

A BILL

FOR AN ACT DEFINING FRATERNAL BENEFICIARY SOCIETIES, ORDERS OF ASSOCIATIONS, AND REGULATING THE SAME.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SECTION 1. A fraternal beneficiary association is hereby declared to be a corporation, society or voluntary association, formed or organized and carried on for the sole benefit of its members and their beneficiaries, and not for profit, and having a lodge system, with ritualistic form of work and representative form of government.

SEC. 2. Such association may make provision for the payment of benefits in case of death, sickness, temporary or physical disability, either as the result of disease, accident or old age, provided the period in life at which payment of physical disability benefits on account of old age commences, shall not be under seventy years, subject to the compliance by members with its constitution and laws. *Provided*, that this act shall not be construed to include fraternal orders which only provide for sick and funeral benefits.

SEC. 3. The fund from which the payment of such benefits shall be made, and the expenses of such association defrayed, shall be derived from beneficiary calls, assessments or dues collected from its members.

SEC. 4. No fraternal association created or organized under the provisions of this act shall issue any certificate of membership to any person under the age of fifteen years, nor over the age of sixty-five years, nor unless the beneficiary under said certificate shall be the husband, wife, legal representative, heir or legatee of such insured member.

SEC. 5. Such associations shall be governed by this act and shall be exempt from the provisions of the statutes of this state relating to insurance companies, except as hereinafter provided.

SEC. 6. All such associations shall, upon the issue or renewal of any beneficiary certificate, attach to such certificate or endorse thereon, a true copy of any application or representation of the member, which, by the terms of such certificate are made a part thereof. The omission so to do shall not render the certificate invalid, but if any such association neglects to comply with the requirements of this section it shall not plead or prove the falsity of any such certificate or representation or any part thereof in any action upon such certificate, and the plaintiff in any such action in order to recover against such association shall not be required either to plead or prove such application or representation.

SEC. 7. Such association may be sued in any county in which is kept their principal place of business or in which the beneficiary contract was made or in which the death of the member occurred, but actions to recover old age, sick or accident benefits may, at the option of the beneficiary, be brought in the county of his residence.

SEC. 8. The proceeds of any beneficiary certificate issued by any such association shall be exempt from execution and attachment to the same extent as the proceeds of any policy of life or endowment insurance as is now or may hereafter be provided by the laws of this state.

SEC. 9. All such associations organized under the laws of this or any other state, territory or province, and now doing business in this state, may continue such business; *provided*, they hereafter comply with the provisions of this act.

SEC. 10. Any such association organized under the laws of any other state, and not now doing business in this state, shall be permitted to do business within this state when it shall have filed with the auditor of this state a duly certified copy of its charter and articles of association, and a copy of its constitution or laws, certified to by its secretary or corresponding officer, together with an appointment of the auditor of this state as a person upon whom process may be served as hereinafter provided; and provided that such association shall be shown to be authorized to do business in the state in which it is incorporated or organized. The auditor of state may personally, or by some person to be designated by him, examine into the condition, affairs, character, and business methods, accounts, books and investments of such association at its home office, which examination shall be at the expense of such association, and shall be made within thirty days after demand therefor, and the expense of such association shall be limited to \$5 per day and the necessary expenses of travel and for hotel bill. If the auditor, after such examination, is of the opinion that no permit should be granted to such association he may refuse to issue the same.

SEC. 11. Every such association doing business in this state shall, on or before the first day of March of each year, make and file with the auditor of state, a report for the year ending on the 31st day of December immediately preceding. All reports shall be upon blank forms to be provided by the auditor of state, or may be printed in pamphlet form, and shall be verified under oath by the authorized officers of such association, and shall be published, or the substance thereof, in the annual report of the auditor of state under the separate title, "Fraternal Beneficiary Associations," and shall contain answers to the following questions:

1. Number of certificates issued during the year, or members admitted.
2. Amount of indemnity effected thereby.
3. Number of losses or benefit liabilities incurred.
4. Number of losses or benefit liabilities paid.
5. The amount received from each assessment for the year.
6. Total amount paid members, beneficiaries, legal representatives or heirs.

- 14 7. Number and kind of claims for which assessments have been made.
- 15 8. Number and kind of claims compromised or resisted and brief statement of reasons.
- 16 9. Does association charge annual or other periodical dues or admission fees?
- 17 10. How much on each one thousand dollars annually or per capita, as the case may be?
- 18 11. Total amount received, from what source, and the disposition thereof.
- 19 12. Total amount of salaries paid to officers.
- 20 13. Does the association guarantee, in its certificates, fixed amounts to be paid regardless
- 21 of amount realized from assessments, dues, admission fees and donations?
- 22 14. If so, state amount guaranteed, and the security for such guarantee.
- 23 15. Has the association a reserve or emergency fund?
- 24 16. If so, how is it created, and for what purpose, the amount thereof, and how invested?
- 25 17. Has the association more than one class?
- 26 18. If so, how many, and amount of indemnity in each?
- 27 19. Number of members in each class.
- 28 20. If voluntary, so state, and give date of organization.
- 29 21. If organized under the laws of this state, under what law and at what time, giving
- 30 chapter and year and date of passage of the act.
- 31 22. If organized under the laws of any other state, territory or province, state such fact
- 32 and the date of organization, giving chapter and year and date of passage of the act.
- 33 23. Number of certificates of beneficiary membership lapsed during the year.
- 34 24. Number in force at beginning and end of year; if more than one class, number in
- 35 each class.
- 36 25. Names and addresses of its presidents, secretary, and treasurer, or corresponding
- 37 officers.

38 The auditor of state is empowered to make any additional inquiries of any such associa
39 tion relative to the business contemplated by this act, and such officer of such association as
40 the auditor of state may require shall promptly reply in writing, under, oath, to, all such
41 inquiries.

SEC. 12. Any such association permitted to do business within this state and not having
2 its principal office within this state, and not organized under the laws of this state, shall
3 appoint, in writing, the auditor of state to be attorney in fact, on whom all process in any
4 action or proceeding against it shall be served, and in such writing shall agree that any process
5 against it which is served on said attorney in fact, shall be of the same validity as if served
6 upon the association, and that the authority shall continue in force so long as any liability
7 remains outstanding in this state. Copies of such certificate, certified by said auditor of state,
8 shall be deemed sufficient evidence thereof, and shall be admitted in evidence with the same
9 force and effect as the original. Service upon such attorney shall be deemed sufficient service

10 upon such association. When legal process against any such association is served upon said
11 auditor of state, he shall immediately notify the association of such service by letter, postage
12 prepaid, directed and mailed to its secretary or corresponding officer, and shall within two
13 days after such service forward in the same manner a copy of the process served on him to
14 such officer. The auditor of state shall keep a record of all processes served upon him, which
15 record shall show the day and hour when such service was made.

SEC. 13. The auditor of state shall, upon the application of any such association, issue to
2 it a permit in writing, authorizing it to do business within this state, for which certificate and
3 all proceedings in connection therewith such association shall pay to said auditor the fee of
4 twenty-five dollars.

SEC. 14. Such association shall not employ paid agents in soliciting or procuring mem-
2 bers, except in the organization or building up of subordinate bodies or granting members
3 inducements to procure new members.

SEC. 15. No contract between a member and his beneficiary that the beneficiary or any
2 person for him shall pay such member's assessments and dues, or either of them, shall deprive
3 the member of the right to change the name of the beneficiary.

SEC. 16. Any such association organized under the laws of this state, may provide for the
2 meetings of its legislative or governing body in any other state, territory or province wherein
3 such association shall have subordinate bodies, and all business transacted at such meeting
4 shall be valid in all respects, as if such meetings were held within this state, and where the
5 laws of any such association provide for the election of its officers by votes to be cast in its
6 subordinate bodies in any other state, territory or province shall be valid, as if cast within
7 this state.

SEC. 17. Any such association refusing or neglecting to make the report as provided in
2 this act shall be excluded from doing business within this state. The auditor of state must,
3 within sixty days after failure to make such report, or in case any such association shall
4 exceed its powers, or shall conduct its business fraudulently, or shall fail to comply with any
5 of the provisions of this act, give notice in writing to the attorney-general, who shall immedi-
6 ately commence an action against such association to enjoin the same from carrying on
7 any business. No association so enjoined shall have authority to continue business until such
8 report shall be made, or overt act or violation complained of shall have been corrected, nor
9 until the costs of such action be paid by it, provided the court shall find that such association
10 was in default as charged, whereupon the auditor of state shall reinstate such association, and
11 not until then shall such association be allowed to again do business in this state. Any officer,
12 agent, or person acting for any such association or subordinate body thereof within this state,
13 while such association shall be so enjoined or prohibited from doing business pursuant to this
14 act, shall be deemed guilty of a misdemeanor, and on conviction thereof, shall be punished by

15 a fine of not less than twenty-five dollars, nor more than two hundred dollars, or by imprison-
16 ment in the county jail not less than thirty days nor more than one year, or by both such fine
17 and imprisonment in the discretion of the court.

SEC. 18. Any person who shall act within this state as an officer, agent, or otherwise, for
2 any such association which has failed, neglected, or refused to comply with, or which has
3 violated any of the provisions of this act, or shall have failed or neglected to procure from the
4 auditor of state proper certificate of authority to transact business as provided for by this act,
5 shall be subject to the penalty provided in the last preceding section for the misdemeanor
6 therein specified.

SEC. 19. All acts and parts of acts inconsistent with this act is hereby repealed.

SEC. 20. This act, being deemed of immediate importance, shall take effect from and
2 after its publication in the Iowa State Register and Des Moines Leader, newspapers pub-
3 lished in Des Moines, Iowa.