

CHAPTER 241—H. F. No. 1544

An act to incorporate Assessment Benefit Associations and to provide for and regulate the control of such associations.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Assessment benefit association authorized.—Any three or more persons, who are citizens of this State, desiring to form an assessment benefit association under this Act shall submit to the Commissioner of Insurance, in writing, proposed articles of association. Such articles shall state the name of the association, the location of its principal business office, which office must be located in this State, the time and place of holding meetings of the association and the manner of voting at such meetings and the number of members required to constitute a quorum, the name and residence of the persons so desiring to form such association, the number of its directors, and the names and addresses of the directors selected to serve until the first annual meeting of such association, the object of such association with its plan of doing business clearly and fully defined, the maximum amount of benefits it is intended to pay, which may be graduated according to the age of the insured at the time of his admission to membership.

Sec. 2. Commissioner of insurance may issue permit to solicit applications.—On receipt of such articles of association the Commissioner of Insurance shall examine the same and if he shall find that the objects and purposes are fully and definitely set forth and are within the provisions of this Act and that the name and title is not the same or does not so closely resemble a name or title in use as to have a tendency to mislead the public, shall approve the same, and upon deposit with him as such Commissioner, of the sum of \$1,000.00 in cash, or in bonds of the character required for deposit by life insurance companies, to secure the performance by said persons and by the proposed corporation of their obligations, shall issue a permit to such persons to solicit applications for membership in such proposed association.

Sec. 3. Membership fees—bond.—Upon the issuance of such permit the persons proposing such articles of association may solicit applications for membership in such proposed association and collect a membership fee of not more than \$5.00 nor less than \$3.00 with each such application, which membership fee shall be deposited in a bank approved by the Commissioner of Insurance in the names of such persons as trustees, or in lieu of such deposit, the Commissioner of Insurance may require a bond in the sum of \$5,000.00 executed by some surety corporation authorized to transact surety business in this state to secure the return of said membership fees if the proposed association shall be abandoned.

Upon submission to the Commissioner of Insurance of not less than 300 bona fide applications for membership, and a certificate from such bank that an amount equal to at least the total membership fees charged on account of such applications has been deposited as herein provided, he shall mark said articles of association "filed" and thereupon a duplicate or certified copy of said articles of association shall be recorded in the office of the Register of Deeds of the County in which the principal office of such association is located, and upon proof thereof filed with the Commissioner of Insurance he shall issue a certificate of authority to said association to do business, and thereupon the said association shall be deemed a corporation and the persons whose applications for membership were so received shall be deemed members thereof. Thereupon, the membership fees collected and held by such persons as trustees and all other moneys in the hands of such persons shall be transferred to the treasurer of such association, but said deposit with the Commissioner of Insurance shall remain, but the persons who made such deposit may be reimbursed by said association therefor; provided, however, that if within 1 year from the filing of such proposed articles of association the organization of such association abandonment be not completed, the amount of the membership fees so collected shall be returned to the applicants without any deduction for expense, and upon proof thereof, the Commissioner of Insurance shall return the amount deposited with him, and the organization of the proposed association shall thereupon be deemed abandoned.

Sec. 4. Articles may be amended.—The articles of association may be amended by authority of a majority vote of the members present and voting in person or by proxy, at any annual meeting of the association or at a special meeting called for that purpose. Provided, however, that any proposed amendment shall, before it becomes effective, be approved by the Commissioner of Insurance.

Sec. 5. Shall adopt by-laws.—An assessment benefit association organized under the provisions of this Act shall make by-laws in the manner provided by the articles of association and may amend the same in the manner provided by the articles of association or by-laws of the association. A copy of such by-laws and of all amendment thereof, as amendments may be made, together with the certificate of the president and secretary, attested by the seal of the association, to the effect that such by-laws and amendments thereto were regularly adopted, shall be filed with the Commissioner of Insurance and shall be approved by him before the same shall become effective.

Sec. 6. Board of directors.—The affairs of such assessment benefit association shall be managed by a board of not less than 3 nor more than 7 directors who shall be residents of the State of Minnesota, and who shall be elected from and by the members at such time and place and for such period not exceeding 3 years, as may be provided in the articles of association or the by-laws. Provided, that as near as practicable an equal number shall be elected each year. Whenever any directors shall be elected a certificate by the president and secretary, under the seal of the association, giving the names and residence of those elected and the terms of their offices shall be filed in the office of the Commissioner of Insurance. Vacancies on the Board of Directors shall be filed in the manner provided in the by-laws.

Sec. 7. Officers.—Each such association shall have a president, treasurer and secretary and such other officers as the articles of association or by-laws shall provide. Each such officer shall give bond to the association for the faithful performance of his duties and accounting for the funds of the association coming into his hands, in such amount and with such responsible sureties as shall be prescribed by the Board of Directors but not less than \$500.00 each.

Sec. 8. Certificates of membership.—Such assessment benefit associations shall issue to each member a certificate of membership, which certificate shall provide for a death benefit payable to a designated beneficiary or to the member's estate, which certificate before it shall be used shall be approved as to form by the Commissioner of Insurance. Such certificate shall specify the maximum benefits which the association promises to pay upon contingency of death and shall state that the amount to be paid is dependent on payment of assessments by members, and upon the occurrence of such contingency the association shall be obligated to the beneficiary, to make payment as specified in the certificate not later than three months after the date due proof of death shall have been received by the association. Such certificate, together with the articles of association and the by-laws of the association, shall constitute and be the entire contract between the member and the association. Provided, in no case, shall the association be liable on any one certificate for an amount greater than the amount received on an assessment of \$1.00 per member of its members, or of the members of the same class or group in good standing, and such association may be its articles of association or by-laws provide for the levy for losses of one assessment of \$1.00 each month and may then provide that its liability shall not in any one year exceed \$12.00 per member in good standing of its members or of the members of the class or group thereof to which an insured member belongs, and such asso-

ciation may also provide for its articles of association that any excess of money raised by assessment above the amount required to pay losses may, if the article of association so provide, be accumulated in a reserve account and invested in the same class of securities as required by the statutes of this state for the investment of funds of domestic life insurance companies.

Sec. 9. May be declared insolvent to non-payment of losses.—If the amount for which the association is liable remains unpaid after 6 months from the date upon which satisfactory proofs of death are filed with the association, and such claim is not rejected or contested by the association for fraud, misrepresentation or misstatement upon the part of the member or representative of the member, such association may be deemed insolvent and may be proceeded against as such by the Commissioner of Insurance.

Sec. 10. Assessments.—Whenever the association shall have been notified of any loss under its certificate of membership, which exceeds in amount the benefit fund of the association properly allocated to the class to which the member belonged, the association shall levy an assessment to pay such loss. Provided that such association may by its articles of association or by-laws provide that at the end of every calendar month during which losses have occurred and due proof thereof filed with the secretary of the association, the association shall levy one or more assessments to pay such losses. Assessments provided for in this section shall be distributed equally as against the members of the association of the same class or group. The association may provide that of any assessment provided for in this section a certain percentage may be used to pay expenses of management or may provide for the levy of assessments for such purpose, and may also if the articles of association so provide levy assessments for the accumulation of a properly authorized reserve account at any time; provided, however, that the amount available for expenses of management including salaries shall not be in excess of \$6.00 per member per annum. All assessments provided for by this section shall be reported to the Board of Directors and a record thereof made upon the minutes of its meetings and such record shall show the amounts assessed for losses and expenses separately.

Sec. 11. May divide membership into groups.—Any association heretofore or hereafter formed under this Act may divide its membership into as many classes or groups as such association may desire. Whenever such association shall divide its membership into classes or groups then such association so classifying its membership may assess each class or group separately, distributing such assessment equally as against all the members in the class or group to which the deceased member belonged.

Sec. 12. Secretary to notify members of assessment.—It shall be the duty of the secretary, whenever such assessment shall have been levied, to immediately notify every member of such association, or in case such assessment is distributed against any certain class or group as provided in this Act, then every member belonging to the class or group against which such assessment is made or apportioned by mail, properly addressed to each member at the last post office address given by him to the secretary of the association, of the amount of the total assessment for losses and expenses, and the sum due from such member, as his share of such losses and expenses. Such notices shall also state the time when, and the name and address of the officer of the association to which the payment is to be made, but such time may not be less than 30 days nor more than 60 days from the date of such notice. Such notice, in case of a benefit assessment, shall include the name and address of the deceased member with the maximum amount to be paid.

Upon failure of any member to pay any assessment levied upon him under the provisions of this Act, within the time named in such notice, the association may declare the certificate of such member cancelled, upon a further notice sent by first class mail in the manner above provided that his certificate will be cancelled if payment is not made to the association within 10 days of the mailing of such cancellation notice. The association may reinstate a cancelled certificate of any member according to regulations provided in the by-laws of such association.

Sec. 13. Membership fees.—The directors may fix the membership fee to be charged applicants for membership, within the same limits as provided in Section 3. All or any portion of the amount of the membership fees authorized by this Act may be paid to any person or persons soliciting the applicant to become a member as provided by the directors of the association.

Sec. 14. Funds to be kept in two accounts.—Every assessment benefit association shall establish two general accounts to be known respectively as the Benefit Account and the Expense Account and may provide in its articles of association for a reserve account. Into the Benefit Account shall be placed the amount of all assessments or portions thereof collected from members of the association for the purpose of paying losses incurred under its certificates of membership, and from such account shall be paid losses incurred under its certificates of membership. Into the Expense Account shall be placed the membership fee received by the association and not retained by agents according to the by-laws, and all assessments or portions of assessments collected from members for the purpose of defraying the expenses of the association and from such

account shall be paid all salaries, expenses, fees, taxes, costs of defending or prosecuting suits and all other items relating to the management of the association. Into the Reserve Account, if one is created, shall be placed moneys as provided in its articles of association. The funds to the credit of said account may be used to pay losses as the articles of association may provide. No sums shall ever be transferred from the Benefit Account or the Reserve Account to the Expense Account.

Sec. 15. **Only one certificate to member.**—No assessment benefit associations shall issue to any member more than one certificate in any one group or class. No such association may after the certificate has been in force 1 year during the life time of the member avail itself of any defense to any claim for any benefit under its certificate of membership on account of any statement or answer to interrogatory by the member in his application for membership, except in case of fraud.

Sec. 16. **May transfer risks.**—Any association organized, reincorporated or operating under the provisions of this Act may by majority vote of its Board of Directors at any regular meeting or any special meeting called for that purpose and of its members present and voting in person or by proxy at any regular meeting or special meeting called for that purpose transfer its risks to, or reinsure them in any other assessment benefit association or any other Life Insurance corporation, fraternal beneficiary association or society, or merge or consolidate with any other assessment benefit association or any other Life Insurance corporation, fraternal beneficiary association or society, with the approval of the Commissioner of Insurance.

Sec. 17. **Powers of Commissioner of insurance.**—The Commissioner of Insurance shall have the same power and authority over all associations to which this Act is applicable as to visitation and examination as are given to him by the statutes of this State over life insurance companies.

Sec. 18. **Members may make change in beneficiary.**—Any member in any such association shall have the right at any time to make a change in the payee or beneficiary without obtaining the consent of such payee or beneficiary.

Sec. 19. **Funds exempt from process.**—The money or benefit provided or paid by any association authorized to do business under this Act, as provided in the certificate of membership thereof, shall not be liable to any legal process to enforce payment of any debt or liability of a certificate holder, or of any beneficiary named therein.

Sec. 20. Fees of commissioner.—The fees for any service or act of the Commissioner of Insurance or his assistants and employes, shall be the same as provided in the case of life insurance companies, except that each association authorized to transact business under this Act shall pay to the Commissioner of Insurance on submitting its proposed articles of association \$5.00, and on the filing of its application and articles of association \$20.00, and for each annual statement thereafter \$5.00.

Sec. 21. Must file reports with commissioner.—Every such association doing business under this Act, shall, on or before the first day of March in each year, make and file with the Commissioner of Insurance, a report of its affairs and operations during the year ending on the thirty-first day of December immediately preceding, which report shall be in such form as the Commissioner of Insurance may require. Such report shall be verified by such of the officers of the Association as the Commissioner of Insurance may direct.

Sec. 22. Shall place "Assessment Benefit Association" on all printed matter.—Every association, operating under and by virtue of the provisions of this Act, shall include immediately under the name or title of the association the words "ASSESSMENT BENEFIT ASSOCIATION" in all printed matter, stationery, circulars, certificates, applications, advertisements or literature of any kind.

Sec. 23. Existing associations to come under this act.—Within 6 months after the passage of this Act any association or corporation doing business in this State, and paying death benefits by means of assessment upon its members or voluntary contribution made by its members, (except organizations now exempted from the operation of the statutes of this state relating to life insurance companies and fraternal beneficiary associations and except corporations or associations now subject to regulation by the statutes of this state,) desiring to continue in operation shall come under the provisions of this Act by complying with the following: It shall present to the Commissioner of Insurance for filing, its articles of association and by-laws or proposed articles of association and by-laws, it shall furnish proper evidence that it has a bona fide contributing membership of at least 300, it shall make the deposit provided by Section 2 of this Act, it shall submit, at its own expense, to an examination of its business and transactions by the Commissioner of Insurance or his deputies or employes. If the Commissioner of Insurance shall find that such association or corporation has met all of the requirements of this Act, he shall file such articles of association and upon proof of the record of a

duplicate or certified copy of the same in the manner provided in this Act, the Commissioner of Insurance shall issue to said association or corporation, a certificate of authority to do business.

Sec. 24. **Effective sixty days after passage of Act.**—This Act shall take effect and be in force from and after 60 days after its passage.

Approved April 13, 1933.

CHAPTER 242—H. F. No. 1604

An act to amend Mason's Minnesota Statutes of 1927, Section 501, as amended by Laws 1931, Chapter 170, adding the clerk in charge of a contract postal station to the list of officers who may be an attesting witness under the Absent Voters' Law by amending Subdivision "H" under the heading "Directions to Voters."

Be it enacted by the Legislature of the State of Minnesota:

Section 1. **Who may be attesting witnesses.**—That Subdivision "h," under "Directions to Voters" of Mason's Minnesota Statutes of 1927, Section 501, as amended by Laws 1931, Section 170, be and the same is hereby amended so as to read as follows:

"(h) Any United States postmaster, assistant United States postmaster, United States postal supervisor, *Clerk in charge of a contract postal station*, or any county, village, or city officer having an official seal may be an attesting witness.

If a postmaster, or assistant postmaster, or postal supervisor, or *clerk in charge of a contract postal station* acts as an attesting witness, his signature on the "Certificate of Attesting Witness" should be authenticated by the cancellation stamp of their respective postoffices. If one of the other officers named as attesting witness his signature on the "Certificate of Attesting Witness" should be authenticated with his official seal. It is not necessary to thus authenticate the signature to the certificate on the back of the "Return Envelope."

Approved April 13, 1933.

CHAPTER 243—S. F. No. 1658

An act to legalize changes heretofore made in certain county ditch systems in certain cases, by County and Town Boards.