



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

MEMO

April 29, 1975

SUBJECT. Analysis of H.B. 742 PN 840 (Fraternal Benefit Societies to Pay Certain Dividends)

TO Honorable C. L. Schmitt, Chairman Consumer Protection Committee

FROM Jake Myers, Counsel

A handwritten signature in cursive script, appearing to read "Jake Myers".

This bill amends Title 15 of the consolidated statutes (corporations and unincorporated associations) which pertain to the non-profit corporations to provide for the payment of dividends by fraternal benefit societies.

This bill amends Section 7553 of the Act and Section 7546.

The amendment to Section 7553 would create an exception to the general rule which prohibits a non-profit corporation from paying dividends or distributing any part of its income on profits to its members, directors, or officers.

A fraternal benefit society operating under the insurance laws of Pennsylvania would be able to pay dividends or refunds by whatever name known pursuant to the terms of their insurance contracts.

The amendment to Section 7546 of the Act is broader and would remove any restriction upon the distribution of incidental profits from the operation of a fraternal benefit society. By defining terms "fees or prices" as not including contributions, fees or dues levied under fraternal certificates, distribution of profits is permitted in any manner.

The Insurance Department feels the amendment to Section 7546 is too broad and should be altered as follows:

Income from Corporate Activities. A non-profit corporation whose lawful activities involve among other things the charging of fees or prices for its services or products, shall have the right to receive such income and, in so doing, may make an incidental profit. All such incidental profits shall be applied to the maintenance and operation of the lawful

activities of the corporation, and in no case shall be divided or distributed in any manner whatsoever among the members, directors, or officers of the corporation. As used in this section the terms fees or prices do not include rates or contribution, fees or dues levied under an insurance certificate issued by a fraternal benefit society, so long as the distribution of the profits from said rates or contributions, fees or dues is limited to the purposes set forth herein and in Section 7553 of this Act.