

HOUSE BILL 537

C4

9lr2507
CF SB 645

By: **Delegate King**

Introduced and read first time: February 5, 2009

Assigned to: Economic Matters

Reassigned: Health and Government Operations, February 11, 2009

Committee Report: Favorable

House action: Adopted

Read second time: March 4, 2009

CHAPTER _____

1 AN ACT concerning

2 **Fraternal Benefit Societies – Exemption for Mutual Aid Associations –**
3 **Clarification**

4 FOR the purpose of clarifying that certain laws governing fraternal benefit societies
5 and other insurance laws of the State do not apply to certain mutual aid
6 associations that were organized before a certain date, have a membership
7 composed of certain members of the Armed Forces or Sea Services of the United
8 States, and have as a principal purpose to provide insurance and other benefits
9 to certain individuals; and generally relating to exemptions of entities from
10 regulation under State insurance laws.

11 BY repealing and reenacting, with amendments,
12 Article – Insurance
13 Section 8–404
14 Annotated Code of Maryland
15 (2003 Replacement Volume and 2008 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article – Insurance**

19 8–404.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (a) Except as provided in this section, this subtitle and the other insurance
2 laws of the State do not apply to:

3 (1) a grand or subordinate lodge or society, order, or association that:

4 (i) was doing business in the State on December 31, 1963;

5 (ii) provides benefits exclusively through local or subordinate
6 lodges; and

7 (iii) does not issue benefit certificates;

8 (2) an order, society, or association that:

9 (i) 1. limits its membership to individuals engaged in one or
10 more crafts or hazardous occupations in the same or similar lines of business; and

11 2. insures only its members and their families and
12 dependents; or

13 (ii) 1. as to individual health insurance policies, offers those
14 policies in this State only to members of the Mennonite Church and their dependents
15 and families;

16 2. was formed as a fraternal benefit society under the
17 laws of the State of Indiana prior to January 1, 1966 for the purpose of providing
18 mutual aid in affiliation with the Mennonite Church; and

19 3. is registered as a foreign corporation under § 7-202 of
20 the Corporations and Associations Article;

21 (3) a society or auxiliary of an order, society, or association described
22 in item (2) of this subsection;

23 (4) a domestic society that:

24 (i) limits its membership to employees of a particular municipal
25 area or a designated firm, business house, or corporation;

26 (ii) provides for individual death benefits not exceeding \$400 per
27 year or disability benefits not exceeding \$350 per year or both; and

28 (iii) does not issue benefit certificates; [and]

29 (5) a domestic society or association that:

30 (i) has a purely religious, charitable, or benevolent purpose;

1 (ii) provides for individual death benefits not exceeding \$400 per
2 year or disability benefits not exceeding \$350 per year or both;

3 (iii) does not issue benefit certificates; and

4 (iv) has a membership of not more than 1,000 individuals; AND

5 **(6) ANY ASSOCIATION, WHETHER OR NOT A FRATERNAL BENEFIT**
6 **SOCIETY:**

7 **(I) THAT WAS ORGANIZED BEFORE 1880;**

8 **(II) THE MEMBERS OF WHICH ARE OFFICERS OR ENLISTED,**
9 **REGULAR OR RESERVE, ACTIVE, RETIRED, OR HONORABLY DISCHARGED**
10 **MEMBERS OF THE ARMED FORCES OR THE SEA SERVICES OF THE UNITED**
11 **STATES; AND**

12 **(III) A PRINCIPAL PURPOSE OF WHICH IS TO PROVIDE**
13 **INSURANCE AND OTHER BENEFITS TO ITS MEMBERS AND THE DEPENDENTS OR**
14 **BENEFICIARIES OF ITS MEMBERS.**

15 (b) Except for an organization described in subsection (a)(2) or (3) of this
16 section, a society that is exempt from this subtitle may not give, allow, or promise to
17 give or allow to any person compensation for obtaining new members.

18 (c) The provisions of this subtitle relating to medical examination, valuation
19 of benefit certificates, and incontestability do not apply to a society that:

20 (1) provides benefits in case of death or disability resulting solely from
21 accident; and

22 (2) does not obligate itself to pay natural death or sickness benefits.

23 (d) By examination or otherwise, the Commissioner may require information
24 from any society or association that will enable the Commissioner to determine
25 whether the society or association is exempt from this subtitle.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 October 1, 2009.