§ 4514. Creation and maintenance of separate funds; premiums; assessments and other contributions of members. (a) Every authorized society shall create a separate fund or funds for the payment of all insurance benefits as defined in section four thousand five hundred one of this article, under all certificates or other contracts issued by it or under any provisions of its constitution or by-laws which require payment of premiums or other contributions as consideration for such benefits. All such funds shall be known as the insurance funds of such society. In addition to such insurance funds, any such society may create, maintain, invest, disburse and apply, separate and independent from such insurance funds, any general, expense, emergency, patriotic, relief or other similar funds in accordance with its constitution and by-laws. Except as provided in subsection (g) hereof, all such funds of any such society may be invested only as permitted by paragraph two of subsection (a) of section one thousand four hundred three of this chapter. All such funds shall be held, invested and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein, or become entitled to any apportionment or the surrender of any part thereof, except in accordance with the terms and provisions of an insurance or annuity contract made by such society.

(b) In a provision of its by-laws relating to the payment of premiums or other required periodical contributions by insured members, every such society shall distinctly indicate the amount or portion of such premium or contribution which is to be used for insurance benefits, to be known as the insurance contribution, and the amount or portion which may be used for expenses and other purposes. The amount of such insurance contributions shall be not less than that required by the standard of valuation applicable to such certificate or contract in accordance with the provisions of this chapter. Every such insurance contribution shall without any deduction be paid into the insurance funds of such society.

(c) No authorized society shall issue or deliver in this state or elsewhere any certificate which does not require stated periodical premiums or contributions at least equal to those required according to the minimum valuation standards set forth in subsection (c) of section four thousand five hundred seventeen of this article; nor shall such

society insure in this state or elsewhere members for temporary or permanent disability benefits or for hospital expense or surgical and medical expense unless the rates thereof are adequate upon the basis of tables based upon reliable experience with an interest assumption not higher than three percent per annum.

(d) The insurance funds of every such society shall consist of the insurance contributions and of all interest or other income on investments in such funds and all other accretions to such funds. Such insurance funds may be used for the payment of benefits under any insurance or annuity contract and for the payment of expenses of investment of such funds. No part of such insurance funds shall be used for any other expenses or other purposes, except that any such society having admitted assets, as shown by its last annual statement filed with the superintendent, in excess of one hundred five percent of its entire liabilities, including its required reserves computed on a net tabular basis, may transfer or allocate such excess insurance funds to the expense or other funds of the society, in accordance with its constitution and by-laws; but the amount so transferred in any calendar year shall not exceed whichever is the smaller of (i) five percent of the total contributions to the mortuary fund or funds of such society during the next preceding calendar year or (ii) seventy-five per centum of the sum of

(1) the savings in mortality during the preceding calendar year under certificates issued on rates creating and maintaining reserves in accordance with the table of mortality used, and

(2) the excess interest earnings over and above the interest requirements to maintain reserves, after deducting from such sum the dividends, if any, paid to members, as determined by the valuation report and annual statement required by this chapter, but no society shall make any such transfer or allocation within the limits herein described which pays or agrees to pay a first year commission in excess of fifty-five percent of the year's premium on any life insurance certificate or annuity contract issued by such society. In addition to any transfer or allocation made within the limits herein described, a society may transfer or allocate from the mortuary fund or funds to the general or expense fund, surrender charges, if any, provided for under terminated life insurance contracts on a legal reserve basis.

(e) Any such society may ascertain and distribute any divisible surplus accruing under its certificates on an equitable basis, provided that any apportionment of such surplus shall be only on an annual basis.

(f) Whenever any authorized society heretofore organized in or licensed to do business in this state has substantially separate groups or classes of certificates in force on which premiums or assessments are payable according to substantially different tables of rates, the superintendent may require such society to file a separate accounting in its annual report of such major classifications of certificates.

(g) Any such society, for the accomplishment of any lawful purpose provided for in its charter or constitution, may own, hold or lease personal and real property located within or without this state, with necessary buildings thereon; but no such personal or real property shall be deemed an admitted asset of such society, within the meaning of this chapter, except the home office building of such society to an amount not exceeding that permitted by paragraph seven of subsection (a) of section one thousand four hundred four of this chapter. Any such real or personal property may be acquired and maintained only out of the general or expense fund of such society, any voluntary contributions which it may receive therefor, and such reasonable charges as may be made for the facilities or services furnished thereby.

(h) Every authorized society shall at all times maintain a surplus not less than the minimum amount established by rule of the superintendent.