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INSURANCE CODE - INS

DIVISION 2. CLASSES OF INSURANCE [1880 - 12880.8] (*Division 2 enacted by Stats. 1935, Ch. 145.*)

PART 2. LIFE AND DISABILITY INSURANCE [10110 - 11549] (*Part 2 enacted by Stats. 1935, Ch. 145.*)

CHAPTER 10. Fraternal Benefit Societies [10970 - 11165] (*Chapter 10 repealed and added by Stats. 1951, Ch. 1193.*)

ARTICLE 4. Benefits [11040 - 11044] (*Article 4 added by Stats. 1951, Ch. 1193.*)

11040. All benefits provided for in the laws and agreements of a society shall be payable only out of its funds in accordance with its laws. The officers and members of the supreme, grand or any subordinate body of a society shall not be individually liable therefor.
(*Repealed and added by Stats. 1951, Ch. 1193.*)

11041. An admitted society may, by the issuance of certificates, provide for payment to its members of insurance benefits contained within the following classes:

- (a) All forms of life insurance, as defined in Section 101, except group insurance and funeral insurance as defined in Section 10240.
- (b) All forms of disability insurance, as defined in Section 106, except group insurance.

Except as otherwise provided in this chapter, benefits may be paid in any manner compatible with their nature.

Any benefits authorized in this section, or combinations thereof, may be provided in the same or separate certificates.

A society shall specify in its laws or rules those persons who may receive benefits or be covered by benefits through the society. For all coverages, the member shall be the applicant or the insured provided that if the member is the applicant, there shall be a bona fide familial or other dependent relationship between the member and the insured or beneficiary. Every society, by its constitution, laws, or rules, may limit the scope of beneficiaries only to the extent required by federal law governing fraternal benefit societies. The society may specify the terms and conditions on which benefit certificates may be assigned.

(*Amended by Stats. 1995, Ch. 166, Sec. 6. Effective January 1, 1996.*)

11042. A society may provide for benefits on the lives of children under 21 years of age and under the minimum age for adult membership under the laws of the society at time of application therefor, upon the application of some adult person, as its laws or rules may provide, which benefits shall be in accordance with the provisions of Section 11041. A society may, at its option, organize and operate branches for such children. Membership and initiation in local lodges shall not be required of such children, nor shall they have a voice in the management of the society. Children insured under certificates issued pursuant to this section may be transferred to and become members of the adult branch of the society upon attaining the minimum age for adult membership under the laws of the society.

If a society maintains a separate juvenile fund, it shall have the right to provide in its laws or rules for the payment to the society's expense or general fund; provided, that no such society shall transfer to such funds amounts collected for juvenile mortality benefits and the net accretions thereto. A society shall have full power to provide for the fixing and readjusting, from time to time, of the premiums and the designation and changing of designation of beneficiaries and to provide in all other respects for the regulation, government and control of such certificates and all rights, obligations and liabilities incident thereto and in connection therewith.

(*Amended by Stats. 1959, Ch. 49.*)

11043. A society may grant nonforfeiture benefits, cash surrender values, certificate loans, and other options as its laws may permit. In the case of certificates issued after September 21, 1952, other than those for which reserves are computed on the Commissioners 1941 Standard Ordinary Mortality Table, the 1941 Standard Industrial Table, the Commissioners 1958 Standard Ordinary Mortality Table, the Commissioners 1980 Standard Ordinary Mortality Table, or any more recent table approved by the commissioner that

applies to life insurers, the value of any nonforfeiture benefit granted and the amount of any cash surrender value granted shall not be less than the excess, if any, of (a) over (b) as follows:

(a) The reserve under the certificate determined on the basis specified in the certificate; and

(b) The sum of any indebtedness to the society on the certificate, including interest due and accrued, and a surrender charge of not more than $2\frac{1}{2}$ percent of the face amount of the certificate, which, in the case of insurance on the lives of children, shall be the ultimate face amount of the certificate, if death benefits provided therein are graded.

However, in the case of certificates issued on a substandard basis or in the case of certificates, the reserves for which are computed upon the American Men Ultimate Table of Mortality, the term of any extended insurance benefit including accompanying pure endowment, if any, may be computed upon the rates of mortality not greater than 130 percent of those shown by the mortality table specified in the certificate for the computation of the reserve.

In the case of certificates issued after September 21, 1952, for which reserves are computed on the Commissioners 1941 Standard Ordinary Mortality Table, the 1941 Standard Industrial Table, the Commissioners 1958 Standard Ordinary Mortality Table, the Commissioners 1980 Standard Ordinary Mortality Table, or any more recent table approved by the commissioner that applies to life insurers, the value of any nonforfeiture benefit granted and the amount of any cash surrender value granted shall not be less than the corresponding amount ascertained in accordance with the provisions of Sections 10161, 10162, 10163, 10163.1, 10163.2, 10164, 10164.1, and 10165 applicable to life insurance companies.

(Amended by Stats. 1995, Ch. 166, Sec. 7. Effective January 1, 1996.)

11044. No beneficiary shall have or obtain any vested interest in the proceeds of any certificate until the certificate has become due and payable in conformity with the provisions of the insurance contract. The owner of a certificate shall have the right at all times to change the beneficiary or beneficiaries in accordance with the constitution, laws, or rules of the society, unless the owner waives this right by specifically requesting in writing that the beneficiary designation be irrevocable. Every society, by its constitution, laws, or rules, may limit the scope of beneficiaries only to the extent required by federal law governing fraternal benefit societies.

(Amended by Stats. 1995, Ch. 166, Sec. 8. Effective January 1, 1996.)