

## Chapter 9 Insurance Fraternal

### Part 1 General Provisions

#### **31A-9-101 Definitions.**

- (1) As used in this chapter:
  - (a) "Fraternal" or "fraternal benefit society" means a corporation organized or operating under this chapter that:
    - (i) has no capital stock;
    - (ii) exists solely for:
      - (A) the benefit of its members and their beneficiaries; and
      - (B) any lawful social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic, or religious purpose for the benefit of its members or the public, carried on through voluntary activity of its members in their local lodges or through institutional programs of the fraternal or its local lodges;
    - (iii) has a lodge system;
    - (iv) has a representative form of government; and
    - (v) provides insurance benefits authorized under this chapter.
  - (b) "Laws of a fraternal" include its articles of incorporation and bylaws, however designated.
  - (c) "Lodge system" means one in which:
    - (i) there is a supreme governing body;
    - (ii) subordinate to the supreme governing body are local lodges, however designated, into which natural persons are admitted as members in accordance with the laws of the fraternal;
    - (iii) the local lodges are required by the laws of the fraternal to hold regular meetings at least monthly; and
    - (iv) the local lodges regularly engage in programs involving member participation to implement the purposes of Subsection (1)(a)(ii).
  - (d) "Representative form of government" means the fraternal complies with Section 31A-9-403.
- (2) In any provisions of law made applicable to fraternal by this chapter, the technical terms used in those provisions are applicable to fraternal despite the use of other parallel terms by fraternal.
- (3) The definitions in Section 31A-1-301 and the definitions to the following terms in Section 16-6a-102 apply to fraternal:
  - (a) "articles of incorporation";
  - (b) "bylaws"; and
  - (c) "member."

Amended by Chapter 386, 2009 General Session

#### **31A-9-102 Scope and purposes.**

- (1)
  - (a) This chapter applies to all fraternal organized under the laws of this state.
  - (b) Except as expressly provided in this chapter and in Section 31A-14-210, this chapter does not apply to nondomestic fraternal.

(2) The purposes of this chapter include:

- (a) providing a complete, self-contained procedure for the formation of fraternal;
- (b) assuring the solidity of fraternal by providing an organizational framework to facilitate sound management, operation, and regulation;
- (c) strengthening internal fraternal democracy through member participation; and
- (d) encouraging the fulfillment of the special purposes of fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-103 Orders imposing and relaxing restrictions.**

- (1) The commissioner may subject any fraternal to some or all of the restrictions of Subsections 31A-5-305(2)(a)(i) and (ii), and Subsection 31A-5-410(1)(b), as such provisions are incorporated by Sections 31A-9-303 and 31A-9-407.
- (2) The commissioner may free a fraternal from any of the restrictions applicable to fraternal under the provisions enumerated in Subsection (1), if he is satisfied that the fraternal's financial condition, management, and other circumstances give assurance that the interests of insureds and the public will not be endangered by the waiver.

Amended by Chapter 204, 1986 General Session

**31A-9-104 Applicability of other insurance laws to fraternal.**

- (1) No section of Chapter 5, Domestic Stock and Mutual Insurance Corporations, applies to fraternal unless it is specifically made applicable by this chapter.
- (2) Each section of the Insurance Code, other than in Chapter 5, Domestic Stock and Mutual Insurance Corporations, that applies to mutuals subject to Chapter 5, Domestic Stock and Mutual Insurance Corporations, also applies to domestic and nondomestic fraternal unless:
  - (a) this chapter or the particular section provides otherwise; or
  - (b) the particular section is inconsistent with a provision applying explicitly to fraternal, in this chapter or elsewhere.

Enacted by Chapter 242, 1985 General Session

**31A-9-105 General corporate powers and procedures.**

- (1) Section 16-10a-302 applies to the general powers of fraternal.
- (2) Section 16-6a-304 applies to ultra vires issues in fraternal.
- (3) Subsection 31A-5-104(3) applies to the omission of a seal in a fraternal.
- (4) Sections 16-6a-705 and 16-6a-707 apply to waiver of notice and consent to action without a meeting in a fraternal.
- (5) Subsection 31A-5-104(5) applies to the power to hold assets as a trustee in a fraternal.

Amended by Chapter 300, 2000 General Session

**31A-9-106 Miscellaneous provisions.**

Sections 31A-5-105 and 31A-5-106 apply to fraternal.

Amended by Chapter 10, 1997 General Session

## 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

**Part 3  
Securities of Fraternal**

**31A-9-301 Securities regulation.**

Section 31A-5-301 applies to fraternal bonds but does not apply to contribution notes, as they are defined in Section 31A-5-305, as incorporated by Section 31A-9-303.

Enacted by Chapter 242, 1985 General Session

**31A-9-302 Registration of securities.**

Section 31A-5-302 applies to securities of fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-303 Authorized securities.**

Subsection 31A-5-305(2) applies to authorized securities of fraternal, except that the words "mutual" and "nonassessable mutual" shall be read "fraternal."

Enacted by Chapter 242, 1985 General Session

**Part 4  
Management of Fraternal**

**31A-9-401 Principal office, registered agent, and corruption in members' meetings.**

Section 31A-5-401 governs the location of the principal office and existence of a registered agent for fraternal. Section 31A-5-403 applies to members' meetings of domestic fraternal.

Amended by Chapter 204, 1986 General Session

**31A-9-402 Communications to members.**

- (1) A fraternal may provide in its laws for an official publication in which any notice, report, or statement required by law to be given to members, including a notice of election, may be published. Any required notice shall be printed conspicuously in the publication.
- (2) The commissioner may by rule prescribe that copies of specified classes of communications published generally to members, including the official publication, be sent to the commissioner when they are sent to the members.
- (3) If the records of a fraternal show that two or more members have the same mailing address, an official publication mailed to one member is considered to be notice to all members at the same address, unless a member requests a separate copy.

Enacted by Chapter 242, 1985 General Session

**31A-9-403 Representative form of government.**

- (1) A fraternal shall have a supreme governing body consisting either of:
  - (a) A board of directors is the supreme governing body of a fraternal. It consists of some directors elected directly by the members or by their representatives in intermediate assemblies under Subsection (2), and other directors prescribed in the fraternal's laws. A majority of the board shall be elected directors, having a sufficient number of votes to amend the articles or bylaws of the fraternal which can be amended without the consent of the members. The board shall meet at least quarterly to conduct the business of the fraternal. The elected directors shall be elected on a plan that ensures approximately equal weight to each fraternal member's vote. Voting may be by mail.
  - (b) Delegates elected directly by the members or at intermediate assemblies or conventions of members or their representatives, together with other delegates prescribed in the fraternal's laws form an assembly that is a supreme governing body of a fraternal. A majority of the assembly shall be elected delegates, having at least two-thirds of the votes and with a sufficient number of votes to amend the articles or bylaws that can be amended without consent of the members. The assembly, whatever designated, shall meet at least once every four years and shall elect a board of directors to conduct the business of the fraternal between meetings of the assembly. The delegates making up the supreme governing body shall be elected on a plan that ensures approximately equal weight to each fraternal member's vote.
- (2) The laws of a fraternal may provide that:
  - (a) delegates to intermediate assemblies may represent geographical districts or lodges; or
  - (b) delegates may represent the members in defined classes determined on a reasonable basis; and
  - (c) the vote of a representative to an intermediate assembly is treated as the vote of the members represented.
- (3) No votes may be cast by proxy.

Amended by Chapter 20, 1995 General Session

**31A-9-404 Annual report to fraternal members.**

- (1) Every domestic fraternal shall send to each member having insurance or shall publish in the official publication under Subsection 31A-9-402(1), an abbreviated annual report.
- (2) This report shall contain:
  - (a) basic financial and operating data;
  - (b) information about important business and corporate developments;
  - (c) other information the fraternal wishes to include; or
  - (d) other information the commissioner by rule requires it to include to adequately inform its members.
- (3) The fraternal shall send a business mail reply form on which the member may request a more complete annual report. This complete annual report shall contain the information prescribed by rule under Subsection 31A-2-201(3).

Amended by Chapter 91, 1987 General Session

**31A-9-405 Board of directors.**

- (1) Sections 16-6a-801 and 16-6a-802 apply to fraternal, except that the supreme governing body may act as the board of directors if it meets at least quarterly. Subsections 31A-5-407(2) through (9) apply to fraternal, except that the word "mutual" shall be read "fraternal" and the references to other sections of Chapter 5, Domestic Stock and Mutual Insurance Corporations, shall be to the corresponding sections of Chapter 9, Insurance Fraternal.
- (2) The terms of directors and officers may not exceed four years.

Amended by Chapter 300, 2000 General Session

**31A-9-406 Removal of directors and filling of vacancies.**

- (1) A director may be removed from office for cause by an affirmative vote of a majority of the full board of directors at a meeting of the board called for that purpose or may be removed under Subsection 16-6a-820(4).
- (2) Any vacancy occurring in the board, including a vacancy created by an increase in the number of directors, may be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum.
- (3) If the laws of the fraternal provide that at least 2/3 of the directors are elected by the members, elected director vacancies may be filled by the board for the remainder of the terms for which there are vacancies.
- (4) If the vacancy is to be filled other than by a regular election, the election by the board is effective only until a reasonable time has elapsed for choosing the director in that other manner.
- (5) If less than 2/3 of the directors are elected by the members, elected director vacancies may be filled by the directors only until the next succeeding regular election. At that time, the elected director vacancy may be filled for the remainder of the term for which there is a vacancy. A director elected under this section to fill the unexpired term of an elected director is an elected director within the meaning of Subsection 31A-9-403(1)(a).
- (6) If the board ceases to exist, the commissioner shall arrange the necessary procedures for holding elections to create a new board.

Amended by Chapter 300, 2000 General Session

**31A-9-407 Supervision of management changes.**



Section 31A-5-410 applies to the supervision of management changes of fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-408 Continuity of management in emergencies.**

Section 31A-5-411 applies to the continuity of management of fraternal in emergencies.

Enacted by Chapter 242, 1985 General Session

**31A-9-409 Committees of directors.**

Section 31A-5-412 applies to committees of directors in fraternal, except that the references to other sections of Chapter 5, Domestic Stock and Mutual Insurance Corporations, shall be to the corresponding sections of Chapter 9, Insurance Fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-410 Interlocking directorates and other relationships.**

Section 31A-5-413 applies to interlocking directorates and other relationships of fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-411 Transactions in which directors and others are interested.**

Section 31A-5-414 applies to transactions in which directors and others are interested within fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-412 Directors' liability and indemnification.**

Section 31A-5-415 applies to directors' liability and indemnification in fraternal, except that the word "mutual" shall be read "fraternal".

Enacted by Chapter 242, 1985 General Session

**31A-9-413 Executive compensation.**

Section 31A-5-416 applies to executive compensation in fraternal, except that the word "mutual" shall be read "fraternal."

Enacted by Chapter 242, 1985 General Session

**31A-9-414 Exclusive agency contracts.**

Section 31A-5-417 applies to exclusive agency contracts in fraternal.

Enacted by Chapter 242, 1985 General Session

**Part 5  
Corporate Reorganization**

**31A-9-501 Merger and consolidation of fraternal.**

- (1) Subject to compliance with Chapter 16, Insurance Holding Companies, any two or more domestic fraternal may merge or consolidate under the provisions of Subsections (3) and (4).
- (2) Subject to compliance with Chapter 16, Insurance Holding Companies, any two or more domestic and nondomestic fraternal may merge or consolidate under the provisions of Subsection (5).
- (3) In addition to complying with Chapter 16, Insurance Holding Companies, the supreme governing body of each domestic fraternal proposing to merge or consolidate shall:
  - (a) at least 60 days prior to the proposed action, submit the text of the proposed contract to its members as provided in Subsection 31A-9-213(4);
  - (b) approve the proposed consolidation or merger by a two-thirds vote; and
  - (c) file with the commissioner:
    - (i) a certified copy of the written contract containing in full the terms and conditions of the consolidation or merger;
    - (ii) a sworn statement by the president and secretary or corresponding officers of each fraternal showing the financial condition of each on a date fixed by the commissioner, but no earlier than the December 31 of the year preceding the proposed contract; and
    - (iii) evidence of compliance with Subsections (3)(a) and (b).
- (4) The commissioner shall issue a certificate approving the merger or consolidation, upon a finding that all of the following conditions exist:
  - (a) The contract conforms to the provisions of this chapter.
  - (b) The parties to the proposed contract have complied with the provisions of Subsection (3).
  - (c) The proposed contract is equitable to the members of each fraternal.
- (5) When a nondomestic fraternal is a party to the proposed contract, the parties shall follow the procedure for domestic fraternal under Subsections (3) and (4). However, the commissioner may not issue a certificate of compliance until the parties file a certificate that the proposed contract has been approved in the manner provided by the laws of the jurisdiction under which the fraternal is incorporated, or, if those laws contain no procedure for approval, that the proposed contract has been approved by the commissioner of insurance for that jurisdiction.
- (6) The merger or consolidation is effective when the commissioner issues a certificate of approval.
- (7) When the merger or consolidation is effective, the surviving or new fraternal has all the assets and is liable for all of the obligations of each of the participating fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-502 Voluntary dissolution of solvent domestic fraternal.**

- (1) Subject to this section, a domestic fraternal may voluntarily dissolve under Sections 16-6a-1401 through 16-6a-1405.
- (2) The proposal for voluntary dissolution shall be filed with the commissioner at least 60 days prior to the submission of that proposal to the supreme governing body or the members. The commissioner may require the submission of additional information necessary to establish the financial condition of the fraternal or other facts relevant to the proposed dissolution. If the supreme governing body or the members adopt the resolution to dissolve, by a majority of those voting or a larger number as required by the laws of the fraternal, the commissioner shall, within 30 days after the adoption of the resolution, begin to examine the fraternal. The commissioner shall approve the dissolution unless the commissioner finds, after the examination and a hearing, that it is insolvent or may become insolvent in the process of

dissolution. Upon approval, the fraternal may provide for a transfer to other fraternal approved by the commissioner of all its obligations under insurance policies and then may dissolve under Subsection (1). If the commissioner disapproves, the commissioner shall petition the court for liquidation under Section 31A-27a-207.

- (3) During the liquidation under Sections 16-6a-1401 through 16-6a-1408, the fraternal may apply to the commissioner to have the liquidation continued under the commissioner's supervision. Upon receiving this request, the commissioner shall apply to the court for liquidation under Section 31A-27a-207.
- (4) If the fraternal revokes the voluntary dissolution proceedings under Section 16-6a-1404, a copy of the revocation of voluntary dissolution proceedings shall be filed with the commissioner.
- (5) Subsections 31A-5-504(6) and (7) apply to the survival of remedies and continuance of corporate existence of a voluntarily dissolved fraternal.

Amended by Chapter 309, 2007 General Session

### **31A-9-503 Conversion of a fraternal to a mutual.**

A domestic fraternal may be converted into a mutual, as follows:

- (1) In addition to complying with the requirements of Chapter 16, Insurance Holding Companies, the board or the supreme governing body shall adopt a plan of conversion stating:
  - (a) the reasons for and purposes of the proposed action;
  - (b) the proposed terms, conditions, and procedures and the estimated expenses of implementing the conversion;
  - (c) the proposed name of the corporation; and
  - (d) the proposed articles and bylaws.
- (2) If the board and the supreme governing body disagree on the conversion plan, the decision of the supreme governing body prevails.
- (3) The plan shall be filed with the commissioner for approval, together with any information under Subsection 31A-5-204(2) the commissioner reasonably requires. The commissioner shall approve the plan unless the commissioner finds, after a hearing, that it would be contrary to the law, that the new mutual would not satisfy the requirements for a certificate of authority under Section 31A-5-212, that the plan would be contrary to the interests of members or the public, or that the applicable requirements of Chapter 16, Insurance Holding Companies, have not been satisfied.
- (4) After being approved by the commissioner, the plan shall be submitted for approval to the persons who were voting members on the date of the commissioner's approval under Subsection (3). For approval of the plan, at least a majority of the votes cast shall be in favor of the plan, or a larger number if required by the laws of the fraternal.
- (5) The officers and directors of the fraternal shall be the initial officers and directors of the mutual.
- (6) A copy of the resolution adopted under Subsection (4) shall be filed with the commissioner, stating the number of members entitled to vote, the number voting, the method of voting, and the number of votes cast in favor of the plan, stating separately the votes cast by mail and the votes cast in person.
- (7) If the requirements of the law are met, the commissioner shall issue a certificate of authority to the new mutual. The fraternal then ceases its legal existence and the corporate existence of the new mutual begins. However, the new mutual is considered to have been incorporated as of the date the converted fraternal was incorporated. The new mutual has all the assets and is liable for all of the obligations of the converted fraternal. The commissioner may grant a period not exceeding one year for adjustment to the requirements of Chapter 5, Domestic Stock and

Mutual Insurance Corporations, specifying the extent to which particular provisions of Chapter 5, Domestic Stock and Mutual Insurance Corporations, do not apply.

- (8) The corporation may not pay compensation other than regular salaries to existing personnel in connection with the proposed conversion. With the commissioner's approval, payment may be made at reasonable rates for printing costs and for legal and other professional fees for services actually rendered in connection with the conversion. All expenses of the conversion, including the expenses incurred by the commissioner and the prorated salaries of any insurance office staff members involved, shall be paid by the corporation being converted.

Amended by Chapter 297, 2011 General Session

**31A-9-504 Rehabilitation or involuntary conversion.**

- (1)
- (a) If the commissioner believes that a fraternal does not satisfy the requirements of this chapter, the commissioner shall call a hearing. If the commissioner then finds that the fraternal does not satisfy the requirements:
- (i) if the fraternal is domestic, the commissioner shall petition for rehabilitation under Section 31A-27a-207 to rehabilitate the fraternal or, if that is not possible, convert the fraternal to a mutual; or
- (ii) if the fraternal is nondomestic, the commissioner shall order it to comply as soon as practicable with the requirements of this chapter or lose its tax exemption.
- (b) An order issued under Subsection (1)(a)(ii) shall specify the ways the nondomestic fraternal does not comply with this chapter.
- (2) If the fraternal does not promptly comply with the requirements of this chapter, after notice of the adverse results of a hearing under Subsection (1), it is subject to taxation as a mutual life insurance company. This tax is retroactive to the date on which the commissioner gave the fraternal notice of the hearing under Subsection (1).

Amended by Chapter 309, 2007 General Session

**Part 6**  
**Miscellaneous Provisions**

**31A-9-601 Tax exemption.**

Every domestic and nondomestic fraternal is exempt from all state, county, district, municipal, and school taxes or fees, except the fees required under Section 31A-3-103, and all the taxes and special assessments on its real estate and office equipment.

Enacted by Chapter 242, 1985 General Session

**31A-9-602 Fraternal expenditures and activities.**

- (1) Every fraternal shall report to the commissioner the information required by the commissioner concerning expenditures made by the fraternal and other activities and programs of the fraternal or its members in fulfillment of the purposes of Subsection 31A-9-101(1)(a)(ii)(B) or in maintaining its fraternal character.

- (2) A fraternal may create, maintain, and operate social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic, or religious institutions for the benefit of its members or their families or dependents or for children insured by the fraternal. For that purpose, it may own, hold, or lease real or personal property within or outside of this state. All that property is reported in the annual statement or an appendix to it, but the property is given only a nominal value in the statement. No profit may be made on those institutions, but the income and expenditures are reported separately in, or as an appendix to, the annual statement. Any of these institutions may be separately incorporated under Title 16, Chapter 10a, Utah Revised Business Corporation Act, and ownership of its stock shall be reported at a nominal value.
- (3) The fraternal may not own or operate a funeral or undertaking establishment.

Amended by Chapter 4, 1993 General Session

**31A-9-603 Exemption of fraternal benefits.**

No money or other benefit, charity, relief, or aid to be paid, provided, or rendered by any domestic or nondomestic fraternal is liable to attachment, garnishment, or other process, or may be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay a debt or liability of a member or beneficiary, or any other person who may have a right to them, either before or after their payment by the fraternal.

Enacted by Chapter 242, 1985 General Session

**31A-9-604 Duties of officers, directors, agents, and employees.**

Section 31A-5-601 applies to the duties of officers, directors, agents, and employees of fraternal.

Enacted by Chapter 242, 1985 General Session