

**NATIONAL FRATERNAL CONGRESS OF AMERICA
COMMENTS DATED JANUARY 23, 2007 RE:**

**INDIVIDUAL LIFE APPLICATION STANDARDS
DATED OCTOBER 6, 2006**

This comment letter is submitted by the National Fraternal Congress of America (NFCA), a trade association that represents 75 fraternal benefit member-societies that offer life and health insurance to their individual members. We appreciate the opportunity to provide the Interstate Compact Management Committee with our member-societies' collective comments.

General Draft Comments

We are including recommendations for the specific sections of the application standards to accommodate the rights and obligations of *Fraternal Benefits Societies* ("*fraternals*") in a manner similar to that which was done for the five universal life product standards.

To assist the IIPRC with its review of filings made by fraternals, we suggest the inclusion of an *Appendix B*, included at the end of these comments, to describe the legal structure, operation and obligations of fraternals.

Specific Draft Comments

OWNER, Page 6

For consistency with the PROPOSED OWNER/ANNUITANT section of the Annuity Application standards, we suggest changing the last sentence to state: "The section may accommodate joint, corporate, trustee, custodian, UTMA/UGMA applicants."

At times, the owner is a minor and a custodian is designated as owner until the time that the minor attains the age of majority. For these situations, fraternals need additional information to administer such designation.

AGREEMENTS, Page 15

We need to add language pertaining to the applicant's agreement to be bound by all obligations of membership set forth in the fraternal's specific articles and bylaws and acknowledge the fraternal's common bond and purpose.

To accommodate these needs, we suggest that the following be added to the end of this section:

Drafting Note: These standards are modified, as required or permitted by law, to enable fraternals to implement their respective articles and bylaws. See Appendix B."

NEW SECTION:

ADDITIONAL STANDARDS FOR FRATERNAL BENEFITS SOCIETIES (to follow SIGNATURE REQUIREMENTS on page 15)

Some fraternal use the application form as both a membership and insurance application, and we suggest adding the following:

“The application may include the following:

MEMBERSHIP

The application may require the membership information that a fraternal determines that it needs to administer the insurance plan, such as membership status (new or existing), lodge number, term of membership, state of membership, etc.”

NEW APPENDIX:

APPENDIX B: FRATERNAL BENEFIT SOCIETIES

Fraternal Benefit Societies (“fraternals”) are subject to separate fraternal codes in all jurisdictions due to their unique structure, operations and legal obligations. The Drafting Note included at the end of the **AGREEMENTS** standards, the new section entitled **ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES**, and **Appendix B** are included in the standards to allow fraternal to experience the benefits of participating in the single point of filing and review process that the IIPRC offers, without jeopardizing their ability to meet their unique obligations and to operate as required or permitted by law.

By law, a fraternal is defined by five basic elements:

1. one without capital stock;
2. one conducted solely for the benefit of its members and their beneficiaries by providing life, health and annuity benefits and by operating one or more social, educational, charitable, patriotic, or religious purposes for the benefit of members and others;
3. one that is a benevolent and charitable institution and not for profit;
4. one operated on a lodge system that may carry out charitable and other activities; and
5. one that has a representative form of government with a governing body and direct election of its members.

The laws governing fraternal organizations impact the standards in several ways. Fraternal organizations are required by law to issue insurance contracts that incorporate the laws of the Society and the application for membership. Thus, the contract must consist not only of the policy or certificate issued, and the application for insurance, but also the application for membership and the articles and bylaws. Further, the laws governing fraternal organizations require or permit that the articles and bylaws address the structure of lodges, membership requirements, form of governance, grievance procedures, and eligible beneficiaries. Any amendments to the articles or bylaws made after issuance of a certificate must be applied consistently to all members retroactively. However, no amendment shall eliminate or reduce contractual benefits.

By law, fraternal organizations are membership organizations. Because of this, the law refers to the insurance forms issued to members of a fraternal organization as “certificates” or “certificates of membership and insurance”. And, due to the membership requirements, fraternal certificates often include a provision stating that the insured and/or owner is a member and that the form that has been issued to evidence coverage is a certificate of membership and insurance. In addition, fraternal certificates may include a Maintenance of Solvency provision setting forth the legal rights and obligations in the case of a fraternal organization’s financial impairment.