

Chapter: 175

Session: 2018 Regular Session

Topic: Fraternal benefit societies

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Date: May 21, 2018

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Overview

This act provides a system for domestic fraternal benefit societies to liquidate or transfer membership to another organization. The requirements of this system apply to fraternal benefit societies who have experienced a fraternal authorized control level event (“FACLE”) or are in hazardous financial conditions, meaning the society has insufficient capital, fails to file a capital plan with the commissioner, fails to respond to a corrective order by the commissioner, or otherwise is in a hazardous financial condition.

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- 1** **Insolvency or insolvent.** Provides a definition for insolvency and insolvent for purposes of a domestic society under section 4 of the bill.
- 2** **Notice of extra assessment.** Makes technical change.
- 3** **Disapproval of extra assessments.** Allows the commissioner of commerce to disapprove an extra assessment by a society if there has been a fraternal level action event under section 64B.42, a FACLE under section 64B.43, or if the assessment was not properly adopted, is not in the best interest of the members of the society, or does not improve the long-term viability of the society. Allows the commissioner to approve an earlier effective date for an assessment.
- 4** **Fraternal authorized control level event; domestic societies.**

Subd. 1. Definitions. Defines “society” as a domestic society and “qualifying society” as a foreign or domestic society domiciled in a NAIC accredited state which has the financial strength and administrative ability to accept a transfer of a society’s certificates. Defines and describes events that constitute a FACLE.

Subd. 3. Plan to transfer members. (a) Within 45 days of a FACLE, a society must present a plan to protect the members to the commissioner of commerce. The

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plan must include the transferring of members, certificates, policies, assets, and liabilities to another organization. The commissioner must review the plan within 45 days of submission. All of the domestic society's certificates are replaced with certificates from the new organization upon transfer.

(b) Requires a transfer to be approved by the society's board, the commissioner, completed within a time frame set by the commissioner, and suspends any other notice requirement outside of that required by this section. A transfer must be completed within a maximum of 90 days.

(c) Allows the commissioner to issue a limited license to transact insurance if the transfer is to a foreign qualifying society that does not have an insurance license in this state.

(d) Provides that upon the effective date of a transfer to an insurer with a certificate of authority to do business in this state, each member is deemed to agree that the terms of certificates subjecting the certificates to the laws of the transferring society or providing rights or obligations of membership are void. This does not apply to a lien that was not released by the transfer.

(e) Provides that upon the effective date of a transfer to an organization that is not a fraternal benefit society, each member is deemed to agree that the terms of certificates subjecting the certificates to the laws of the transferring society or providing rights or obligations of membership are void. This does not apply to a lien that was not released by the transfer.

(f) Allows the board to suspend or modify its qualifications for membership as needed to facilitate a transfer under this subdivision.

(g) Requires each society to amend their laws to permit the transactions allowed by this subdivision.

Subd. 4. Liquidation. (a) Allows the commissioner of commerce to liquidate a society if there has been a FACLE that will not be promptly remedied. Allows the commissioner of commerce to apply for a verified petition to commence a liquidation under section 60B.20. Allows the commissioner to issue an order declaring the society to be in hazardous financial condition and initiate liquidation proceedings. Clarifies that nothing in this subdivision prevents the commissioner of commerce from applying for an order to commence a liquidation under other grounds listed in section 60B.20.

(b) Clarifies what statutes apply to a liquidation under this section.

(c) Requires liquidations to be conducted in a manner designed to conserve assets and limit expenses.