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

15 CHAPTER 1

16 GENERAL PROVISIONS

17 Section 101. Short title.

18 This act shall be known and may be cited as the Fraternal
19 Benefit Societies Code.

20 Section 102. Definitions.

21 The following words and phrases when used in this act shall
22 have the meanings given to them in this section unless the
23 context clearly indicates otherwise:

24 "Benefit contract." The agreement for provision of benefits
25 authorized by section 401, as that agreement is described in
26 section 404(a).

27 "Benefit member." An adult member who is designated by the
28 laws or rules of the society to be a benefit member under a
29 benefit contract.

30 "Certificate." The document issued as written evidence of

1 the benefit contract.

2 "Commissioner." The Insurance Commissioner of the
3 Commonwealth.

4 "Department." The Insurance Department of the Commonwealth.

5 "Impaired." For a society that does not write variable
6 contracts, impaired means whenever the society's assets are less
7 than its total liabilities. For a society that does write
8 variable contracts, impaired means whenever the society's assets
9 are less than its total liabilities, plus the required surplus
10 for a mutual life insurer to write such contracts.

11 "Insurance laws." Laws and regulations pertaining to
12 insurance companies.

13 "Laws." The society's articles of incorporation,
14 constitution and bylaws, however designated.

15 "Lodge." Subordinate member units of the society, known as
16 camps, courts, councils, branches or by any other designation.

17 "Premiums." Premiums, rates, dues or other required
18 contributions by whatever name known, which are payable under
19 the certificate.

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

23 "Society." Fraternal benefit society, unless otherwise
24 indicated.

25 Section 103. Fraternal benefit societies.

26 Any incorporated society, order or supreme lodge, without
27 capital stock, including one exempted under the provisions of
28 section 617(a)(2) whether incorporated or not, conducted solely
29 for the benefit of its members and their beneficiaries and not
30 for profit, operated on a lodge system with or without

1 ritualistic form of work, having a representative form of
2 government and providing benefits in accordance with this act,
3 is hereby declared to be a fraternal benefit society.

4 Section 104. Lodge system.

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

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

17 Section 105. Representative form of government.

18 A society has a representative form of government when the
19 following circumstances occur:

20 (1) It has a supreme governing body constituted in one
21 of the following ways:

22 (i) The supreme governing body is an assembly
23 composed of delegates elected directly by the members or
24 at intermediate assemblies or conventions of members or
25 their representatives, together with other delegates as
26 may be prescribed in the society's laws. A society may
27 provide for election of delegates by mail. The elected
28 delegates shall constitute a majority in number and shall
29 not have less than two-thirds of the votes and not less
30 than the number of votes required to amend the society's

1 laws. The assembly shall be elected and shall meet at
2 least once every four years and shall elect a board of
3 directors to conduct the business of the society between
4 meetings of the assembly. Vacancies on the board of
5 directors between elections may be filled in the manner
6 prescribed by the society's laws.

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

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

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

26 (4) Each voting member has one vote; no vote may be cast
27 by proxy.

28 Section 106. Purposes, powers and limitations of societies.

29 (a) Purposes.--A society shall operate for the benefit of
30 members and their beneficiaries by:

1 (1) providing benefits as specified in section 401; and
2 (2) operating for one or more social, intellectual,
3 educational, charitable, benevolent, moral, fraternal,
4 patriotic or religious purposes for the benefit of its
5 members, which may also be extended to others.

6 These purposes may be carried out directly by the society, or
7 indirectly through subsidiary corporations or affiliated
8 organizations.

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

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

24 CHAPTER 2

25 MEMBERSHIP

26 Section 201. Qualifications for membership.

27 (a) General rule.--A society shall specify in its laws or
28 rules:

29 (1) Eligibility standards for each and every class of
30 membership. If benefits are provided on the lives of

1 children, the minimum age for adult membership shall be 15
2 years and the maximum age shall be 21 years.

3 (2) The process for admission to membership for each
4 membership class.

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

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

11 (c) Membership is personal.--Membership rights in the
12 society are personal to the member and are not assignable.

13 Section 202. Office, meetings, publications and grievance
14 procedures.

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

24 (b) Publications.--

25 (1) A society may provide in its laws for an official
26 publication in which any notice, report or statement required
27 by law to be given to members, including notice of election,
28 may be published. Any required reports, notices and
29 statements shall be printed conspicuously in the publication.

30 If the records of a society show that two or more members

1 have the same mailing address, an official publication mailed
2 to one member is deemed to be mailed to all members at the
3 same address unless a member requests a separate copy. This
4 paragraph shall not apply to certificate requirements,
5 reports or notices in connection with the issuance of
6 certificates.

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

13 (c) Grievance procedures.--A society may provide in its laws
14 or rules for grievance or complaint procedures for members.

15 Section 203. Personal liability.

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

19 (b) Indemnification and reimbursement.--

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

30 (2) A person shall not be so indemnified or reimbursed:

1 (i) in relation to any matter in an action, suit or
2 proceeding as to which the person shall finally be
3 adjudged to be or have been guilty of a breach of a duty
4 as a director, officer, employee or agent of the society;
5 or

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

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

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

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

11 Section 204. Waiver.

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

17 CHAPTER 3

18 GOVERNANCE

19 Section 301. Organization.

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

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

29 (1) The proposed corporate name of the society, which
30 shall not so closely resemble the name of any society or

1 insurance company as to be misleading or confusing.

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

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

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

1 members as provided in this section.

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

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

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

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

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

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

20 (5) The commissioner may make such examination and
21 require such further information as the commissioner deems
22 advisable. Upon presentation of satisfactory evidence that
23 the society has complied with all the provisions of law, the
24 commissioner shall issue to the society a certificate of
25 authority to that effect and to the effect that the society
26 is authorized to transact business pursuant to the provisions
27 of this chapter. The certificate of authority shall be prima
28 facie evidence of the existence of the society at the date of
29 the certificate. The commissioner shall cause a record of the
30 certificate of authority to be made. A certified copy of the

1 record may be given in evidence with like effect as the
2 original certificate of authority.

3 (f) Limitations.--The provisions of subsection (e) shall not
4 apply to:

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

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

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

29 Section 302. Amendments to laws.

30 (a) General rule.--A domestic society may amend its laws in

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

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

28 (c) Copies to members.--Within 90 days from the approval
29 thereof by the commissioner, the amendments, or a synopsis
30 thereof, shall be furnished to all members of the society either

1 by mail or by publication in full in the official publication of
2 the society. The affidavit of any officer of the society or of
3 anyone authorized by it to mail any amendments or synopsis
4 thereof, stating facts which show that same have been duly
5 addressed and mailed, shall be prima facie evidence that the
6 amendments or synopsis thereof have been furnished the
7 addressee.

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

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

17 Section 303. Institutions.

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

26 Section 304. Reinsurance.

27 (a) General rule.--A domestic society may, by a reinsurance
28 agreement, cede any individual risk or risks in whole or in part
29 to an insurer (other than another fraternal benefit society)
30 having the power to make such reinsurance and authorized to do

1 business in this Commonwealth, or if not so authorized, one
2 which is approved by the commissioner, but no society may
3 reinsure substantially all of its insurance in force without the
4 written permission of the commissioner. It may take credit for
5 the reserves on the ceded risks to the extent reinsured, but no
6 credit shall be allowed as an admitted asset or as a deduction
7 from liability, to a ceding society for reinsurance made, ceded,
8 renewed or otherwise becoming effective after the effective date
9 of this chapter, unless the reinsurance is payable by the
10 assuming insurer on the basis of the liability of the ceding
11 society under the contract or contracts reinsured without
12 diminution because of the insolvency of the ceding society.

13 (b) Reinsurance by another society.--Notwithstanding the
14 limitation in subsection (a), a society may reinsure the risks
15 of another society in a consolidation or merger approved by the
16 commissioner under section 305.

17 Section 305. Consolidations and mergers.

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

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

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

29 (3) A certificate of the officers, duly verified by
30 their respective oaths, that the consolidation or merger has

1 been approved by a two-thirds vote of the supreme governing
2 body of each society, which vote had been conducted at a
3 regular or special meeting of each body or, if the society's
4 laws permit, by mail.

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

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

28 (c) Vesting of rights and liabilities.--When the
29 consolidation or merger becomes effective as provided in this
30 section, all the rights, franchises and interests of the

1 consolidated or merged societies in and to every species of
2 property, real, personal or mixed, and things in action
3 thereunto belonging shall be vested in the society resulting
4 from or remaining after the consolidation or merger without any
5 other instrument, except that conveyances of real property may
6 be evidenced by proper deeds, and the title to any real estate
7 or interest therein, vested under the laws of this Commonwealth
8 in any of the societies consolidated or merged, shall not revert
9 or be in any way impaired by reason of the consolidation or
10 merger, but shall vest absolutely in the society resulting from
11 or remaining after the consolidation or merger.

12 (d) Effect of affidavit.--The affidavit of any officer of
13 the society or of anyone authorized by it to mail any notice or
14 document, stating that such notice or document has been duly
15 addressed and mailed, shall be prima facie evidence that the
16 notice or document has been furnished the addressees.

17 Section 306. Conversion of fraternal benefit society into
18 mutual life insurance company.

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

1 change is in conformity with the requirements of law and not
2 prejudicial to the certificateholders of the society.

3 CHAPTER 4

4 CONTRACTUAL BENEFITS

5 Section 401. Benefits.

6 (a) General rule.--A society authorized to do business in
7 this Commonwealth may provide the following contractual benefits
8 in any form:

9 (1) Death benefits.

10 (2) Endowment benefits.

11 (3) Annuity benefits.

12 (4) Temporary or permanent disability benefits.

13 (5) Hospital, medical or nursing benefits.

14 (6) Other benefits which are authorized for insurers
15 licensed to write life, accident and health insurance and
16 which are not inconsistent with this chapter.

17 (b) Eligible members.--A society shall specify in its rules
18 those persons who may be issued, or covered by, the contractual
19 benefits in subsection (a), consistent with providing benefits
20 to members and their dependents. A society may provide benefits
21 on the lives of children under the minimum age for adult
22 membership upon application of an adult person.

23 Section 402. Beneficiaries.

24 (a) Designation.--The owner of a benefit contract shall have
25 the right at all times to change the beneficiary or
26 beneficiaries in accordance with the laws or rules of the
27 society unless the owner waives this right by specifically
28 requesting in writing that the beneficiary designation be
29 irrevocable. A society may, through its laws or rules, limit the
30 scope of beneficiary designations and shall provide that no

1 revocable beneficiary shall have or obtain any vested interest
2 in the proceeds of any certificate until the certificate has
3 become due and payable in conformity with the provisions of the
4 benefit contract.

5 (b) Payment of funeral benefits.--A society may make
6 provision for the payment of funeral benefits to the extent of
7 that portion of any payment under a certificate as might
8 reasonably appear to be due to any person equitably entitled
9 thereto by reason of having incurred expense occasioned by the
10 burial of the member, provided the portion so paid shall not
11 exceed the sum of \$2000.

12 (c) Absence of beneficiary.--If, at the death of any person
13 insured under a benefit contract, there is no lawful beneficiary
14 to whom the proceeds shall be payable, the amount of the
15 benefit, except to the extent that funeral benefits may be paid
16 as provided in this section, shall be payable to the personal
17 representative of the deceased insured, or if none, then payment
18 may be made in accordance with 20 Pa.C.S. § 3101(d) (relating to
19 payments to family and funeral directors). If the owner of the
20 certificate is other than the insured, the proceeds shall be
21 payable to the owner.

22 Section 403. Benefits not attachable.

23 No money or other benefit, charity, relief or aid to be paid,
24 provided or rendered by any society shall be liable to
25 attachment, garnishment or other process, or to be seized,
26 taken, appropriated or applied by any legal or equitable process
27 or operation of law to pay any debt or liability of a member or
28 beneficiary, or any other person who may have a right
29 thereunder, either before or after payment by the society.

30 Section 404. Benefit contract.

1 (a) General rule.--Every society authorized to do business
2 in this Commonwealth shall issue to each owner of a benefit
3 contract a certificate specifying the amount of benefits
4 provided by the contract. The certificate, together with any
5 riders or endorsements attached to it, the laws of the society,
6 the application for membership, the application for insurance
7 and declaration of insurability, if any, signed by the
8 applicant, and all amendments to each thereof, shall constitute
9 the benefit contract, as of the date of issuance, between the
10 society and the owner, and the certificate shall so state. The
11 certificate shall also incorporate by reference the laws of the
12 Society. The society shall maintain a copy of its laws at each
13 lodge for inspection by the benefit member, and shall furnish a
14 copy to each benefit member upon request. A copy of the
15 application for insurance and declaration of insurability, if
16 any, shall be endorsed upon or attached to the certificate. All
17 statements on the application shall be representations and not
18 warranties. Any waiver of this provision shall be void.

19 (b) Effect of subsequent changes.--Any changes, additions or
20 amendments to the laws of the society duly made or enacted
21 subsequent to the issuance of the certificate shall bind the
22 owner and the beneficiaries, and shall govern and control the
23 benefit contract in all respects the same as if the changes,
24 additions or amendments had been made prior to and were in force
25 at the time of the application for insurance, except that no
26 change, addition or amendment shall destroy or diminish benefits
27 which the society contracted to give the owner as of the date of
28 issuance.

29 (c) Effect on minority.--Any person upon whose life a
30 benefit contract is issued prior to attaining the age of

1 majority shall be bound by the terms of the application and
2 certificate and by all the laws and rules of the society to the
3 same extent as though the age of majority had been attained at
4 the time of application.

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

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

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

18 The society may specify the manner of the election and which
19 alternative is to be presumed if no election is made.

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

24 (f) Content.--No certificate, application, rider or
25 endorsement used in connection therewith shall be delivered or
26 issued for delivery in this Commonwealth unless the form
27 contains provisions required for like forms issued by life,
28 accident and health insurers in this Commonwealth and a copy of
29 the form has been filed with and approved by the commissioner in
30 the manner provided for like policies issued by life, accident

1 and health insurers in this Commonwealth. Every life, accident,
2 health or disability insurance certificate, every annuity
3 certificate, and every application, rider or endorsement used in
4 connection therewith approved prior to the effective date of
5 this act shall be brought into compliance with this chapter
6 within one year of the effective date of this act.

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

10 (h) Additional provisions.--The certificate shall also
11 contain the following:

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

19 (2) A provision that any member expelled or suspended,
20 except for nonpayment of a premium or within the contestable
21 period for material misrepresentation in the application for
22 membership or insurance, shall have the privilege of
23 maintaining the certificate in force by continuing payment of
24 the required premium.

25 (3) A provision that in case the age or sex of the
26 member or of any other person is considered in determining
27 the premium and it is found at any time before final
28 settlement under the certificate that the age or sex has been
29 misstated, and the discrepancy and premium involved have not
30 been adjusted, the amount payable under the certificate shall

1 be such as the premium would have purchased at the correct
2 age and sex. If the correct age was not an insurable age
3 under the society's charter or laws, only the premiums paid
4 to the society, less any payments previously made to the
5 member, shall be returned or, at the option of the society,
6 the amount payable under the certificate shall be such as the
7 premium would have purchased at the correct age according to
8 the society's promulgated rates and any extension thereof
9 based on actuarial principles.

10 (i) Transfer of contract or ownership.--Benefit contracts
11 issued on the lives of persons below the society's minimum age
12 for adult membership may provide for transfer of control or
13 ownership to the insured at an age specified in the certificate.
14 A society may require approval of an application for membership
15 in order to effect this transfer and may provide in all other
16 respects for the regulation, government and control of the
17 certificates and all rights, obligations and liabilities
18 incident thereto and connected therewith. Ownership rights prior
19 to the transfer shall be specified in the certificate.

20 (j) Assignment.--A society may specify the terms and
21 conditions on which benefit contracts may be assigned.
22 Section 405. Nonforfeiture benefits, cash surrender values,
23 certificate loans and other options.

24 (a) Existing certificates.--For certificates issued prior to
25 one year after the effective date of this act, the value of
26 every paid-up nonforfeiture benefit and the amount of any cash
27 surrender value, loan or other option granted shall comply with
28 the provisions of law applicable immediately prior to the
29 effective date of this act.

30 (b) New certificates.--For certificates issued on or after

1 one year from the effective date of this act for which reserves
2 are computed on the Commissioner's 1941 Standard Ordinary
3 Mortality Table, the Commissioner's 1941 Standard Industrial
4 Table or the Commissioner's 1958 Standard Ordinary Mortality
5 Table, or the Commissioner's 1980 Standard Mortality Table, or
6 any more recent table made applicable to life insurers, every
7 paid-up nonforfeiture benefit and the amount of any cash
8 surrender value, loan or other option granted shall not be less
9 than the corresponding amount ascertained in accordance with the
10 laws of this Commonwealth applicable to life insurers issuing
11 policies containing like benefits based upon such tables.

12 CHAPTER 5

13 FINANCIAL

14 Section 501. Investments.

15 (a) General rule.--A society shall invest its funds only in
16 investments authorized by the laws of this Commonwealth for the
17 investment of assets of life insurers and subject to the
18 limitations thereon. Any foreign or alien society permitted or
19 seeking to do business in this Commonwealth which invests its
20 funds in accordance with the laws of the state, district,
21 territory, country or province in which it is incorporated,
22 shall be held to meet the requirements of this section for the
23 investment of funds.

24 (b) Real estate.--In addition to the investment of assets as
25 prescribed in this section or any other laws of this
26 Commonwealth, a fraternal benefit society may purchase, receive,
27 hold and convey real estate or any interest therein for the
28 purpose of maintenance or construction of camps or recreational
29 areas with necessary facilities for all its members. These
30 assets shall be shown on the annual statement at cost in the

1 year acquired and may not exceed 5% of other admitted assets of
2 the society.

3 Section 502. Funds.

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

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

12 (c) Separate accounts.--A society may, pursuant to
13 resolution of its supreme governing body, establish and operate
14 one or more separate accounts and issue contracts on a variable
15 basis, subject to the insurance laws regulating life insurers
16 establishing those accounts and issuing those contracts. To the
17 extent the society deems it necessary in order to comply with
18 any applicable Federal or State laws, or any rules issued
19 thereunder, the society may:

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

22 (2) For persons having beneficial interests therein,
23 provide special voting and other rights, including, without
24 limitation special rights and procedures relating to
25 investment policy, investment advisory services, selection of
26 certified public accountants, and selection of a committee to
27 manage the business and affairs of the account.

28 (3) Issue contracts on a variable basis to which section
29 404(b) and (d) shall not apply.

30

CHAPTER 6

1 REGULATION

2 Section 601. Valuation.

3 (a) Existing certificates.--Standards of valuation for
4 certificates issued prior to one year after the effective date
5 of this act shall be those provided by the laws applicable
6 immediately prior to the effective date of this act.

7 (b) New certificates.--The minimum standards of valuation
8 for certificates issued on or after one year from the effective
9 date of this act shall be based on the following tables:

10 (1) For certificates of life insurance - the
11 Commissioner's 1941 Standard Ordinary Mortality Table, the
12 Commissioner's 1941 Standard Industrial Mortality Table, the
13 Commissioner's 1958 Standard Ordinary Mortality Table, the
14 Commissioner's 1980 Standard Ordinary Mortality Table or any
15 more recent table made applicable to life insurers.

16 (2) For annuity and pure endowment certificates, for
17 total and permanent disability benefits, for accidental death
18 benefits and for noncancelable accident and health benefits -
19 such tables as are authorized for use by life insurers in
20 this Commonwealth.

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

26 (d) Other valuation standards.--The commissioner may, in his
27 discretion, accept other standards for valuation if the
28 commissioner finds that the reserves produced thereby will not
29 be less in the aggregate than reserves computed in accordance
30 with the minimum valuation standard prescribed in this section.

1 The commissioner may, in his discretion, vary the standards of
2 mortality applicable to all benefit contracts on substandard
3 lives or other extra hazardous lives by any society authorized
4 to do business in this Commonwealth.

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

12 Section 602. Reports.

13 (a) General rule.--Reports shall be filed in accordance with
14 the provisions of this section.

15 (b) Annual statement.--Every society transacting business in
16 this Commonwealth shall annually, on or before March 1, unless
17 for cause shown the time has been extended by the commissioner,
18 file with the commissioner a true statement of its financial
19 condition, transactions and affairs for the preceding calendar
20 year and shall pay the fee prescribed in section 701 for the
21 filing. The statement shall be in general form and context as
22 approved by the National Association of Insurance Commissioners
23 for fraternal benefit societies and as supplemented by
24 additional information required by the commissioner.

25 (c) Valuation of certificates.--As part of the annual
26 statement required in this section, each society shall, on or
27 before March 1, file with the commissioner a valuation of its
28 certificates in force on December 31 last preceding. The
29 commissioner may, in his discretion for cause shown, extend the
30 time for filing the valuation for not more than two calendar

1 months. The valuation shall be done in accordance with the
2 standards specified in section 601. The valuation and underlying
3 data shall be certified by a qualified actuary.

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

10 Section 603. Annual license.

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

23 Section 604. Examination of societies.

24 (a) General rule.--The commissioner, or any person he may
25 appoint, may examine any domestic, foreign or alien society
26 transacting or applying for admission to transact business in
27 this Commonwealth in the same manner as authorized for
28 examination of domestic, foreign or alien insurers. Requirements
29 of notice and an opportunity to respond before findings are made
30 public as provided in the insurance laws regulating insurers

1 shall also be applicable to the examination of societies.

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

7 Section 605. Foreign or alien society; admission.

8 No foreign or alien society shall transact business in this
9 Commonwealth without a license issued by the commissioner. Any
10 such society desiring admission to this Commonwealth shall
11 comply substantially with the requirements and limitations of
12 this act applicable to domestic societies. Any such society may
13 be licensed to transact business in this Commonwealth upon
14 filing the following with the commissioner and upon a showing
15 that its assets are invested in accordance with the provisions
16 of this act:

17 (1) A duly certified copy of its articles of
18 incorporation.

19 (2) A copy of its bylaws, certified by its secretary or
20 corresponding officer.

21 (3) A power of attorney to the commissioner as
22 prescribed in section 613.

23 (4) A statement of its business under oath of its
24 president and secretary or corresponding officers in a form
25 prescribed by the commissioner, duly verified by an
26 examination made by the supervising insurance official of its
27 home state or other state, territory, province or country,
28 satisfactory to the commissioner.

29 (5) Certification from the proper official of its home
30 state, territory, province or country that the society is

1 legally incorporated and licensed to transact business
2 therein.

3 (6) Copies of its certificate forms.

4 (7) Such other information as the commissioner may deem
5 necessary.

6 Section 606. Injunction, liquidation and receivership of
7 domestic society.

8 (a) Notice of deficiencies and sanctions.--When the
9 commissioner upon investigation finds that a domestic society:

10 (1) has exceeded its powers;

11 (2) has failed to comply with any provision of this act;

12 (3) is not fulfilling its contracts in good faith;

13 (4) has a membership of less than 400 after an existence
14 of one year or more;

15 (5) is conducting business fraudulently or in a manner
16 hazardous to its members, creditors, the public or the
17 business; or

18 (6) has become impaired;

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

1 commenced against the society.

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

9 (c) Hearing and order.--The court shall thereupon notify the
10 officers of the society of a hearing. If after a full hearing it
11 appears that the society should be so enjoined or liquidated or
12 a receiver appointed, the court shall enter the necessary order.
13 No society so enjoined shall have the authority to do business
14 until all of the following occur:

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

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

20 (3) The court has dissolved its injunction.

21 (4) The commissioner has reinstated the certificate of
22 authority.

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

30 (e) Validity of action and appointment of receiver.--No

1 action under this section shall be recognized in any court of
2 this Commonwealth unless brought by the Attorney General upon
3 request of the commissioner. Whenever a receiver is to be
4 appointed for a domestic society, the court shall appoint the
5 commissioner as the receiver.

6 (f) Applicability to voluntary dissolution.--The provisions
7 of this section relating to hearing by the commissioner, action
8 by the Attorney General at the request of the commissioner,
9 hearing by the court, injunction and receivership shall be
10 applicable to a society which shall voluntarily determine to
11 discontinue business.

12 Section 607. Suspension, revocation or refusal of license of
13 foreign or alien society.

14 (a) Notice of deficiencies and sanctions.--When the
15 commissioner upon investigation finds that a foreign or alien
16 society transacting or applying to transact business in this
17 Commonwealth:

18 (1) has exceeded its powers;

19 (2) has failed to comply with any of the provisions of
20 this act;

21 (3) is not fulfilling its contracts in good faith; or

22 (4) is conducting its business fraudulently or in a
23 manner hazardous to its members or creditors or the public;

24 the commissioner shall notify the society of such deficiency or
25 deficiencies and state in writing the reasons for his
26 dissatisfaction. The commissioner shall at once issue a written
27 notice to the society requiring that the deficiency or
28 deficiencies which exist are corrected. After such notice the
29 society shall have a 30-day period in which to comply with the
30 commissioner's request for correction and, if the society fails

1 to comply, the commissioner shall notify the society of the
2 findings of noncompliance and require the society to show cause
3 on a date named why its license should not be suspended, revoked
4 or refused. If on that date the society does not present good
5 and sufficient reason why its authority to do business in this
6 Commonwealth should not be suspended, revoked or refused, the
7 commissioner may suspend or refuse the license of the society to
8 do business in this Commonwealth until satisfactory evidence is
9 furnished to the commissioner that the suspension or refusal
10 should be withdrawn or the commissioner may revoke the authority
11 of the society to do business in this Commonwealth.

12 (b) Existing contracts unaffected.--Nothing contained in
13 this section shall be taken or construed as preventing any such
14 society from continuing in good faith all contracts made in this
15 Commonwealth during the time the society was legally authorized
16 to transact business in this Commonwealth.

17 Section 608. Injunction.

18 No application or petition for injunction against any
19 domestic, foreign or alien society, or lodge thereof, respecting
20 any matter pertaining to a regulatory law administered by the
21 commissioner shall be recognized in any court of this
22 Commonwealth unless made by the Attorney General upon request of
23 the commissioner.

24 Section 609. Licensing of agents.

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

29 (b) Exemptions from licensure.--No examination or license
30 shall be required of any regular salaried officer, employee or

1 member of a licensed society who devotes substantially all of
2 his services to activities other than the solicitation of
3 fraternal insurance contracts from the public and who receives
4 for the solicitation of such contracts no commission or other
5 compensation directly dependent upon the amount of business
6 obtained.

7 (c) Examination.--Any person who in the preceding calendar
8 year has solicited and procured life insurance contracts on
9 behalf of any society in an amount of insurance in excess of
10 \$100,000, or, in the case of any other kind or kinds of
11 insurance which the society might write, on the persons of more
12 than 25 individuals and who has received or will receive a
13 commission or other compensation therefor, shall be required to
14 take an examination. No examination shall be required of any
15 agent who was in the service of a society on January 28, 1978.

16 (d) Limitation.--No society doing business in this
17 Commonwealth shall pay any commission or other compensation to
18 any person for any services in obtaining in this Commonwealth
19 any new contract of life, accident or health insurance, or any
20 new annuity contract, except to a licensed, fraternal insurance
21 agent of that society.

22 Section 610. Unfair methods of competition and unfair and
23 deceptive acts and practices.

24 Every society authorized to do business in this Commonwealth
25 shall be subject to the provisions of the act of July 22, 1974
26 (P.L.589, No.205), known as the Unfair Insurance Practices Act,
27 but nothing in that act shall be construed as applying to or
28 affecting the right of any society to determine its eligibility
29 requirements for membership by reason of common bond, or be
30 construed as applying to or affecting the offering of benefits

1 exclusively to members or persons eligible for membership in the
2 society by a subsidiary corporation or affiliated organization
3 organized to carry out the purposes set forth in section
4 106(a)(2).

5 Section 611. Fees.

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

11 Section 612. Taxation.

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

17 Section 613. Service of process.

18 (a) Appointment of commissioner.--Every society authorized
19 to do business in this Commonwealth shall appoint in writing the
20 commissioner and each successor in office to be its true and
21 lawful attorney upon whom all lawful process in any action or
22 proceeding against it shall be served, and shall agree in
23 writing that any lawful process against it which is served on
24 the attorney shall be of the same legal force and validity as if
25 served upon the society, and that the authority shall continue
26 in force so long as any liability remains outstanding in this
27 Commonwealth. Copies of the appointment, certified by the
28 commissioner, shall be deemed sufficient evidence thereof and
29 shall be admitted in evidence with the same force and effect as
30 the original thereof might be admitted.

1 (b) Service upon commissioner.--Service shall only be made
2 upon the commissioner or, if absent, upon the person in charge
3 of the commissioner's office. It shall be made in duplicate and
4 shall constitute sufficient service upon the society. When legal
5 process against a society is served upon the commissioner, the
6 commissioner shall forthwith forward one of the duplicate copies
7 by registered mail, prepaid, directed to the secretary or
8 corresponding officer. No such service shall require a society
9 to file its answer, pleading or defense in less than 30 days
10 from the date of mailing the copy of the service to a society.
11 Legal process shall not be served upon a society except in the
12 manner herein provided. At the time of serving any process upon
13 the commissioner, the plaintiff or complainant in the action
14 shall pay to the commissioner a fee of \$10.

15 Section 614. Review.

16 All decisions and findings of the commissioner made under the
17 provisions of this act shall be subject to review by proper
18 proceedings in any court of competent jurisdiction in this
19 Commonwealth.

20 Section 615. Penalties.

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

25 (b) Filing of false statement.--Any person who willfully
26 makes a false or fraudulent statement in any verified report or
27 declaration under oath required or authorized by this act, or of
28 any material fact or thing contained in a sworn statement
29 concerning the death or disability of a member for the purpose
30 of procuring payment of a benefit named in the certificate,

1 commits perjury and shall be subject to the penalties therefor
2 prescribed by law.

3 (c) Solicitation by nonlicensed society.--A person who
4 solicits membership for or in any manner assists in procuring
5 membership in any society not licensed to do business in this
6 Commonwealth commits a summary offense and shall, upon
7 conviction, be sentenced to pay a fine of not less than \$500 nor
8 more than \$1000.

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

18 (1) Suspend or revoke or refuse to renew the license of
19 the offending party or parties.

20 (2) Impose a civil penalty of not more than \$1000 for
21 each and every act in violation of the provisions of this act
22 by the party or parties.

23 Section 616. Applicability of insurance laws.

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

29 Section 617. Exemption of certain societies.

30 (a) General rule.--Nothing contained in this act shall be so

1 construed as to affect or apply to:

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

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

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

17 (4) Domestic societies or associations of a purely
18 religious, charitable or benevolent description which provide
19 for a death benefit of not more than \$400 or for disability
20 benefits of not more than \$350 to any one person in any one
21 year, or both.

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

29 (c) Limitation or compensation payments.--No society which,
30 by the provisions of this section, is exempt from the

1 requirements of this act, except any society described in
2 subsection (a)(2), shall give or allow, or promise to give or
3 allow, to any person any compensation for procuring new members.

4 (d) Accidental benefits.--Every society which provides for
5 benefits in case of death or disability resulting solely from
6 accident and which does not obligate itself to pay natural death
7 or sick benefits shall have all of the privileges and be subject
8 to all the applicable provisions and regulations of this chapter
9 except that the provisions thereof relating to medical
10 examination, valuations of benefit certificates and
11 incontestability shall not apply to such society.

12 (e) Submission of information.--The commissioner may require
13 from any society or association, by examination or otherwise,
14 such information as will enable the commissioner to determine
15 whether the society or association is exempt from the provisions
16 of this chapter.

17 (f) Exemption from insurance laws.--Societies exempted under
18 the provisions of this section shall also be exempt from all
19 other provisions of the insurance laws of this Commonwealth.

20 CHAPTER 7

21 REPEALS AND EFFECTIVE DATE

22 Section 701. Repeals.

23 (a) Absolute repeals.--The following acts and parts of acts
24 are repealed:

25 Act of July 29, 1977 (P.L.105, No.38), known as the Fraternal
26 Benefit Society Code.

27 40 Pa.C.S. Ch. 65 (relating to fraternal benefit societies).

28 (b) Inconsistent repeals.--The following acts and parts of
29 acts are repealed insofar as they are inconsistent with this
30 act:

1 Article XIII.1 of the act of April 9, 1929 (P.L.343, No.176),
2 known as The Fiscal Code.

3 Act of June 4, 1937 (P.L.1643, No. 342), entitled "An act
4 relating to certain existing beneficial societies; conferring
5 certain rights, powers and duties upon them, their officers and
6 members; authorizing the payment of benefits by them in the
7 event of sickness, accident, disability or death; regulating
8 such societies and corporations; and limiting the amount for
9 which they may issue membership certificates or policies;
10 providing for reserves; imposing penalties; and repealing
11 certain existing laws and parts of law."

12 Section 702. Effective date.

13 This act shall take effect January 1, 1992.