

*Reprinted*

FILED JAN 18 1990

SENATE FILE 2100

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Passed Senate, Date 4/1/90 (P. 1351) Passed House, Date 3/23/90 (P. 1351)

Vote: Ayes 44 Nays 0 Vote: Ayes 91 Nays 6

Approved April 6, 1990

**A BILL FOR**

1 An Act relating to fraternal benefit societies, imposing  
2 penalties, and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2100

1 SUBCHAPTER I

2 STRUCTURE AND PURPOSE

3 Section 1. NEW SECTION. 512B.1 SCOPE OF CHAPTER.

4 Except as otherwise provided in this chapter, societies are  
5 governed by this chapter and are exempt from all other  
6 insurance laws of this state unless expressly included in this  
7 chapter, or unless specifically made applicable by this  
8 chapter.

9 Sec. 2. NEW SECTION. 512B.2 DEFINITIONS.

10 As used in this chapter, unless the context otherwise  
11 requires:

5060 12 1. "Alien association" means an association organized  
13 under the laws of another country.

14 2. "Benefit contract" means the agreement for provision of  
15 benefits authorized by section 512B.16, as that agreement is  
16 described in section 512B.19, subsection 1.

17 3. "Benefit member" means an adult member who is  
18 designated by the laws or rules of the society to be a benefit  
19 member under a benefit contract.

20 4. "Certificate" means the document issued as written  
21 evidence of the benefit contract.

22 5. "Commissioner" means the commissioner of insurance or  
23 the commissioner's designee.

5060 24 6. "Domestic association" means an association organized  
25 under the laws of this state.

5060 26 7. "Foreign association" means an association organized  
27 under the laws of another state or territory of the United  
28 States.

5060 29 8. "Laws" means the society's chapters of incorporation,  
30 constitution, and bylaws, however designated.

31 9. "Lodge" means a subordinate member unit of the society,  
32 whether known as a camp, court, council, branch, or by any  
33 other designation.

34 10. "Premium" means a premium, rate, dues, or other  
35 required contribution by whatever name known, which is payable

1 under the certificate.

2 11. "Regulations" means all regulations, or resolutions  
3 adopted by the supreme governing body which are intended to  
4 have general application to the members of the society.

5 12. "Society" means a fraternal benefit society, unless  
6 otherwise indicated.

7 Sec. 3. NEW SECTION. 512B.3 FRATERNAL BENEFIT SOCIETIES  
8 -- DEFINED.

9 An incorporated society, order, or supreme lodge, without  
10 capital stock, including one exempted under section 512B.36,  
11 subsection 1, paragraph b, whether incorporated or not,  
12 conducted solely for the benefit of its members and their  
13 beneficiaries and not for profit, operated on a lodge system  
14 with a ritualistic form of work, having a representative form  
15 of government, and which provides benefits in accordance with  
16 this chapter, is a fraternal benefit society.

17 Sec. 4. NEW SECTION. 512B.4 LODGE SYSTEM.

18 1. A society is operating on the lodge system if it has a  
19 supreme governing body and subordinate lodges into which  
20 members are elected, initiated, or admitted in accordance with  
21 its laws, regulations, and ritual. Subordinate lodges shall  
22 be required by the laws of the society to hold regular  
23 meetings at least once in each month in furtherance of the  
24 purposes of the society.

25 2. A society may organize and operate lodges for children  
26 under the minimum age for adult membership. Membership and  
27 initiation in local lodges shall not be required of children,  
28 nor shall children have a voice or vote in the management of  
29 the society.

30 Sec. 5. NEW SECTION. 512B.5 REPRESENTATIVE FORM OF  
31 GOVERNMENT.

32 A society has a representative form of government if all of  
33 the following apply:

34 1. It has a supreme governing body constituted in one of  
35 the following ways:

1 a. Assembly. The supreme governing body is an assembly  
5060 2 composed of delegates selected directly by the members or at  
3 intermediate assemblies or conventions of members or their  
4 representatives, together with other delegates as prescribed  
5 in the society's laws. A society may provide for election of  
6 delegates by mail. The elected delegates must constitute a  
7 majority of the delegates in number and have not less than  
8 two-thirds of the votes and not less than the number of votes  
9 required to amend the society's laws. The assembly must be  
10 elected and meet at least once every four years and must elect  
11 a board of directors to conduct the business of the society  
12 between meetings of the assembly. Vacancies on the board of  
13 directors between elections may be filled in the manner  
5060 14 prescribed by the society's laws.

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

29 2. The officers of the society are elected by the supreme  
5060 30 governing body.

31 3. Only benefit members are eligible for election to the  
5060 32 supreme governing body or any intermediate assembly.

33 4. Each voting member has one vote.

34 5. A voting member is not entitled to cast a vote by  
35 proxy.



1 insurance affairs of the society.

2 3. Membership rights in a society are personal to the  
3 member and are not assignable.

4 Sec. 8. NEW SECTION. 512B.8 LOCATION OF OFFICE,  
5 MEETINGS, COMMUNICATIONS TO MEMBERS, GRIEVANCE PROCEDURES.

6 1. The principal office of a domestic society shall be  
7 located in this state. The meetings of its supreme governing  
8 body may be held anywhere the society has at least one  
9 subordinate lodge, or in another location as determined by the  
10 supreme governing body, and all business transacted at a  
11 meeting held out of state shall be as valid in all respects as  
12 if the meeting were held in this state. The minutes of the  
13 proceedings of the supreme governing body and of the board of  
14 directors shall be in the English language.

15 2. a. A society may provide in its laws for an official  
16 publication in which any notice, report, or statement required  
17 by law to be given to members, including notice of election,  
18 may be published. Such required reports, notices, and  
19 statements shall be printed conspicuously in the publication.  
20 If the records of a society show that two or more members have  
21 the same mailing address, an official publication mailed to  
22 one member is deemed to be mailed to all members at the same  
23 address unless a member requests a separate copy.

24 b. Not later than June 1 of each year, a synopsis of the  
25 society's annual statement providing an explanation of the  
26 facts concerning the condition of the society disclosed in the  
27 annual statement shall be printed and mailed to each benefit  
28 member of the society or, in lieu of mailing, the synopsis may  
29 be published in the society's official publication.

30 3. A society may provide in its laws or regulations for  
31 grievance or complaint procedures for members.

32 Sec. 9. NEW SECTION. 512B.9 PERSONAL LIABILITY.

33 1. The officers and members of the supreme governing body  
34 or any subordinate body of a society are not personally liable  
35 for any benefits provided by a society.

1        2. A person may be indemnified and reimbursed by a society  
2 for expenses reasonably incurred by, and liabilities imposed  
3 upon, the person in connection with or arising out of a  
4 proceeding, whether civil, criminal, administrative, or  
5 investigative, or a threat of action in which the person is or  
6 may be involved by reason of the person being a director,  
7 officer, employee, or agent of the society or of any other  
8 legal entity or position which the person served in any  
9 capacity at the request of the society. However, a person  
10 shall not be so indemnified or reimbursed for either of the  
11 following:

12        a. In relation to any matter to which the person is  
13 finally adjudged to be or have been guilty of breach of a duty  
14 as a director, officer, employee, or agent of the society.

15        b. In relation to any matter which has been made the  
16 subject of a compromise settlement. However, if the person  
17 acted in good faith for a purpose the person reasonably  
18 believed to be in or not opposed to the best interests of the  
19 society and, in addition, in a criminal proceeding, had no  
20 reasonable cause to believe that the conduct was unlawful,  
21 paragraphs "a" and "b" do not apply.

22        The determination whether the conduct of the person met the  
23 standard required in order to justify indemnification and  
24 reimbursement in relation to any matter described in paragraph  
25 "a" or "b" may only be made by the supreme governing body by a  
26 majority vote of a quorum consisting of persons who were not  
27 parties to the proceeding or by a court of competent  
28 jurisdiction. The termination of a proceeding by judgment,  
29 order, settlement, conviction, or upon a plea of no contest,  
30 as to a person, does not in itself create a conclusive  
31 presumption that the person met or did not meet the standard  
32 of conduct required in order to justify indemnification and  
33 reimbursement. The right of indemnification and reimbursement  
34 is not exclusive of other rights to which a person may be  
35 entitled as a matter of law and shall inure to the benefit of

1 the person's heirs, executors, and administrators.

2 3. A society may purchase and maintain insurance on behalf  
3 of any person who is or was a director, officer, employee, or  
4 agent of the society, or who is or was serving at the request  
5 of the society as a director, officer, employee, or agent of  
6 any other legal entity affiliated with the society against any  
7 liability asserted against the person and incurred by the  
8 person in any such capacity or arising out of the person's  
9 status in relation to the society, whether or not the society  
10 would have the power to indemnify the person against such  
11 liability under this section.

12 4. A volunteer serving without compensation, a director,  
13 officer, employee, or member of a society, is not liable, and  
14 no cause of action may be brought, for damages resulting from  
15 the exercise of judgment or discretion in connection with the  
16 duties or responsibilities of that person for the society  
17 unless the act or omission alleged to be an exercise of  
18 judgment or discretion involved willful or wanton misconduct.

19 Sec. 10. NEW SECTION. 512B.10 WAIVER.

20 The laws of the society may provide that a subordinate  
21 body, or any of its subordinate officers or members, do not  
22 have the power or authority to waive any of the provisions of  
23 the laws of the society. A waiver prohibition provision is  
24 binding on the society and every member and beneficiary of a  
25 member.

26 SUBCHAPTER III

27 GOVERNANCE

28 Sec. 11. NEW SECTION. 512B.11 ORGANIZATION.

29 A domestic society organized on or after the effective date  
30 of this Act shall be formed as follows:

31 1. Seven or more citizens of the United States, a majority  
32 of whom are citizens of this state, who desire to form a  
33 fraternal benefit society, may sign and file with the  
34 secretary of state and commissioner of insurance an original  
35 or copy of a document containing, at minimum, the following:

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

4 b. The purposes for which the society is being formed and  
5 the mode in which its corporate powers are to be exercised.  
6 The purposes shall not include more liberal powers than are  
7 granted by this chapter.

8 c. The names and residences of the incorporators.

9 d. The names, residences, and official titles of all the  
10 officers, trustees, directors, or other persons who are to  
11 have and exercise the general control of the management of the  
12 affairs and funds of the society for the first year or until  
13 the ensuing election at which officers shall be elected by the  
5060 > 14 supreme governing body or board of directors, which election  
15 shall be held not later than one year from the date of  
16 issuance of the permanent certificate of authority.

5060 > 17 2. The chapters of incorporation, duly certified copies of  
18 the society's regulations and laws, copies of all proposed  
19 forms of certificates, applications, and circulars to be  
20 issued by the society, and a bond conditioned upon the return  
21 to applicants of the advance premiums if the organization is  
22 not completed within one year shall be filed with the  
23 commissioner of insurance, who may require further information  
24 as the commissioner deems necessary. The bond with sureties  
25 approved by the commissioner shall be in an amount, not less  
26 than three hundred thousand dollars nor more than one million  
27 five hundred thousand dollars, as required by the  
28 commissioner. All documents filed are to be in the English  
29 language. If the purposes of the society conform to the  
30 requirements of this chapter and all provisions of the law  
31 have been complied with, the commissioner shall so certify,  
5060 > 32 retain and file the chapters of incorporation, and furnish the  
33 incorporators a preliminary certificate of authority  
34 authorizing the society to solicit members as provided in this  
35 chapter.

1 3. A preliminary certificate of authority granted under  
2 this section is not valid after one year from its date or  
3 after a further period, not exceeding one year, as may be  
4 authorized by the commissioner upon cause shown, unless the  
5 five hundred applicants required in this section have been  
6 secured and the organization has been completed as provided in  
Soc 7 this chapter. The chapters of incorporation and all other  
8 proceedings become void in one year from the date of the  
9 preliminary certificate of authority, or at the expiration of  
10 the extended period, unless the society has completed its  
11 organization and received a certificate of authority to do  
12 business as provided in this chapter.

13 4. Upon receipt of a preliminary certificate of authority  
14 from the commissioner, the society may solicit members for the  
15 purpose of completing its organization, shall collect from  
16 each applicant the amount of not less than one regular monthly  
17 premium in accordance with its table of rates, and shall issue  
18 to each applicant a receipt for the amount so collected. A  
19 society shall not incur a liability other than for the return  
20 of advance premiums, shall not issue a certificate, nor pay,  
21 allow, offer, or promise to pay or allow, a benefit to any  
22 person until all of the following conditions are satisfied:

23 a. Actual bona fide applications for benefits have been  
24 secured on not less than five hundred applicants, and any  
25 necessary evidence of insurability has been furnished to and  
26 approved by the society.

27 b. At least ten subordinate lodges have been established  
28 into which the five hundred applicants have been admitted.

29 c. A list of the applicants has been submitted to the  
30 commissioner, under oath of the president or secretary, or  
31 corresponding officer of the society, giving the applicants'  
32 names and addresses, the date each applicant was admitted, the  
33 name and number of the subordinate lodge of which each  
34 applicant is a member, the amount of benefits to be granted,  
35 and the premiums for the benefits.

1 d. It has been shown to the commissioner, by sworn  
2 statement of the treasurer, or corresponding officer of the  
3 society, that at least one thousand applicants have each paid  
4 in cash at least one regular monthly premium, which premiums  
5 in the aggregate shall amount to at least three hundred  
6 thousand dollars. Advance premiums shall be held in trust  
7 during the period of organization and if the society has not  
8 qualified for a certificate of authority within the time  
9 permitted by this section, each premium shall be returned to  
10 the respective applicant.

11 5. The commissioner may make an examination and require  
12 further information as the commissioner deems advisable. Upon  
13 presentation of satisfactory evidence that the society has  
14 complied with all applicable provisions of law, the  
15 commissioner shall issue to the society a certificate of  
16 authority and the society is then authorized to transact  
17 business pursuant to this chapter. A certificate of authority  
18 is prima facie evidence of the existence of the society at the  
19 date of the certificate. The commissioner shall cause a  
20 record of each certificate of authority to be made. A  
21 certified copy of the record shall be accepted in evidence  
22 with like effect as the original certificate of authority.

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23 6. An incorporated society authorized to transact business  
24 in this state on the effective date of this Act is not  
25 required to reincorporate. A certified copy of the current  
26 chapters of incorporation of an existing society shall be  
27 filed with the commissioner and the commissioner may request,  
28 additional records as the commissioner deems necessary before  
29 issuing a certificate of authority to an existing society.

30 Sec. 12. NEW SECTION. 512B.12 AMENDMENTS TO LAWS.

31 1. A domestic society may amend its laws in accordance  
32 with the provisions of its laws by action of its supreme  
33 governing body at any regular or special meeting or, if its  
34 laws so provide, by referendum. A referendum may be held in  
35 accordance with the provisions of the society's laws by the

1 vote of the voting members of the society, by the vote of  
2 delegates or representatives of voting members, or by the vote  
3 of local lodges. A society may provide for voting by mail.  
4 An amendment submitted for adoption by referendum shall not be  
5 adopted unless, within six months from the date of submission  
6 of the referendum, a majority of the members voting have  
7 signified their consent to the amendment by one of the methods  
8 specified in this subsection.

9     2. An amendment to the laws of a domestic society shall  
10 not take effect unless approved by the commissioner. The  
11 commissioner shall approve an amendment if the commissioner  
12 finds that it has been duly adopted and is not inconsistent  
13 with the laws of this state or with the character, objects,  
14 and purposes of the society. An amendment shall be considered  
15 approved, unless the commissioner disapproves the amendment in  
16 writing, within thirty days after the filing of the amendment.  
17 The disapproval of the commissioner shall be in writing and  
18 mailed to the secretary or corresponding officer of the  
19 society at its principal office. If the commissioner  
20 disapproves an amendment, the reasons for disapproval shall be  
21 stated in the written notice.

22     3. Within ninety days from the approval of an amendment by  
23 the commissioner, the amendment, or a synopsis of it, shall be  
24 furnished to all members of the society either by mail or by  
25 publication in full in the official publication of the  
26 society. The affidavit of an officer of the society or of  
27 anyone authorized by the society to mail an amendment or  
28 synopsis of an amendment, stating facts which demonstrate  
29 compliance with this subsection, is prima facie evidence that  
30 the amendment or synopsis has been furnished to the  
31 addressees.

32     4. A foreign or alien society authorized to do business in  
33 this state shall file with the commissioner a duly certified  
*Solec* 34 copy of all amendments of its laws within thirty days after  
35 their enactment.

1 5. Printed copies of the laws as amended, certified by the  
2 secretary, or corresponding officer of the society, are prima  
3 facie evidence of the legal adoption of the laws and  
4 amendments.

5 Sec. 13. NEW SECTION. 512B.13 INSTITUTIONS.

6 A society may create, maintain, and operate, or may  
7 establish organizations to operate, not-for-profit  
8 institutions to further the purposes permitted by section  
9 512B.5, subsection 1, paragraph "b". The institutions may  
10 furnish services free or at a reasonable charge. Any real or  
11 personal property owned, held, or leased by the society for  
12 this purpose shall be reported in every annual statement. A  
13 not-for-profit institution so established is a charitable  
14 institution with all the rights, benefits, and privileges  
15 given to charitable institutions under the constitution and  
16 laws of this state. The commissioner may adopt appropriate  
17 rules and reporting requirements.

18 Sec. 14. NEW SECTION. 512B.14 REINSURANCE.

19 1. A domestic society may, by a reinsurance agreement,  
20 cede any individual risk or risks in whole or in part to an  
21 insurer, other than another fraternal benefit society, having  
22 the power to make such reinsurance agreements and authorized  
23 to do business in this state, or if not so authorized, one  
24 which is approved by the commissioner; but a society shall not  
25 reinsure substantially all of its insurance in force without  
26 the written permission of the commissioner. It may take  
27 credit for the reserves on ceded risks to the extent  
28 reinsured, but credit shall not be allowed as an admitted  
29 asset or as a deduction from liability, to a ceding society  
30 for reinsurance made, ceded, renewed, or otherwise becoming  
31 effective after the effective date of this Act, unless the  
32 reinsurance is payable by the assuming insurer on the basis of  
33 the liability of the ceding society under the contract or  
34 contracts reinsured without diminution because of the  
35 insolvency of the ceding society.

1 2. Notwithstanding the limitation in subsection 1, a  
2 society may reinsure the risks of another society in a  
3 consolidation or merger approved by the commissioner under  
4 section 512B.15.

5 Sec. 15. NEW SECTION. 512B.15 CONSOLIDATIONS AND  
6 MERGERS.

7 1. A domestic society may consolidate or merge with a  
5060 8 domestic or foreign society by complying with this section.  
9 The society shall file with the commissioner all of the  
10 following:

11 a. A certified copy of the written contract containing in  
12 full the terms and conditions of the consolidation or merger.

13 b. A sworn statement by the president and secretary, or  
14 corresponding officers of each society, showing the financial  
15 condition of the society on a date fixed by the commissioner.

16 c. A certificate of each officer submitting a sworn  
17 statement pursuant to paragraph "b", duly verified, that the  
18 consolidation or merger contract has been approved by a two-  
19 thirds vote of the supreme governing body of each society, the  
20 vote having been conducted at a regular or special meeting of  
21 each such body, or, if the society's laws so permit, by mail.

22 d. Evidence that at least sixty days prior to the action  
23 of the supreme governing body of each society to approve the  
24 consolidation or merger contract, the text of the contract has  
25 been furnished to all members of each society either by mail  
26 or by publication in full in the official publication of each  
27 society.

28 2. If the commissioner finds that the contract is in  
29 conformity with this section, that the financial statements  
30 are correct, and that the consolidation or merger is just and  
31 equitable to the members of each society, the commissioner  
32 shall approve the contract and issue a certificate to that  
33 effect. Upon the commissioner's approval, the contract shall  
34 be in full force and effect unless a society which is a party  
35 to the contract is incorporated under the laws of another

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1 state. In that event the consolidation or merger shall not  
2 become effective unless and until it has been approved as  
3 provided by the laws of the other state and a certificate of  
4 approval has been filed with the commissioner of this state  
5 or, if the laws of the other state contain no equivalent  
6 provision for issuing a certificate of consolidation or  
7 merger, then the consolidation or merger shall not become  
8 effective unless and until it has been approved by the  
9 commissioner of the other state and a certificate conforming  
10 with the laws of this state has been filed with the  
11 commissioner. If the contract is not approved it shall be  
12 inoperative, and the fact of submission and its contents shall  
13 not be disclosed by the commissioner.

14 3. Upon the consolidation or merger becoming effective,  
15 all the rights, franchises, and interests of the consolidated  
16 or merged societies in and to every kind of property, real,  
17 personal, or mixed, belonging to the societies shall be vested  
18 in the successor society without any other instrument, except  
19 that conveyances of real property may be evidenced by proper  
20 deeds. The title to real property or an interest in real  
21 property, vested under the laws of this state in any of the  
22 societies consolidated or merged, shall not revert or be in  
23 any way impaired by reason of the consolidation or merger, but  
24 shall vest absolutely in the successor society.

25 4. The affidavit of an officer of the society or of a  
26 person authorized by the society to mail a notice or document,  
27 stating that the notice or document has been duly addressed  
28 and mailed, is prima facie evidence that the notice or  
29 document has been furnished the addressees.

30 Sec. 16. NEW SECTION. 512B.15A CONVERSION OF FRATERNAL  
31 BENEFIT SOCIETY INTO A MUTUAL LIFE INSURANCE COMPANY.

32 A domestic fraternal benefit society may be converted and  
33 licensed as a mutual life insurance company by compliance with  
34 all the requirements of the general insurance laws for mutual  
35 life insurance companies. A plan of conversion shall be

1 prepared in writing by the board of directors setting forth in  
2 full the terms and conditions of conversion. The affirmative  
3 vote of two-thirds of all members of the supreme governing  
4 body at a regular or special meeting is necessary for the  
5 approval of the plan of conversion. A conversion shall not  
6 take effect unless and until approved by the commissioner.  
7 The commissioner may give approval for the conversion if the  
8 commissioner finds that the proposed change is in conformity  
9 with the requirements of law and not prejudicial to the  
10 certificate holders of the society.

11 SUBCHAPTER IV

12 CONTRACTUAL BENEFITS

13 Sec. 17. NEW SECTION. 512B.16 BENEFITS.

14 1. A society may provide any or all of the following  
15 contractual benefits in any form:

- 16 a. Death benefits.
- 17 b. Endowment benefits.
- 18 c. Annuity benefits.
- 19 d. Temporary or permanent disability benefits.
- 20 e. Hospital, medical, or nursing benefits.
- 21 f. Monument or tombstone benefits to the memory of  
22 deceased members.
- 23 g. Other benefits authorized for life insurers and which  
24 are not inconsistent with this chapter.

25 2. A society shall specify in its regulations those  
26 persons who may be issued, or covered by, the contractual  
27 benefits in subsection 1, consistent with providing benefits  
28 to members and their dependents. A society may provide  
29 benefits on the lives of children under the minimum age for  
30 adult membership upon application of an adult person.

31 Sec. 18. NEW SECTION. 512B.17 BENEFICIARIES.

32 1. The owner of a benefit contract may change the  
33 beneficiary or beneficiaries in accordance with the laws or  
34 regulations of the society unless the owner waives this right  
35 by specifically requesting in writing that the beneficiary

1 designation be irrevocable. A society may, through its laws  
2 or regulations, limit the scope of beneficiary designations  
3 and shall provide that a revocable beneficiary shall not have  
4 or obtain a vested interest in the proceeds of a certificate  
5 until the certificate has become due and payable in conformity  
6 with the benefit contract.

7 2. A society may make provision for the payment of funeral  
8 benefits to the extent of the portion of a payment under a  
9 certificate which reasonably appears to be due to a person  
10 equitably entitled to the benefit by reason of having incurred  
11 expense occasioned by the burial of the member. However, the  
12 portion so paid shall not exceed the sum of one thousand  
13 dollars.

14 3. If, at the death of a person insured under a benefit  
15 contract, there is no lawful beneficiary to whom the proceeds  
16 are payable, the amount of the benefit, except to the extent  
17 that funeral benefits may be paid pursuant to subsection 2,  
18 shall be payable to the estate of the deceased insured the  
19 same as other property not exempt. However, if the owner of  
20 the certificate is other than the insured, the proceeds are  
21 payable to the owner.

22 Sec. 19. NEW SECTION. 512B.18 BENEFITS NOT ATTACHABLE.

23 Money or other benefit, charity, relief, or aid to be paid,  
24 provided, or rendered by a society, is not liable to  
25 attachment, garnishment, or other process, or to be seized,  
26 taken, appropriated, or applied by any legal or equitable  
27 process or operation of law to pay a debt or liability of a  
28 member or beneficiary, or any other person who may have a  
29 derivative right, either before or after payment by the  
30 society, except as provided in sections 627.11 and 627.12.

31 Sec. 20. NEW SECTION. 512B.19 THE BENEFIT CONTRACT.

32 1. A society authorized to do business in this state shall  
33 issue to each owner of a benefit contract a certificate  
34 specifying the amount of benefits provided pursuant to the  
35 benefit contract. The certificate, together with any riders

1 or endorsements attached to the certificate, the laws of the  
2 society, the application for membership, the application for  
3 insurance and declaration of insurability, if any, signed by  
4 the applicant, and all amendments, constitute the benefit  
5 contract, as of the date of issuance, between the society and  
6 the owner, and the certificate shall so state. A copy of the  
7 application for insurance and declaration of insurability, if  
8 any, shall be endorsed upon or attached to the certificate.  
9 Statements on the application are representations and not  
10 warranties. A waiver of this provision is void.

11 2. Additions or amendments to the laws of a society duly  
12 made or enacted subsequent to the issuance of the certificate,  
13 bind the owner and the beneficiaries, and govern and control  
14 the benefit contract in all respects the same as though the  
15 additions or amendments had been made before and were in force  
16 at the time of the application for insurance, except that an  
17 addition or amendment shall not destroy or diminish benefits  
18 which the society contracted to give the owner as of the date  
19 of issuance.

20 3. A person upon whose life a benefit contract is issued  
21 before the person attains the age of majority is bound by the  
22 terms of the application and certificate and by all the laws  
23 and regulations of the society to the same extent as though  
24 the person had attained the age of majority at the time of  
25 application.

26 4. A society shall provide in its laws that if its  
27 reserves as to all or any class of certificates become  
28 impaired, its supreme governing body or board of directors may  
29 require that there be paid by the owners to the society the  
30 amount of the owners' equitable proportion of the deficiency  
31 as ascertained by its governing body or board, and that if the  
32 payment is not made either of the following will apply:

33 a. The required payment or assessment shall stand as an  
34 indebtedness against the certificate and draw interest not to  
35 exceed the rate specified for certificate loans under the

1 certificates.

2     b. In lieu of or in combination with paragraph "a", the  
3 owner may accept a proportionate reduction in benefits under  
4 the certificate.

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

7     5. Copies of any of the documents mentioned in this  
8 section, certified by the secretary or corresponding officer  
9 of the society, shall be received in evidence of the terms and  
10 conditions of the documents.

11     6. A certificate shall not be delivered or issued for  
12 delivery in this state unless a copy of the form has been  
13 filed with the commissioner in the manner provided for like  
14 policies issued by life insurers in this state. A life,  
15 accident, health, or disability insurance certificate and an  
16 annuity certificate issued on or after one year from the  
17 effective date of this Act shall meet the standard contract  
18 provision requirements not inconsistent with this chapter for  
19 like policies issued by life insurers in this state, except  
20 that a society may provide for a grace period for payment of  
21 premiums of one full month in its certificates. The  
22 certificate shall also contain a provision stating the amount  
23 of premiums which are payable under the certificate and a  
24 provision reciting or setting forth the substance of any  
25 sections of the society's laws or regulations in force at the  
26 time of issuance of the certificate which, if violated, will  
27 result in the termination or reduction of benefits payable  
28 under the certificate. If the laws of the society provide for  
29 expulsion or suspension of a member, the certificate shall  
30 also contain a provision that any member expelled or  
31 suspended, except for nonpayment of a premium or within the  
32 contestable period for material misrepresentation in the  
33 application for membership or insurance, may maintain the  
34 certificate in force by continuing payment of the required  
35 premium.

1 7. A benefit contract issued on the life of a person below  
2 the society's minimum age for adult membership may provide for  
3 transfer of control of ownership to the insured at an age  
4 specified in the certificate. A society may require approval  
5 of an application for membership in order to effect this  
6 transfer, and may provide in all other respects for the  
7 regulation, government, and control of such certificates and  
8 the rights, obligations, and liabilities incident to, or  
9 connected with, the benefit contract. Ownership rights prior  
10 to a transfer shall be specified in the certificate.

11 8. A society may specify the terms and conditions on which  
12 benefit contracts may be assigned.

13 Sec. 21. NEW SECTION. 512B.20 NONFORFEITURE BENEFITS,  
14 CASH SURRENDER VALUES, CERTIFICATE LOANS, AND OTHER OPTIONS.

15 1. For certificates issued before the effective date of  
16 this Act, the value of every paid-up nonforfeiture benefit and  
17 the amount of any cash surrendered value, loan, or other  
18 option granted shall comply with chapter 512, Code 1989.

19 2. For certificates issued on or after the effective date  
20 of this Act for which reserves are computed on the  
21 commissioner's 1980 standard mortality table, or any more  
22 recent table made applicable to life insurers, every paid-up  
23 nonforfeiture benefit and the amount of any cash surrender  
24 value, loan, or other option granted shall not be less than  
25 the corresponding amount ascertained in accordance with the  
26 laws of this state applicable to life insurers issuing  
27 policies containing like benefits based upon the same tables.

28 SUBCHAPTER V

29 FINANCIAL REQUIREMENTS

30 Sec. 22. NEW SECTION. 512B.21 INVESTMENTS.

31 A society shall invest its funds only as authorized by the  
32 laws of this state for the investment of assets of life  
33 insurers and subject to the same limitations. A foreign or  
34 alien society permitted or seeking to do business in this  
35 state which invests its funds in accordance with the laws of

5080  
1 the state in which it is incorporated, shall be held to meet  
2 the requirements of this section for the investment of funds.  
3 A society organized under the laws of this state shall deposit  
4 securities as required of life insurance companies pursuant to  
5 section 511.8, subsection 16.

6 Sec. 23. NEW SECTION. 512B.22 FUNDS.

7 1. All assets shall be held, invested, and disbursed for  
8 the use and benefit of the society and a member or beneficiary  
9 shall not have or acquire individual rights in the society's  
10 assets or become entitled to an apportionment on the surrender  
11 of any part of the society's assets, except as provided in the  
12 benefit contract.

13 2. A society may create, maintain, invest, disburse, and  
14 apply any special fund or funds necessary to carry out any  
15 purpose permitted by the laws of the society.

16 3. A society may, pursuant to resolution of its supreme  
17 governing body, establish and operate one or more separate  
18 accounts and issue contracts on a variable basis, subject to  
19 the law regulating life insurers establishing equivalent  
20 accounts and issuing equivalent contracts. To the extent the  
21 society deems it necessary in order to comply with any  
22 applicable federal or state laws, regulations, or rules, the  
23 society may adopt special procedures for the conduct of the  
24 business and affairs of a separate account; may, for persons  
25 having beneficial interests in the account, provide special  
26 voting and other rights, including without limitation, special  
27 rights and procedures relating to investment policy,  
28 investment advisory services, selection of certified public  
29 accountants, and selection of a committee to manage the  
30 business and affairs of the account; and may issue contracts  
31 on a variable basis to which section 512B.19, subsections 2  
32 and 4 shall not apply.

33 SUBCHAPTER VI

34 REGULATION

35 Sec. 24. NEW SECTION. 512B.23 VALUATION.

1 1. Standards of valuation for certificates issued before  
2 the effective date of this Act are those provided by chapter  
3 512, Code 1989.

4 2. The minimum standards of valuation for certificates  
5 issued on or after the effective date of this Act shall be  
6 based on the following tables:

7 a. For certificates of life insurance, the commissioner's  
8 1980 standard ordinary mortality table or any more recent  
9 table made applicable to life insurers.

10 b. For annuity and pure endowment certificates, for total  
11 and permanent disability benefits, for accidental death  
12 benefits and for noncancellable accident and health benefits,  
13 the tables authorized for use by life insurers in this state.

14 Paragraphs "a" and "b" are under valuation methods and  
15 standards, including interest assumptions, in accordance with  
16 the laws of this state applicable to life insurers issuing  
17 policies containing like benefits.

18 3. The commissioner may, in the commissioner's discretion,  
19 accept another standard for valuation if the commissioner  
20 finds that the reserves produced by the other standard will  
21 not be less in the aggregate than reserves computed in  
22 accordance with the minimum valuation standards prescribed by  
23 subsection 2. The commissioner may, in the commissioner's  
24 discretion, vary the standards of mortality applicable to all  
25 benefit contracts on substandard lives or other extra  
26 hazardous lives by any society authorized to do business in  
27 this state.

28 4. A society, with the consent of the commissioner of  
29 insurance of the state of domicile of the society and under  
30 conditions which the commissioner may impose, may establish  
31 and maintain reserves on its certificates in excess of the  
32 reserves otherwise required, but the contractual rights of a  
33 benefit member shall not be affected by the excess reserves.

34 Sec. 25. NEW SECTION. 512B.24 REPORTS.

35 Reports shall be filed in accordance with this section.

1 1. A society transacting business in this state, on or  
2 before March 1 annually, unless for cause shown the time has  
3 been extended by the commissioner, shall file with the  
4 commissioner a true statement of its financial condition,  
5 transactions, and affairs for the preceding calendar year and  
6 shall pay a fee of twenty-five dollars. The statement shall  
7 be in general form and content as approved by the national  
8 association of insurance commissioners for fraternal benefit  
9 societies and shall be supplemented by additional information  
10 as adopted by rule of the commissioner.

11 2. As part of the annual statement, a society shall, on or  
12 before March 1, file with the commissioner of insurance a  
13 valuation of its certificates in force on the last preceding  
14 December 31. However, the commissioner may, for cause shown,  
15 extend the time for filing the valuation for not more than two  
16 calendar months. The valuation shall be done in accordance  
17 with the standards specified in section 512B.23. The  
18 valuation and underlying data shall be certified by a  
19 qualified actuary or, at the expense of the society, verified  
20 by the actuary of the department of insurance of the state of  
21 domicile of the society.

22 3. A society failing to file the annual statement in the  
23 form and within the time provided by this section shall  
24 forfeit one hundred dollars for each day during which the  
25 default continues, and, upon notice by the commissioner to  
26 that effect, the society's authority to do business in this  
27 state shall cease while the default continues.

28 Sec. 26. NEW SECTION. 512B.25 ANNUAL LICENSE.

29 A society which is authorized to transact business in this  
30 state on the effective date of this Act, and a society  
31 licensed on or after the effective date of this Act, may  
32 continue in business until April 30, 1991. The authority of  
33 the society may thereafter be renewed annually. A license  
34 terminates on the succeeding April 30. However, a license  
35 issued shall continue in full force and effect until a new

1 license is issued or specifically refused. For each license  
2 or renewal the society shall pay the commissioner a fee of  
3 twenty-five dollars. A duly certified copy or duplicate of  
4 the license is prima facie evidence that the licensee is a  
5 fraternal benefit society within the meaning of this chapter.

6 Sec. 27. NEW SECTION. 512B.26 EXAMINATION OF SOCIETIES -  
7 - NO ADVERSE PUBLICATIONS.

8 1. The commissioner, or the commissioner's designee, may  
9 examine a domestic, foreign, or alien society transacting or  
10 applying for admission to transact business in this state in  
11 the same manner as authorized for examination of a domestic,  
12 foreign, or alien insurer. Requirements of notice and an  
13 opportunity to respond before findings are made public as  
14 provided in the laws regulating insurers are also applicable  
15 to the examination of a society.

16 2. The expense of each examination and of each valuation,  
17 including compensation and actual expense of examiners, shall  
18 be paid by the society examined or whose certificates are  
19 valued, upon statements furnished by the commissioner.

20 Sec. 28. NEW SECTION. 512B.27 FOREIGN OR ALIEN SOCIETY -  
21 - ADMISSION.

22 A foreign or alien society shall not transact business in  
23 this state without a license issued by the commissioner. A  
24 society desiring admission to this state shall substantially  
25 comply with the requirements and limitations of this chapter  
26 applicable to domestic societies. A society may be licensed  
27 to transact business in this state upon filing with the  
28 commissioner all of the following:

- 5060 29 1. A duly certified copy of its chapters of incorporation.  
30 2. A copy of its bylaws, certified by its secretary or a  
31 corresponding officer.  
32 3. A power of attorney to the commissioner of insurance as  
33 prescribed in section 512B.33.  
34 4. A statement of its business under oath of its president  
35 and secretary or corresponding officers in a form prescribed

1 by the commissioner, duly verified by an examination made by  
2 the supervising insurance official of its state of domicile,  
3 satisfactory to the commissioner.

4 5. Certification from the proper official of its state of  
5 domicile that the society is legally incorporated and licensed  
6 to transact business in that state.

7 6. Copies of its certificate forms.

8 7. Other information the commissioner requires.

9 8. A showing that its assets are invested in accordance  
10 with this chapter.

11 Sec. 29. NEW SECTION. 512B.28 INJUNCTION -- LIQUIDATION  
12 -- RECEIVERSHIP OF DOMESTIC SOCIETY.

13 1. When the commissioner upon investigation finds that a  
14 domestic society has exceeded its powers; failed to comply  
15 with a provision of this chapter; failed to fulfill a contract  
16 in good faith; failed to maintain a membership of not less  
17 than four hundred after an existence of one year or more; or  
18 conducted business fraudulently or in a manner hazardous to  
19 its members, creditors, the public, or the business, the  
20 commissioner shall notify the society of the deficiency or  
21 deficiencies and state in writing the reasons for the  
22 commissioner's dissatisfaction. The commissioner shall at  
23 once issue a written notice to the society requiring that the  
24 deficiency or deficiencies which exist be corrected. After  
25 the notice of deficiency the society has a thirty-day period  
26 in which to comply with the commissioner's request for  
27 correction, and if the society fails to comply the  
28 commissioner shall notify the society of a finding of  
29 noncompliance and require the society to show cause on or  
30 before a date named why it should not be enjoined from  
31 carrying on any business until the violation complained of has  
32 been corrected, or why an action seeking other legal or  
33 equitable relief should not be commenced against the society.

34 2. If by the date named to show cause the society does not  
35 present good and sufficient reasons why it should not be so

1 enjoined or why an action should not be commenced, the  
2 commissioner may present the facts relating to the society to  
3 the attorney general who shall commence an action to enjoin  
4 the society from transacting business or other action  
5 requested by the commissioner.

6 3. The court in which an action is commenced pursuant to  
7 subsection 2 shall notify the officers of the society of a  
8 hearing. If after a full hearing it appears that the society  
9 should be enjoined or liquidated or a receiver appointed, or  
10 other legal or equitable relief awarded, the court shall enter  
11 the necessary order. A society so enjoined does not have the  
12 authority to do business unless and until all of the following  
13 conditions are satisfied:

14 a. The commissioner finds that the violation complained of  
15 has been corrected.

16 b. The costs of the action, including reasonable attorney  
17 fees for the state's attorneys and expenses related to the  
18 case in which the injunction was entered, have been paid by  
19 the society if the court finds that the society was in default  
20 as alleged.

21 c. The court has dissolved its injunction.

22 d. The commissioner has reinstated the certificate of  
23 authority of the society.

24 4. If the court orders the society liquidated, it shall be  
25 enjoined from carrying on any further business, and the  
26 receiver of the society shall proceed at once to take  
27 possession of the books, papers, money, and other assets of  
28 the society and, under the direction of the court, proceed to  
29 close the affairs of the society and to distribute its funds  
30 to those entitled to them.

31 5. If a receiver is to be appointed for a domestic  
32 society, the court shall appoint the commissioner of insurance  
33 as the receiver.

34 6. The provisions of this section relating to hearing by  
35 the commissioner, action by the attorney general at the

1 request of the commissioner, hearing by the court, injunction,  
2 and receivership are applicable to a society which voluntarily  
3 determines to discontinue business.

4 Sec. 30. NEW SECTION. 512B.29 SUSPENSION, REVOCATION, OR  
5 REFUSAL OF LICENSE OF FOREIGN OR ALIEN SOCIETY.

6 1. When the commissioner upon investigation finds that a  
7 foreign or alien society transacting or applying to transact  
8 business in this state has exceeded its powers; failed to  
9 comply with a provision of this chapter; failed to fulfill a  
10 contract in good faith; or conducted its business fraudulently  
11 or in a manner hazardous to its members or creditors or the  
12 public, the commissioner shall notify the society of the  
13 deficiency or deficiencies and state in writing the alleged  
14 facts or circumstances constituting a deficiency. The  
15 commissioner shall at once issue a written notice to the  
16 society requiring that the deficiency or deficiencies which  
17 exist be corrected on or before thirty days from entry of the  
18 notice of deficiency. After notice the society has a thirty-  
19 day period in which to comply with the commissioner's request  
20 for correction, and if the society fails to comply the  
21 commissioner shall notify the society of a finding of  
22 noncompliance and require the society to show cause on or  
23 before a date named why its license should not be suspended,  
24 revoked, or refused. If, on or before the date named, the  
25 society does not present good and sufficient reason why its  
26 license to do business in this state should not be suspended,  
27 revoked, or refused, the commissioner may suspend or refuse  
28 the license of the society to do business in this state until  
29 evidence satisfactory to the commissioner is furnished to the  
30 commissioner that the suspension or refusal should be  
31 withdrawn or the commissioner may revoke the license of the  
32 society to do business in this state.

33 2. A society whose license to do business in this state is  
34 suspended, revoked, or refused pursuant to subsection 1 shall  
35 continue in good faith all contracts made in this state during

1 the time the society was legally authorized to transact  
2 business in this state. Lack of authority to transact  
3 business within the state is not a defense to an action by a  
4 person against the society to enforce a contract entered into  
5 by the society without compliance with this chapter, or prior  
6 applicable law.

7 Sec. 31. NEW SECTION. 512B.30 STANDING.

8 A petition or complaint for injunction against a domestic,  
9 foreign, or alien society, or lodge shall not be recognized in  
10 a court of this state unless made by the attorney general upon  
11 request of the commissioner.

12 Sec. 32. NEW SECTION. 512B.31 LICENSING OF AGENTS.

13 1. Agents of societies shall be licensed in accordance  
14 with chapter 522 regulating the licensing, revocation,  
15 suspension, or termination of license of resident and  
16 nonresident agents, but persons who were agents of a society  
17 on or before July 1, 1970, are not required to take an  
18 examination.

19 2. An examination or license shall not be required of a  
20 regular salaried officer, employee, or member of a licensed  
21 society who devotes substantially all of the person's services  
22 to activities other than the solicitation of fraternal  
23 insurance contracts from the public, and who does not receive  
24 for the solicitation of such contracts a commission or other  
25 compensation directly dependent upon the amount of business  
26 obtained.

27 Sec. 33. NEW SECTION. 512B.32 UNFAIR METHODS OF  
28 COMPETITION AND UNFAIR AND DECEPTIVE ACTS AND PRACTICES.

29 A society is subject to chapter 507B relating to unfair  
30 insurance trade practices. However, chapter 507B does not  
31 apply to or affect the right of a society to determine its  
32 eligibility requirements for membership, and does not apply to  
33 or affect the offering of benefits exclusively to members or  
34 persons eligible for membership in the society by a subsidiary  
35 corporation or affiliated organization of a society.

1 SUBCHAPTER VII

2 MISCELLANEOUS

3 Sec. 34. NEW SECTION. 512B.33 SERVICE OF PROCESS.

4 1. A foreign or alien society authorized to do business in  
5 this state shall appoint in writing the commissioner to be its  
6 true and lawful attorney upon whom all lawful process in any  
7 action or proceeding against it shall be served, and shall  
8 agree in the written consent to process that any lawful  
9 process against it which is served on the commissioner shall  
10 be of the same legal force and validity as if served upon the  
11 society, and that the authority shall continue in force so  
12 long as any liability remains outstanding in this state.  
13 Copies of the appointment, certified by the commissioner,  
14 shall be deemed sufficient evidence of the appointment and  
15 shall be admitted in evidence with the same force and effect  
16 as the original may be admitted.

17 2. Service of process shall only be made upon the  
18 commissioner, or if absent, upon the person in charge of the  
19 commissioner's office. Service shall be made in duplicate and  
20 shall constitute sufficient service upon the society. When  
21 legal process against a society is served upon the  
22 commissioner, the commissioner shall forthwith forward one of  
23 the duplicate copies by registered mail, prepaid, directed to  
24 the secretary or corresponding officer of the society.  
25 Service shall not require a society to file its answer,  
26 pleading, or defense in less than thirty days from the date of  
27 mailing the copy of the service to a society. Legal process  
28 shall not be served upon a society except in the manner  
29 provided in this section.

30 Sec. 35. NEW SECTION. 512B.34 REVIEW.

31 All decisions and findings of the commissioner made under  
32 this chapter are subject to review pursuant to chapter 17A.

33 Sec. 36. NEW SECTION. 512B.35 PENALTIES.

34 1. A person who knowingly makes a false or fraudulent  
35 statement or representation in or relating to an application

1 for membership or for the purpose of obtaining money from or a  
2 benefit in a society, is guilty of a fraudulent practice.

3 2. A person who willfully makes a false or fraudulent  
4 statement in a verified report or declaration under oath  
5 required or authorized by this chapter, or of a material fact  
6 or thing contained in a sworn statement concerning the death  
7 or disability of an insured for the purpose of procuring  
8 payment of a benefit named in the certificate, is guilty of  
9 perjury.

10 3. A person who solicits membership for, or in any manner  
11 assists in procuring membership in, a society not licensed to  
12 do business in this state, is guilty of a serious misdemeanor.

13 4. A person guilty of a willful violation of, or neglect  
14 or refusal to comply with, a provision of this chapter for  
15 which a penalty is not otherwise prescribed, is guilty of a  
16 simple misdemeanor.

17 Sec. 37. NEW SECTION. 512B.36 EXEMPTION OF CERTAIN  
18 SOCIETIES.

19 1. This chapter does not affect or apply to any of the  
20 following:

21 a. Grand or subordinate lodges of societies, orders, or  
22 associations now doing business in this state which provide  
23 benefits exclusively through local or subordinate lodges.

24 b. Orders, societies, or associations which admit to  
25 membership only persons engaged in one or more crafts or  
26 hazardous occupations, in the same or similar lines of  
27 business, insuring only their own members and their families,  
28 and the spouses' societies or spouses' auxiliaries to such  
29 orders, societies, or associations.

30 c. Domestic societies which limit their membership to  
31 employees of a particular city or town, designated firm,  
32 business house, or corporation which provide for a death  
33 benefit of not more than four hundred dollars or disability  
34 benefits of not more than three hundred fifty dollars to any  
35 person in any one year, or both.

1 d. Domestic societies or associations of a purely  
2 religious, charitable, or benevolent description, which  
3 provide for a death benefit of not more than four hundred  
4 dollars or for disability benefits of not more than three  
5 hundred fifty dollars to any one person in any one year, or  
6 both.

7 2. A society or association described in subsection 1,  
8 paragraph "a" or "d", which provides for death or disability  
9 benefits for which benefit certificates are issued, and any  
10 such society or association included in paragraph "d" which  
11 has more than one thousand members, is not exempt from this  
12 chapter but shall comply with all requirements of this  
13 chapter.

14 3. A society which is exempt from the requirements of this  
15 chapter, except a society described in subsection 1, paragraph  
16 "b", shall not give or allow, or promise to give or allow to  
17 any person any compensation for procuring new members.

18 4. A society which provides for benefits in case of death  
19 or disability resulting solely from accident, and which does  
20 not obligate itself to pay natural death or sick benefits, has  
21 all of the privileges and is subject to all the applicable  
22 provisions of this chapter and rules adopted by the commission  
23 pursuant to this chapter except that the provisions relating  
24 to medical examination, valuations of benefit certificates,  
25 and incontestability, do not apply to such a society.

26 5. The commissioner may require from a society, by  
27 examination or otherwise, information that will enable the  
28 commissioner to determine whether the society is exempt from  
29 this chapter.

30 6. A society exempt under this section, is also exempt  
31 from all other provisions of the general insurance laws of  
32 this state.

33 Sec. 38. Chapter 512, Code 1989, is repealed.

34 Sec. 39.

35 This Act is effective January 1, 1991.

1 Sec. 40.

2 The Code editor shall make conforming amendments to the  
3 Code as required to correct internal references to chapter 512  
4 and designate instead new chapter 512B.

5 EXPLANATION

6 This bill adopts, in substance, the 1983 model fraternal  
7 code adopted by the national fraternal congress of America  
8 (NFCA) as a new chapter 512B in place of the existing chapter  
9 512 governing fraternal benefit societies. Fraternal benefit  
10 societies offer benefits in the form of insurance to a limited  
11 class of members and related persons and are subject to the  
12 regulation of the commissioner of insurance.

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SENATE FILE 2100

S-5060

1 Amend Senate File 2100 as follows:

2 1. Page 1, line 12, by striking the words "Alien  
3 association" and inserting the following: "Alien  
4 society".

5 2. Page 1, line 24, by striking the words  
6 "Domestic association" and inserting the following:  
7 "Domestic society".

8 3. Page 1, line 26, by striking the words  
9 "Foreign association" and inserting the following:  
10 "Foreign society".

11 4. Page 1, line 29, by striking the word  
12 "chapters" and inserting the following: "articles".

13 5. Page 2, line 3, by inserting after the word  
14 "body" the following: "or board of directors".

15 6. Page 3, line 2, by striking the word  
16 "selected" and inserting the following: "elected".

17 7. Page 3, line 14, by inserting after the word  
18 "laws." the following: "The board of directors may  
19 appoint the officers of the society if authorized to  
20 do so by the articles or bylaws of the society. A  
21 board of directors elected by an assembly shall have  
22 such powers authorized the board by the articles or  
23 bylaws of the society, and may or may not be a supreme  
24 governing body as described in paragraph "b",  
25 depending upon the powers authorized by the articles  
26 or bylaws."

27 8. Page 3, line 30, by inserting after the word  
28 "body" the following: "or board of directors".

29 9. Page 3, line 32, by inserting after the word  
30 "body" the following: ", board of directors,".

31 10. Page 8, line 14, by striking the word "body"  
32 and inserting the following: "body,".

33 11. Page 8, line 17, by striking the word  
34 "chapters" and inserting the following: "articles".

35 12. Page 8, line 32, by striking the word  
36 "chapters" and inserting the following: "articles".

37 13. Page 9, line 7, by striking the word  
38 "chapters" and inserting the following: "articles".

39 14. Page 10, line 26, by striking the word  
40 "chapters" and inserting the following: "articles".

41 15. Page 11, line 34, by striking the word  
42 "thirty" and inserting the following: "ninety".

43 16. Page 13, by striking line 8, and inserting  
44 the following: "domestic society, foreign society, or  
45 society chartered under the laws of Canada or a  
46 Canadian province or territory, by complying with this  
47 section."

48 17. Page 14, line 1, by inserting after the word  
49 "state" the following: ", Canada, or Canadian  
50 province or territory".

S-5060

Page 2

1 18. Page 20, line 1, by inserting after the word  
2 "state" the following: "or nation".

3 19. Page 23, line 29, by striking the word

4 "chapters" and inserting the following: "articles".

By RICHARD RUNNING

EMIL J. HUSAK

S-5060 FILED FEBRUARY 7, 1990

*(Adopted 2/12/90 p. 4-78)*



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SUBCHAPTER I  
STRUCTURE AND PURPOSE

Section 1. NEW SECTION. 512B.1 SCOPE OF CHAPTER.

Except as otherwise provided in this chapter, societies are governed by this chapter and are exempt from all other insurance laws of this state unless expressly included in this chapter, or unless specifically made applicable by this chapter.

Sec. 2. NEW SECTION. 512B.2 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Alien society" means an association organized under the laws of another country.
2. "Benefit contract" means the agreement for provision of benefits authorized by section 512B.16, as that agreement is described in section 512B.19, subsection 1.
3. "Benefit member" means an adult member who is designated by the laws or rules of the society to be a benefit member under a benefit contract.
4. "Certificate" means the document issued as written evidence of the benefit contract.
5. "Commissioner" means the commissioner of insurance or the commissioner's designee.
6. "Domestic society" means an association organized under the laws of this state.
7. "Foreign society" means an association organized under the laws of another state or territory of the United States.
8. "Laws" means the society's articles of incorporation, constitution, and bylaws, however designated.
9. "Lodge" means a subordinate member unit of the society, whether known as a camp, court, council, branch, or by any other designation.
10. "Premium" means a premium, rate, dues, or other required contribution by whatever name known, which is payable under the certificate.

1 11. "Regulations" means all regulations, or resolutions  
2 adopted by the supreme governing body or board of directors  
3 which are intended to have general application to the members  
4 of the society.

5 12. "Society" means a fraternal benefit society, unless  
6 otherwise indicated.

7 Sec. 3. NEW SECTION. 512B.3 FRATERNAL BENEFIT SOCIETIES  
8 -- DEFINED.

9 An incorporated society, order, or supreme lodge, without  
10 capital stock, including one exempted under section 512B.36,  
11 subsection 1, paragraph b, whether incorporated or not,  
12 conducted solely for the benefit of its members and their  
13 beneficiaries and not for profit, operated on a lodge system  
14 with a ritualistic form of work, having a representative form  
15 of government, and which provides benefits in accordance with  
16 this chapter, is a fraternal benefit society.

17 Sec. 4. NEW SECTION. 512B.4 LODGE SYSTEM.

18 1. A society is operating on the lodge system if it has a  
19 supreme governing body and subordinate lodges into which  
20 members are elected, initiated, or admitted in accordance with  
21 its laws, regulations, and ritual. Subordinate lodges shall  
22 be required by the laws of the society to hold regular  
23 meetings at least once in each month in furtherance of the  
24 purposes of the society.

25 2. A society may organize and operate lodges for children  
26 under the minimum age for adult membership. Membership and  
27 initiation in local lodges shall not be required of children,  
28 nor shall children have a voice or vote in the management of  
29 the society.

30 Sec. 5. NEW SECTION. 512B.5 REPRESENTATIVE FORM OF  
31 GOVERNMENT.

32 A society has a representative form of government if all of  
33 the following apply:

34 1. It has a supreme governing body constituted in one of  
35 the following ways:

1 a. Assembly. The supreme governing body is an assembly  
 2 composed of delegates elected directly by the members or at  
 3 intermediate assemblies or conventions of members or their  
 4 representatives, together with other delegates as prescribed  
 5 in the society's laws. A society may provide for election of  
 6 delegates by mail. The elected delegates must constitute a  
 7 majority of the delegates in number and have not less than  
 8 two-thirds of the votes and not less than the number of votes  
 9 required to amend the society's laws. The assembly must be  
 10 elected and meet at least once every four years and must elect  
 11 a board of directors to conduct the business of the society  
 12 between meetings of the assembly. Vacancies on the board of  
 13 directors between elections may be filled in the manner  
 14 prescribed by the society's laws. The board of directors may  
 15 appoint the officers of the society if authorized to do so by  
 16 the articles or bylaws of the society. A board of directors  
 17 elected by an assembly shall have such powers authorized the  
 18 board by the articles or bylaws of the society, and may or may  
 19 not be a supreme governing body as described in paragraph "b",  
 20 depending upon the powers authorized by the articles or  
 21 bylaws.

22 b. Direct election. The supreme governing body is a board  
 23 of directors composed of persons elected by the members,  
 24 either directly or by their representatives in intermediate  
 25 assemblies, and any other persons prescribed in the society's  
 26 laws. A society may provide for election of the board by  
 27 mail. Each term of a board member must not exceed four years.  
 28 Vacancies on the board between elections may be filled in the  
 29 manner prescribed by the society's laws. The elected board  
 30 members must constitute a majority of the board members in  
 31 number and have not less than the number of votes required to  
 32 amend the society's laws. A person filling the unexpired term  
 33 of an elected board member shall be considered to be an  
 34 elected member. The board must meet at least quarterly to  
 35 conduct the business of the society.

1 2. The officers of the society are elected by the supreme  
2 governing body or board of directors.

3 3. Only benefit members are eligible for election to the  
4 supreme governing body, board of directors, or any  
5 intermediate assembly.

6 4. Each voting member has one vote.

7 5. A voting member is not entitled to cast a vote by  
8 proxy.

9 Sec. 6. NEW SECTION. 512B.6 PURPOSES AND POWERS.

10 1. A society shall operate for the benefit of members and  
11 their beneficiaries by fulfilling both of the following  
12 purposes:

13 a. Providing benefits as specified in section 512B.16.

14 b. Operating for one or more social, intellectual,  
15 educational, charitable, benevolent, moral, fraternal,  
16 patriotic, or religious purposes for the benefit of its  
17 members, which may also be extended to others.

18 The purposes listed in this subsection may be carried out  
19 directly by the society, or indirectly through subsidiary  
20 corporations or affiliated organizations.

21 2. A society may adopt laws and regulations for the  
22 government of the society, the admission of its members, and  
23 the management of its affairs. A society may amend its laws  
24 and regulations, and has other powers as necessary and  
25 incidental to carrying into effect the objects and purposes of  
26 the society.

27 SUBCHAPTER II

28 MEMBERSHIP

29 Sec. 7. NEW SECTION. 512B.7 QUALIFICATIONS FOR  
30 MEMBERSHIP.

31 1. In its laws or regulations, a society shall at minimum  
32 specify all of the following:

33 a. Eligibility standards for each membership class. If  
34 benefits are provided on the lives of children, the minimum  
35 age for adult membership shall be set at not less than age

1 fifteen and not greater than age twenty-one.

2 b. The process for admission to membership for each  
3 membership class.

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

7 2. A society may also admit social members. A social  
8 member shall have no voice or vote in the management of the  
9 insurance affairs of the society.

10 3. Membership rights in a society are personal to the  
11 member and are not assignable.

12 Sec. 8. NEW SECTION. 512B.8 LOCATION OF OFFICE,  
13 MEETINGS, COMMUNICATIONS TO MEMBERS, GRIEVANCE PROCEDURES.

14 1. The principal office of a domestic society shall be  
15 located in this state. The meetings of its supreme governing  
16 body may be held anywhere the society has at least one  
17 subordinate lodge, or in another location as determined by the  
18 supreme governing body, and all business transacted at a  
19 meeting held out of state shall be as valid in all respects as  
20 if the meeting were held in this state. The minutes of the  
21 proceedings of the supreme governing body and of the board of  
22 directors shall be in the English language.

23 2. a. A society may provide in its laws for an official  
24 publication in which any notice, report, or statement required  
25 by law to be given to members, including notice of election,  
26 may be published. Such required reports, notices, and  
27 statements shall be printed conspicuously in the publication.  
28 If the records of a society show that two or more members have  
29 the same mailing address, an official publication mailed to  
30 one member is deemed to be mailed to all members at the same  
31 address unless a member requests a separate copy.

32 b. Not later than June 1 of each year, a synopsis of the  
33 society's annual statement providing an explanation of the  
34 facts concerning the condition of the society disclosed in the  
35 annual statement shall be printed and mailed to each benefit

1 member of the society or, in lieu of mailing, the synopsis may  
2 be published in the society's official publication.

3 3. A society may provide in its laws or regulations for  
4 grievance or complaint procedures for members.

5 Sec. 9. NEW SECTION. 512B.9 PERSONAL LIABILITY.

6 1. The officers and members of the supreme governing body  
7 or any subordinate body of a society are not personally liable  
8 for any benefits provided by a society.

9 2. A person may be indemnified and reimbursed by a society  
10 for expenses reasonably incurred by, and liabilities imposed  
11 upon, the person in connection with or arising out of a  
12 proceeding, whether civil, criminal, administrative, or  
13 investigative, or a threat of action in which the person is or  
14 may be involved by reason of the person being a director,  
15 officer, employee, or agent of the society or of any other  
16 legal entity or position which the person served in any  
17 capacity at the request of the society. However, a person  
18 shall not be so indemnified or reimbursed for either of the  
19 following:

20 a. In relation to any matter to which the person is  
21 finally adjudged to be or have been guilty of breach of a duty  
22 as a director, officer, employee, or agent of the society.

23 b. In relation to any matter which has been made the  
24 subject of a compromise settlement. However, if the person  
25 acted in good faith for a purpose the person reasonably  
26 believed to be in or not opposed to the best interests of the  
27 society and, in addition, in a criminal proceeding, had no  
28 reasonable cause to believe that the conduct was unlawful,  
29 paragraphs "a" and "b" do not apply.

30 The determination whether the conduct of the person met the  
31 standard required in order to justify indemnification and  
32 reimbursement in relation to any matter described in paragraph  
33 "a" or "b" may only be made by the supreme governing body by a  
34 majority vote of a quorum consisting of persons who were not  
35 parties to the proceeding or by a court of competent

1 jurisdiction. The termination of a proceeding by judgment,  
2 order, settlement, conviction, or upon a plea of no contest,  
3 as to a person, does not in itself create a conclusive  
4 presumption that the person met or did not meet the standard  
5 of conduct required in order to justify indemnification and  
6 reimbursement. The right of indemnification and reimbursement  
7 is not exclusive of other rights to which a person may be  
8 entitled as a matter of law and shall inure to the benefit of  
9 the person's heirs, executors, and administrators.

10 3. A society may purchase and maintain insurance on behalf  
11 of any person who is or was a director, officer, employee, or  
12 agent of the society, or who is or was serving at the request  
13 of the society as a director, officer, employee, or agent of  
14 any other legal entity affiliated with the society against any  
15 liability asserted against the person and incurred by the  
16 person in any such capacity or arising out of the person's  
17 status in relation to the society, whether or not the society  
18 would have the power to indemnify the person against such  
19 liability under this section.

20 4. A volunteer serving without compensation, a director,  
21 officer, employee, or member of a society, is not liable, and  
22 no cause of action may be brought, for damages resulting from  
23 the exercise of judgment or discretion in connection with the  
24 duties or responsibilities of that person for the society  
25 unless the act or omission alleged to be an exercise of  
26 judgment or discretion involved willful or wanton misconduct.

27 Sec. 10. NEW SECTION. 512B.10 WAIVER.

28 The laws of the society may provide that a subordinate  
29 body, or any of its subordinate officers or members, do not  
30 have the power or authority to waive any of the provisions of  
31 the laws of the society. A waiver prohibition provision is  
32 binding on the society and every member and beneficiary of a  
33 member.

34  
35

SUBCHAPTER III  
GOVERNANCE

1 Sec. 11. NEW SECTION. 512B.11 ORGANIZATION.

2 A domestic society organized on or after the effective date  
3 of this Act shall be formed as follows:

4 1. Seven or more citizens of the United States, a majority  
5 of whom are citizens of this state, who desire to form a  
6 fraternal benefit society, may sign and file with the  
7 secretary of state and commissioner of insurance an original  
8 or copy of a document containing, at minimum, the following:

9 a. The proposed corporate name of the society, which shall  
10 not so closely resemble the name of any other society or  
11 insurance company as to be misleading or confusing.

12 b. The purposes for which the society is being formed and  
13 the mode in which its corporate powers are to be exercised.  
14 The purposes shall not include more liberal powers than are  
15 granted by this chapter.

16 c. The names and residences of the incorporators.

17 d. The names, residences, and official titles of all the  
18 officers, trustees, directors, or other persons who are to  
19 have and exercise the general control of the management of the  
20 affairs and funds of the society for the first year or until  
21 the ensuing election at which officers shall be elected by the  
22 supreme governing body, or board of directors, which election  
23 shall be held not later than one year from the date of  
24 issuance of the permanent certificate of authority.

25 2. The articles of incorporation, duly certified copies of  
26 the society's regulations and laws, copies of all proposed  
27 forms of certificates, applications, and circulars to be  
28 issued by the society, and a bond conditioned upon the return  
29 to applicants of the advance premiums if the organization is  
30 not completed within one year shall be filed with the  
31 commissioner of insurance, who may require further information  
32 as the commissioner deems necessary. The bond with sureties  
33 approved by the commissioner shall be in an amount, not less  
34 than three hundred thousand dollars nor more than one million  
35 five hundred thousand dollars, as required by the

1 commissioner. All documents filed are to be in the English  
2 language. If the purposes of the society conform to the  
3 requirements of this chapter and all provisions of the law  
4 have been complied with, the commissioner shall so certify,  
5 retain and file the articles of incorporation, and furnish the  
6 incorporators a preliminary certificate of authority  
7 authorizing the society to solicit members as provided in this  
8 chapter.

9 3. A preliminary certificate of authority granted under  
10 this section is not valid after one year from its date or  
11 after a further period, not exceeding one year, as may be  
12 authorized by the commissioner upon cause shown, unless the  
13 five hundred applicants required in this section have been  
14 secured and the organization has been completed as provided in  
15 this chapter. The articles of incorporation and all other  
16 proceedings become void in one year from the date of the  
17 preliminary certificate of authority, or at the expiration of  
18 the extended period, unless the society has completed its  
19 organization and received a certificate of authority to do  
20 business as provided in this chapter.

21 4. Upon receipt of a preliminary certificate of authority  
22 from the commissioner, the society may solicit members for the  
23 purpose of completing its organization, shall collect from  
24 each applicant the amount of not less than one regular monthly  
25 premium in accordance with its table of rates, and shall issue  
26 to each applicant a receipt for the amount so collected. A  
27 society shall not incur a liability other than for the return  
28 of advance premiums, shall not issue a certificate, nor pay,  
29 allow, offer, or promise to pay or allow, a benefit to any  
30 person until all of the following conditions are satisfied:

31 a. Actual bona fide applications for benefits have been  
32 secured on not less than five hundred applicants, and any  
33 necessary evidence of insurability has been furnished to and  
34 approved by the society.

35 b. At least ten subordinate lodges have been established

1 into which the five hundred applicants have been admitted.

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

9 d. It has been shown to the commissioner, by sworn  
10 statement of the treasurer, or corresponding officer of the  
11 society, that at least one thousand applicants have each paid  
12 in cash at least one regular monthly premium, which premiums  
13 in the aggregate shall amount to at least three hundred  
14 thousand dollars. Advance premiums shall be held in trust  
15 during the period of organization and if the society has not  
16 qualified for a certificate of authority within the time  
17 permitted by this section, each premium shall be returned to  
18 the respective applicant.

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

31 6. An incorporated society authorized to transact business  
32 in this state on the effective date of this Act is not  
33 required to reincorporate. A certified copy of the current  
34 articles of incorporation of an existing society shall be  
35 filed with the commissioner and the commissioner may request

1 additional records as the commissioner deems necessary before  
2 issuing a certificate of authority to an existing society.

3 Sec. 12. NEW SECTION. 512B.12 AMENDMENTS TO LAWS.

4 1. A domestic society may amend its laws in accordance  
5 with the provisions of its laws by action of its supreme  
6 governing body at any regular or special meeting or, if its  
7 laws so provide, by referendum. A referendum may be held in  
8 accordance with the provisions of the society's laws by the  
9 vote of the voting members of the society, by the vote of  
10 delegates or representatives of voting members, or by the vote  
11 of local lodges. A society may provide for voting by mail.  
12 An amendment submitted for adoption by referendum shall not be  
13 adopted unless, within six months from the date of submission  
14 of the referendum, a majority of the members voting have  
15 signified their consent to the amendment by one of the methods  
16 specified in this subsection.

17 2. An amendment to the laws of a domestic society shall  
18 not take effect unless approved by the commissioner. The  
19 commissioner shall approve an amendment if the commissioner  
20 finds that it has been duly adopted and is not inconsistent  
21 with the laws of this state or with the character, objects,  
22 and purposes of the society. An amendment shall be considered  
23 approved, unless the commissioner disapproves the amendment in  
24 writing, within thirty days after the filing of the amendment.  
25 The disapproval of the commissioner shall be in writing and  
26 mailed to the secretary or corresponding officer of the  
27 society at its principal office. If the commissioner  
28 disapproves an amendment, the reasons for disapproval shall be  
29 stated in the written notice.

30 3. Within ninety days from the approval of an amendment by  
31 the commissioner, the amendment, or a synopsis of it, shall be  
32 furnished to all members of the society either by mail or by  
33 publication in full in the official publication of the  
34 society. The affidavit of an officer of the society or of  
35 anyone authorized by the society to mail an amendment or

1 synopsis of an amendment, stating facts which demonstrate  
2 compliance with this subsection, is prima facie evidence that  
3 the amendment or synopsis has been furnished to the  
4 addressees.

5 4. A foreign or alien society authorized to do business in  
6 this state shall file with the commissioner a duly certified  
7 copy of all amendments of its laws within ninety days after  
8 their enactment.

9 5. Printed copies of the laws as amended, certified by the  
10 secretary, or corresponding officer of the society, are prima  
11 facie evidence of the legal adoption of the laws and  
12 amendments.

13 Sec. 13. NEW SECTION. 512B.13 INSTITUTIONS.

14 A society may create, maintain, and operate, or may  
15 establish organizations to operate, not-for-profit  
16 institutions to further the purposes permitted by section  
17 512B.5, subsection 1, paragraph "b". The institutions may  
18 furnish services free or at a reasonable charge. Any real or  
19 personal property owned, held, or leased by the society for  
20 this purpose shall be reported in every annual statement. A  
21 not-for-profit institution so established is a charitable  
22 institution with all the rights, benefits, and privileges  
23 given to charitable institutions under the constitution and  
24 laws of this state. The commissioner may adopt appropriate  
25 rules and reporting requirements.

26 Sec. 14. NEW SECTION. 512B.14 REINSURANCE.

27 1. A domestic society may, by a reinsurance agreement,  
28 cede any individual risk or risks in whole or in part to an  
29 insurer, other than another fraternal benefit society, having  
30 the power to make such reinsurance agreements and authorized  
31 to do business in this state, or if not so authorized, one  
32 which is approved by the commissioner; but a society shall not  
33 reinsure substantially all of its insurance in force without  
34 the written permission of the commissioner. It may take  
35 credit for the reserves on ceded risks to the extent

1 reinsured, but credit shall not be allowed as an admitted  
2 asset or as a deduction from liability, to a ceding society  
3 for reinsurance made, ceded, renewed, or otherwise becoming  
4 effective after the effective date of this Act, unless the  
5 reinsurance is payable by the assuming insurer on the basis of  
6 the liability of the ceding society under the contract or  
7 contracts reinsured without diminution because of the  
8 insolvency of the ceding society.

9 2. Notwithstanding the limitation in subsection 1, a  
10 society may reinsure the risks of another society in a  
11 consolidation or merger approved by the commissioner under  
12 section 512B.15.

13 Sec. 15. NEW SECTION. 512B.15 CONSOLIDATIONS AND  
14 MERGERS.

15 1. A domestic society may consolidate or merge with a  
16 domestic society, foreign society, or society chartered under  
17 the laws of Canada or a Canadian province or territory, by  
18 complying with this section. The society shall file with the  
19 commissioner all of the following:

20 a. A certified copy of the written contract containing in  
21 full the terms and conditions of the consolidation or merger.

22 b. A sworn statement by the president and secretary, or  
23 corresponding officers of each society, showing the financial  
24 condition of the society on a date fixed by the commissioner.

25 c. A certificate of each officer submitting a sworn  
26 statement pursuant to paragraph "b", duly verified, that the  
27 consolidation or merger contract has been approved by a two-  
28 thirds vote of the supreme governing body of each society, the  
29 vote having been conducted at a regular or special meeting of  
30 each such body, or, if the society's laws so permit, by mail.

31 d. Evidence that at least sixty days prior to the action  
32 of the supreme governing body of each society to approve the  
33 consolidation or merger contract, the text of the contract has  
34 been furnished to all members of each society either by mail  
35 or by publication in full in the official publication of each

1 society.

2 2. If the commissioner finds that the contract is in  
3 conformity with this section, that the financial statements  
4 are correct, and that the consolidation or merger is just and  
5 equitable to the members of each society, the commissioner  
6 shall approve the contract and issue a certificate to that  
7 effect. Upon the commissioner's approval, the contract shall  
8 be in full force and effect unless a society which is a party  
9 to the contract is incorporated under the laws of another  
10 state, Canada, or Canadian province or territory. In that  
11 event the consolidation or merger shall not become effective  
12 unless and until it has been approved as provided by the laws  
13 of the other state and a certificate of approval has been  
14 filed with the commissioner of this state or, if the laws of  
15 the other state contain no equivalent provision for issuing a  
16 certificate of consolidation or merger, then the consolidation  
17 or merger shall not become effective unless and until it has  
18 been approved by the commissioner of the other state and a  
19 certificate conforming with the laws of this state has been  
20 filed with the commissioner. If the contract is not approved  
21 it shall be inoperative, and the fact of submission and its  
22 contents shall not be disclosed by the commissioner.

23 3. Upon the consolidation or merger becoming effective,  
24 all the rights, franchises, and interests of the consolidated  
25 or merged societies in and to every kind of property, real,  
26 personal, or mixed, belonging to the societies shall be vested  
27 in the successor society without any other instrument, except  
28 that conveyances of real property may be evidenced by proper  
29 deeds. The title to real property or an interest in real  
30 property, vested under the laws of this state in any of the  
31 societies consolidated or merged, shall not revert or be in  
32 any way impaired by reason of the consolidation or merger, but  
33 shall vest absolutely in the successor society.

34 4. The affidavit of an officer of the society or of a  
35 person authorized by the society to mail a notice or document,

1 stating that the notice or document has been duly addressed  
2 and mailed, is prima facie evidence that the notice or  
3 document has been furnished the addressees.

4 Sec. 16. NEW SECTION. 512B.15A CONVERSION OF FRATERNAL  
5 BENEFIT SOCIETY INTO A MUTUAL LIFE INSURANCE COMPANY.

6 A domestic fraternal benefit society may be converted and  
7 licensed as a mutual life insurance company by compliance with  
8 all the requirements of the general insurance laws for mutual  
9 life insurance companies. A plan of conversion shall be  
10 prepared in writing by the board of directors setting forth in  
11 full the terms and conditions of conversion. The affirmative  
12 vote of two-thirds of all members of the supreme governing  
13 body at a regular or special meeting is necessary for the  
14 approval of the plan of conversion. A conversion shall not  
15 take effect unless and until approved by the commissioner.  
16 The commissioner may give approval for the conversion if the  
17 commissioner finds that the proposed change is in conformity  
18 with the requirements of law and not prejudicial to the  
19 certificate holders of the society.

20 SUBCHAPTER IV

21 CONTRACTUAL BENEFITS

22 Sec. 17. NEW SECTION. 512B.16 BENEFITS.

23 1. A society may provide any or all of the following  
24 contractual benefits in any form:

- 25 a. Death benefits.
- 26 b. Endowment benefits.
- 27 c. Annuity benefits.
- 28 d. Temporary or permanent disability benefits.
- 29 e. Hospital, medical, or nursing benefits.
- 30 f. Monument or tombstone benefits to the memory of  
31 deceased members.

32 g. Other benefits authorized for life insurers and which  
33 are not inconsistent with this chapter.

34 2. A society shall specify in its regulations those  
35 persons who may be issued, or covered by, the contractual

1 benefits in subsection 1, consistent with providing benefits  
2 to members and their dependents. A society may provide  
3 benefits on the lives of children under the minimum age for  
4 adult membership upon application of an adult person.

5 Sec. 18. NEW SECTION. 512B.17 BENEFICIARIES.

6 1. The owner of a benefit contract may change the  
7 beneficiary or beneficiaries in accordance with the laws or  
8 regulations of the society unless the owner waives this right  
9 by specifically requesting in writing that the beneficiary  
10 designation be irrevocable. A society may, through its laws  
11 or regulations, limit the scope of beneficiary designations  
12 and shall provide that a revocable beneficiary shall not have  
13 or obtain a vested interest in the proceeds of a certificate  
14 until the certificate has become due and payable in conformity  
15 with the benefit contract.

16 2. A society may make provision for the payment of funeral  
17 benefits to the extent of the portion of a payment under a  
18 certificate which reasonably appears to be due to a person  
19 equitably entitled to the benefit by reason of having incurred  
20 expense occasioned by the burial of the member. However, the  
21 portion so paid shall not exceed the sum of one thousand  
22 dollars.

23 3. If, at the death of a person insured under a benefit  
24 contract, there is no lawful beneficiary to whom the proceeds  
25 are payable, the amount of the benefit, except to the extent  
26 that funeral benefits may be paid pursuant to subsection 2,  
27 shall be payable to the estate of the deceased insured the  
28 same as other property not exempt. However, if the owner of  
29 the certificate is other than the insured, the proceeds are  
30 payable to the owner.

31 Sec. 19. NEW SECTION. 512B.18 BENEFITS NOT ATTACHABLE.

32 Money or other benefit, charity, relief, or aid to be paid,  
33 provided, or rendered by a society, is not liable to  
34 attachment, garnishment, or other process, or to be seized,  
35 taken, appropriated, or applied by any legal or equitable

1 process or operation of law to pay a debt or liability of a  
2 member or beneficiary, or any other person who may have a  
3 derivative right, either before or after payment by the  
4 society, except as provided in sections 627.11 and 627.12.

5 Sec. 20. NEW SECTION. 512B.19 THE BENEFIT CONTRACT.

6 1. A society authorized to do business in this state shall  
7 issue to each owner of a benefit contract a certificate  
8 specifying the amount of benefits provided pursuant to the  
9 benefit contract. The certificate, together with any riders  
10 or endorsements attached to the certificate, the laws of the  
11 society, the application for membership, the application for  
12 insurance and declaration of insurability, if any, signed by  
13 the applicant, and all amendments, constitute the benefit  
14 contract, as of the date of issuance, between the society and  
15 the owner, and the certificate shall so state. A copy of the  
16 application for insurance and declaration of insurability, if  
17 any, shall be endorsed upon or attached to the certificate.  
18 Statements on the application are representations and not  
19 warranties. A waiver of this provision is void.

20 2. Additions or amendments to the laws of a society duly  
21 made or enacted subsequent to the issuance of the certificate,  
22 bind the owner and the beneficiaries, and govern and control  
23 the benefit contract in all respects the same as though the  
24 additions or amendments had been made before and were in force  
25 at the time of the application for insurance, except that an  
26 addition or amendment shall not destroy or diminish benefits  
27 which the society contracted to give the owner as of the date  
28 of issuance.

29 3. A person upon whose life a benefit contract is issued  
30 before the person attains the age of majority is bound by the  
31 terms of the application and certificate and by all the laws  
32 and regulations of the society to the same extent as though  
33 the person had attained the age of majority at the time of  
34 application.

35 4. A society shall provide in its laws that if its

1 reserves as to all or any class of certificates become  
2 impaired, its supreme governing body or board of directors may  
3 require that there be paid by the owners to the society the  
4 amount of the owners' equitable proportion of the deficiency  
5 as ascertained by its governing body or board, and that if the  
6 payment is not made either of the following will apply:

7 a. The required payment or assessment shall stand as an  
8 indebtedness against the certificate and draw interest not to  
9 exceed the rate specified for certificate loans under the  
10 certificates.

11 b. In lieu of or in combination with paragraph "a", the  
12 owner may accept a proportionate reduction in benefits under  
13 the certificate.

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

16 5. Copies of any of the documents mentioned in this  
17 section, certified by the secretary or corresponding officer  
18 of the society, shall be received in evidence of the terms and  
19 conditions of the documents.

20 6. A certificate shall not be delivered or issued for  
21 delivery in this state unless a copy of the form has been  
22 filed with the commissioner in the manner provided for like  
23 policies issued by life insurers in this state. A life,  
24 accident, health, or disability insurance certificate and an  
25 annuity certificate issued on or after one year from the  
26 effective date of this Act shall meet the standard contract  
27 provision requirements not inconsistent with this chapter for  
28 like policies issued by life insurers in this state, except  
29 that a society may provide for a grace period for payment of  
30 premiums of one full month in its certificates. The  
31 certificate shall also contain a provision stating the amount  
32 of premiums which are payable under the certificate and a  
33 provision reciting or setting forth the substance of any  
34 sections of the society's laws or regulations in force at the  
35 time of issuance of the certificate which, if violated, will

1 result in the termination or reduction of benefits payable  
2 under the certificate. If the laws of the society provide for  
3 expulsion or suspension of a member, the certificate shall  
4 also contain a provision that any member expelled or  
5 suspended, except for nonpayment of a premium or within the  
6 contestable period for material misrepresentation in the  
7 application for membership or insurance, may maintain the  
8 certificate in force by continuing payment of the required  
9 premium.

10 7. A benefit contract issued on the life of a person below  
11 the society's minimum age for adult membership may provide for  
12 transfer of control of ownership to the insured at an age  
13 specified in the certificate. A society may require approval  
14 of an application for membership in order to effect this  
15 transfer, and may provide in all other respects for the  
16 regulation, government, and control of such certificates and  
17 the rights, obligations, and liabilities incident to, or  
18 connected with, the benefit contract. Ownership rights prior  
19 to a transfer shall be specified in the certificate.

20 8. A society may specify the terms and conditions on which  
21 benefit contracts may be assigned.

22 Sec. 21. NEW SECTION. 512B.20 NONFORFEITURE BENEFITS,  
23 CASH SURRENDER VALUES, CERTIFICATE LOANS, AND OTHER OPTIONS.

24 1. For certificates issued before the effective date of  
25 this Act, the value of every paid-up nonforfeiture benefit and  
26 the amount of any cash surrendered value, loan, or other  
27 option granted shall comply with chapter 512, Code 1989.

28 2. For certificates issued on or after the effective date  
29 of this Act for which reserves are computed on the  
30 commissioner's 1980 standard mortality table, or any more  
31 recent table made applicable to life insurers, every paid-up  
32 nonforfeiture benefit and the amount of any cash surrender  
33 value, loan, or other option granted shall not be less than  
34 the corresponding amount ascertained in accordance with the  
35 laws of this state applicable to life insurers issuing

1 policies containing like benefits based upon the same tables.

2

SUBCHAPTER V

3

FINANCIAL REQUIREMENTS

4

Sec. 22. NEW SECTION. 512B.21 INVESTMENTS.

5

A society shall invest its funds only as authorized by the  
6 laws of this state for the investment of assets of life  
7 insurers and subject to the same limitations. A foreign or  
8 alien society permitted or seeking to do business in this  
9 state which invests its funds in accordance with the laws of  
10 the state or nation in which it is incorporated, shall be held  
11 to meet the requirements of this section for the investment of  
12 funds. A society organized under the laws of this state shall  
13 deposit securities as required of life insurance companies  
14 pursuant to section 511.8, subsection 16.

15

Sec. 23. NEW SECTION. 512B.22 FUNDS.

16

1. All assets shall be held, invested, and disbursed for  
17 the use and benefit of the society and a member or beneficiary  
18 shall not have or acquire individual rights in the society's  
19 assets or become entitled to an apportionment on the surrender  
20 of any part of the society's assets, except as provided in the  
21 benefit contract.

22

2. A society may create, maintain, invest, disburse, and  
23 apply any special fund or funds necessary to carry out any  
24 purpose permitted by the laws of the society.

25

3. A society may, pursuant to resolution of its supreme  
26 governing body, establish and operate one or more separate  
27 accounts and issue contracts on a variable basis, subject to  
28 the law regulating life insurers establishing equivalent  
29 accounts and issuing equivalent contracts. To the extent the  
30 society deems it necessary in order to comply with any  
31 applicable federal or state laws, regulations, or rules, the  
32 society may adopt special procedures for the conduct of the  
33 business and affairs of a separate account; may, for persons  
34 having beneficial interests in the account, provide special  
35 voting and other rights, including without limitation, special

1 rights and procedures relating to investment policy,  
2 investment advisory services, selection of certified public  
3 accountants, and selection of a committee to manage the  
4 business and affairs of the account; and may issue contracts  
5 on a variable basis to which section 512B.19, subsections 2  
6 and 4 shall not apply.

7 SUBCHAPTER VI  
8 REGULATION

9 Sec. 24. NEW SECTION. 512B.23 VALUATION.

10 1. Standards of valuation for certificates issued before  
11 the effective date of this Act are those provided by chapter  
12 512, Code 1989.

13 2. The minimum standards of valuation for certificates  
14 issued on or after the effective date of this Act shall be  
15 based on the following tables:

16 a. For certificates of life insurance, the commissioner's  
17 1980 standard ordinary mortality table or any more recent  
18 table made applicable to life insurers.

19 b. For annuity and pure endowment certificates, for total  
20 and permanent disability benefits, for accidental death  
21 benefits and for noncancellable accident and health benefits,  
22 the tables authorized for use by life insurers in this state.

23 Paragraphs "a" and "b" are under valuation methods and  
24 standards, including interest assumptions, in accordance with  
25 the laws of this state applicable to life insurers issuing  
26 policies containing like benefits.

27 3. The commissioner may, in the commissioner's discretion,  
28 accept another standard for valuation if the commissioner  
29 finds that the reserves produced by the other standard will  
30 not be less in the aggregate than reserves computed in  
31 accordance with the minimum valuation standards prescribed by  
32 subsection 2. The commissioner may, in the commissioner's  
33 discretion, vary the standards of mortality applicable to all  
34 benefit contracts on substandard lives or other extra  
35 hazardous lives by any society authorized to do business in

1 this state.

2 4. A society, with the consent of the commissioner of  
3 insurance of the state of domicile of the society and under  
4 conditions which the commissioner may impose, may establish  
5 and maintain reserves on its certificates in excess of the  
6 reserves otherwise required, but the contractual rights of a  
7 benefit member shall not be affected by the excess reserves.

8 Sec. 25. NEW SECTION. 512B.24 REPORTS.

9 Reports shall be filed in accordance with this section.

10 1. A society transacting business in this state, on or  
11 before March 1 annually, unless for cause shown the time has  
12 been extended by the commissioner, shall file with the  
13 commissioner a true statement of its financial condition,  
14 transactions, and affairs for the preceding calendar year and  
15 shall pay a fee of twenty-five dollars. The statement shall  
16 be in general form and content as approved by the national  
17 association of insurance commissioners for fraternal benefit  
18 societies and shall be supplemented by additional information  
19 as adopted by rule of the commissioner.

20 2. As part of the annual statement, a society shall, on or  
21 before March 1, file with the commissioner of insurance a  
22 valuation of its certificates in force on the last preceding  
23 December 31. However, the commissioner may, for cause shown,  
24 extend the time for filing the valuation for not more than two  
25 calendar months. The valuation shall be done in accordance  
26 with the standards specified in section 512B.23. The  
27 valuation and underlying data shall be certified by a  
28 qualified actuary or, at the expense of the society, verified  
29 by the actuary of the department of insurance of the state of  
30 domicile of the society.

31 3. A society failing to file the annual statement in the  
32 form and within the time provided by this section shall  
33 forfeit one hundred dollars for each day during which the  
34 default continues, and, upon notice by the commissioner to  
35 that effect, the society's authority to do business in this

1 state shall cease while the default continues.

2 Sec. 26. NEW SECTION. 512B.25 ANNUAL LICENSE.

3 A society which is authorized to transact business in this  
4 state on the effective date of this Act, and a society  
5 licensed on or after the effective date of this Act, may  
6 continue in business until April 30, 1991. The authority of  
7 the society may thereafter be renewed annually. A license  
8 terminates on the succeeding April 30. However, a license  
9 issued shall continue in full force and effect until a new  
10 license is issued or specifically refused. For each license  
11 or renewal the society shall pay the commissioner a fee of  
12 twenty-five dollars. A duly certified copy or duplicate of  
13 the license is prima facie evidence that the licensee is a  
14 fraternal benefit society within the meaning of this chapter.

15 Sec. 27. NEW SECTION. 512B.26 EXAMINATION OF SOCIETIES -  
16 -NO ADVERSE PUBLICATIONS.

17 1. The commissioner, or the commissioner's designee, may  
18 examine a domestic, foreign, or alien society transacting or  
19 applying for admission to transact business in this state in  
20 the same manner as authorized for examination of a domestic,  
21 foreign, or alien insurer. Requirements of notice and an  
22 opportunity to respond before findings are made public as  
23 provided in the laws regulating insurers are also applicable  
24 to the examination of a society.

25 2. The expense of each examination and of each valuation,  
26 including compensation and actual expense of examiners, shall  
27 be paid by the society examined or whose certificates are  
28 valued, upon statements furnished by the commissioner.

29 Sec. 28. NEW SECTION. 512B.27 FOREIGN OR ALIEN SOCIETY -  
30 -ADMISSION.

31 A foreign or alien society shall not transact business in  
32 this state without a license issued by the commissioner. A  
33 society desiring admission to this state shall substantially  
34 comply with the requirements and limitations of this chapter  
35 applicable to domestic societies. A society may be licensed

1 to transact business in this state upon filing with the  
2 commissioner all of the following:

3 1. A duly certified copy of its articles of incorporation.

4 2. A copy of its bylaws, certified by its secretary or a  
5 corresponding officer.

6 3. A power of attorney to the commissioner of insurance as  
7 prescribed in section 512B.33.

8 4. A statement of its business under oath of its president  
9 and secretary or corresponding officers in a form prescribed  
10 by the commissioner, duly verified by an examination made by  
11 the supervising insurance official of its state of domicile,  
12 satisfactory to the commissioner.

13 5. Certification from the proper official of its state of  
14 domicile that the society is legally incorporated and licensed  
15 to transact business in that state.

16 6. Copies of its certificate forms.

17 7. Other information the commissioner requires.

18 8. A showing that its assets are invested in accordance  
19 with this chapter.

20 Sec. 29. NEW SECTION. 512B.28 INJUNCTION -- LIQUIDATION  
21 -- RECEIVERSHIP OF DOMESTIC SOCIETY.

22 1. When the commissioner upon investigation finds that a  
23 domestic society has exceeded its powers; failed to comply  
24 with a provision of this chapter; failed to fulfill a contract  
25 in good faith; failed to maintain a membership of not less  
26 than four hundred after an existence of one year or more; or  
27 conducted business fraudulently or in a manner hazardous to  
28 its members, creditors, the public, or the business, the  
29 commissioner shall notify the society of the deficiency or  
30 deficiencies and state in writing the reasons for the  
31 commissioner's dissatisfaction. The commissioner shall at  
32 once issue a written notice to the society requiring that the  
33 deficiency or deficiencies which exist be corrected. After  
34 the notice of deficiency the society has a thirty-day period  
35 in which to comply with the commissioner's request for

1 correction, and if the society fails to comply the  
2 commissioner shall notify the society of a finding of  
3 noncompliance and require the society to show cause on or  
4 before a date named why it should not be enjoined from  
5 carrying on any business until the violation complained of has  
6 been corrected, or why an action seeking other legal or  
7 equitable relief should not be commenced against the society.

8 2. If by the date named to show cause the society does not  
9 present good and sufficient reasons why it should not be so  
10 enjoined or why an action should not be commenced, the  
11 commissioner may present the facts relating to the society to  
12 the attorney general who shall commence an action to enjoin  
13 the society from transacting business or other action  
14 requested by the commissioner.

15 3. The court in which an action is commenced pursuant to  
16 subsection 2 shall notify the officers of the society of a  
17 hearing. If after a full hearing it appears that the society  
18 should be enjoined or liquidated or a receiver appointed, or  
19 other legal or equitable relief awarded, the court shall enter  
20 the necessary order. A society so enjoined does not have the  
21 authority to do business unless and until all of the following  
22 conditions are satisfied:

23 a. The commissioner finds that the violation complained of  
24 has been corrected.

25 b. The costs of the action, including reasonable attorney  
26 fees for the state's attorneys and expenses related to the  
27 case in which the injunction was entered, have been paid by  
28 the society if the court finds that the society was in default  
29 as alleged.

30 c. The court has dissolved its injunction.

31 d. The commissioner has reinstated the certificate of  
32 authority of the society.

33 4. If the court orders the society liquidated, it shall be  
34 enjoined from carrying on any further business, and the  
35 receiver of the society shall proceed at once to take

1 possession of the books, papers, money, and other assets of  
2 the society and, under the direction of the court, proceed to  
3 close the affairs of the society and to distribute its funds  
4 to those entitled to them.

5 5. If a receiver is to be appointed for a domestic  
6 society, the court shall appoint the commissioner of insurance  
7 as the receiver.

8 6. The provisions of this section relating to hearing by  
9 the commissioner, action by the attorney general at the  
10 request of the commissioner, hearing by the court, injunction,  
11 and receivership are applicable to a society which voluntarily  
12 determines to discontinue business.

13 Sec. 30. NEW SECTION. 512B.29 SUSPENSION, REVOCATION, OR  
14 REFUSAL OF LICENSE OF FOREIGN OR ALIEN SOCIETY.

15 1. When the commissioner upon investigation finds that a  
16 foreign or alien society transacting or applying to transact  
17 business in this state has exceeded its powers; failed to  
18 comply with a provision of this chapter; failed to fulfill a  
19 contract in good faith; or conducted its business fraudulently  
20 or in a manner hazardous to its members or creditors or the  
21 public, the commissioner shall notify the society of the  
22 deficiency or deficiencies and state in writing the alleged  
23 facts or circumstances constituting a deficiency. The  
24 commissioner shall at once issue a written notice to the  
25 society requiring that the deficiency or deficiencies which  
26 exist be corrected on or before thirty days from entry of the  
27 notice of deficiency. After notice the society has a thirty-  
28 day period in which to comply with the commissioner's request  
29 for correction, and if the society fails to comply the  
30 commissioner shall notify the society of a finding of  
31 noncompliance and require the society to show cause on or  
32 before a date named why its license should not be suspended,  
33 revoked, or refused. If, on or before the date named, the  
34 society does not present good and sufficient reason why its  
35 license to do business in this state should not be suspended,

1 revoked, or refused, the commissioner may suspend or refuse  
2 the license of the society to do business in this state until  
3 evidence satisfactory to the commissioner is furnished to the  
4 commissioner that the suspension or refusal should be  
5 withdrawn or the commissioner may revoke the license of the  
6 society to do business in this state.

7 2. A society whose license to do business in this state is  
8 suspended, revoked, or refused pursuant to subsection 1 shall  
9 continue in good faith all contracts made in this state during  
10 the time the society was legally authorized to transact  
11 business in this state. Lack of authority to transact  
12 business within the state is not a defense to an action by a  
13 person against the society to enforce a contract entered into  
14 by the society without compliance with this chapter, or prior  
15 applicable law.

16 Sec. 31. NEW SECTION. 512B.30 STANDING.

17 A petition or complaint for injunction against a domestic,  
18 foreign, or alien society, or lodge shall not be recognized in  
19 a court of this state unless made by the attorney general upon  
20 request of the commissioner.

21 Sec. 32. NEW SECTION. 512B.31 LICENSING OF AGENTS.

22 1. Agents of societies shall be licensed in accordance  
23 with chapter 522 regulating the licensing, revocation,  
24 suspension, or termination of license of resident and  
25 nonresident agents, but persons who were agents of a society  
26 on or before July 1, 1970, are not required to take an  
27 examination.

28 2. An examination or license shall not be required of a  
29 regular salaried officer, employee, or member of a licensed  
30 society who devotes substantially all of the person's services  
31 to activities other than the solicitation of fraternal  
32 insurance contracts from the public, and who does not receive  
33 for the solicitation of such contracts a commission or other  
34 compensation directly dependent upon the amount of business  
35 obtained.



1 mailing the copy of the service to a society. Legal process  
2 shall not be served upon a society except in the manner  
3 provided in this section.

4 Sec. 35. NEW SECTION. 512B.34 REVIEW.

5 All decisions and findings of the commissioner made under  
6 this chapter are subject to review pursuant to chapter 17A.

7 Sec. 36. NEW SECTION. 512B.35 PENALTIES.

8 1. A person who knowingly makes a false or fraudulent  
9 statement or representation in or relating to an application  
10 for membership or for the purpose of obtaining money from or a  
11 benefit in a society, is guilty of a fraudulent practice.

12 2. A person who willfully makes a false or fraudulent  
13 statement in a verified report or declaration under oath  
14 required or authorized by this chapter, or of a material fact  
15 or thing contained in a sworn statement concerning the death  
16 or disability of an insured for the purpose of procuring  
17 payment of a benefit named in the certificate, is guilty of  
18 perjury.

19 3. A person who solicits membership for, or in any manner  
20 assists in procuring membership in, a society not licensed to  
21 do business in this state, is guilty of a serious misdemeanor.

22 4. A person guilty of a willful violation of, or neglect  
23 or refusal to comply with, a provision of this chapter for  
24 which a penalty is not otherwise prescribed, is guilty of a  
25 simple misdemeanor.

26 Sec. 37. NEW SECTION. 512B.36 EXEMPTION OF CERTAIN  
27 SOCIETIES.

28 1. This chapter does not affect or apply to any of the  
29 following:

30 a. Grand or subordinate lodges of societies, orders, or  
31 associations now doing business in this state which provide  
32 benefits exclusively through local or subordinate lodges.

33 b. Orders, societies, or associations which admit to  
34 membership only persons engaged in one or more crafts or  
35 hazardous occupations, in the same or similar lines of

1 business, insuring only their own members and their families,  
2 and the spouses' societies or spouses' auxiliaries to such  
3 orders, societies, or associations.

4 c. 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 four hundred dollars or disability  
8 benefits of not more than three hundred fifty dollars to any  
9 person in any one year, or both.

10 d. Domestic societies or associations of a purely  
11 religious, charitable, or benevolent description, which  
12 provide for a death benefit of not more than four hundred  
13 dollars or for disability benefits of not more than three  
14 hundred fifty dollars to any one person in any one year, or  
15 both.

16 2. A society or association described in subsection 1,  
17 paragraph "a" or "d", which provides for death or disability  
18 benefits for which benefit certificates are issued, and any  
19 such society or association included in paragraph "d" which  
20 has more than one thousand members, is not exempt from this  
21 chapter but shall comply with all requirements of this  
22 chapter.

23 3. A society which is exempt from the requirements of this  
24 chapter, except a society described in subsection 1, paragraph  
25 "b", shall not give or allow, or promise to give or allow to  
26 any person any compensation for procuring new members.

27 4. A society which provides for benefits in case of death  
28 or disability resulting solely from accident, and which does  
29 not obligate itself to pay natural death or sick benefits, has  
30 all of the privileges and is subject to all the applicable  
31 provisions of this chapter and rules adopted by the commission  
32 pursuant to this chapter except that the provisions relating  
33 to medical examination, valuations of benefit certificates,  
34 and incontestability, do not apply to such a society.

35 5. The commissioner may require from a society, by

1 examination or otherwise, information that will enable the  
2 commissioner to determine whether the society is exempt from  
3 this chapter.

4 6. A society exempt under this section, is also exempt  
5 from all other provisions of the general insurance laws of  
6 this state.

7 Sec. 38. Chapter 512, Code 1989, is repealed.

8 Sec. 39.

9 This Act is effective January 1, 1991.

10 Sec. 40.

11 The Code editor shall make conforming amendments to the  
12 Code as required to correct internal references to chapter 512  
13 and designate instead new chapter 512B.

SENATE FILE 2100

H-5590

1 Amend Senate File 2100, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 31, by inserting after line 6, the  
4 following:

"SUBCHAPTER VIII

COMMUNITY REINVESTMENT

5  
6  
7 Sec. \_\_\_\_ . NEW SECTION. 512B.37 COMMUNITY  
8 REINVESTMENT.

9 1. A society shall contribute to the welfare of  
10 each community in which it has subordinate lodges or  
11 assemblies as a condition of its exemption from the  
12 two percent premium tax provided for under chapter  
13 432.

14 2. As a continuing condition of admission or  
15 authorization to do business in this state a domestic,  
16 foreign, or alien society subject to this chapter  
17 shall annually file a community reinvestment statement  
18 in a form and containing such substance as the  
19 commissioner requires, demonstrating to the  
20 satisfaction of the commissioner that the society has,  
21 at minimum, reinvested at least two percent of gross  
22 premiums and dues collected from members, subordinate  
23 lodges, or subordinate assemblies within this state.

24 3. The commissioner may adopt rules under chapter  
25 17A as are necessary and convenient to administer and  
26 enforce this subchapter."

27 2. By renumbering as necessary.

By COMMITTEE ON SMALL BUSINESS  
AND COMMERCE  
DODERER of Johnson, Chairperson

H-5590 FILED MARCH 12, 1990

*Law 3/23 (p 1350)*

SENATE FILE 2100

AN ACT  
RELATING TO FRATERNAL BENEFIT SOCIETIES, IMPOSING PENALTIES,  
AND PROVIDING AN EFFECTIVE DATE.

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

SUBCHAPTER I  
STRUCTURE AND PURPOSE

Section 1. NEW SECTION. 512B.1 SCOPE OF CHAPTER.

Except as otherwise provided in this chapter, societies are governed by this chapter and are exempt from all other insurance laws of this state unless expressly included in this chapter, or unless specifically made applicable by this chapter.

Sec. 2. NEW SECTION. 512B.2 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Alien society" means an association organized under the laws of another country.
2. "Benefit contract" means the agreement for provision of benefits authorized by section 512B.16, as that agreement is described in section 512B.19, subsection 1.
3. "Benefit member" means an adult member who is designated by the laws or rules of the society to be a benefit member under a benefit contract.
4. "Certificate" means the document issued as written evidence of the benefit contract.

5. "Commissioner" means the commissioner of insurance or the commissioner's designee.

6. "Domestic society" means an association organized under the laws of this state.

7. "Foreign society" means an association organized under the laws of another state or territory of the United States.

8. "Laws" means the society's articles of incorporation, constitution, and bylaws, however designated.

9. "Lodge" means a subordinate member unit of the society, whether known as a camp, court, council, branch, or by any other designation.

10. "Premium" means a premium, rate, dues, or other required contribution by whatever name known, which is payable under the certificate.

11. "Regulations" means all regulations, or resolutions adopted by the supreme governing body or board of directors which are intended to have general application to the members of the society.

12. "Society" means a fraternal benefit society, unless otherwise indicated.

Sec. 3. NEW SECTION. 512B.3 FRATERNAL BENEFIT SOCIETIES -- DEFINED.

An incorporated society, order, or supreme lodge, without capital stock, including one exempted under section 512B.36, subsection 1, paragraph b, 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 a ritualistic form of work, having a representative form of government, and which provides benefits in accordance with this chapter, is a fraternal benefit society.

Sec. 4. NEW SECTION. 512B.4 LODGE SYSTEM.

1. A society is operating on the lodge system if it has a supreme governing body and subordinate lodges into which members are elected, initiated, or admitted in accordance with its laws, regulations, and ritual. Subordinate lodges shall be required by the laws of the society to hold regular meetings at least once in each month in furtherance of the purposes of the society.

2. A society may organize and operate lodges for children under the minimum age for adult membership. Membership and initiation in local lodges shall not be required of children, nor shall children have a voice or vote in the management of the society.

Sec. 5. NEW SECTION. 512B.5 REPRESENTATIVE FORM OF GOVERNMENT.

A society has a representative form of government if all of the following apply:

1. It has a supreme governing body constituted in one of the following ways:

a. Assembly. 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 prescribed in the society's laws. A society may provide for election of delegates by mail. The elected delegates must constitute a majority of the delegates in number and have not less than two-thirds of the votes and not less than the number of votes required to amend the society's laws. The assembly must be elected and meet at least once every four years and must elect a board of directors to conduct the business of the society between meetings of the assembly. Vacancies on the board of directors between elections may be filled in the manner prescribed by the society's laws. The board of directors may appoint the officers of the society if authorized to do so by the articles or bylaws of the society. A board of directors elected by an assembly shall have such powers authorized the board by the articles or bylaws of the society, and may or may not be a supreme governing body as described in paragraph "b", depending upon the powers authorized by the articles or bylaws.

b. Direct election. The supreme governing body is a board of directors composed of persons elected by the members, either directly or by their representatives in intermediate assemblies, and any other persons prescribed in the society's laws. A society may provide for election of the board by

mail. Each term of a board member must not exceed four years. Vacancies on the board between elections may be filled in the manner prescribed by the society's laws. The elected board members must constitute a majority of the board members in number and have not less than the number of votes required to amend the society's laws. A person filling the unexpired term of an elected board member shall be considered to be an elected member. The board must meet at least quarterly to conduct the business of the society.

2. The officers of the society are elected by the supreme governing body or board of directors.

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

4. Each voting member has one vote.

5. A voting member is not entitled to cast a vote by proxy.

Sec. 6. NEW SECTION. 512B.6 PURPOSES AND POWERS.

1. A society shall operate for the benefit of members and their beneficiaries by fulfilling both of the following purposes:

a. Providing benefits as specified in section 512B.16.

b. Operating for one or more social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic, or religious purposes for the benefit of its members, which may also be extended to others.

The purposes listed in this subsection may be carried out directly by the society, or indirectly through subsidiary corporations or affiliated organizations.

2. A society may adopt laws and regulations for the government of the society, the admission of its members, and the management of its affairs. A society may amend its laws and regulations, and has other powers as necessary and incidental to carrying into effect the objects and purposes of the society.

SUBCHAPTER II  
MEMBERSHIP

Sec. 7. NEW SECTION. 512B.7 QUALIFICATIONS FOR MEMBERSHIP.

1. In its laws or regulations, a society shall at minimum specify all of the following:

a. Eligibility standards for each membership class. If benefits are provided on the lives of children, the minimum age for adult membership shall be set at not less than age fifteen and not greater than age twenty-one.

b. The process for admission to membership for each membership class.

c. The rights and privileges of each membership class. Only benefit members shall have the right to vote on the management of the insurance affairs of the society.

2. A society may also admit social members. A social member shall have no voice or vote in the management of the insurance affairs of the society.

3. Membership rights in a society are personal to the member and are not assignable.

Sec. 8. NEW SECTION. 512B.8 LOCATION OF OFFICE, MEETINGS, COMMUNICATIONS TO MEMBERS, GRIEVANCE PROCEDURES.

1. The principal office of a domestic society shall be located in this state. The meetings of its supreme governing body may be held anywhere the society has at least one subordinate lodge, or in another location as determined by the supreme governing body, and all business transacted at a meeting held out of state shall be as valid in all respects as if the meeting were held in this state. The minutes of the proceedings of the supreme governing body and of the board of directors shall be in the English language.

2. a. 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, may be published. Such required reports, notices, and statements shall be printed conspicuously in the publication. If the records of a society show that two or more members have the same mailing address, an official publication mailed to one member is deemed to be mailed to all members at the same address unless a member requests a separate copy.

b. Not later than June 1 of each year, a synopsis of the society's annual statement providing an explanation of the facts concerning the condition of the society disclosed in the annual statement shall be printed and mailed to each benefit member of the society or, in lieu of mailing, the synopsis may be published in the society's official publication.

3. A society may provide in its laws or regulations for grievance or complaint procedures for members.

Sec. 9. NEW SECTION. 512B.9 PERSONAL LIABILITY.

1. The officers and members of the supreme governing body or any subordinate body of a society are not personally liable for any benefits provided by a society.

2. A person may be indemnified and reimbursed by a society for expenses reasonably incurred by, and liabilities imposed upon, the person in connection with or arising out of a proceeding, whether civil, criminal, administrative, or investigative, or a threat of action in which the person is or may be involved by reason of the person being a director, officer, employee, or agent of the society or of any other legal entity or position which the person served in any capacity at the request of the society. However, a person shall not be so indemnified or reimbursed for either of the following:

a. In relation to any matter to which the person is finally adjudged to be or have been guilty of breach of a duty as a director, officer, employee, or agent of the society.

b. In relation to any matter which has been made the subject of a compromise settlement. However, if the person acted in good faith for a purpose the person reasonably believed to be in or not opposed to the best interests of the society and, in addition, in a criminal proceeding, had no reasonable cause to believe that the conduct was unlawful, paragraphs "a" and "b" do not apply.

The determination whether the conduct of the person met the standard required in order to justify indemnification and reimbursement in relation to any matter described in paragraph "a" or "b" may only be made by the supreme governing body by a

majority vote of a quorum consisting of persons who were not parties to the proceeding or by a court of competent jurisdiction. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of no contest, as to a person, does not in itself create a conclusive presumption that the person met or did not meet the standard of conduct required in order to justify indemnification and reimbursement. The right of indemnification and reimbursement is not exclusive of other rights to which a person may be entitled as a matter of law and shall inure to the benefit of the person's heirs, executors, and administrators.

3. A society may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the society, or who is or was serving at the request of the society as a director, officer, employee, or agent of any other legal entity affiliated with the society against any liability asserted against the person and incurred by the person in any such capacity or arising out of the person's status in relation to the society, whether or not the society would have the power to indemnify the person against such liability under this section.

4. A volunteer serving without compensation, a director, officer, employee, or member of a society, is not liable, and no cause of action may be brought, for damages resulting from the exercise of judgment or discretion in connection with the duties or responsibilities of that person for the society unless the act or omission alleged to be an exercise of judgment or discretion involved willful or wanton misconduct.

Sec. 10. NEW SECTION. 512B.10 WAIVER.

The laws of the society may provide that a subordinate body, or any of its subordinate officers or members, do not have the power or authority to waive any of the provisions of the laws of the society. A waiver prohibition provision is binding on the society and every member and beneficiary of a member.

SUBCHAPTER III  
GOVERNANCE.

Sec. 11. NEW SECTION. 512B.11 ORGANIZATION.

A domestic society organized on or after the effective date of this Act shall be formed as follows:

1. Seven or more citizens of the United States, a majority of whom are citizens of this state, who desire to form a fraternal benefit society, may sign and file with the secretary of state and commissioner of insurance an original or copy of a document containing, at minimum, the following:

a. The proposed corporate name of the society, which shall not so closely resemble the name of any other society or insurance company as to be misleading or confusing.

b. The purposes for which the society is being formed and the mode in which its corporate powers are to be exercised. The purposes shall not include more liberal powers than are granted by this chapter.

c. The names and residences of the incorporators.

d. The names, residences, and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control of the management of the affairs and funds of the society for the first year or until the ensuing election at which officers shall be elected by the supreme governing body, or board of directors, which election shall be held not later than one year from the date of issuance of the permanent certificate of authority.

2. The articles of incorporation, duly certified copies of the society's regulations and laws, copies of all proposed forms of certificates, applications, and circulars to be issued by the society, and a bond conditioned upon the return to applicants of the advance premiums if the organization is not completed within one year shall be filed with the commissioner of insurance, who may require further information as the commissioner deems necessary. The bond with sureties approved by the commissioner shall be in an amount, not less than three hundred thousand dollars nor more than one million five hundred thousand dollars, as required by the commissioner. All documents filed are to be in the English language. If the purposes of the society conform to the requirements of this chapter and all provisions of the law

have been complied with, the commissioner shall so certify, retain and file the articles of incorporation, and furnish the incorporators a preliminary certificate of authority authorizing the society to solicit members as provided in this chapter.

3. A preliminary certificate of authority granted under this section is not valid after one year from its date or after a further period, not exceeding one year, as may be authorized by the commissioner upon cause shown, unless the five hundred applicants required in this section have been secured and the organization has been completed as provided in this chapter. The articles of incorporation and all other proceedings become void in one year from the date of the preliminary certificate of authority, or at the expiration of the extended period, unless the society has completed its organization and received a certificate of authority to do business as provided in this chapter.

4. Upon receipt of a preliminary certificate of authority from the commissioner, the society may solicit members for the purpose of completing its organization, shall collect from each applicant the amount of not less than one regular monthly premium in accordance with its table of rates, and shall issue to each applicant a receipt for the amount so collected. A society shall not incur a liability other than for the return of advance premiums, shall not issue a certificate, nor pay, allow, offer, or promise to pay or allow, a benefit to any person until all of the following conditions are satisfied:

a. Actual bona fide applications for benefits have been secured on not less than five hundred applicants, and any necessary evidence of insurability has been furnished to and approved by the society.

b. At least ten subordinate lodges have been established into which the five hundred applicants have been admitted.

c. A list of the applicants has been submitted to the commissioner, under oath of the president or secretary, or corresponding officer of the society, giving the applicants' names and addresses, the date each applicant was admitted, the

name and number of the subordinate lodge of which each applicant is a member, the amount of benefits to be granted, and the premiums for the benefits.

d. It has been shown to the commissioner, by sworn statement of the treasurer, or corresponding officer of the society, that at least one thousand applicants have each paid in cash at least one regular monthly premium, which premiums in the aggregate shall amount to at least three hundred thousand dollars. Advance premiums shall be held in trust during the period of organization and if the society has not qualified for a certificate of authority within the time permitted by this section, each premium shall be returned to the respective applicant.

5. The commissioner may make an examination and require further information as the commissioner deems advisable. Upon presentation of satisfactory evidence that the society has complied with all applicable provisions of law, the commissioner shall issue to the society a certificate of authority and the society is then authorized to transact business pursuant to this chapter. A certificate of authority is prima facie evidence of the existence of the society at the date of the certificate. The commissioner shall cause a record of each certificate of authority to be made. A certified copy of the record shall be accepted in evidence with like effect as the original certificate of authority.

6. An incorporated society authorized to transact business in this state on the effective date of this Act is not required to reincorporate. A certified copy of the current articles of incorporation of an existing society shall be filed with the commissioner and the commissioner may request additional records as the commissioner deems necessary before issuing a certificate of authority to an existing society.

Sec. 12. NEW SECTION. 512B.12 AMENDMENTS TO LAWS.

1. A domestic society may amend its laws in accordance with the provisions of its laws by action of its supreme governing body at any regular or special meeting or, if its laws so provide, by referendum. A referendum may be held in

accordance with the provisions of the society's laws by the vote of the voting members of the society, by the vote of delegates or representatives of voting members, or by the vote of local lodges. A society may provide for voting by mail. An amendment submitted for adoption by referendum shall not be adopted unless, within six months from the date of submission of the referendum, a majority of the members voting have signified their consent to the amendment by one of the methods specified in this subsection.

2. An amendment to the laws of a domestic society shall not take effect unless approved by the commissioner. The commissioner shall approve an amendment if the commissioner finds that it has been duly adopted and is not inconsistent with the laws of this state or with the character, objects, and purposes of the society. An amendment shall be considered approved, unless the commissioner disapproves the amendment in writing, within thirty days after the filing of the amendment. The disapproval of the commissioner shall be in writing and mailed to the secretary or corresponding officer of the society at its principal office. If the commissioner disapproves an amendment, the reasons for disapproval shall be stated in the written notice.

3. Within ninety days from the approval of an amendment by the commissioner, the amendment, or a synopsis of it, shall be furnished to all members of the society either by mail or by publication in full in the official publication of the society. The affidavit of an officer of the society or of anyone authorized by the society to mail an amendment or synopsis of an amendment, stating facts which demonstrate compliance with this subsection, is prima facie evidence that the amendment or synopsis has been furnished to the addressees.

4. A foreign or alien society authorized to do business in this state shall file with the commissioner a duly certified copy of all amendments of its laws within ninety days after their enactment.

5. Printed copies of the laws as amended, certified by the secretary, or corresponding officer of the society, are prima facie evidence of the legal adoption of the laws and amendments.

Sec. 13. NEW SECTION. 512B.13 INSTITUTIONS.

A society may create, maintain, and operate, or may establish organizations to operate, not-for-profit institutions to further the purposes permitted by section 512B.5, subsection 1, paragraph "b". The institutions may furnish services free or at a reasonable charge. Any real or personal property owned, held, or leased by the society for this purpose shall be reported in every annual statement. A not-for-profit institution so established is a charitable institution with all the rights, benefits, and privileges given to charitable institutions under the constitution and laws of this state. The commissioner may adopt appropriate rules and reporting requirements.

Sec. 14. NEW SECTION. 512B.14 REINSURANCE.

1. A domestic society may, by a reinsurance agreement, cede any individual risk or risks in whole or in part to an insurer, other than another fraternal benefit society, having the power to make such reinsurance agreements and authorized to do business in this state, or if not so authorized, one which is approved by the commissioner; but a society shall not reinsure substantially all of its insurance in force without the written permission of the commissioner. It may take credit for the reserves on ceded risks to the extent reinsured, but credit shall not be allowed as an admitted asset or as a deduction from liability, to a ceding society for reinsurance made, ceded, renewed, or otherwise becoming effective after the effective date of this Act, unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding society under the contract or contracts reinsured without diminution because of the insolvency of the ceding society.

2. Notwithstanding the limitation in subsection 1, a society may reinsure the risks of another society in a

consolidation or merger approved by the commissioner under section 512B.15.

Sec. 15. NEW SECTION. 512B.15 CONSOLIDATIONS AND MERGERS.

1. A domestic society may consolidate or merge with a domestic society, foreign society, or society chartered under the laws of Canada or a Canadian province or territory, by complying with this section. The society shall file with the commissioner all of the following:

- a. A certified copy of the written contract containing in full the terms and conditions of the consolidation or merger.
- b. 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.
- c. A certificate of each officer submitting a sworn statement pursuant to paragraph "b", duly verified, that the consolidation or merger contract has been approved by a two-thirds vote of the supreme governing body of each society, the vote having been conducted at a regular or special meeting of each such body, or, if the society's laws so permit, by mail.
- d. Evidence that at least sixty days prior to the action of the supreme governing body of each society to approve the consolidation or merger contract, the text of the contract has been furnished to all members of each society either by mail or by publication in full in the official publication of each society.

2. If the commissioner finds that the contract is in conformity with this section, that the financial statements are correct, and that the consolidation or merger is just and equitable to the members of each society, the commissioner shall approve the contract and issue a certificate to that effect. Upon the commissioner's approval, the contract shall be in full force and effect unless a society which is a party to the contract is incorporated under the laws of another state, Canada, or Canadian province or territory. In that event the consolidation or merger shall not become effective unless and until it has been approved as provided by the laws

of the other state and a certificate of approval has been filed with the commissioner of this state or, if the laws of the other state contain no equivalent provision for issuing a certificate of consolidation or merger, then the consolidation or merger shall not become effective unless and until it has been approved by the commissioner of the other state and a certificate conforming with the laws of this state has been filed with the commissioner. If the contract is not approved it shall be inoperative, and the fact of submission and its contents shall not be disclosed by the commissioner.

3. Upon the consolidation or merger becoming effective, all the rights, franchises, and interests of the consolidated or merged societies in and to every kind of property, real, personal, or mixed, belonging to the societies shall be vested in the successor society without any other instrument, except that conveyances of real property may be evidenced by proper deeds. The title to real property or an interest in real property, vested under the laws of this state in any of the societies consolidated or merged, shall not revert or be in any way impaired by reason of the consolidation or merger, but shall vest absolutely in the successor society.

4. The affidavit of an officer of the society or of a person authorized by the society to mail a notice or document, stating that the notice or document has been duly addressed and mailed, is prima facie evidence that the notice or document has been furnished the addressees.

Sec. 16. NEW SECTION. 512B.15A CONVERSION OF FRATERNAL BENEFIT SOCIETY INTO A MUTUAL LIFE INSURANCE COMPANY.

A domestic fraternal benefit society may be converted and licensed as a mutual life insurance company by compliance with all the requirements of the general insurance laws for mutual life insurance companies. A plan of conversion shall be prepared in writing by the board of directors setting forth in full the terms and conditions of conversion. The affirmative vote of two-thirds of all members of the supreme governing body at a regular or special meeting is necessary for the approval of the plan of conversion. A conversion shall not

take effect unless and until approved by the commissioner. The commissioner may give approval for the conversion if the commissioner finds that the proposed change is in conformity with the requirements of law and not prejudicial to the certificate holders of the society.

SUBCHAPTER IV  
CONTRACTUAL BENEFITS

Sec. 17. NEW SECTION. 512B.16 BENEFITS.

1. A society may provide any or all of the following contractual benefits in any form:

- a. Death benefits.
- b. Endowment benefits.
- c. Annuity benefits.
- d. Temporary or permanent disability benefits.
- e. Hospital, medical, or nursing benefits.
- f. Monument or tombstone benefits to the memory of deceased members.

g. Other benefits authorized for life insurers and which are not inconsistent with this chapter.

2. A society shall specify in its regulations those persons who may be issued, or covered by, the contractual benefits in subsection 1, 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.

Sec. 18. NEW SECTION. 512B.17 BENEFICIARIES.

1. The owner of a benefit contract may change the beneficiary or beneficiaries in accordance with the laws or regulations of the society unless the owner waives this right by specifically requesting in writing that the beneficiary designation be irrevocable. A society may, through its laws or regulations, limit the scope of beneficiary designations and shall provide that a revocable beneficiary shall not have or obtain a vested interest in the proceeds of a certificate until the certificate has become due and payable in conformity with the benefit contract.

2. A society may make provision for the payment of funeral benefits to the extent of the portion of a payment under a certificate which reasonably appears to be due to a person equitably entitled to the benefit by reason of having incurred expense occasioned by the burial of the member. However, the portion so paid shall not exceed the sum of one thousand dollars.

3. If, at the death of a person insured under a benefit contract, there is no lawful beneficiary to whom the proceeds are payable, the amount of the benefit, except to the extent that funeral benefits may be paid pursuant to subsection 2, shall be payable to the estate of the deceased insured the same as other property not exempt. However, if the owner of the certificate is other than the insured, the proceeds are payable to the owner.

Sec. 19. NEW SECTION. 512B.18 BENEFITS NOT ATTACHABLE.

Money or other benefit, charity, relief, or aid to be paid, provided, or rendered by a society, is not liable to attachment, garnishment, or other process, or to be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay a debt or liability of a member or beneficiary, or any other person who may have a derivative right, either before or after payment by the society, except as provided in sections 627.11 and 627.12.

Sec. 20. NEW SECTION. 512B.19 THE BENEFIT CONTRACT.

1. A society authorized to do business in this state shall issue to each owner of a benefit contract a certificate specifying the amount of benefits provided pursuant to the benefit contract. The certificate, together with any riders or endorsements attached to the certificate, the laws of the society, the application for membership, the application for insurance and declaration of insurability, if any, signed by the applicant, and all amendments, constitute the benefit contract, as of the date of issuance, between the society and the owner, and the certificate shall so state. A copy of the application for insurance and declaration of insurability, if any, shall be endorsed upon or attached to the certificate.

Statements on the application are representations and not warranties. A waiver of this provision is void.

2. Additions or amendments to the laws of a society duly made or enacted subsequent to the issuance of the certificate, bind the owner and the beneficiaries, and govern and control the benefit contract in all respects the same as though the additions or amendments had been made before and were in force at the time of the application for insurance, except that an addition or amendment shall not destroy or diminish benefits which the society contracted to give the owner as of the date of issuance.

3. A person upon whose life a benefit contract is issued before the person attains the age of majority is bound by the terms of the application and certificate and by all the laws and regulations of the society to the same extent as though the person had attained the age of majority at the time of application.

4. A society shall provide in its laws that if its reserves as to all or any class of certificates become impaired, its supreme governing body or board of directors may require that there be paid by the owners to the society the amount of the owners' equitable proportion of the deficiency as ascertained by its governing body or board, and that if the payment is not made either of the following will apply:

a. The required payment or assessment shall stand as an indebtedness against the certificate and draw interest not to exceed the rate specified for certificate loans under the certificates.

b. In lieu of or in combination with paragraph "a", the owner may accept a proportionate reduction in benefits under the certificate.

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

5. Copies of any of the documents mentioned in this section, certified by the secretary or corresponding officer of the society, shall be received in evidence of the terms and conditions of the documents.

6. A certificate shall not be delivered or issued for delivery in this state unless a copy of the form has been filed with the commissioner in the manner provided for like policies issued by life insurers in this state. A life, accident, health, or disability insurance certificate and an annuity certificate issued on or after one year from the effective date of this Act shall meet the standard contract provision requirements not inconsistent with this chapter for like policies issued by life insurers in this state, except that a society may provide for a grace period for payment of premiums of one full month in its certificates. The certificate shall also contain 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 regulations 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. If the laws of the society provide for expulsion or suspension of a member, the certificate shall also contain a provision that any member expelled or suspended, except for nonpayment of a premium or within the contestable period for material misrepresentation in the application for membership or insurance, may maintain the certificate in force by continuing payment of the required premium.

7. A benefit contract issued on the life of a person below the society's minimum age for adult membership may provide for transfer of control of ownership to the insured at an age specified in the certificate. A society may require approval of an application for membership in order to effect this transfer, and may provide in all other respects for the regulation, government, and control of such certificates and the rights, obligations, and liabilities incident to, or connected with, the benefit contract. Ownership rights prior to a transfer shall be specified in the certificate.

8. A society may specify the terms and conditions on which benefit contracts may be assigned.

Sec. 21. NEW SECTION. 512B.20 NONFORFEITURE BENEFITS, CASH SURRENDER VALUES, CERTIFICATE LOANS, AND OTHER OPTIONS.

1. For certificates issued before the effective date of this Act, the value of every paid-up nonforfeiture benefit and the amount of any cash surrendered value, loan, or other option granted shall comply with chapter 512, Code 1989.

2. For certificates issued on or after the effective date of this Act for which reserves are computed on the commissioner's 1980 standard mortality table, or any more recent table made applicable to life insurers, every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan, or other option granted shall not be less than the corresponding amount ascertained in accordance with the laws of this state applicable to life insurers issuing policies containing like benefits based upon the same tables.

SUBCHAPTER V

FINANCIAL REQUIREMENTS

Sec. 22. NEW SECTION. 512B.21 INVESTMENTS.

A society shall invest its funds only as authorized by the laws of this state for the investment of assets of life insurers and subject to the same limitations. A foreign or alien society permitted or seeking to do business in this state which invests its funds in accordance with the laws of the state or nation in which it is incorporated, shall be held to meet the requirements of this section for the investment of funds. A society organized under the laws of this state shall deposit securities as required of life insurance companies pursuant to section 511.8, subsection 16.

Sec. 23. NEW SECTION. 512B.22 FUNDS.

1. All assets shall be held, invested, and disbursed for the use and benefit of the society and a member or beneficiary shall not have or acquire individual rights in the society's assets or become entitled to an apportionment on the surrender of any part of the society's assets, except as provided in the benefit contract.

2. 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.

3. A society may, pursuant to resolution of its supreme governing body, establish and operate one or more separate accounts and issue contracts on a variable basis, subject to the law regulating life insurers establishing equivalent accounts and issuing equivalent contracts. To the extent the society deems it necessary in order to comply with any applicable federal or state laws, regulations, or rules, the society may adopt special procedures for the conduct of the business and affairs of a separate account; may, for persons having beneficial interests in the account, provide special voting and other rights, including without limitation, special rights and procedures relating to investment policy, investment advisory services, selection of certified public accountants, and selection of a committee to manage the business and affairs of the account; and may issue contracts on a variable basis to which section 512B.19, subsections 2 and 4 shall not apply.

SUBCHAPTER VI

REGULATION

Sec. 24. NEW SECTION. 512B.23 VALUATION.

1. Standards of valuation for certificates issued before the effective date of this Act are those provided by chapter 512, Code 1989.

2. The minimum standards of valuation for certificates issued on or after the effective date of this Act shall be based on the following tables:

a. For certificates of life insurance, the commissioner's 1980 standard ordinary mortality table or any more recent table made applicable to life insurers.

b. For annuity and pure endowment certificates, for total and permanent disability benefits, for accidental death benefits and for noncancellable accident and health benefits, the tables authorized for use by life insurers in this state.

Paragraphs "a" and "b" are under valuation methods and standards, including interest assumptions, in accordance with the laws of this state applicable to life insurers issuing policies containing like benefits.

3. The commissioner may, in the commissioner's discretion, accept another standard for valuation if the commissioner finds that the reserves produced by the other standard will not be less in the aggregate than reserves computed in accordance with the minimum valuation standards prescribed by subsection 2. The commissioner may, in the commissioner's discretion, vary the standards of mortality applicable to all benefit contracts on substandard lives or other extra hazardous lives by any society authorized to do business in this state.

4. A society, with the consent of the commissioner of insurance of the state of domicile of the society and under conditions which the commissioner may impose, may establish and maintain reserves on its certificates in excess of the reserves otherwise required, but the contractual rights of a benefit member shall not be affected by the excess reserves.

Sec. 25. NEW SECTION. 512B.24 REPORTS.

Reports shall be filed in accordance with this section.

1. A society transacting business in this state, on or before March 1 annually, unless for cause shown the time has been extended by the commissioner, shall file with the commissioner a true statement of its financial condition, transactions, and affairs for the preceding calendar year and shall pay a fee of twenty-five dollars. The statement shall be in general form and content as approved by the national association of insurance commissioners for fraternal benefit societies and shall be supplemented by additional information as adopted by rule of the commissioner.

2. As part of the annual statement, a society shall, on or before March 1, file with the commissioner of insurance a valuation of its certificates in force on the last preceding December 31. However, the commissioner may, for cause shown, extend the time for filing the valuation for not more than two calendar months. The valuation shall be done in accordance with the standards specified in section 512B.23. The valuation and underlying data shall be certified by a qualified actuary or, at the expense of the society, verified

by the actuary of the department of insurance of the state of domicile of the society.

3. A society failing to file the annual statement in the form and within the time provided by this section shall forfeit one hundred dollars for each day during which the default continues, and, upon notice by the commissioner to that effect, the society's authority to do business in this state shall cease while the default continues.

Sec. 26. NEW SECTION. 512B.25 ANNUAL LICENSE.

A society which is authorized to transact business in this state on the effective date of this Act, and a society licensed on or after the effective date of this Act, may continue in business until April 30, 1991. The authority of the society may thereafter be renewed annually. A license terminates on the succeeding April 30. However, a license issued shall continue in full force and effect until a new license is issued or specifically refused. For each license or renewal the society shall pay the commissioner a fee of twenty-five dollars. A duly certified copy or duplicate of the license is prima facie evidence that the licensee is a fraternal benefit society within the meaning of this chapter.

Sec. 27. NEW SECTION. 512B.26 EXAMINATION OF SOCIETIES - NO ADVERSE PUBLICATIONS.

1. The commissioner, or the commissioner's designee, may examine a domestic, foreign, or alien society transacting or applying for admission to transact business in this state in the same manner as authorized for examination of a domestic, foreign, or alien insurer. Requirements of notice and an opportunity to respond before findings are made public as provided in the laws regulating insurers are also applicable to the examination of a society.

2. 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.

Sec. 28. NEW SECTION. 512B.27 FOREIGN OR ALIEN SOCIETY - ADMISSION.

A foreign or alien society shall not transact business in this state without a license issued by the commissioner. A society desiring admission to this state shall substantially comply with the requirements and limitations of this chapter applicable to domestic societies. A society may be licensed to transact business in this state upon filing with the commissioner all of the following:

1. A duly certified copy of its articles of incorporation.
2. A copy of its bylaws, certified by its secretary or a corresponding officer.
3. A power of attorney to the commissioner of insurance as prescribed in section 512B.33.
4. A statement of its business under oath of its president and secretary or corresponding officers in a form prescribed by the commissioner, duly verified by an examination made by the supervising insurance official of its state of domicile, satisfactory to the commissioner.
5. Certification from the proper official of its state of domicile that the society is legally incorporated and licensed to transact business in that state.
6. Copies of its certificate forms.
7. Other information the commissioner requires.
8. A showing that its assets are invested in accordance with this chapter.

Sec. 29. NEW SECTION. 512B.28 INJUNCTION -- LIQUIDATION -- RECEIVERSHIP OF DOMESTIC SOCIETY.

1. When the commissioner upon investigation finds that a domestic society has exceeded its powers; failed to comply with a provision of this chapter; failed to fulfill a contract in good faith; failed to maintain a membership of not less than four hundred after an existence of one year or more; or conducted business fraudulently or in a manner hazardous to its members, creditors, the public, or the business, the commissioner shall notify the society of the deficiency or deficiencies and state in writing the reasons for the commissioner's dissatisfaction. The commissioner shall at once issue a written notice to the society requiring that the

deficiency or deficiencies which exist be corrected. After the notice of deficiency the society has a thirty-day period in which to comply with the commissioner's request for correction, and if the society fails to comply the commissioner shall notify the society of a finding of noncompliance and require the society to show cause on or before a date named why it should not be enjoined from carrying on any business until the violation complained of has been corrected, or why an action seeking other legal or equitable relief should not be commenced against the society.

2. If by the date named to show cause the society does not present good and sufficient reasons why it should not be so enjoined or why an action should not be commenced, the commissioner may present the facts relating to the society to the attorney general who shall commence an action to enjoin the society from transacting business or other action requested by the commissioner.

3. The court in which an action is commenced pursuant to subsection 2 shall notify the officers of the society of a hearing. If after a full hearing it appears that the society should be enjoined or liquidated or a receiver appointed, or other legal or equitable relief awarded, the court shall enter the necessary order. A society so enjoined does not have the authority to do business unless and until all of the following conditions are satisfied:

- a. The commissioner finds that the violation complained of has been corrected.
- b. The costs of the action, including reasonable attorney fees for the state's attorneys and expenses related to the case in which the injunction was entered, have been paid by the society if the court finds that the society was in default as alleged.
- c. The court has dissolved its injunction.
- d. The commissioner has reinstated the certificate of authority of the society.

4. If the court orders the society liquidated, it shall be enjoined from carrying on any further business, and 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 to close the affairs of the society and to distribute its funds to those entitled to them.

5. If a receiver is to be appointed for a domestic society, the court shall appoint the commissioner of insurance as the receiver.

6. The provisions of this section relating to hearing by the commissioner, action by the attorney general at the request of the commissioner, hearing by the court, injunction, and receivership are applicable to a society which voluntarily determines to discontinue business.

Sec. 30. NEW SECTION. 512B.29 SUSPENSION, REVOCATION, OR REFUSAL OF LICENSE OF FOREIGN OR ALIEN SOCIETY.

1. When the commissioner upon investigation finds that a foreign or alien society transacting or applying to transact business in this state has exceeded its powers; failed to comply with a provision of this chapter; failed to fulfill a contract in good faith; or conducted its business fraudulently or in a manner hazardous to its members or creditors or the public, the commissioner shall notify the society of the deficiency or deficiencies and state in writing the alleged facts or circumstances constituting a deficiency. The commissioner shall at once issue a written notice to the society requiring that the deficiency or deficiencies which exist be corrected on or before thirty days from entry of the notice of deficiency. After notice the society has a thirty-day period in which to comply with the commissioner's request for correction, and if the society fails to comply the commissioner shall notify the society of a finding of noncompliance and require the society to show cause on or before a date named why its license should not be suspended, revoked, or refused. If, on or before the date named, the society does not present good and sufficient reason why its license to do business in this state should not be suspended, revoked, or refused, the commissioner may suspend or refuse

the license of the society to do business in this state until evidence satisfactory to the commissioner is furnished to the commissioner that the suspension or refusal should be withdrawn or the commissioner may revoke the license of the society to do business in this state.

2. A society whose license to do business in this state is suspended, revoked, or refused pursuant to subsection 1 shall continue in good faith all contracts made in this state during the time the society was legally authorized to transact business in this state. Lack of authority to transact business within the state is not a defense to an action by a person against the society to enforce a contract entered into by the society without compliance with this chapter, or prior applicable law.

Sec. 31. NEW SECTION. 512B.30 STANDING.

A petition or complaint for injunction against a domestic, foreign, or alien society, or lodge shall not be recognized in a court of this state unless made by the attorney general upon request of the commissioner.

Sec. 32. NEW SECTION. 512B.31 LICENSING OF AGENTS.

1. Agents of societies shall be licensed in accordance with chapter 522 regulating the licensing, revocation, suspension, or termination of license of resident and nonresident agents, but persons who were agents of a society on or before July 1, 1970, are not required to take an examination.

2. An examination or license shall not be required of a regular salaried officer, employee, or member of a licensed society who devotes substantially all of the person's services to activities other than the solicitation of fraternal insurance contracts from the public, and who does not receive for the solicitation of such contracts a commission or other compensation directly dependent upon the amount of business obtained.

Sec. 33. NEW SECTION. 512B.32 UNFAIR METHODS OF COMPETITION AND UNFAIR AND DECEPTIVE ACTS AND PRACTICES.

A society is subject to chapter 507B relating to unfair insurance trade practices. However, chapter 507B does not apply to or affect the right of a society to determine its eligibility requirements for membership, and does not apply to or affect the offering of benefits exclusively to members or persons eligible for membership in the society by a subsidiary corporation or affiliated organization of a society.

SUBCHAPTER VII  
MISCELLANEOUS

Sec. 34. NEW SECTION. 512B.33 SERVICE OF PROCESS.

1. A foreign or alien society authorized to do business in this state shall appoint in writing the commissioner to be its true and lawful attorney upon whom all lawful process in any action or proceeding against it shall be served, and shall agree in the written consent to process that any lawful process against it which is served on the commissioner shall be of the same legal force and validity as if served upon the society, and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of the appointment, certified by the commissioner, shall be deemed sufficient evidence of the appointment and shall be admitted in evidence with the same force and effect as the original may be admitted.

2. Service of process shall only be made upon the commissioner, or if absent, upon the person in charge of the commissioner's office. Service shall be made in duplicate and shall constitute sufficient service upon the society. When legal process against a society is served upon the commissioner, the commissioner shall forthwith forward one of the duplicate copies by registered mail, prepaid, directed to the secretary or corresponding officer of the society. Service shall not require a society to file its answer, pleading, or defense in less than thirty 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 provided in this section.

Sec. 35. NEW SECTION. 512B.34 REVIEW.

All decisions and findings of the commissioner made under this chapter are subject to review pursuant to chapter 17A.

Sec. 36. NEW SECTION. 512B.35 PENALTIES.

1. A person who knowingly makes a false or fraudulent statement or representation in or relating to an application for membership or for the purpose of obtaining money from or a benefit in a society, is guilty of a fraudulent practice.

2. A person who willfully makes a false or fraudulent statement in a verified report or declaration under oath required or authorized by this chapter, or of a material fact or thing contained in a sworn statement concerning the death or disability of an insured for the purpose of procuring payment of a benefit named in the certificate, is guilty of perjury.

3. A person who solicits membership for, or in any manner assists in procuring membership in, a society not licensed to do business in this state, is guilty of a serious misdemeanor.

4. A person guilty of a willful violation of, or neglect or refusal to comply with, a provision of this chapter for which a penalty is not otherwise prescribed, is guilty of a simple misdemeanor.

Sec. 37. NEW SECTION. 512B.36 EXEMPTION OF CERTAIN SOCIETIES.

1. This chapter does not affect or apply to any of the following:

a. Grand or subordinate lodges of societies, orders, or associations now doing business in this state which provide benefits exclusively through local or subordinate lodges.

b. 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 business, insuring only their own members and their families, and the spouses' societies or spouses' auxiliaries to such orders, societies, or associations.

c. Domestic societies which limit their membership to employees of a particular city or town, designated firm, business house, or corporation which provide for a death

benefit of not more than four hundred dollars or disability benefits of not more than three hundred fifty dollars to any person in any one year, or both.

d. Domestic societies or associations of a purely religious, charitable, or benevolent description, which provide for a death benefit of not more than four hundred dollars or for disability benefits of not more than three hundred fifty dollars to any one person in any one year, or both.

2. A society or association described in subsection 1, paragraph "a" or "d", which provides for death or disability benefits for which benefit certificates are issued, and any such society or association included in paragraph "d" which has more than one thousand members, is not exempt from this chapter but shall comply with all requirements of this chapter.

3. A society which is exempt from the requirements of this chapter, except a society described in subsection 1, paragraph "b", shall not give or allow, or promise to give or allow to any person any compensation for procuring new members.

4. A society which provides for benefits in case of death or disability resulting solely from accident, and which does not obligate itself to pay natural death or sick benefits, has all of the privileges and is subject to all the applicable provisions of this chapter and rules adopted by the commission pursuant to this chapter except that the provisions relating to medical examination, valuations of benefit certificates, and incontestability, do not apply to such a society.

5. The commissioner may require from a society, by examination or otherwise, information that will enable the commissioner to determine whether the society is exempt from this chapter.

6. A society exempt under this section, is also exempt from all other provisions of the general insurance laws of this state.

Sec. 38. Chapter 512, Code 1989, is repealed.

Sec. 39.

This Act is effective January 1, 1991.

Sec. 40.

The Code editor shall make conforming amendments to the Code as required to correct internal references to chapter 512 and designate instead new chapter 512B.

JO ANN ZIMMERMAN  
President of the Senate

DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2100, Seventy-third General Assembly.

JOHN F. DWYER  
Secretary of the Senate

Approved *[Signature]*, 1990

TERRY E. BRANSTAD  
Governor

SF 2100