwealth shall appoint in writing the commissioner and each successor in office to be its true and 12 13 lawful attorney upon whom all lawful process in any action or 14 proceeding against it shall be served, and shall agree in 15 writing that any lawful process against it which is served on 16 the attorney shall be of the same legal force and validity as if 17 served upon the society, and that the authority shall continue 18 in force so long as any liability remains outstanding in this 19 Commonwealth. Copies of the appointment, certified by the 20 commissioner, shall be deemed sufficient evidence thereof and shall be admitted in evidence with the same force and effect as 21 22 the original thereof might be admitted. 23 (b) Service upon commissioner. Service shall only be made

24 upon the commissioner or, if absent, upon the person in charge 25 of the commissioner's office. It shall be made in duplicate and 26 shall constitute sufficient service upon the society. When legal 27 process against a society is served upon the commissioner, the 28 commissioner shall forthwith forward one of the duplicate copies 29 by registered mail, prepaid, directed to the secretary or 30 corresponding officer. No such service shall require a society - 40 -19910S0186B2585

to file its answer, pleading or defense in less than 30 days
from the date of mailing the copy of the service to a society.
Legal process shall not be served upon a society except in the
manner herein provided. At the time of serving any process upon
the commissioner, the plaintiff or complainant in the action
shall pay to the commissioner a fee of \$10.

7 Section 614 613. Review.

8 All decisions and findings of the commissioner made under the 9 provisions of this act shall be subject to review by proper 10 proceedings in any court of competent jurisdiction in this 11 Commonwealth. <----

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12 Section 615 614. Penalties.

13 (a) False statements.--It shall be prohibited for any person 14 to willfully make a false or fraudulent statement in or relating 15 to an application for membership or for the purpose of obtaining 16 money from or a benefit in any society.

17 (b) Filing of false statement. -- Any person who willfully 18 makes a false or fraudulent statement in any verified report or declaration under oath required or authorized by this act, or of 19 20 any material fact or thing contained in a sworn statement 21 concerning the death or disability of a member for the purpose 22 of procuring payment of a benefit named in the certificate, commits perjury and shall be subject to the penalties therefor 23 24 prescribed by law.

(c) Solicitation by nonlicensed society.--A person who solicits membership for or in any manner assists in procuring membership in any society not licensed to do business in this Commonwealth commits a summary offense and shall, upon conviction, be sentenced to pay a fine of not less than \$500 nor more than \$1,000.

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1 (d) Penalty for other violation. -- A person who willfully violates, neglects or refuses to comply with the provisions of 2 3 this act for which a penalty is not otherwise prescribed, 4 commits a summary offense and shall, upon conviction, be 5 sentenced to pay a fine of not more than \$500. Upon satisfactory evidence of a violation of any provision of this act, the 6 commissioner may in his discretion, in lieu of seeking criminal 7 prosecution, pursue any one or more of the following courses of 8 9 action:

10 (1) Suspend or revoke or refuse to renew the license of11 the offending party or parties.

12 (2) Impose a civil penalty of not more than \$1,000 for
13 each and every act in violation of the provisions of this act
14 by the party or parties.

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15 Section 616 615. Applicability of insurance laws.

Except as provided in this act, societies shall be governed by this act and shall be exempt from all other provisions of the insurance laws of this Commonwealth unless they are expressly designated therein or unless it is specifically made applicable by this act.

21 Section 617 616. Exemption of certain societies.

(a) General rule.--Nothing contained in this act shall be soconstrued as to affect or apply to:

(1) Grand or subordinate lodges of societies, orders or
associations now doing business in this Commonwealth which
provide benefits exclusively through local or subordinate
lodges.

(2) Orders, societies or associations which admit to
 membership only persons engaged in one or more crafts or
 hazardous occupations, in the same or similar lines of
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business, insuring only their own members and their families,
 and the ladies' societies or ladies' auxiliaries to such
 orders, societies or associations.

4 (3) Domestic societies which limit their membership to
5 employees of a particular city or town, designated firm,
6 business house or corporation which provide for a death
7 benefit of not more than \$400 or disability benefits of not
8 more than \$350 to any person in any one year, or both.

9 (4) Domestic societies or associations of a purely 10 religious, charitable or benevolent description which provide 11 for a death benefit of not more than \$400 or for disability 12 benefits of not more than \$350 to any one person in any one 13 year, or both.

(b) Exclusions from exemption.--Any society or association described in subsection (a)(3) or (4) which provides for death or disability benefits for which benefit certificates are issued, and any society or association included in subsection (a)(4) which has more than 1,000 members, shall not be exempted from the provisions of this act but shall comply with all requirements thereof.

21 (c) Limitation or compensation payments. -- No society which, 22 by the provisions of this section, is exempt from the requirements of this act, except any society described in 23 subsection (a)(2), shall give or allow, or promise to give or 24 25 allow, to any person any compensation for procuring new members. 26 (d) Accidental benefits. -- Every society which provides for 27 benefits in case of death or disability resulting solely from accident and which does not obligate itself to pay natural death 28 or sick benefits shall have all of the privileges and be subject 29 30 to all the applicable provisions and regulations of this chapter 19910S0186B2585 - 43 -

except that the provisions thereof relating to medical 1 examination, valuations of benefit certificates and 2 3 incontestability shall not apply to such society. 4 (e) Submission of information. -- The commissioner may require 5 from any society or association, by examination or otherwise, such information as will enable the commissioner to determine 6 whether the society or association is exempt from the provisions 7 of this chapter. 8 9 (f) Exemption from insurance laws. -- Societies exempted under 10 the provisions of this section shall also be exempt from all 11 other provisions of the insurance laws of this Commonwealth. 12 CHAPTER 7 13 REPEALS AND EFFECTIVE DATE 14 Section 701. Repeals. 15 (a) Absolute repeals. -- The following acts and parts of acts 16 are repealed: 17 Act of July 29, 1977 (P.L.105, No.38), known as the Fraternal Benefit Society Code. 18 19 40 Pa.C.S. Ch. 65 (relating to fraternal benefit societies). 20 (b) Inconsistent repeals. -- The following acts and parts of 21 acts are repealed insofar as they are inconsistent with this 22 act: 23 Article XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code. 24 25 Act of June 4, 1937 (P.L.1643, No. 342), entitled "An act 26 relating to certain existing beneficial societies; conferring 27 certain rights, powers and duties upon them, their officers and members; authorizing the payment of benefits by them in the 28 event of sickness, accident, disability or death; regulating 29 30 such societies and corporations; and limiting the amount for

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which they may issue membership certificates or policies;
 providing for reserves; imposing penalties; and repealing
 certain existing laws and parts of law."
 Section 702. Effective date.

5 This act shall take effect in 60 days.