

## CHAPTER 64

## FRATERNAL BENEFICIARY ASSOCIATIONS

NOTE: Laws 1903, Chapters 276 and 296, the original acts relating to Fraternal benefit associations, proved wholly inadequate. All that remains of those two chapters is found in section 64.02. The laws relating to fraternal benefit associations was completely revised by L. 1907, c. 345, and as amended by Ex. L. 1912, c. 6, L. 1913, c. 450, L. 1919, c. 20, and L. 1929, c. 239 is our present Chapter 64. "Lodge system" was defined by L. 1947, c. 385.

**64.01 DEFINITIONS.**

Amended by L. 1947, c. 385 s. 1.

Chapter 345 of the laws of 1907 established a complete code for the government and regulation of fraternal beneficiary associations, and superseded all prior statutes relating to such associations. The provisions of R. L. 1905, s. 1623, (s. 60.85) do not apply to them. *Farm v Royal Neighbors*, 145 M 193, 176 NW 489.

**64.02 BENEFITS; FUNERAL EXPENSES; TAX EXEMPTIONS; EXCEPTIONS.**

NOTE: This section contains what remains of the original acts, L. 1903, cc: 276, 296, codified as R. L. 1905, s. 1703.

Application of respondent's wife was approved by the home office and returned to the local deputy, who delivered it to her with the declaration that it was in force. The lodge was organized a week later, and she was voted in as a member, but being ill could not attend and was not initiated and did not receive the obligation. A duly executed certificate was later delivered to her. Held: The contract was incomplete. She did not become a member. The certificate was void. *Louden v Modern Brotherhood*, 107 M 121, 119 NW 425.

When a member of a beneficial association, with consent of the association, has inserted in the certificate the name of a person whom he is not authorized by the constitution to name as beneficiary, and thereafter by will bequeaths the proceeds of the certificate to the person illegally designated, the fact that such person was illegally designated as beneficiary is of no consequence, as the fund passes by testamentary disposition, and not by virtue of the designation. *Middelstadt v Grand Lodge*, 107 M 228, 120 NW 37.

The insurance company selects its own agent, and, if he wavers in his fidelity, the insured and his beneficiary, who are free from fault, should not be required to suffer the penalty. The agent of a fraternal insurance company does not become interested adversely so that his knowledge is not the knowledge of the company where he accepts an application for insurance contrary to the by-laws and which constitutes a cause for the removal of the agent and a liability on his bond. G.S. 1913, s. 3300 (s. 60.85) does not apply to fraternal associations. *Bratley v Brotherhood*, 159 M 15, 198 NW 128.

Provisions of the constitution of a voluntary, nonprofit organization requiring as a condition precedent to a resort to the courts, that such member first exhaust all remedies open to him within the organization, are valid if the remedies so provided are reasonable. *Skrivanek v Brotherhood*, 198 M 141, 269 NW 111.

Where plaintiff's husband died as the result of coming in contact with poison ivy while in the woods, his death was "accidental" within the terms of an accident policy insuring against injuries resulting in death, through external, violent, and accidental means. *Railway Mail Assn. v. Dent*, 213 F 981.

# MINNESOTA STATUTES 1947 ANNOTATIONS

## 64.05 BENEFITS; RESERVES.

Paying the money into court was not an admission of liability to any particular claimant, but a demand that the court protect the association against double liability by determining to whom the money rightfully belonged. *Logan v Modern Woodmen*, 137 M 221, 163 NW 292.

Where trade union member had been a continuous contributing member for more than 15 years prior to his suspension but was later readmitted in 1935 and contributed until his death in 1944, his beneficiary was entitled to death benefits provided in constitution of trade union for those who had been continuous contributing members for 15 years. *Wait v Journeymen Barbers*, 210 M 180, 297 NW 630; *Koenig v Journeymen Barbers*, 220 M 522, 20 NW(2d) 333.

## 64.06 BENEFICIARIES.

The beneficiary named in a benefit certificate issued by a beneficiary association, acquires no vested interest thereunder until the death of the insured, and his expectant interest may be defeated at any time by the proper substitution of another in his stead. The interest vests upon the death of the insured. *Hughes v Modern Woodmen*, 124 M 458, 145 NW 387.

The classes of persons eligible as beneficiaries under policies issued by a fraternal association are to be determined by the rules adopted for the express purpose of governing such matters, and not by general statements made for the purpose of indicating the general object of such association, and restrictions limiting the classes who may be so designated must be expressed in positive terms and cannot be inferred from general statements. *Christensen v Madson*, 127 M 225, 149 NW 288.

Where the by-laws of a fraternal association are made a part of the contract of insurance, and provide that no part of the benefit fund shall be paid to any person not bearing a specified relationship to the assured, the designation of a beneficiary not bearing such relationship is invalid. *Logan v Modern Woodmen*, 137 M 221, 163 NW 292.

Where the constitution of a fraternal society provides that when a named beneficiary predeceases the insured the fund shall be paid, at the death of the insured, to certain relatives, naming them, the words "father or mother" used therein include "stepfather and stepmother". *McGaughey v Grand Lodge*, 148 M 136, 180 NW 1091.

The insured may change the beneficiary at his pleasure except as restricted by the rules of the association, and these rules may be waived without the consent of the beneficiary. The change becomes effective on the date of the application. *Knappen v Locomotive Engineers Mutual*, 166 M 328, 207 NW 641.

Beneficiary under benefit insurance certificate acquires no vested interest, but has mere expectancy which may be defeated by the insured acts. Insured may change the beneficiary subject to the restrictions of contract, including by-laws, constitution, and certificate. *Brotherhood v Benson*, 45 F(2d) 421.

Generally, terms "brother" or "sister" embrace a brother and sister of the half blood as well as of the whole blood such as in provisions in fractional policies for distribution of benefits where no principal or contingent beneficiary is designated. Where insured was not survived by any principal or contingent beneficiary designated in life policy, half-brothers and half-sisters of insured and children of deceased half-brothers and half-sisters were entitled to participate equally in insurance proceeds with insured's sister. *Modern Woodmen v Barnes*, 61 F. Supp. 660.

## 64.19 METHODS OF FORMING ASSOCIATION; POWERS AND DUTIES OF COMMISSIONER; CERTIFICATE; DISCONTINUANCE.

Where the Minnesota Lodge at organization provided that its powers pertaining to the welfare of the order were subject to supervisory control of the supreme

lodge; and where over a term of years money was collected but not remitted by the grand lodge pursuant to an assessment levied by the supreme lodge; upon the severance of all relations between the grand and the supreme lodge, the supreme lodge by legal proceedings recovered said funds. Supreme Lodge A.O.U.W. v Grand Lodge, 213 F 937.

Insurance companies conducting their activities across state lines are within the regulatory power of congress under the commerce clause. United States v South-Eastern Underwriters, 64 SC 1162, 322 US 533.

### 64.24 FOREIGN ASSOCIATIONS; LICENSES.

Upon a certificate issued by a fraternal benefit society organized under the statute of Illinois, we assume, for the purpose of the instant case, that the laws of that state govern the rights of the parties. Anderson v Royal League, 130 M 416, 153 NW 853.

### 64.29 CONSTITUTION AND LAWS.

Law of state where fraternal association is incorporated as determining the by-laws of such organization. 10 MLR 66.

### 64.30 AMENDMENTS TO CONSTITUTION.

The adoption of an amendment to the constitution at a meeting of a fraternal insurance society may be shown by parol where the minutes of the meeting contains no record, and there is no controlling requirement that such matters shall be recorded. State ex rel v Barnes, 136 M 438, 162 NW 513, 1050.