

CHAPTER 63

INSURANCE DIVISION; ASSESSMENT BENEFIT ASSOCIATIONS

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63.01 ASSESSMENT BENEFIT ASSOCIATION AUTHORIZED. Any three or more persons, who are citizens of this state, desiring to form an assessment benefit association under sections 63.01 to 63.22 shall submit to the commissioner, 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, the manner of voting at the meetings and the number of members required to constitute a quorum, the names and residences of the persons so desiring to form the association, the number of its directors, and the names and addresses of the directors selected to serve until the first annual meeting of the association, the object of the 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.

[1933 c. 241 s. 1] (3445-1)

63.02 COMMISSIONER MAY ISSUE PERMIT TO SOLICIT APPLICATIONS. On receipt of articles of association the commissioner 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 sections 63.01 to 63.22, and that the name or 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, approve the same, and upon deposit with him, as commissioner, of the sum of \$1,000 in cash, or in bonds of the character required for deposit by life insurance companies, to secure the performance by these persons and by the proposed corporation of their obligations, shall issue a permit to these persons to solicit applications for membership in the proposed association.

[1933 c. 241 s. 2] (3445-2)

63.03 MEMBERSHIP FEES; BOND. Upon the issuance of the permit, the persons proposing the articles of association may solicit applications for membership in the proposed association and collect a membership fee of not more than \$5.00, nor less than \$3.00, with each application, which membership fee shall be deposited in a bank approved by the commissioner in the names of these persons as trustees, or in lieu of this deposit, the commissioner may require a bond, in the sum of \$5,000, executed by some surety corporation authorized to transact surety business in this state, to secure the return of these membership fees if the proposed association shall be abandoned.

Upon submission to the commissioner of not less than 300 bona fide applications for membership, and a certificate from the bank that an amount equal to at least the total membership fees charged on account of these applications has been deposited, as herein provided, he shall mark the articles of association "filed"; and thereupon a duplicate or certified copy of the articles of association shall be

recorded in the office of the register of deeds of the county in which the principal office of the association is located, and upon proof thereof filed with the commissioner he shall issue a certificate of authority to the association to do business, and thereupon the 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 these persons as trustees and all other moneys in the hands of these persons shall be transferred to the treasurer of the association, but the deposit with the commissioner shall remain, but the persons who made the deposit may be reimbursed by the association therefor; provided, that if within one year from the filing of the proposed articles of association the organization of the association 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 shall return the amount deposited with him, and the organization of the proposed association shall thereupon be deemed abandoned.

[1933 c. 241 s. 3] (3445-3)

63.04 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. Any proposed amendment shall, before it becomes effective, be approved by the commissioner.

[1933 c. 241 s. 4] (3445-4)

63.05 BY-LAWS. An assessment benefit association organized under the provisions of sections 63.01 to 63.22 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 these by-laws and of all amendments 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 these by-laws and amendments thereto were regularly adopted, shall be filed with the commissioner and approved by him before the same shall become effective.

[1933 c. 241 s. 5] (3445-5)

63.06 BOARD OF DIRECTORS. The affairs of such assessment benefit association shall be managed by a board of not less than three, nor more than seven, directors, who shall be residents of the state and who shall be elected from and by the members at such time and place and for such period, not exceeding three years, as may be provided in the articles of association or the by-laws. As nearly as practicable, an equal number shall be elected each year. When any directors shall be elected, a certificate by the president and secretary, under the seal of the association, giving the names and residences of those elected and the terms of their offices, shall be filed in the office of the commissioner. Vacancies on the board of directors shall be filled in the manner provided in the by-laws.

[1933 c. 241 s. 6] (3445-6)

63.07 OFFICERS. Each association shall have a president, treasurer, and secretary and such other officers as the articles of association or by-laws shall provide. Each 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.

[1933 c. 241 s. 7] (3445-7)

63.08 CERTIFICATES OF MEMBERSHIP. These 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. The 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. The 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. 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 the association may, by its articles of association or by-laws, provide for the levy of 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 the association may also provide in its articles of association that any excess of money raised by assessment above the amount required to pay losses may, if the articles 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.

[1933 c. 241 s. 8] (3445-8)

63.09 MAY BE DECLARED INSOLVENT ON NON-PAYMENT OF LOSSES.

If the amount for which the association is liable remains unpaid after six 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, the association may be deemed insolvent and may be proceeded against as such by the commissioner.

[1933 c. 241 s. 9] (3445-9)

63.10 ASSESSMENTS. When 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. 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. 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.

[1933 c. 241 s. 10] (3445-10)

63.11 MEMBERSHIP DIVIDED INTO GROUPS. Any association formed under sections 63.01 to 63.22 may divide its membership into as many classes or groups as the association may desire. When an association shall divide its membership into classes or groups, then the association so classifying its membership may assess each class or group separately, distributing the assessment equally as against all the members in the class or group to which the deceased member belonged.

[1933 c. 241 s. 11] (3445-11)

63.12 SECRETARY TO NOTIFY MEMBERS OF ASSESSMENT. It shall be the duty of the secretary, when an assessment shall have been levied, to immediately notify every member of the association, or in case the assessment is distributed against any certain class or group, as provided in sections 63.01 to 63.22, then every member belonging to the class or group against which the 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 the member, as his share of these losses and expenses. These notices shall also state the time when, and the name and address of the officer of the association to whom, the payment is to be made, but such time may not be less than 30, nor more than 60, days from the date of the notice. The 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 sections 63.01 to 63.22 within the time named in the notice, the association may declare the certificate of that member canceled, upon a further notice,

sent by first-class mail in the manner above provided, that his certificate will be canceled if payment is not made to the association within ten days of the mailing of the cancellation notice. The association may reinstate a canceled certificate of any member according to regulations provided in the by-laws of the association.

[1933 c. 241 s. 12] (3445-12)

63.13 MEMBERSHIP FEES. The directors may fix the membership fee to be charged applicants for membership, within the same limits as provided in section 63.03. All or any portion of the amount of the membership fees authorized by sections 63.01 to 63.22 may be paid to any person soliciting the applicant to become a member, as provided by the directors of the association.

[1933 c. 241 s. 13] (3445-13)

63.14 FUNDS KEPT IN TWO ACCOUNTS. Every assessment benefit association shall establish two general accounts, to be known 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 this 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 this 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 this 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.

[1933 c. 241 s. 14] (3445-14)

63.15 ONLY ONE CERTIFICATE TO MEMBER. No assessment benefit association shall issue to any member more than one certificate in any one group or class. No association may, after the certificate has been in force one year during the lifetime 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.

[1933 c. 241 s. 15] (3445-15)

63.16 MAY TRANSFER RISKS. Any association organized, reincorporated, or operating under the provisions of sections 63.01 to 63.22 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.

[1933 c. 241 s. 16] (3445-16)

63.17 POWERS OF COMMISSIONER. The commissioner shall have the same power and authority over all associations to which sections 63.01 to 63.22 are applicable as to visitation and examination as are given to him by the statutes of this state over life insurance companies.

[1933 c. 241 s. 17] (3445-17)

63.18 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 the payee or beneficiary.

[1933 c. 241 s. 18] (3445-18)

63.19 FUNDS EXEMPT FROM PROCESS. The money or benefit provided or paid by any association authorized to do business under sections 63.01 to 63.22, 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.

[1933 c. 241 s. 19] (3445-19)

63.20 FEES OF COMMISSIONER. The fees for any service or act of the commissioner, or his assistants and employees, shall be the same as provided in the case of life insurance companies, except that each association authorized to transact business under sections 63.01 to 63.22 shall pay to the commissioner, 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.

[1933 c. 241 s. 20] (3445-20)

63.21 MUST FILE REPORTS WITH COMMISSIONER. Every association doing business under sections 63.01 to 63.22 shall, on or before the first day of March, each year, make and file with the commissioner 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 may require. The report shall be verified by such of the officers of the association as the commissioner may direct.

[1933 c. 241 s. 21] (3445-21)

63.22 "ASSESSMENT BENEFIT ASSOCIATION" ON ALL PRINTED MATTER. Every association operating under and by virtue of the provisions of sections 63.01 to 63.22 shall include, immediately under the name or title of the association, the words "Assessment Benefit Association" on all printed matter, stationery, circulars, certificates, applications, advertisements, or literature of any kind.

[1933 c. 241 s. 22] (3445-22)

63.23 EXCEPTIONS. The provisions of sections 63.01 to 63.22 shall not apply to the operations or charitable activities of any religious society, religious association, or religious corporation, which does not assume any definite contractual obligations with any of its members or others, and not charging any stipulated premiums, and which does not engage in any insurance business.

[1937 c. 320 s. 1] (3445-23a)

63.24 ASSESSMENT BENEFIT ASSOCIATIONS MAY REINSURE. Five or more duly licensed assessment benefit associations organized and doing business in Minnesota under sections 63.01 to 63.22, and in a manner approved by the commissioner, may organize a mutual association for the purpose of reinsuring the risks, or any part or portion of the risks, of any assessment benefit association in such amount, upon such terms and conditions, and for such consideration as shall be authorized by the by-laws of the reinsurance association. Reinsurance contracts under sections 63.24 to 63.35 shall cover risks lawfully existing and assumed by assessment benefit associations at the time the contracts of reinsurance are made with assessment benefit associations, whose method of doing business shall have been approved by the commissioner.

[1937 c. 406 s. 1] (3445-25)

63.25 CONDITIONS OF CONTRACT. Any association organized and authorized to reinsure risks of assessment benefit associations doing business pursuant to sections 63.01 to 63.22 may enter into contracts of reinsurance on complying with the following minimum conditions:

(1) The reinsurance association and the insured assessment benefit association shall each be, upon the date of the contract of reinsurance, duly licensed to transact business in the state, and the insured assessment benefit association shall be one which transacts its business in this state in a manner approved by the commissioner;

(2) Each contract of reinsurance shall be submitted to and approved by the commissioner before it becomes effective;

(3) Each contract of reinsurance shall have been approved by a majority vote of all directors of each of the parties thereto at meetings of the directors of each association held in accordance with the by-laws of each;

(4) The business of reinsurance shall be conducted without profit to its members.

[1937 c. 406 s. 2] (3445-26)

63.26 INCORPORATION; ARTICLES OF INCORPORATION. The incorporation of any reinsurance association shall be effected by filing with the commissioner the original, and recording a duplicate thereof in the office of the register of deeds of the county in which the principal office of the association is located. Articles of association duly executed by the assessment benefit associations forming the reinsurance association shall be duly acknowledged by at least three of the member assessment benefit associations so executing the articles. Before the reinsurance association shall be authorized to do business in this state it shall be made to appear

of record that each assessment benefit association forming the reinsurance association shall have been fully authorized, by resolution adopted at a regular annual meeting or at a special meeting called for that purpose, to join in forming the reinsurance association and that the articles of association have been approved by the commissioner.

These articles of association shall state in the English language:

- (1) Its purposes;
- (2) Its location and post-office address of its principal place of business;
- (3) Names, post-office addresses, and terms of office of the first board of directors;
- (4) Name and post-office address of each assessment benefit association constituting the incorporators thereof; and
- (5) Any other provisions consistent with the provisions of sections 63.01 to 63.35 regulating the business of the reinsurance association.

[1937 c. 406 s. 3] (3445-27)

63.27 MEMBERS MAY WITHDRAW. Any member assessment benefit association of the reinsurance association may withdraw from membership upon giving 90 days' notice of its intention so to do, when the withdrawal has been authorized by a majority vote of its members present and voting at a regular meeting or at a special meeting called for that purpose. The withdrawal shall not in any manner affect its liabilities for any dues or losses which have accrued or shall have been incurred prior to the effective date of the withdrawal.

[1937 c. 406 s. 4] (3445-28)

63.28 OFFICERS AND DIRECTORS. The directors of the reinsurance association shall be chosen from the officers of its member assessment benefit associations, but no member assessment benefit association shall have more than one of its officers serving as an officer of the reinsurance association. At the first meeting of the reinsurance association it shall adopt by-laws, which shall be filed with the commissioner and which shall be effective from and after the date of their approval by him. The corporate existence of the reinsurance association may be made perpetual by so providing in the articles of association.

[1937 c. 406 s. 5] (3445-29)

63.29 MEMBERSHIP DUES AND ASSESSMENTS. Member assessment benefit associations of the reinsurance association, and assessment benefit associations contracting with the reinsurance association, shall each year pay to the treasurer thereof such membership dues, assessments, and fees as may be fixed or authorized by its by-laws and its contracts of reinsurance, for the purpose of accumulating the necessary funds required to perform its functions and discharge its contract obligations so as to afford mutual financial strength among the licensed assessment benefit associations authorized to do business in this state and to secure protection to the individual certificate holders of the assessment benefit associations.

[1937 c. 406 s. 6] (3445-30)

63.30 ASSOCIATION TO FILE ANNUAL STATEMENT. Every reinsurance association organized under sections 63.24 to 63.35 shall file with the commissioner an annual statement and such other reports as he may reasonably require. So far as applicable, the provisions of sections 63.01 to 63.22 shall govern the supervision and administration of the reinsurance association.

[1937 c. 406 s. 7] (3445-31)

63.31 FEES. There shall be paid by the reinsurance association to the commissioner, and by him accounted for to the state, the following fees:

For filing certificate of association.....	\$2.00
Filing annual statement.....	1.00
Certificate of authority annually.....	1.00

It shall pay to the register of deeds his proper fees for recording the duplicate of such articles of association.

[1937 c. 406 s. 8] (3445-32)

63.32 POWERS OF ASSOCIATION: Every association shall have power:

- (1) To sue and be sued;
- (2) To adopt, use and, at will, alter a corporate seal;
- (3) To acquire, hold, lease, encumber, convey, or otherwise dispose of, real and personal property within the state, and to take real and personal property by will or gift, subject to any limitation prescribed by law or the articles of incorporation; and

(4) To enter into contracts of reinsurance with assessment benefit associations and to do any act expedient for the attainment of the purposes stated in its articles of association, as approved by the commissioner, to effect the objects of sections 63.01 to 63.35. No shares of stock shall be authorized. Each member association shall receive a certificate of membership as evidence of its membership in the reinsurance association.

[1937 c. 406 s. 9] (3445-33)

63.33 TO BE UNDER SUPERVISION OF COMMISSIONER. The certificate of association, by-laws, forms of contracts, and policies of reinsurance adopted or issued by every reinsurance association, and the general conduct of its affairs, shall be subject to the general supervision and jurisdiction of the commissioner, who, when requested by five or more members of the reinsurance association, shall make an examination of the affairs thereof, at its expense. When, after this examination, the commissioner is satisfied that the association has violated the law, has exceeded its powers, is not carrying out its contracts in good faith, is transacting business fraudulently, or is in such condition as to render further proceedings hazardous to the public or to its members, he may, after a hearing duly had, suspend the license of the association and present the facts relating thereto to the attorney general, who shall, if the circumstances warrant, commence action to enjoin the association from carrying on any further business and for the appointment of a receiver, who shall, under the direction of the court, proceed to close the affairs of the association and distribute its funds to those entitled thereto.

[1937 c. 406 s. 10] (3445-34)

63.34 LIMIT OF EXPENSES. No more than 30 cents out of every dollar received shall be used for expenses of the reinsurance association and the remainder shall be credited to a benefit fund, which benefit fund shall be subject to the rules and regulations provided for by sections 63.01 to 63.22.

[1937 c. 406 s. 11] (3445-35)

63.35 DIRECTORS. The number of directors shall not be less than five, nor more than 15.

[1937 c. 406 s. 12] (3445-36)

63.36 MUTUAL BENEFIT ASSOCIATIONS; EMPLOYERS WHO MAKE DEDUCTIONS FROM WAGES OR EMPLOYEES' FUNDS MUST SECURE LICENSE. No employer shall, by agreement with his employees, or otherwise, make deductions from their wages for the purpose of furnishing them with medical or hospital care, accident, sickness, or old age insurance or benefits, directly or through a mutual association, unless he has first received from the commissioner a license for the benefit plan he operates or proposes to operate. This license shall be granted by the commissioner only when he is satisfied that the benefits given are commensurate with the charges made, and that the charges are sufficient to keep the fund solvent. All licenses shall be for the period of one year and it shall be proper for the commissioner to require a statement of the operation of the fund, on a form to be prescribed by him, before granting a renewal. The fee for any license shall be \$1.00, and the fee for filing the annual statement \$1.00. In any case, before granting a license the commissioner shall submit the proposed plan to the commissioner of labor and industry, in order that he may determine whether the benefits are in conjunction with benefits under the workmen's compensation act.

[1919 c. 388 s. 1] (3444)

63.37 VIOLATION A MISDEMEANOR. Any person, firm, corporation, or association that makes deductions from the wages of his, their, or its employees in violation of section 63.36 shall be guilty of a misdemeanor. Section 63.36 shall not apply to railroad companies engaged in interstate commerce.

[1919 c. 388 s. 2] (3445)

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