

No. 93
AN ACT

To further amend section 15 and to amend section 29 of the act, approved the seventeenth day of July, one thousand nine hundred thirty-five (Pamphlet Laws 1092), entitled "An act defining fraternal benefit societies and their status; authorizing such societies to create subordinate lodges and to pay benefits to members and their beneficiaries from funds collected, and regulating such benefits and collections; providing for the organization and incorporation of such societies and for their supervision, regulation, and examination by the Insurance Commissioner, and for the admission of foreign societies; designating tables of mortality as a basis for rates of contribution; requiring all societies to make annual and other reports; and appointing the Insurance Commissioner as attorney for service of process; providing penalties for any violations of the act; exempting such societies from taxation and certain other societies from its provisions; and requiring beneficial associations, other than fraternal benefit societies, to report to and be supervised by the Insurance Commissioner; and repealing existing laws," by regulating the transfer of excess insurance funds to the expense and other funds and providing for the consolidation of any society's funds; further regulating reports of valuation of death benefit fund obligations; regulating reserves and contributions for benefits.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 15 of the act, approved the seventeenth day of July, one thousand nine hundred thirty-five (Pamphlet Laws 1092), entitled "An act defining fraternal benefit societies and their status; authorizing such societies to create subordinate lodges and to pay benefits to members and their beneficiaries from funds collected, and regulating such benefits and collections; providing for the organization and incorporation of such societies and for their supervision, regulation, and examination by the Insurance Commissioner, and for the admission of foreign societies; designating tables of mortality as a basis for rates of contribution; requiring all societies to make annual and other reports; and appointing the Insurance Commissioner as attorney for service of process; providing penalties for any violations of the act; exempting such societies from taxation and certain other societies from its provisions; and requiring beneficial associations, other than fraternal benefit societies, to report to and be supervised by the Insurance Commissioner; and repealing existing laws," as amended by the act, approved the twentieth day of June, one thousand nine hundred forty-seven (Pamphlet Laws 686), is hereby further amended to read as follows:

Section 15. Funds; Securities.—The funds from which benefits shall be paid and the funds from which expenses of the society shall be defrayed shall be derived

Fraternal benefit societies.

Section 15, act of July 17, 1935, P. L. 1092, as amended by act of June 20, 1947, P. L. 686, further amended.

from regular monthly or other periodical rates of contribution, paid by the members of the society, and accretions of said funds as apportioned in accordance with the constitution and laws of the society, and no part of any funds set aside for the payment of benefits shall be used for expenses or other purposes, [that would impair the valuation of the certificates herein provided] *except that any such society having admitted assets, as shown by its last annual statement filed with the Insurance Commissioner, in excess of one hundred per cent of its entire liabilities, including its required reserves computed on a net tabular basis, may transfer or allocate such excess insurance funds to the expense or other funds of the society, in accordance with its constitution and by-laws, but the amount so transferred in any calendar year shall not exceed five per cent of the total premium income of such society during the next preceding calendar year. Any such society having admitted assets, as shown by its last annual statement filed with the Insurance Commissioner, in excess of one hundred per cent of its entire liabilities, including its required reserves computed on a net tabular basis, not lower than the American Experience Table of Mortality, with an interest rate of three and one-half per cent, may, in accordance with its constitution and by-laws, provide for the consolidation of its various funds and may report its transactions accordingly: Provided, That no expenses will be incurred that would impair the reserve base or bases which it is using.* Except as herein otherwise allowed, every domestic society shall invest its funds only in securities and in the manner permitted by the laws of this Commonwealth for the investment of the funds of life insurance companies and in securities of Federal savings and loan associations, or of other institutions to the extent that such investment is guaranteed by the United States Government or any instrumentality thereof. Unless the approval of the Insurance Commissioner shall be first obtained in writing, no domestic society shall keep or maintain, at a place outside this Commonwealth, any securities or other assets, except such as are necessary for the collection of current dues and to enable it to comply with the laws of any other state or foreign country for the purpose of transacting business therein.

Section 29, said act, amended.

Section 2. Section 29 of said act is hereby amended to read as follows:

Section 29. Valuation Report.—In addition to the annual report herein required, each society shall annually report to the *insurance* commissioner a valuation of its benefit fund obligations in force on December thirty-first last preceding [, excluding those entered into within the year for which the report is filed, in cases

where the contributions for the first year in whole or in part are used for current expenses]. Such report of valuation shall show, as contingent liabilities, the present mid-year value of the promised benefits, provided in the constitution and laws of such society, under certificates then subject to valuation as not more than four per cent interest, less such portion thereof as may have been assumed by other associations or companies, and, as contingent assets, the present mid-year value, at the same rate of interest, of [the] *such* future net contributions provided in [its constitution and laws *as the same] *the constitution and laws of such society as are*, in practice, actually collected.

In lieu of the above valuation, any society at its option may show the net value of its benefit fund obligations subject to valuation at the rate of interest as hereinbefore provided, and said net value, when computed in the case of monthly contributions, may be the mean of the terminal value for the end of the preceding and of the current certificate years, from which said tabular values shall be deducted such portion thereof as may have been assumed by other associations or companies.

Each valuation report shall be certified by a competent accountant or actuary, or, at the request and expense of the society, verified by the actuary of the Department of Insurance of the home state of the society, and shall be filed with the Insurance Commissioner on or before the first day of April, succeeding the submission of the last preceding annual report.

The minimum standard of valuation for death benefit fund obligations *issued prior to the first day of January, one thousand nine hundred fifty-two*, shall be the National Fraternal Congress Table of Mortality, hereinbefore referred to, or, at the option of the society, by any other standard table, or a table based upon the society's own experience of at least twenty years and covering not less than one hundred thousand lives, with an interest assumption of not more than four per cent.

The minimum standard of valuation for death benefit fund obligations issued on and after the first day of January, one thousand nine hundred fifty-two, shall be the American Experience Table of Mortality, with an interest assumption of not more than three and one-half per cent.

Every valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation. Any society providing for *cancellable* disability benefits shall keep a separate account of the same in its said valuation report, shall [charge as a liability the balance to the credit of such fund or funds at the date of such valuation. Where a combined contribution table

* "of" in original.

is used by a society, for both death and permanent and total disability benefits, the valuation may be of death benefit only and, in such case, a separate accounting shall not be required] *establish and maintain a reserve of one-half of the periodic contribution for such benefits. On and after the first day of January, one thousand nine hundred fifty-two, the minimum basis for contributions and reserves for disability benefits and double indemnity benefits shall be the minimum basis required of legal reserve life insurance companies for such benefits.*

Nothing herein contained shall require a society which has adopted a procedure for strengthening its reserve to modify any existing nonforfeiture benefits which had been previously used.

A report of such valuation, with such explanations as the society may deem advisable, shall be printed and mailed to each beneficial member of the society not later than July first of each year, or, in lieu thereof, may be published in the society's official paper, and the issue containing the same mailed to each beneficial member of the society.

Section 3. The provisions of this act shall become effective immediately upon final enactment.

Act effective
immediately.

APPROVED—The 25th day of May, A. D. 1951.

JOHN S. FINE

No. 94

AN ACT

To amend subsections (d) and (f) of section 211.1, and to further amend section 212 and subsection (a) of section 301 of the act, approved the seventeenth day of May, one thousand nine hundred twenty-one (Pamphlet Laws 789), entitled, as amended, "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations, or exchanges; providing penalties; and repealing existing laws," by further regulating assessments made by the Insurance Commissioner against life insurance companies to defray certain expenses; providing for reciprocity with other states in assessing taxes and fees on insurance companies; permitting foreign companies to write workmen's compensation insurance in Pennsylvania; limiting the basis for valuation of reserve liability of life insurance companies organized in foreign countries.

The Insurance
Department Act
of 1921.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows: