

Part 2 Organization of Fraternal

31A-9-201 Reservation of corporate name.

Section 31A-5-201 applies to the reservation of a corporate name for a fraternal.

Enacted by Chapter 242, 1985 General Session

31A-9-202 Members and applicants in fraternal.

- (1) A fraternal may admit any natural person to membership under the conditions and for the type of insurance and other benefits its laws prescribe, subject to this chapter and other applicable laws. A member without insurance ceases to be a member for insurance purposes if the fraternal is converted to a mutual.
- (2) Subject to Section 31A-21-104, fraternal may provide insurance for the benefit of members, their dependents, and persons who are eligible for membership except for age.
- (3) A fraternal may organize lodges for children who are not old enough for membership, but who are to be covered by insurance. Membership in local lodges is not required for those children, and they have no voting rights.
- (4) A fraternal may extend temporary or conditional insurance coverage to a nonmember who has applied for membership in the fraternal.

Enacted by Chapter 242, 1985 General Session

31A-9-203 Incorporators.

One or more adult natural persons may organize and act as the incorporators of a fraternal under this chapter.

Amended by Chapter 204, 1986 General Session

31A-9-204 Articles of incorporation and bylaws.

- (1) The articles of incorporation shall set forth:
 - (a) the name of the corporation, which shall include the word "fraternal" or words of equivalent meaning;
 - (b) the location of the principal office of the fraternal, which shall be in this state;
 - (c) the purposes of the corporation, which shall include one or more of the purposes specified in Subsection 31A-9-101(1)(a)(ii)(B), but shall otherwise be restricted to those permitted under Section 31A-4-107;
 - (d) the classes of members, and the qualifications and rights of the members of each class;
 - (e) a description of the fraternal's representative form of government, conforming to Section 31A-9-403;
 - (f) the manner in which local lodges or branches may be formed and the powers they shall have, or a statement that the formation and powers of local lodges or branches is provided for in the bylaws;
 - (g) a provision for fraternal bonds, if any are to be authorized, which shall conform to Section 31A-9-303; and
 - (h) a provision for amendment of the articles, which shall conform to Section 31A-9-213.

- (2) The articles of incorporation are not required to recite the corporate powers enumerated in this chapter, as these powers are authorized by law.
- (3) Section 16-6a-818 applies to the officers of fraternal. The articles or bylaws shall specifically designate three or more offices, which shall be held by the principal officers of the fraternal. The principal offices shall be held by at least three separate natural persons.
- (4) The bylaws shall comply with the provisions of this chapter. A copy of the bylaws and any amendments to them shall be filed with the commissioner promptly after their adoption. Notice of amendments to the bylaws shall be given promptly to members. Subject to this chapter, Section 16-6a-206 applies to the bylaws and resolutions of fraternal.

Amended by Chapter 300, 2000 General Session

31A-9-205 Organization permit and certificate of incorporation.

- (1) Section 31A-5-204 applies to fraternal except that the word "mutual" shall be read "fraternal" and "Section 31A-5-211" in Subsection 31A-5-204(5) shall be read "Section 31A-9-209."
- (2) The application for an organization permit shall include, in addition to those things required under Subsection 31A-5-204(2), a statement of the plan for fraternal activities and for the formation of a representative government under Section 31A-9-403.

Enacted by Chapter 242, 1985 General Session

31A-9-206 Powers under organization permit and deposit of proceeds of subscriptions.

Subsection 31A-5-207(2) and Section 31A-5-208 apply to fraternal, except that:

- (1) the word "mutual" shall be read "fraternal"; and
- (2) there are no qualifying insurance policies as referred to in Subsection 31A-5-207(2)(a).

Enacted by Chapter 242, 1985 General Session

31A-9-207 Termination of organization permit and payment of organization expenses.

Section 31A-5-209, other than Subsection (3)(c), applies to fraternal, except that:

- (1) the word "mutual" shall be read "fraternal"; and
- (2) the reference to "Section 31A-5-212" shall be read "Section 31A-9-210."

Enacted by Chapter 242, 1985 General Session

31A-9-208 Incorporators' liability and organization expenses.

Subsections 31A-5-210(1) and (2)(b) apply to fraternal, except that the word "mutual" shall be read "fraternal."

Enacted by Chapter 242, 1985 General Session

31A-9-209 Initial surplus requirements.

- (1)
 - (a) The requirements of Subsections 31A-5-211(1) through (4) apply to fraternal with respect to the amount of permanent surplus required of the fraternal.
 - (b) For purposes of Subsection (1)(a):
 - (i) wherever the word "mutual" appears in Subsections 31A-5-211(1) through (4), it means "fraternal;" and

(ii) the reference to "Section 31A-5-212" in Subsection 31A-5-211(1) means "Section 31A-9-210."

- (2)
- (a) Every fraternal shall include in its laws a provision that if the financial position of the fraternal becomes impaired, the board of directors or the supreme governing body may determine on an equitable basis the proportionate share of the deficiency of each member of the fraternal.
 - (b) The member may then:
 - (i) pay the member's share of the deficiency;
 - (ii) accept the imposition of a lien on the certificate of insurance, to bear interest at the rate charged on policy loans under the certificate, compounded annually until paid; or
 - (iii) accept a proportionate reduction in benefits under the certificate.
 - (c) The fraternal may specify the manner of the election and which alternative is to be presumed if no election is made.
- (3) Except as provided in Subsection (2), no fraternal may operate on an assessment basis.

Amended by Chapter 9, 1996 Special Session 2

Amended by Chapter 9, 1996 Special Session 2

31A-9-210 Certificate of authority.

Section 31A-5-212 applies to certificates of authority for fraternal, except that references to other sections in Chapter 5, Domestic Stock and Mutual Insurance Corporations, shall be read to refer to the corresponding sections in Chapter 9, Insurance Fraternal.

Enacted by Chapter 242, 1985 General Session

31A-9-211 Accelerated organization procedure.

Section 31A-5-213 applies to the accelerated organization procedure for fraternal, except that the word "mutual" shall be read "fraternal."

Enacted by Chapter 242, 1985 General Session

31A-9-212 Separate accounts and subsidiaries.

- (1) Except as provided in Subsections (2) and (3), Sections 31A-5-217 and 31A-5-218 apply to separate accounts and subsidiaries of fraternal. If a fraternal issues contracts on a variable basis, Subsections 31A-22-902(2) and (6) and 31A-9-209(2) do not apply, except that Subsection 31A-9-209(2) applies to any benefits contained in the variable contracts which are fixed or guaranteed dollar amounts.
- (2) If a fraternal engages in any insurance business other than life, accident and health, annuities, property, or liability insurance, it shall do so through a subsidiary under Section 31A-5-218.
- (3)
 - (a) A local lodge may incorporate under Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act, or the corresponding law of the state where it is located, to carry out the noninsurance activities of the local lodge.
 - (b) Corporations may be formed under Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act, to implement Subsection 31A-9-602(2).

Amended by Chapter 116, 2001 General Session

31A-9-213 Amendment of articles of incorporation.

- (1) The articles of a fraternal may provide for amendment by the supreme governing body or by the board of directors, and may also provide for amendment by an affirmative vote of a majority of those members who vote in a referendum. Only votes cast within 60 days from the date of mailing the first ballot by the fraternal are counted. The timeliness of a vote is determined by the date of its mailing as evidenced by its postmark or other suitable evidence.
- (2) For five years after the initial issuance of a certificate of authority, proposed amendments of the articles shall be filed with the commissioner at least 30 days before the amendment is submitted for approval to the members or to the supreme governing body. If the approval of the members or the supreme governing body is not required, proposed amendments to the articles shall be filed with the commissioner at least 30 days before their effective date.
- (3) No amendment is effective until the articles of amendment are filed with the commissioner, together with a statement of the results of the voting on the amendment or a statement that no vote is required.
- (4) Within four months after filing the articles of amendment with the commissioner, they shall be furnished to all members either by mail or under Subsection 31A-9-402(1).

Amended by Chapter 204, 1986 General Session