

# MAINE STATE LEGISLATURE

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# Sixty-Eighth Legislature.

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HOUSE.

No. 269.

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## STATE OF MAINE.

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

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AN ACT relating to Fraternal Beneficiary Organizations.

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*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 associa-  
3 tion, formed or organized and carried on for the sole benefit  
4 of its members and their beneficiaries, and not for profit.  
5 Each association shall have a lodge system, with ritualistic  
6 form of work and representative form of government, and  
7 shall make provision for the payment of benefits in case of  
8 death, and may make provision for the payment of benefits  
9 in case of sickness, temporary or permanent physical disa-  
10 bility, either as the result of disease, accident or old age, pro-  
11 vided the period in life at which payment of physical disa-  
12 bility benefits on account of old age commences, shall not

13 be under seventy (70) years, subject to their compliance with  
14 its constitution and laws. The fund from which the payment  
15 of 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  
8 and 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 to  
11 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 indorsements, 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  
18 to the agreement of association shall be inserted) have  
19 associated themselves with the intention of forming a cor-  
20 poration under the name of (here the name of the corpora-  
21 tion shall be inserted) for the purpose (here the purpose  
22 declared in the agreement of association shall be inserted)  
23 and have complied with the provisions of the Statutes of  
24 this State in such case made and provided, as appears from  
25 the certificate of the officers of the corporation, duly  
26 approved by the insurance commissioner and recorded in  
27 this office; now therefore, I (here the name of the secretary  
28 shall be inserted), secretary of the State of Maine, do hereby  
29 certify that said (here the names of the subscribers to the  
30 agreement of association shall be inserted), their associates  
31 and successors, are legally organized and established as and  
32 are hereby made an existing corporation under the name of  
33 (here the name of the corporation shall be inserted), with  
34 powers, rights and privileges, and subject to the limita-  
35 tions, duties and restrictions which by law appertain thereto.

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

The secretary shall sign the name and cause the seal of the  
41 State to be thereto affixed, and such certificate shall be  
42 conclusive evidence of the existence of such corporation at  
43 the date of such certificate. He shall cause a record of such  
44 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 7 nothing in this section shall be held to restrict such fund to 8 less than twenty-five thousand dollars.

Sect. 5. No corporation organized under the provisions 2 of this act shall commence to do business or issue any 3 certificate until it has presented to the insurance commis- 4 sioner and received his certification that it has obtained not 5 less than five hundred bona fide applications for member- 6 ship. Nor until it has deposited with the treasurer of 7 State at least one thousand dollars as a part of its emergency 8 fund, which shall be held and applied in accordance with the 9 provisions of section six of chapter 237 of the public laws of 10 1889 as amended. All such companies or associations here- 11 after organized or incorporated under the laws of this State 12 shall also comply with all provisions of section six of said 13 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  
5 contained 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  
11 hereunder.

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  
3 its principal office within this State, and not being organ-  
4 ized under the laws of this State, shall appoint in writing  
5 the insurance commissioner and his successors in office to  
6 be its true and lawful attorney, upon whom all lawful pro-  
7 cess in any action or proceeding against it may be served,  
8 and in such writing shall agree that any lawful process  
9 against it which is served on said attorney shall be of the  
10 same legal force and validity as if served upon the asso-  
11 ciation, and that the authority shall continue in force so  
12 long as any liability remains outstanding in this State.  
13 Copies of such certificate, certified by said insurance com-  
14 missioner, shall be deemed sufficient evidence thereof, and  
15 shall be admitted in evidence with the same force and effect  
16 as the original thereof might be admitted. Service upon  
17 such attorney shall be deemed sufficient service upon such  
18 association. When legal process against any such asso-  
19 ciation is served upon said insurance commissioner, he  
20 shall immediately notify the association of such service by  
21 letter, prepaid and directed to its secretary or correspond-  
22 ing officer, and shall within two days after such service for-  
23 ward in the same manner a copy of the process served on  
24 him to such officer. The plaintiff in such process so served  
25 shall pay to the insurance commissioner at the time of such  
26 service a fee of \$2, which shall be recovered by him as  
27 part of the taxable costs, 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  
8 act as such an agent until he has first been licensed there-  
9 for by the insurance commissioner in accordance with the  
10 provisions of section seventy-three, of chapter forty-nine  
11 of the Revised Statutes, and any person violating this pro-  
12 vision shall, upon conviction, be punished as provided in  
13 said section seventy-three. For such license the commis-  
14 sioner 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  
4 the names and addresses of its president, secretary and  
5 treasurer, or other officers answering thereto, and shall  
6 make such further statements of its membership and finan-  
7 cial transactions for the year ending on the preceding  
8 thirty-first day of December, with other information relat-  
9 ing thereto, as said commissioner may deem necessary to  
10 a proper exhibit of its business and standing; and the com-  
11 missioner may at any other times require any further state-  
12 ment he may deem necessary to be made relating to such  
13 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,  
8 shall be guilty of a misdemeanor, and upon conviction  
9 thereof, shall be punished by a fine of not less than fifty nor  
10 more 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 attach-  
5 ment by trustee, or other process, and shall not be seized,  
6 taken or appropriated, or applied by any legal or equitable  
7 process, nor by operation of law, to pay any debt or liability  
8 of a certificate holder, or any beneficiary thereof.

Sect. 15. Any solicitor, agent or examining physician,  
2 who shall knowingly or willfully make any false or fraud-  
3 ulent statement or representation in or with reference to  
4 any application for membership, or for the purpose of  
5 obtaining any money or benefit, in any corporation, asso-  
6 ciation or society transacting business under this act, shall  
7 be guilty of a misdemeanor, and, upon conviction, shall be  
8 punished by a fine of not less than one hundred nor more  
9 than five hundred dollars, or by imprisonment not less than  
10 thirty days nor more than one year, or both; and any per-  
11 son who shall willfully make a false statement of any  
12 material fact or thing in a sworn statement as to the death  
13 or disability of a certificate holder in any such corporation,  
14 for the purpose of procuring the payment of the benefit  
15 named in the certificate of such holder, shall be guilty of  
16 perjury, and, upon conviction, shall be punished accord-  
17 ingly.

Sect. 16. Fraternal beneficiary organizations organized  
2 or incorporated under the laws of any other state or coun-  
3 try which do not operate upon the "lodge system," as  
4 defined in section one of this act, and which limit their  
5 membership to the members of some particular order, class  
6 or fraternity, may be admitted to transact business in this  
7 State upon complying with the provisions of chapter 237,  
8 of the Public Laws of 1889, and acts additional to and  
9 amendatory thereof, regulating the admission and conduct  
10 of assessment companies. All such corporations shall be  
11 exempt from the provisions of this act and shall comply  
12 with and be subject to all provisions of said statutes relat-  
13 ing to assessment companies.

Sect. 17. Nothing herein contained shall be construed  
2 to 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 cor-  
8 porations or voluntary associations which limit their mem-  
9 bership to the employes of a particular city or town, desig-  
10 nated firm, business house or corporation; nor to domestic  
11 lodges, orders or associations of a purely religious, charita-  
12 ble and benevolent description which do not operate with  
13 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  
18 a 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  
28 any compensation for procuring new members.

Sect. 18. The insurance commissioner, in person or by  
2 deputy, shall have the power of visitation and examina-  
3 tion into the affairs of any corporation subject to the provi-  
4 sions of this act that are conferred upon him by the pro-  
5 visions of chapter 49, provided that he shall not be required  
6 to make periodical examinations of domestic companies.  
7 Whenever the commissioner is satisfied that any foreign  
8 association is not paying the maximum amount named in  
9 its policies or certificates in full or is in such condition as  
10 to render further proceedings hazardous to the public or  
11 its policy holders he may apply to a justice of the supreme  
12 judicial court for an injunction restraining such corpora-  
13 tion from the further prosecution of its business. Said  
14 justice after reasonable notice and hearing upon the mat-  
15 ter may issue an injunction restraining the company in  
16 whole or in part from proceeding further with its business  
17 and may make such other order and decrees as the interest  
18 of the corporation 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 proceed-  
5 ings hazardous to the public or its policy holders or is  
6 transacting its business fraudulently; or whenever such  
7 domestic corporation shall, after the existence of one year  
8 or more, have a membership of less than three hundred,  
9 the insurance commissioner may present the facts in rela-  
10 tion to the same to any justice of the supreme judicial  
11 court; and said justice shall thereupon notify the officers  
12 of such corporation of a hearing and unless it shall then  
13 appear that some special and good reason exists why the  
14 corporation should not be closed, some person shall be  
15 appointed receiver of such corporation, and shall proceed  
16 at once to take possession of the books, papers, moneys,  
17 and other assets of the corporation, and shall forthwith,  
18 under the direction of the court proceed to close the affairs  
19 of such corporation and to distribute to those entitled  
20 thereto its funds. For this service the receiver may be  
21 allowed out of any funds in possession of the corporation  
22 or which may come therefrom into his hands, such sum as  
23 the court may determine to be reasonable and just. When  
24 the affairs of the corporation shall be finally closed, the  
25 court may decree a dissolution of 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, neg-  
2 lecting or refusing to comply with, or violating the provi-

3 sions of this act shall be fined not less than fifty nor more  
4 than two hundred dollars, upon conviction thereof.

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

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## STATE OF MAINE.

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IN HOUSE OF REPRESENTATIVES,  
March 10, 1897.

Reported by Mr. HUTCHINSON of Auburn, from Committee on Mer-  
cantile Affairs and Insurance, and ordered printed under joint rules.

W. S. COTTON, *Clerk.*