

No. 324.

AN ACT

Defining fraternal benefit societies and their status; authorizing such societies to create subordinate lodges, and to pay benefits to members and their beneficiaries from funds collected, and regulating such benefits and collections; providing for the organization and incorporation of such societies, and for their supervision, regulation, and examination by the Insurance Commissioner, and for the admission of foreign societies; designating tables of mortality as a basis for rates of contribution; requiring all societies to make annual and other reports, and appointing the Insurance Commissioner as attorney for service of process; providing penalties for any violations of the act; exempting such societies from taxation, and certain other societies from its provisions; and requiring beneficial associations, other than fraternal benefit societies, to report to, and be supervised by, the Insurance Commissioner; and repealing existing laws.

Fraternal benefit societies. Defined.

Section 1. Be it enacted, &c., That any corporation, society, order, or voluntary association, without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries and not for profit, having a lodge system with ritualistic form of work and a representative form of government, and which makes provisions for the payment of benefits in accordance with the provisions of this act, is hereby declared to be a fraternal benefit society.

Societies operating on lodge system.

Any society having a supreme governing or legislative body and subordinate lodges or branches, by whatever name known, into which members shall be elected, initiated, and admitted in accordance with its constitution, laws, rules, regulations, and prescribing ritualistic ceremonies, and which shall provide in its said constitution and laws for regular or stated meetings of its subordinate lodges or branches, shall be deemed to be operating on the lodge system.

Representative form of government.

Any such society shall be deemed to have a representative form of government when it shall provide, in its constitution and laws, for a supreme legislative or governing body composed of members elected either by the membership at large or by delegates elected, directly or indirectly, by the membership, together with such other members as may be prescribed by its constitution and laws.

Elective members shall constitute majority.

The elective members shall, however, constitute a majority in number, and have not less than the votes required to amend its constitution and laws. The meetings of every such supreme or governing body, and the election of officers, representatives, or delegates, shall be held as often as once in four years. No officer, representative, delegate, or member of any fraternal benefit society shall vote by proxy.

Meetings.

Proxies.

Power to adopt constitution and

Section 2. Every such society, by its supreme governing or legislative body, shall have power to make, alter, and amend its constitution and laws for

the government of the society, the management of its affairs, the admission and classification of its members, the control and regulation of the terms and conditions governing the issue of its benefit certificates, and the character or kind of benefits or privileges payable or allowable thereunder, the fixing and adjustment of the rates of contribution fees or dues payable by its members, and the allotment of the same to the different funds of the society.

Such constitution and laws, when made, and as altered and amended, shall be the law governing the society and its officers, board of directors or managers, subordinate or constituent lodges, councils, or branches, and all members and beneficiaries in their relation thereto. Each society shall file with the Insurance Commissioner a duly certified copy of its constitution and laws as enacted, and as changed, added to, or amended, within ninety days after enactment. Printed copies of the same, duly certified by the secretary or corresponding officer thereof, shall be prima facie evidence of the legal adoption thereof.

Filing of constitution and laws with Insurance Commissioner.

Section 3. The laws of every such society shall provide that if the stated periodical contributions of the members are insufficient to pay all matured claims in full, and to provide for the creation and maintenance of the funds required by its laws, additional or increased rates of contribution may be collected from the members to meet such deficiency. Such laws may also provide that each certificate shall be charged with its proportion of any deficiency disclosed by the valuation hereinafter specified, with lawful interest thereon.

Additional or increased rates of contribution.

Section 4. Unless authorized by express provisions in the constitution and laws of the society, no subordinate lodge, nor any of its subordinate officers or members, shall have power or authority, on behalf of the society, to waive or modify any of the provisions of the constitution and laws of the society, nor to waive any violation, forfeiture, or default thereof. No officer or member of any supreme, grand, or subordinate body of any such society shall be individually liable for the payment of any of the benefits provided for in its constitution and laws, but the same shall be payable only out of the funds of the society and in the manner provided by its laws.

Modification or waiver of constitution or laws.

Individual liability.

Section 5. Every such society shall provide for the payment of death benefits, and may provide for the erection of monuments to mark the graves of its deceased members. It may also provide for the payment of old age benefits which mature for payment to the member at not under sixty years of age, and for permanent and temporary disability payments. It may provide that a member, when permanently dis-

Benefits which may be provided.

abled or upon attaining not less than sixty years of age, shall have the option to surrender his certificate upon payment of all or such portion of its face value as may be authorized under the constitution and laws.

Acceptance of liens
in lieu of cash pay-
ments.

Any society may provide for the acceptance of liens against benefit certificates, with interest at not less than four per centum per annum, in lieu of cash payments, but the total of such liens against any benefit certificate shall not exceed its share of the accumulation thereunder. Any such society collecting a level rate of contribution, under any of its benefit certificates, based upon any table of mortality allowed for valuation purposes in this act, may grant to members holding such certificates extended and paid up protection or such withdrawal equities as may be allowed under its constitution and laws, but no such grants or privileges shall exceed in value the portion of the accumulations to the credit of such certificate at the time such grant or privilege is allowed.

Extended and paid
up protection.

Permissible benefi-
ciaries.

Section 6. Such death benefits in certificates hereafter issued shall be payable to wife, husband, affianced wife, or affianced husband, relative to the fourth degree of consanguinity, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepchildren, children by adoption, or to a person or persons dependent upon the member. If, after the issuance of the original certificate, the member shall become dependent upon the charity of an individual or an incorporated charitable institution, he shall, with the consent of the society, have the privilege of making such individual or institution his beneficiary.

Change of benefi-
ciary.

Within the above restrictions, every member shall have the right to designate his beneficiary, and, from time to time, may have the same changed in accordance with the laws, rules, or regulations of the society; and no beneficiary shall have or obtain any vested interest in the said benefit until the same has become due and payable upon the death of the said member. Any such society may, however, by its laws limit the scope of beneficiaries within the above classes.

When beneficiary
has vested interest.

Death of designated
beneficiary.

If any beneficiary under a certificate shall die before the member, and no new designation shall have been made by him, and the constitution and laws of the society shall have made no provision for such contingency, the benefits under the certificate or certificates shall then be paid to the surviving beneficiary or beneficiaries, if any, and, if none of the beneficiaries named in the certificate shall survive the member, the benefits shall then be paid to the executor or administrator of the deceased member, to be by him paid over to, or divided among, the person or persons entitled to the personal estate of such deceased member

under the intestate laws of the place of domicile of such member.

Section 7. Any such society may admit to beneficial membership any person not less than sixteen and not more than sixty years of age, and it shall be lawful for minors who have attained the age of sixteen years to make all needed contracts and assume all needful obligations to become members. Each applicant shall be examined by a legally qualified physician, and the examination supervised and approved in accordance with the laws of the society. Any beneficial member applying for a certificate providing for disability benefits need not be required to pass an additional medical examination therefor. Nothing herein contained shall prevent such society from accepting general or social members.

Age of beneficial members.

Medical examination.

General and social members.

Section 8. Every such society shall have power to issue whole life, old age, or whole life combined with old age, limited payment life, term, sick, or relief and dependent benefit certificates, and make the specified benefit payment in a single cash payment or in instalments or a term or life annuity. Every such certificate shall specify the amount of benefit furnished thereunder, and shall provide that the certificate, the charter or articles of incorporation, or, if a voluntary association, the articles of association, the constitution, and laws of the society, and the application for membership and medical examination, signed by the applicant, and all amendments to each thereof, shall constitute the obligation of the society. Copies of the same, certified by the secretary of the society or corresponding officer, shall be received in evidence of the terms and conditions thereof; and any changes, additions, or amendments to said charter or articles of incorporation, or articles of association if a voluntary association, constitution, or laws, made or enacted subsequent to the issuance of the benefit certificate, shall bind the member and his beneficiaries in all respects the same as though such changes, additions, or amendments had been made prior to, and were in force at the time of, the application for membership.

Benefit certificates.

Required provisions.

Obligation of society.

Additions or amendments to charter, etc.

Section 9. Any society may create, maintain, invest, disburse, and apply a benefit fund, expense fund, or emergency or other fund, in accordance with its constitution and laws, and shall not, by reason thereof, be held to be organized or carried on for profit. Unless otherwise provided in the constitution and laws, such funds shall be held, invested, and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire any individual rights therein, or become entitled to any apportionment of or the surrender of any part thereof.

Benefit, expense, and emergency funds.

Periodical rates
of contribution.

Section 10. The funds from which benefits shall be paid, and the funds from which expenses of the society shall be defrayed, shall be derived from regular monthly or other periodical rates of contribution paid by the members of the society, and accretions of said funds, and no part of any funds set aside for the payment of benefits shall be used for expenses, other than expenses incurred in investigating or defending claims against such benefit funds. Except as herein otherwise allowed, every domestic society shall invest its funds only in securities permitted by the laws of this Commonwealth for the investment of the reserves of life insurance companies.

Investment of
funds.

Taxation.

Section 11. Every such society is hereby declared to be a charitable and benevolent institution, and all of its funds shall be exempt from all and every State, county, district, municipal, and school tax, other than taxes on real estate. No money or other benefit, charity, relief, or aid, to be paid, provided, or rendered by any such society, shall be liable to attachment, garnishment, or other process, or be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay any debt or liability of a member or beneficiary or any other persons who may have a right thereunder, either before or after payment.

Liability of bene-
fits to process.

Incorporation of
societies.

Section 12. From and after the passage of this act, fifteen or more persons, ten of whom shall be citizens and residents of this Commonwealth, having associated themselves together as a fraternal benefit society, may be incorporated under the provisions of this act:—

Articles of agree-
ment.

First. The articles of agreement must be signed in duplicate, with the names and addresses of at least five of the subscribers, and shall be acknowledged before some person empowered to receive acknowledgments of deeds, and shall state:

Corporate name.

(a) The proposed corporate name of the society, which shall not so closely resemble the name of any society or insurance company already transacting business in this Commonwealth as to mislead the public or to lead to confusion.

Purpose.

(b) The purpose for which it is formed, which shall not include more liberal powers than are granted by this act. Any lawful social, intellectual, educational, charitable, benevolent, moral, or religious advantages may, however, be set forth among the purposes of the society.

Mode of exercise
of powers.

(c) The mode in which its corporate powers are to be exercised.

Principal office.

(d) The place where its principal office shall be located within this Commonwealth.

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

Names and residences of officers, etc.

Second. Such articles of agreement and duly certified copies of the constitution and laws, rules, and regulations, and copies of all proposed forms of benefit certificates, applications therefor, and circulars to be issued by such society, and a bond in the sum of five thousand dollars, with sureties approved by the Insurance Commissioner, conditioned upon the return to applicants of the advanced payments as provided in this section if the organization is not complete within one year, shall be filed with the Insurance Commissioner. He may require such further information as he deems necessary, and, if the purpose of the society conform to the requirements of this act, and all provisions of law have been complied with, the Insurance Commissioner shall so certify, and retain and file the articles of agreement, and furnish the incorporator a preliminary certificate authorizing said society to solicit members as hereinafter provided, but no preliminary certificate granted under the provisions of this section shall be valid after one year from its date, or after such further period, not exceeding one year, as may be authorized by the Insurance Commissioner upon the cause shown.

Certain documents must be filed with Insurance Commissioner.

Issuance of preliminary certificate by Insurance Commissioner.

Third. Upon receipt of said certificate from the Insurance Commissioner, said society may solicit members for the purpose of completing its organization. It shall collect from each applicant the amount of not less than one regular monthly payment in accordance with its table of rates as provided by its constitution and laws, and shall issue to each such applicant a receipt for the amounts so collected. No society shall incur any liability other than for such advanced payments, nor issue any benefit certificates, nor pay or allow, or offer or promise to pay or allow, to any person any death or disability benefit until: (a) Actual bona fide applications for death benefit certificates have been secured upon at least five hundred lives for at least five hundred dollars each, and all such applicants for death benefits shall have been regularly examined by a legally qualified practicing physician, and certificates of such examinations have been duly filed and approved by the chief medical examiner of such society; (b) there shall be established five subordinate lodges or branches

Soliciting of members.

When liabilities may be incurred.

into which said five hundred applicants have been initiated; (c) there has been submitted to the Insurance Commissioner, under oath of the president and secretary or corresponding officers of such society, a list of such applicants, giving their names, addresses, date examined, date approved, date initiated, name and number of the subordinate branch of which each applicant is a member, amount of benefits to be granted, rate of stated periodical contributions, which shall be sufficient to provide for meeting the mortuary obligations contracted when valued — for death benefits, upon the basis of the National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress, August twenty-third, one thousand eight hundred and ninety-nine, or any higher standard, at the option of the society; and for disability benefits, by tables based upon reliable experience; and for combined death and permanent total disability benefits, by tables based upon reliable experience, — with an interest assumption not higher than four per centum per annum; (d) it shall be shown to the Insurance Commissioner, by the sworn statement of the treasurer or corresponding officer of such society, that not less than five hundred applicants have each paid in cash at least one regular monthly payment, as herein provided, per five hundred dollars of benefits to be effected, which payments, in the aggregate, shall amount to at least five hundred dollars, and be credited to the mortuary or disability fund on account of such applicants, no part of which may be used for expenses. Such advanced payments shall be held in trust during the period of organization, and, if the organization is not completed within one year as hereinafter provided, shall be returned to said applicants.

Examination, etc.,
by Insurance
Commissioner.

Fourth. The Insurance Commissioner may make such examination, and require such further information, as he deems advisable; and, upon presentation of satisfactory evidence that the society has complied with all provisions of the law relating to the incorporation of fraternal benefit societies as provided by this act, he shall issue to such society a certificate to that effect, and certify in duplicate that all the requirements of this act in relation to the incorporation of fraternal benefit societies have been complied with, and submit said articles of agreement to the Attorney General for examination, and, if found by him to be in accordance with the provisions of this act, and not inconsistent with the Constitution of this Commonwealth and of the United States, he shall certify the same in duplicate to the Governor with his approval endorsed thereon.

Examination of
articles of agree-
ment by Attorney
General.

Upon receipt of such articles of agreement, certified as aforesaid, the Governor shall, in case he approves the same, endorse his approval thereon in duplicate, and cause letters patent to issue, creating the subscribers to the said articles of agreement and their associates into a body corporate, with general powers:

Letters patent.

(a) To have succession by its corporate name perpetually, subject to the powers of the General Assembly under the Constitution of the Commonwealth.

Corporate powers.

(b) To maintain and defend judicial proceedings.

(c) To make and use a common seal, and alter the same at pleasure.

(d) To be capable of taking, receiving, purchasing, holding, and transferring real and personal property for the purpose of its incorporation.

(e) To elect or appoint and remove its officers and agents for the management of its business and the carrying out of its objects, and to allow them a suitable compensation.

(f) To make a constitution and general laws for the government of the society, the management of its affairs, the admission and classification of its members, and the control and regulations of the terms and conditions governing the issue of its benefit certificates, as authorized and provided for by the provision of this act.

(g) To provide for the payment of benefits to its members and their beneficiaries in such manner and for such amounts as may be authorized and directed by its constitution or by-laws, not inconsistent with the provisions of this act. To collect from its members, by admission fees, per capita tax, dues or rates of contribution, the funds necessary to carry on its business and provide for the payment of its obligations. To enter into any obligations necessary for the transaction of its affairs.

(h) To carry on its operations through a supreme or governing body, board of directors, or executive committee, and subordinate lodges, councils, or branches. Meetings of its supreme legislative or governing body may be held in any State, district, province, or territory wherein such society has subordinate branches, and all business transacted at such meetings shall be as valid in all respects as if the same were held in this Commonwealth, but its principal office shall be located in this Commonwealth.

Fifth. The Secretary of the Commonwealth shall cause the articles of agreement aforesaid, together with the proceedings had thereon and certificate to the Governor, after the approval of the Governor has been endorsed on said articles of agreement and letters patent have been issued, to be recorded in a book kept

Recording of articles of agreement, etc., by Secretary of Commonwealth.

for that purpose, and he shall return one of the said articles of agreement to the society, which shall have the same recorded in the recorder's office of the county in which the principal office of the said society is located.

Certified copies to be furnished Insurance Commissioner.

Sixth. The Secretary of the Commonwealth shall furnish the Insurance Commissioner with a certified copy of said letters patent, and shall also certify the duplicate articles of agreement with all endorsements thereon, and file same in the office of the Insurance Commissioner; and certified copies of the same may be used in evidence for or against the society with the same effect as the original.

Societies now operating.

Section 13. Any society, heretofore organized or incorporated under any act of the General Assembly of the Commonwealth of Pennsylvania, which is now engaged in transacting business in this Commonwealth, may exercise, after the passage of this act, all the rights conferred hereby and all the rights, powers, privileges, and exemptions now exercised or possessed by it under its charter or articles of incorporation or articles of association, or, at its option, it may be re-incorporated or reorganized hereunder, but no society already incorporated shall be required to reincorporate hereunder, nor shall its existence as a corporation, nor its right to exercise any corporate rights vested in it by virtue of its past incorporation, be affected by anything contained herein.

Visitation and examination by Insurance Commissioner.

Section 14. The Insurance Commissioner, or any person or persons he may appoint, shall have the power of visitation and examination into the affairs of every domestic society. He may employ such additional assistants from time to time as he may deem necessary or expedient for the purpose of such examination, and he, or any person or persons he may appoint, shall have free access to all the books, papers, and documents that relate to the business of the society, and may summon and qualify as witness under oath and examine its officers and employes or other persons in relation to the affairs, transactions, and conditions of the society.

Liquidation of insolvent or delinquent societies.

Whenever, after examination, the Insurance Commissioner is satisfied that any domestic society is exceeding its powers, or is transacting business fraudulently, or is in such condition that its further transaction of business will be hazardous to its members or to the public, or shall determine to discontinue business, the Insurance Commissioner may present the facts relating thereto to the Attorney General, who shall, if he deem the circumstances warrant, proceed against such society in the method prescribed by the laws of this State providing for the liquidation of insolvent

or delinquent companies, orders. or associations transacting any class of insurance.

No such proceedings shall be commenced by the Attorney General against any such society until after notice has been duly served on the chief executive officers of the society, and a reasonable opportunity given to it, on a date to be named in said notice, to show cause why such proceedings should not be commenced. No application for injunction against or proceedings for the dissolution of or appointment of a receiver for any domestic society or branch thereof shall be entertained by any court of this Commonwealth unless the same is made by the Attorney General.

Section 15. No domestic society shall merge with, or reinsure with, or accept the transfer of the membership or funds of, any other society, unless such merger or transfer is evidenced by a contract in writing, setting forth in full the terms and conditions of such merger or transfer, and filed with the Insurance Commissioner of this Commonwealth, together with a sworn statement of the financial condition of each of said societies by its president and secretary or corresponding officers and a certificate of such officers, duly verified under oath of said officers of each of the contracting societies, that such merger or transfer has been approved by a vote of two-thirds of the members of the supreme legislative or governing body of each of said societies.

Mergers or transfers of funds or membership.

Upon the submission of the said contract, financial statements, and certificates, the Insurance Commissioner shall examine the same, and, if he shall find such financial statements to be correct, and the said contract to be in conformity with the provisions of this section, and that such merger or transfer is just and equitable to the members of each of said societies, he shall approve said merger or transfer, issue his certificate to that effect, and thereupon the said contract of merger or transfer shall be of full force and effect. In case such contract is not approved, the fact of its submission and its contents shall not be disclosed by the Insurance Commissioner.

Section 16. Foreign societies which are now authorized to transact business in this Commonwealth may continue such business until the first day of April next succeeding the passage of this act, and the authority of such societies may thereafter be renewed annually, but in all cases to terminate on the first day of the succeeding April. Every license shall continue in full force and effect until the new license be issued or specifically refused. For each license or renewal the society shall pay the Insurance Commissioner twenty dollars. A duly certified copy or

Foreign societies now operating in State.

duplicate of such license shall be prima facie evidence that the licensee is a fraternal benefit society within the meaning of this act, and that it may invest its assets as required by the laws of the State, district, territory, province, or country where it is organized.

Licensing of
foreign societies.

Section 17. No foreign society shall transact any business in this Commonwealth without a license from the Insurance Commissioner. Any such society may be licensed upon filing with the commissioner: (a) A duly certified copy of its charter or articles of association; (b) a copy of its constitution and laws, certified by its secretary or corresponding officer; (c) a power of attorney to the Insurance Commissioner as hereinafter provided; (d) a statement of its business, under oath of its president and secretary or corresponding officers, in the form required by the commissioner, and duly verified by an examination made by the supervising insurance official of its home State or other State satisfactory to the Insurance Commissioner of this Commonwealth; (e) a certificate from the proper official in its home State, province, or country that the society is legally organized; (f) a copy of its certificate of membership, which must show that benefits are provided for by periodical or other payments by persons holding similar certificates, and furnishing the commissioner with such other information as he may deem necessary to a proper exhibit of its business and plan of working.

Upon compliance with these requirements, such foreign society shall be licensed to do business in this Commonwealth until the first day of the succeeding April, and such license shall, upon compliance with the provisions of this act, be renewed annually as hereinbefore provided.

Every foreign society desiring admission to this Commonwealth shall have the qualifications required of domestic societies organized under this act, and have its benefit fund obligations valued upon a valuation by any one of the standards authorized in section twenty-three of this act, and have its assets invested as required by the laws of the State, Territory, district, country, or province wherein it was organized. When the Insurance Commissioner refuses to license any society, or revokes its authority to do business in this State, he shall reduce his ruling or decision to writing, and file the same in his office, and shall furnish a copy thereof, together with a statement of his reason, to the officers of the society upon request; and the action of the Insurance Commissioner shall be reviewable by proper proceedings in any court of competent jurisdiction within the Commonwealth. Nothing contained in this or the preceding section shall, however, be taken

or construed as preventing any such society from continuing in good faith all contracts made in this Commonwealth during the time such society was legally authorized to transact business herein.

Section 18. Every foreign society now doing business in or applying for admission to this Commonwealth shall, by a duly executed instrument filed in the office of the Insurance Commissioner, constitute and appoint the Insurance Commissioner or his successors its true and lawful attorney, upon whom all lawful processes in any action or legal proceedings against it may be served, and therein shall agree that any lawful process against it which may be served upon him as its said attorney shall be of the same force and validity as if served on the society, and that the authority shall continue in force irrevocable so long as any liability of the society remains outstanding in this Commonwealth.

Foreign societies must appoint Insurance Commissioner attorney for service of process.

The service of such process shall be made by registered mail or by leaving copies of the same in duplicate in the hands or office of the commissioner at Harrisburg. One copy of such instrument, certified by the commissioner or his deputy as having been served upon him, shall be deemed valid service upon the society.

Service of process on commissioner.

When legal process is served upon the commissioner as attorney for a foreign society, he shall forthwith forward one of the duplicate copies of process served on him to its secretary or corresponding officer or to such other person as may have been previously designated by the society by written notice filed in the office of the commissioner. As a condition of valid and effective service, and of the duty of the commissioner in the premises, the plaintiff in each such process shall pay to the commissioner, at the time of service thereof, the sum of two dollars, which the said plaintiff shall recover as taxable costs, if he prevails in the suit. The commissioner shall keep a record of all such processes, which shall show the day and hour of service.

Section 19. The Insurance Commissioner, or his deputy or examiner, or any person whom he may appoint, may examine any foreign society transacting or applying for admission to transact business in this Commonwealth. The said Insurance Commissioner may employ assistants, and he, or any person he may appoint, shall have free access to all the books, papers, and documents that relate to the business of the society. He may summon, and qualify as witness under oath, and examine its officers, agents, and employes and other persons in relation to the affairs, transactions, and condition of the society. He may, in his discretion, accept, in lieu of such examination,

Examination of foreign societies by Insurance Commissioner.

the examination of the Insurance Department of the State, Territory, district, province, or country, where such society is organized. The actual expense of the examiners making any such examination shall be paid by the society, upon statement furnished by the Insurance Commissioner.

Refusal or suspension of license of foreign societies.

If any society or its officers refuse to submit to such examination, or to comply with the provisions of the section relative thereto, the authority of such society to write new business in this Commonwealth shall be suspended or license refused until satisfactory evidence is furnished the Insurance Commissioner relating to the condition and affairs of the society, and during such suspension the society shall not write new business in this Commonwealth.

Revocation of licenses of foreign societies.

Section 20. When the Insurance Commissioner on investigation is satisfied that any foreign society transacting business under this act has exceeded its power, or has failed to comply with any provisions of this act, or is conducting business fraudulently, he shall notify the society of his findings in writing, the grounds of his dissatisfaction, and, after reasonable notice, require the society on a date fixed to show cause why its license should not be revoked.

If on the date named in said notice such objections have not been removed to the satisfaction of the said Insurance Commissioner, or the society does not present good and sufficient reasons why its authority to transact business in this Commonwealth should not at that time be revoked, he may revoke the authority of the society to continue business in this Commonwealth.

Disclosures pending investigations.

Section 21. Pending, during, or after, an examination or investigation of any society, either domestic or foreign, the Insurance Commissioner shall make public no financial statement, report, or finding, nor shall he permit to become public any financial statement, report, or finding, affecting the status, standing, or rights of any such society, until a copy thereof shall have been served upon such society at its home office, nor until such society has been afforded a reasonable opportunity to answer any such financial statement, report, or finding, and to make such showing in connection therewith as it may desire.

Decisions and findings of Insurance Commissioner.

Section 22. All decisions and findings of the commissioner made under this act shall be reduced to writing, and filed in his office; and he shall furnish a copy thereof, together with a statement of his reasons, to the officers of the society; and such action of the commissioner shall be reviewable by proper proceedings in any court of competent jurisdiction by appeal or other proceeding for review; and such appeal or

Review,

other proceeding for review shall be a supersedeas, and in every case the said decision, order, or ruling of the Insurance Commissioner shall be suspended and abide the final determination of the appeal or other proceeding for review.

Supersedeas.

Section 23. Every society transacting business under this act shall annually, on or before the first day of March, file with the Insurance Commissioner, in such form as he may require, a statement, under oath of its president and secretary or corresponding officers, of its transactions for the calendar year ending December thirty-first preceding and of its condition and standing on that date, and shall include therein all accrued liability under unpaid claims where notice was received by the society, at its home office, before the end of such calendar year, and the same were approved for payment before the filing of the report. No society shall be required to include in such report any claim or claims notice of which had not been received by the society, at its home office, before the end of such year. It shall also furnish such other information as the Insurance Commissioner may deem necessary to a proper exhibit of its business and plan of working. The commissioner may at other times require any further statement he may deem necessary to be made relating to such society.

Annual reports.

In addition to the annual report herein required, each society shall annually report to the commissioner a valuation of its benefit fund obligations in force on December thirty-first last preceding, excluding those entered into within the year for which the report is filed in cases where the contributions for the first year in whole or in part are used for current expenses. Such report of valuation shall show, as contingent liabilities, the present mid-year value of the promised benefits provided in the constitution and laws of such society under certificates then subject to valuation at not more than the average rate of interest earned on its invested assets during five calendar years preceding the date of such annual report, less such portion thereof as may have been assumed by other associations or companies, and, as contingent assets, the present mid-year value, at the same rate of interest, of the future net contributions provided in its constitution and laws, as the same are in practice actually collected.

Valuation reports.

From the above resulting balance may be deducted the present worth, at the same rate of interest, of the probable future annual savings in death losses below the estimated mortality in the mortality table used in said valuation, calculated on the basis of the average annual savings in death losses during the five calendar years preceding the date of such annual report.

In lieu of the above valuation, any society, at its option, may show the net value of its benefit fund obligations subject to valuation at the rate of interest as hereinbefore provided, and said net value, when computed in the case of monthly contributions, may be the mean of the terminal values for the end of the preceding and of the current certificate years, from which said tabular values shall be deducted such portion thereof as may have been assumed by other associations or companies, and, in addition, there may be deducted the present worth of the probable future annual savings in death losses, as specified in the preceding paragraph.

Every such valuation report shall include, as a contingent liability, an estimate, made by or on behalf of the society, of the probable future payments under unpaid claims, notice of which was received by the society, at its home office, before the end of the calendar year covered by the annual report, but which has not been approved for payment at the date of such report.

Deferred payments or instalments of claims, whether involving a life contingency or not, shall be included in the valuation report as contingent liabilities on the happening of the contingency upon which such payments or instalments are thereafter to be paid. All such liability shall be the present worth of such future payments or instalments, at the average rate of interest earned by the society during the five calendar years preceding the date of such annual report.

Certification and filing of valuation reports.

Each valuation report shall be certified by a competent accountant or actuary, or, at the request and expense of the society, verified by the actuary of the department of insurance of the home State of the society, and shall be filed with the Insurance Commissioner on or before the first day of June succeeding the submission of the last preceding annual report.

Minimum standard of valuation.

The minimum standard of valuation for all benefit fund obligations, except for disability and dependent benefits, shall be the National Fraternal Congress Table of Mortality, hereinbefore referred to, or, at the option of the society, by any other standard table or a table based upon the society's own experience of at least twenty years and covering not less than one hundred thousand lives, with an interest assumption of not more than the average rate of interest earned on its invested assets during the five calendar years preceding such annual report.

Every valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation. Any society providing for disability benefits shall keep a separate account of the same in

its said valuation report, shall charge as a liability the balance to the credit of such fund or funds at the date of such valuation. Where a combined contribution table is used by a society for both death and permanent and total disability benefits, the valuation may be of death benefit only, and in such case a separate accounting shall not be required.

A report of such valuation, with such explanation as the society may deem advisable, shall be printed and mailed to each beneficial member of the society not later than July first of each year, or, in lieu thereof, may be published in the society's official paper, and the issue containing the same mailed to each beneficial member of the society. The valuation herein provided for shall not be considered or regarded as a test of the financial solvency of the society, but each society shall be held to be legally solvent so long as the funds in its possession are equal to, or in excess of, its matured liabilities.

Section 23B. In lieu of the valuation hereinbefore required, any society may value its certificates on a basis, herein designated "accumulated basis," by crediting each member with the net amount contributed for each year, and with interest at approximately the net rate earned, and by charging him with his share of the losses for each year, herein designated "cost of insurance," and carrying the balance, if any, to his credit. The charge for the cost of insurance may be according to the actual experience of the society as applied to a table of mortality recognized by the law of this Commonwealth, and shall take into consideration the amount at risk during each year, which shall be the amount payable at death, less the credit to the member.

Unless specifically provided in its constitution or laws, no charge shall be carried forward from the first valuation hereunder against any member for any past share of losses exceeding the contributions and credit. If, after the first valuation, any member's share of losses for any year exceeds his credit, including the contributions for the year, the contributions shall be increased to cover his share of the losses.

Any such excess share of losses chargeable to any member may be paid out of a fund or contributions especially created or required for such purpose. Any member may transfer to any plan adopted by the society with net rates on which tabular reserves are maintained, and, on transfer, shall be entitled to take such application of his credit as provided in the laws of the society. Certificates, issued, re-rated, or readjusted on a basis providing for adequate rates, with adequate reserves to mature such certificates

Distribution of valuation reports.

Valuation on "accumulated basis."

"Cost of insurance."

Carrying forward of valuation charges.

Payment of excess shares of losses.

Transfer of membership to another plan.

Valuation on a "tabular basis."

Proviso.

upon assumption for mortality and interest recognized by the law of this Commonwealth, shall be valued on such basis herein designated the "tabular basis": Provided, That if, on the first valuation under this section, a deficiency in reserve shall be shown for any such certificate, the same shall be valued on the accumulation basis.

When cost of insurance is insufficient to meet losses.

Whenever in any society having members upon the tabular basis, and upon the accumulation basis, the total of all costs of insurance provided for any year shall be insufficient to meet the actual death and disability losses for the year, the deficiency may be met for the year from the available funds, after setting aside all credits in the reserve, or from increased contributions, or by an increase in the number of assessments applied in the society as a whole or to classes of members, as may be specified in its laws. Savings from a lower amount of death losses may be returned in like manner as may be specified in its laws.

Reserves.

If the laws of the society so provide, the assets representing the reserves of any separate class of members may be carried separate for such class as if in an independent society, and the required reserve accumulation of such class so set apart shall not thereafter be merged with the assets of other classes of the society.

Table of credits.

A table showing the credits to individual members for each age and year of entry, and showing, opposite each credits, the tabular reserve required in the whole life or other plan of insurance specified in the contract, according to assumptions for mortality and interest recognized by the law of this Commonwealth and adopted by the society, shall be filed by the society with each annual report, and also be furnished to each member before July first of each year.

In lieu of the aforesaid statement, there may be furnished to each member, within the same time, a statement giving the credit for such member, and giving the tabular reserve and level rate required for the transfer carrying out the plan of insurance specified in the contract. No table or statement need be made or furnished where the reserves are maintained on the tabular basis. For this purpose, individual book-keeping accounts for each member shall not be required, and all calculations may be made by actuarial methods.

Surplus.

Nothing herein contained shall prevent the maintenance of such surplus, over and above the credits on the accumulation basis and the reserves on the tabular basis, as any society may provide by or pursuant to its laws, nor be construed as giving to the individual member any right or claim to any such reserve or credit, other than in manner and as expressed in its constitution and laws.

If the valuation of the certificates as hereinbefore provided shall show that the present value of future net contributions, together with the admitted assets, is less than the present value of the promised benefits and accrued liabilities, such society shall have the power either to collect additional assessments or to increase the rates of contribution from the members to meet such deficiency, and such society shall also have the power to classify its members according to the adequacy of the rates they are contributing, and charge each class with its proportion of any deficiency disclosed by a valuation.

Additional assessments or increase of rates.

Section 24. Any person or officer, member or examining physician of any society authorized to do business under this act who shall knowingly or wilfully make any false or fraudulent statement or representation in or with reference to any application for membership or for the purpose of obtaining money from or benefit in any society transacting business under this act, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not less than one hundred dollars, or imprisonment in the county jail for not less than thirty days or more than one year, or both, in the discretion of the court.

False statements.

Misdemeanor.

Penalty.

Any person who shall wilfully make a false statement of any material fact or thing in a sworn statement as to the death or disability of a certificate holder in any such society, for the purpose of procuring payment of a benefit named in the certificate of such holder, and any person who shall wilfully make any false statement in any verified report or declaration under oath required or authorized by this act, shall be guilty of perjury, and shall be proceeded against and punished as provided by the statutes of this Commonwealth in relation to the crime of perjury.

Perjury.

Section 25. Any person who shall solicit membership for, or in any manner assist in procuring membership in, any fraternal benefit society not authorized to do business in this Commonwealth, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not less than fifty nor more than two hundred dollars. Any officer, agent, or employe of any society neglecting or refusing to comply with or violating any of the provisions of this act, the penalty for which refusal or violation is not specified, shall, upon conviction thereof, be fined not exceeding two hundred dollars.

Soliciting membership in unauthorized societies.

Misdemeanor.

Penalty.

Section 26. Any person who publishes, spreads, or communicates, or causes to be published, spread, or communicated, any false statement or rumor concerning any fraternal benefit society operating under the provisions of this act, for the purpose of inducing

Publishing of false rumors.

Misdemeanor.

Penalty.

To what societies
inapplicable.

any member to cancel his certificate therein or withdraw therefrom, or with the intent to lessen the value of any such certificate, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not less than one hundred dollars nor more than five hundred dollars.

Section 27. Nothing contained in this act shall be construed to affect or apply to grand or subordinate lodges of purely social or labor organizations, nor to societies which limit their membership to any one hazardous occupation, nor to domestic societies which limit their membership to a particular religion or to the employes of a particular city or town, designated firm, business house, or corporation, nor to domestic lodges, orders, or associations of a purely religious, charitable, and benevolent description, which do not provide for a benefit of more than three hundred dollars to any one person in any one year.

And this act shall not be construed to affect or apply to similar societies which do not issue benefit certificates; nor to an association of local lodges of a society now doing business in the Commonwealth which provide death benefits not to exceed five hundred dollars to any one person, or disability benefits not exceeding three hundred dollars in any one year to any one person, or both; nor to any contracts of reinsurance business on such plan in this Commonwealth. But any society conducting an insurance branch and issuing certificates and paying death benefits of more than five hundred dollars, such insurance branch of that society shall comply with all the provisions of this act.

Any society, heretofore organized and now actually operating in this Commonwealth, which limits its membership to the members of one or more fraternal orders, which said members are required to have been proposed, elected by ballot, initiated, and obligated through subordinate lodges, under prescribed ritualistic ceremonies, shall be regarded as hereby complying with the requirements of this act as to subordinate lodges and the admission of members therein, and shall, upon compliance with all other provisions of this act, be deemed a fraternal benefit society operating on the lodge system and entitled to a license as such hereunder.

Societies heretofore
organized.

Paying accident
benefits.

Section 28. Any fraternal benefit society, heretofore organized and incorporated and operating within the definition set forth in section one of this act, providing for benefits in case of death or disability resulting solely from accidents, but which does not obligate itself to pay death or sick benefits generally, may be licensed under the provisions of this act, and

shall have all the privileges and shall be subject to all the provisions of this act, except the provisions requiring medical examination, valuation of benefit fund obligations, and that the certificate shall specify the amount of benefit.

Section 29. Beneficial societies, other than those specifically exempted herein, without ritualistic work or a representative form of government, transacting any class of insurance, shall not be required to comply with this act. All such societies or associations shall, on and after the passage of this act, file with the Insurance Commissioner copies of their charter, constitution, and laws, and annually thereafter make a report, in such form as the commissioner may require, showing their condition and standing on the thirty-first day of December preceding, and of their transactions for the year, and the commissioner may, at any time, make an examination of the books and accounts of any such society.

Societies without ritual or representative government.

Section 30. Except as hereinbefore provided, every fraternal benefit society, secret fraternal beneficial society, order, or association, and fraternal beneficial and relief association, operating within the definition of section one, shall be governed by this act, and shall be exempt from all provisions of the insurance laws of this Commonwealth, not only in governmental relations with the Commonwealth, but for every other purpose, and no law hereafter enacted shall apply to them, unless they be expressly designated therein.

Exemption of societies from other insurance laws.

Section 31. The act of April sixth, one thousand eight hundred and ninety-three (Pamphlet Laws, ten), entitled "An act regulating the organization and incorporation of secret fraternal beneficial societies, orders, or associations and protecting the rights of members therein;" the act of April sixth, one thousand eight hundred and ninety-three (Pamphlet Laws, seven), entitled "An act defining fraternal beneficial and relief societies and their status, authorizing them to create subordinate lodges and to pay benefits upon the sickness, disability, or death of their members from funds collected by dues and assessments therein, providing for their registration in the office of the Insurance Commissioner, and requiring that they shall make annual reports to him, and exempting them from taxation and from the supervision of the Insurance Commissioner"; the act of May twenty-fourth, one thousand eight hundred and ninety-three (Pamphlet Laws, one hundred and twenty-six), entitled "An act defining to whom the benefit certificates issued by fraternal societies paying benefits upon the death of their members by mutual assessments shall be paid, where the person or member dies without leaving a person designated to receive the same"; the act of June twenty-

Acts repealed.

Act of April 6,
1893 (P. L. 10).

Act of April 6,
1893 (P. L. 7).

Act of May 24,
1893 (P. L. 126).

Act of June 25,
1895 (P. L. 280).

fifth, one thousand eight hundred and ninety-five (Pamphlet Laws, two hundred and eighty), entitled "An act to provide for the person upon whom service shall be had by legal process in the case of fraternal beneficial and relief societies whose status is defined by the act of Assembly, entitled 'An act defining fraternal beneficial and relief societies and their status, authorizing them to create subordinate lodges and to pay benefits, upon the sickness, disability or death of their members, from funds collected by dues and assessments therein, providing for their registration in the office of the Insurance Commissioner, and requiring that they shall make annual reports to him, and exempting them from taxation and from the supervision of the Insurance Commissioner,' approved the sixth day of April, Anno Domini one thousand eight hundred and ninety-three"; the act of June twenty-fourth, one thousand eight hundred and ninety-seven (Pamphlet Laws, two hundred and four), entitled "An act to enable minors, above the age of eighteen years, to contract for membership in fraternal and beneficial societies"; paragraph nine of corporations of the first class of section two of the act, approved April twenty-ninth, one thousand eight hundred and seventy-four, entitled "An act to provide for the incorporation and regulation of certain corporations", in so far as it applies to the incorporation of societies for the purpose of transacting any class of insurance; and the act, approved the twentieth day of June, one thousand nine hundred and nineteen (Pamphlet Laws, five hundred and ten), entitled "An act relating to service of legal process upon any foreign fraternal, beneficial or relief society, company, or association," are repealed. All other acts or parts of acts inconsistent with this act are repealed: Provided, however, That no repeal provided for in this section or otherwise shall affect the rights of societies heretofore incorporated to exercise all the corporate powers possessed by them at the time of the passage of this act.

Act of June 24,
1897 (P. L. 204).

Part of act of
April 29, 1874 (P.
L. 41).

Act of June 20,
1919 (P. L. 510).

Repeal.

APPROVED—The 20th day of May, A. D. 1921.

WM. C. SPROUL.

No. 325.

AN ACT

Authorizing receivers of taxes in and for cities of the first class to furnish certificates of taxes and claims which are liens on real estate, and fixing the fees for such services.

Cities of the first
class.

Section 1. Be it enacted, &c., That the receiver of taxes acting in and for any city of the first class shall