

MAINE STATE LEGISLATURE

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Sixty-Eighth Legislature.

HOUSE.

No. 130.

STATE OF MAINE.

IN THE YEAR OF OUR LORD ONE THOUSAND EIGHT HUNDRED
AND NINETY-SEVEN

AN ACT relating to Fraternal Beneficiary Organizations.

*Be it enacted by the Senate and House of Representatives in
Legislature assembled, as follows:*

Section 1. A fraternal beneficiary association is hereby
2 declared to be a corporation, society or voluntary association,
3 formed or organized and carried on for the sole benefit of its
4 members and their beneficiaries, and not for profit. Each
5 association shall have a lodge system, with ritualistic form
6 of work and representative form of government, and shall
7 make provision for the payment of benefits in case of death,
8 and may make provision for the payment of benefits in case
9 of sickness, temporary or permanent physical disability,
10 either as the result of disease, accident or old age, provided
11 the period in life at which payment of physical disability
12 benefits on account of old age commences, shall not be under

13 seventy (70) years, subject to their compliance with its con-
14 stitution and laws. The fund from which the payment of
15 such benefits shall be made, and the fund from which the
16 expenses of such association shall be defrayed shall be
17 derived from assessments or dues collected from its mem-
18 bers. Payments of death benefits shall be to the families,
19 heirs, blood relatives, affianced husband or affianced wife of,
20 or to persons dependent upon the member. Such associa-
21 tions shall be governed by this act and shall be exempt from
22 the provisions of insurance laws of this State, except as
23 herein provided and no law hereafter passed shall apply to
24 them unless they be expressly designated therein.

Sect. 2. Seven or more persons, residents of the State,
2 desiring to form a fraternal beneficiary corporation for the
3 purposes above provided, and having signed an agreement
4 therefor, declaring therein the purposes of such corporation,
5 may organize as such in the manner provided in section one,
6 two and three of chapter fifty-five of the Revised Statutes,
7 and such corporation shall have all the powers, privileges and
8 immunities, and be subject to all the liabilities named in
9 said section three.

Sect. 3. The presiding officer, treasurer and a majority of
2 the directors or other officers, shall forthwith make, sign and
3 swear to a certificate setting forth a true copy of the agree-
4 ment and declaration of the purposes of the association, with
5 the names of the subscribers thereto, the date of the first
6 meeting, and the successive adjournments, if any, and shall
7 submit such certificate and the records of the corporation to
8 the insurance commissioner, who shall make such examina-
9 tion and require such evidence as he deems necessary; and
10 if it appears that the purposes of the corporation conform
11 to law, he shall certify his approval thereof, and the certificate

12 shall then be filed by said officers in the office of the secretary
 13 of State, who, upon payment of a fee of five dollars, shall
 14 cause the same with the endorsements, to be recorded, and
 15 shall thereupon issue a certificate in the following form:

STATE OF MAINE.

Be it known that whereas (here the names of the subscribers to the agreement of association shall be inserted) have associated themselves with the intention of forming a corporation under the name of (here the name of the corporation shall be inserted) for the purpose (here the purpose declared in the agreement of association shall be inserted) and have complied with the provisions of the statutes of this state in such case made and provided, as appears from the certificate of the officers of the corporation, duly approved by the insurance commissioner and recorded in this office; now therefore, I (here the name of the secretary shall be inserted), secretary of the State of Maine, do hereby certify that said (here the names of the subscribers to the agreement of association shall be inserted), their associates and successors, are legally organized and established as and are hereby made an existing corporation under the name of (here the name of the corporation shall be inserted), with the powers, rights and privileges, and subject to the limitations, duties and restrictions which by law appertain thereto.

Witness my official signature hereunto subscribed, and the seal of the State of Maine hereunto affixed, this day of in the year (In these blanks the day, month and year of execution of the certificate shall be inserted.)

The secretary shall sign the name and cause the seal of the state to be thereto affixed, and such certificate shall be conclusive evidence of the existence of such corporation at the date of such certificate. He shall cause a record of such certificate to be made.

Sect. 4. Any such corporation may hold at any one time,
2 as a death fund belonging to the beneficiaries of anticipated
3 deceased members, an amount not exceeding one assess-
4 ment from a general or unlimited membership, or an amount
5 not exceeding in the aggregate, one assessment from each
6 limited class or division of its members; provided, that noth-
7 ing in this section shall be held to restrict such fund to less
8 than twenty-five thousand dollars.

Sect. 5. No corporation organized under the provisions of
2 this act shall commence to do business or issue any certifi-
3 cate until it has presented to the insurance commissioner
4 and received his certification that it has obtained not less
5 than five hundred bona fide applications for membership.
6 Nor until it has deposited with the treasurer of State at least
7 one thousand dollars as a part of its emergency fund, which
8 shall be held and applied in accordance with the provisions
9 of section six of chapter 237 of the Public Laws of 1889, as
10 amended. All such companies or associations hereafter
11 organized or incorporated under the laws of this State shall
12 also comply with all provisions of section six of said chapter.

Sect. 6. No charter granted under the provisions of this
2 act shall be valid after one year from its date unless the
3 organization has been completed and business begun there-
4 under. And when any domestic corporation has discon-
5 tinued business for the period of one year its charter shall
6 become null and void.

Sect. 7. No such corporation shall reinsure with or trans-
2 fer its membership certificates or funds to any organization,
3 unless the said contract of transfer or reinsurance is first
4 submitted to and approved by a two-thirds vote of the mem-
5 bers of each association or society present at meetings called
6 to consider the same, of which meetings written or printed
7 notice shall be mailed to each certificate holder at least thirty

8 days before the date fixed for said meeting, nor unless the
9 said contract of transfer or reinsurance is first submitted to
10 and approved by the insurance commissioner.

Sect. 8. Any fraternal beneficiary corporation existing
2 under the laws of this State, and now engaged in transacting
3 business as herein defined, may re-incorporate under the
4 provisions of this act; provided, that nothing in this act con-
5 tained shall be construed as requiring any such corpora-
6 tion to re-incorporate; and any such corporation may con-
7 tinue to exercise all the rights, powers and privileges con-
8 ferred by this act, and its articles of incorporation not incon-
9 sistent herewith, and shall be subject to the requirements
10 and penalties of this act the same as if re-incorporated here-
11 under.

Sect. 9. Fraternal beneficiary corporations, associations
2 or societies organized under the laws of another state or
3 country, now transacting business in this state as herein
4 defined, and which now report or which shall report when
5 requested to the insurance department, may continue such
6 business upon complying with the provisions of this act.
7 Fraternal beneficiary corporations, associations or societies,
8 not now transacting business in this state, which may here-
9 after desire to do so, shall first obtain license therefor from
10 the insurance commissioner. Such corporation, association
11 or society shall furnish the commissioner with a certified
12 copy of its charter and by-laws, with a statement under oath,
13 showing its membership and financial condition, with a
14 power of attorney, as hereinafter specified, and shall also
15 furnish the commissioner with such other information as he
16 shall deem necessary to a proper exhibit of its business and
17 standing and plan of working, and if he deems it expedient,
18 he may license such corporation, association or society to do
19 business in this state in accordance with the provisions of

20 this act. For such license he may receive a fee of twenty
21 dollars.

Sect. 10. Each such association now doing or hereafter
2 admitted to do business within this State and not having its
3 principal office within this State, and not being organized
4 under the laws of this State, shall appoint in writing the
5 insurance commissioner and his successors in office to be its
6 true and lawful attorney, upon whom all lawful process in
7 any action or proceeding against it may be served, and in
8 such writing shall agree that any lawful process against it
9 which is served on said attorney shall be of the same legal
10 force and validity as if served upon the association, and that
11 the authority shall continue in force so long as any liability
12 remains outstanding in this State. Copies of such certifi-
13 cate, certified by said insurance commissioner, shall be
14 deemed sufficient evidence thereof, and shall be admitted in
15 evidence with the same force and effect as the original
16 thereof might be admitted. Service upon such attorney
17 shall be deemed sufficient service upon such association.
18 When legal process against any such association is served
19 upon said insurance commissioner, he shall immediately
20 notify the association of such service by letter, prepaid and
21 directed to its secretary or corresponding officer, and shall
22 within two days after such service forward in the same man-
23 ner a copy of the process served on him to such officer. The
24 plaintiff in such process so served shall pay to the insurance
25 commissioner at the time of such service a fee of \$2.00,
26 which shall be recovered by him as part of the taxable costs,
27 if he prevails in the suit.

Sect. 11. No certificate issued by any association trans-
2 acting business under this act shall be valid or legal which
3 shall be conditional upon an agreement or understanding
4 that the beneficiary shall pay the dues and assessments, or

5 either of them, for said member. Any corporation author-
6 ized to transact business as defined in this act may employ
7 paid agents in soliciting business. But no person shall act
8 as such an agent until he has first been licensed therefor by
9 the insurance commissioner in accordance with the provi-
10 sions of section seventy-three, of chapter forty-nine of the
11 Revised Statutes, and any person violating this provision
12 shall, upon conviction, be punished as provided in said sec-
13 tion seventy-three. For such license the commissioner
14 shall receive two dollars.

Sect. 12. Every corporation, association or society doing
2 business as herein defined shall annually, on or before the
3 first day of March, report to the insurance commissioner the
4 names and addresses of its president, secretary and treasurer,
5 or other officers answering thereto, and shall make such
6 further statements of its membership and financial trans-
7 actions for the year ending on the preceding thirty-first day
8 of December, with other information relating thereto, as
9 said commissioner may deem necessary to a proper exhibit
10 of its business and standing; and the commissioner may at
11 any other times require any further statement he may deem
12 necessary to be made relating to such corporation.

Sect. 13. Any person who shall solicit membership for,
2 or in any manner assist in procuring membership in any
3 such corporation or organization doing a business not
4 authorized by this act, or who shall solicit membership for,
5 or in any manner assist in procuring membership in any
6 such corporation or organization not authorized, as herein
7 provided, to do business as herein defined, in this state, shall
8 be guilty of a misdemeanor, and upon conviction thereof,
9 shall be punished by a fine of not less than fifty nor more
10 than two hundred dollars.

Sect. 14. The money or other benefit, charity, relief, or
2 aid to be paid, provided or rendered by any corporation,
3 association or society authorized to do business under this
4 act, and as herein provided, shall not be liable to attachment
5 by trustee, or other process, and shall not be seized, taken
6 or appropriated, or applied by any legal or equitable process,
7 nor by operation of law, to pay any debt or liability of a
8 certificate holder, or any beneficiary thereof.

Sect. 15. Any solicitor, agent or examining physician,
2 who shall knowingly or willfully make any false or fraudulent
3 statement or representation in or with reference to any appli-
4 cation for membership, or for the purpose of obtaining any
5 money or benefit, in any corporation, association, or society
6 transacting business under this act, shall be guilty of a mis-
7 demeanor, and, upon conviction, shall be punished by a fine
8 of not less than one hundred nor more than five hundred
9 dollars, or by imprisonment not less than thirty days nor
10 more than one year, or both; and any person who shall will-
11 fully make a false statement of any material fact or thing in a
12 sworn statement as to the death or disability of a certificate hold-
13 er in any such corporation, for the purpose of procuring the
14 payment of the benefit named in the certificate of such
15 holder, shall be guilty of perjury, and, upon conviction, shall
16 be punished accordingly.

Sect. 16. Fraternal beneficiary organizations organized
2 or incorporated under the laws of any other state or country
3 which do not operate upon the "lodge system," as defined in
4 section one of this act, and which limit their membership to
5 the members of some particular order, class or fraternity,
6 may be admitted to transact business in this State upon com-
7 plying with the provisions of chapter 237, of the Public
8 Laws of 1889, and acts additional to and amendatory thereof,
9 regulating the admission and conduct of assessment com-

10 panies. All such corporations shall be exempt from the
11 provisions of this act and shall comply with and be subject
12 to all provisions of said statutes relating to assessment com-
13 panies.

Sect. 17. Nothing herein contained shall be construed to
2 affect or apply to grand or subordinate lodges of Masons,
3 Odd Fellows, Knights of Pythias or similar orders, organ-
4 ized or incorporated under the laws of this State, and which
5 do not have as their principal object the issuance of insur-
6 ance certificates.

Nor shall anything herein contained apply to domestic
8 corporations or voluntary associations which limit their
9 membership to the employes of a particular city or town,
10 designated firm, business house or corporation; nor to
11 domestic lodges, orders or associations of a purely religious,
12 charitable and benevolent description which do not operate
13 with a view to profit and which do not provide for a funeral
14 benefit of more than \$100, or sick or disability benefits of
15 more than \$150 to any one person in any one year.

Provided always that any association which has more than
17 three hundred members and which issues to any person a
18 certificate providing for the payment of benefits shall not
19 be exempt by the provisions of this section and such asso-
20 ciations shall comply with all requirements of this act.

The insurance commissioner may require of any associa-
22 tion such information relating to its membership and certifi-
23 cates as will enable him to determine whether it is exempt
24 from the provisions of this act.

And no order or association which is exempt by the pro-
26 visions of this section from the requirements of this act

27 shall employ paid agents or give or allow to any person any
28 compensation for procuring new members.

Sect. 18. The insurance commissioner, in person or by
2 deputy, shall have the power of visitation and examination
3 into the affairs of any corporation subject to the provisions
4 of this act that are conferred upon him by the provisions of
5 chapter 49, provided that he shall not be required to make
6 periodical examinations of domestic companies. When-
7 ever the commissioner is satisfied that any foreign associa-
8 tion is not paying the maximum amount named in its poli-
9 cies or certificates in full or is in such condition as to ren-
10 der further proceedings hazardous to the public or its policy
11 holders he may apply to a justice of the supreme judicial
12 court for an injunction restraining such corporation from
13 the further prosecution of its business. Said justice after
14 reasonable notice and hearing upon the matter may issue
15 an injunction restraining the company in whole or in part
16 from proceeding further with its business and may make
17 such other order and decrees as the interest of the corpora-
18 tion and the public may require.

Sect. 19. Whenever after examination the commissioner
2 is satisfied that any domestic corporation is not paying the
3 maximum amount named in its policies or certificates in
4 full or is in such condition as to render further proceedings
5 hazardous to the public or its policy holders or is transact-
6 ing its business fraudulently; or whenever such domestic
7 corporation shall, after the existence of one year or more,
8 have a membership of less than three hundred, the insur-
9 ance commissioner may present the facts in relation to the
10 same to any justice of the supreme judicial court; and said
11 justice shall thereupon notify the officers of such corpora-

12 tion of a hearing and unless it shall then appear that some
13 special and good reason exists why the corporation should
14 not be closed, some person shall be appointed receiver of
15 such corporation, and shall proceed at once to take posses-
16 sion of the books, papers, moneys, and other assets of the
17 corporation, and shall forthwith, under the direction of the
18 court proceed to close the affairs of such corporation and
19 to distribute to those entitled thereto its funds. For this
20 service the receiver may be allowed out of any funds in
21 possession of the corporation or which may come therefrom
22 into his hands, such sum as the court may determine to be
23 reasonable and just. When the affairs of the corporation
24 shall be finally closed, the court may decree a dissolution of
25 the same.

Sect. 20. Fraternal beneficiary organizations, organized
2 or incorporated under the laws of this State which are
3 transacting business herein upon the passage of this act,
4 and which limit their membership to the members of some
5 particular order, class or fraternity may continue such busi-
6 ness by complying with the provisions of this act not incon-
7 sistent herewith.

Sect. 21. Any corporation, association or society, neglect-
2 ing or refusing to comply with, or violating the provisions
3 of this act shall be fined not less than fifty nor more than
4 two hundred dollars, upon conviction thereof.

Sect. 22. All acts or parts of acts inconsistent herewith
2 are hereby repealed.

STATE OF MAINE.

IN HOUSE OF REPRESENTATIVES,

February 19, 1897.

Tabled, pending reference to Committee on Mercantile Affairs and Insurance, by Mr. HUTCHINSON of Auburn, and ordered printed.

W. S. COTTON, *Clerk.*