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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO INSURANCE - FRATERNAL CODE

Introduced By: Senators Felag, DiPalma, Paiva Weed, and Ciccone

Date Introduced: February 12, 2013

Referred To: Senate Special Legislation and Veterans Affairs

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-25-38 of the General Laws in Chapter 27-25 entitled "Rhode
2 Island Fraternal Code" is hereby amended to read as follows:

3 **27-25-38. Exemption of certain societies.** -- (a) Nothing contained in this chapter shall
4 be construed as to affect or apply to:

5 (1) Grand or subordinate lodges of societies, orders, or associations now doing business
6 in this state which provide benefits exclusively through local or subordinate lodges;

7 (2) Orders, societies, or associations which admit to membership only persons engaged
8 in one or more crafts or hazardous occupations, in the same or similar lines of business, insuring
9 only their own members and their families, and the ladies' societies or ladies' auxiliaries to those
10 orders, societies, or associations;

11 (3) Domestic societies which limit their membership to employees of a particular city or
12 town, designated firm, business house, or corporation which provide for a death benefit of not
13 more than fifteen hundred dollars (\$1500) or disability benefits of not more than twelve hundred
14 dollars (\$1200) to any person in any one year, or both; or

15 (4) Domestic societies or associations of a purely religious, charitable, or benevolent
16 description, which provide for a death benefit of not more than fifteen hundred dollars (\$1500) or
17 for disability benefits of not more than twelve hundred dollars (\$1200) to any one person in any
18 one year, or both.

19 (5) Any association, whether a fraternal benefit society or not, which was organized

1 before 1880 and whose members are officers or enlisted, regular or reserve, active, retired, or
2 honorably discharged members of the Armed Forces or Sea Services of the United States, and a
3 principal purpose of which is to provide insurance and other benefits to its members and their
4 dependents or beneficiaries.

5 (b) Any society or association described in subdivision (a)(3) or (a)(4) of this section
6 which provides for death or disability benefits for which benefit certificates are issued, and any
7 society or association included in subdivision (a)(4) of this section which has more than fifteen
8 hundred (1500) members, shall not be exempted from the provisions of this chapter but shall
9 comply with all of its requirements.

10 (c) No society which, by the provisions of this section, is exempt from the requirements
11 of this chapter, except any society described in subdivision (a)(2) of this section, shall give or
12 allow, or promise to give or allow, to any person any compensation for procuring new members.

13 (d) Every society which provides for benefits in case of death or disability resulting
14 solely from accident, and which does not obligate itself to pay natural death or sick benefits, shall
15 have all of the privileges and be subject to all the applicable provisions and regulations of this
16 chapter except that the provisions of this chapter relating to medical examination, valuations of
17 benefit certificates, and incontestability, shall not apply to the society.

18 (e) The commissioner of insurance may require from any society or association, by
19 examination or otherwise, any information that will enable the commissioner to determine
20 whether the society or association is exempt from the provisions of this chapter.

21 (f) Each association that is exempted from insurance regulation under subdivision (a)(5)
22 of this section shall annually, on or before the first day of May, file with the commissioner a true
23 and complete financial statement audited by an independent certified public accountant or
24 accounting firm of its financial condition, transactions and affairs for the preceding calendar year
25 and pay a fee of ten dollars (\$10.00) for filing the same. Such an association may be required to
26 file quarterly financial statements upon request by the insurance commissioner, due on or before
27 forty-five (45) days after the quarter ending. Annual and quarterly statements shall be available
28 for inspection by the public. If, in the opinion of the commissioner, such an association has not
29 maintained assets sufficient to meet its liabilities and the minimum capital and surplus
30 requirements set forth in section 27-2-5, the commissioner may order such association to increase
31 its capital and surplus. If the association is unable to satisfy such order, the commissioner may
32 order such association to cease and desist from assuming any additional liabilities in this state
33 until such time as the association is able to satisfy the capital and surplus requirements ordered by
34 the commissioner. Such orders shall be subject to judicial review pursuant to section 27-25-36.

1 ~~(f)~~(g) Societies exempted under the provisions of this section shall also be exempt from
2 all other provisions of the insurance laws of this state.

3 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would exempt certain military associations organized before 1880 from the laws
2 regulating fraternal benefit societies; however, it would require them to file annual reports with
3 the insurance commissioner along with payment of a ten dollar (\$10.00) fee.

4 This act would take effect upon passage.

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