

CHAPTER 580

(House Bill 537)

AN ACT concerning

Fraternal Benefit Societies – Exemption for Mutual Aid Associations – Clarification

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

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

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

Article – Insurance

8–404.

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

- (1) a grand or subordinate lodge or society, order, or association that:
 - (i) was doing business in the State on December 31, 1963;
 - (ii) provides benefits exclusively through local or subordinate lodges; and
 - (iii) does not issue benefit certificates;
- (2) an order, society, or association that:

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

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

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

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

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

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

(4) a domestic society that:

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

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

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

(5) a domestic society or association that:

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

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

(iii) does not issue benefit certificates; and

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

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

(I) THAT WAS ORGANIZED BEFORE 1880;

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

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

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

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

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

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

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

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

Approved by the Governor, May 19, 2009.