

## FAQ: Regarding Governance Change for Sons of Norway

### Why is this happening now and why the urgency?

It has been discussed for many years but after seeking legal counsel, speaking with the regulators, and discussing this with the American Fraternal Alliance, we now believe the risk to the organization by not changing is too great. The regulators have made it clear that we need a board capable of running an insurance business.

### Why is the Minnesota Department of Commerce important to the Sons of Norway?

Sons of Norway is a Fraternal Benefit Society that is regulated by the Minnesota Department of Commerce. This department is enacted by the State of Minnesota, has laws and regulations that guide their work. They are responsible to assure that insurance companies are solvent. Thereby protecting the consumers of these products from financial loss.

### But what about the fraternal side of the organization?

The fraternal common bond of our organization is required by law, a part of our charter, and most significantly, is the very DNA of our organization. It will always be a crucial part of our three-legged stool—fraternal, financial, and foundation. We need a board capable of running an insurance business regulated by the State of Minnesota, but this doesn't de-emphasize at all the heartbeat of our organization of preserving and perpetuating our culture and heritage. This will continue with as much as strength as ever.

### How will the Members of the Board of Directors be nominated and elected?

- Nominations to the International Board may be made by any member subject to the necessary qualifications and completion of the application. All International Board candidates will be vetted by the International Nominating Committee of the Sons of Norway.
- The International Board to be elected in 2024 by all Benefit Members will be comprised of six (6) fraternal benefit members active in the Lodge system and six (6) benefit members that come from the business disciplines important to running an insurance business, including finance, accounting, legal, actuarial, information technology, insurance sales and operations.
- Four of the fraternal Directors will represent the eight (8) Districts of the Sons of Norway, with the remaining two fraternal Directors representing the membership at large.
- All International Board candidate credentials will be vetted by the International Nominating Committee of the Sons of Norway.

### What happens to the Charter and Constitution we currently use?

Following passage of the referendum, a Special Governance Committee will be established to determine appropriate Charter and Constitution and Policy and Procedure changes arising from the referendum:

- The committee will be comprised of selected International Board Directors and District Presidents and Chaired by International Vice President Mark Agerter.
- The committee will submit their recommendations to the International Board of Directors for their consideration at the [May 2022](#) Board meeting.

### How will the District President Advisory Council operate after the referendum is passed?

The district presidents will continue to meet in person and/or virtually as needed. The International Board has relied on this group of leaders to ensure the voices of all our members are heard. As leaders of our eight districts, it is important that they support one another, learn from each other, and prepare for future leadership roles within the organization.

### How does this affect my district?

This will not impact the work you do at the district level. You will continue to host district conventions which will now have a fully fraternal focus, and have a full slate of district officers. However, the need to elect delegates to the international convention will not be necessary.

### Does this give the Board of Directors too much power?

No. Everyone from publicly traded companies to nonprofits to other insurance companies are governed by an independent board of directors to ensure accountability and oversight of the organization. It should be about the future and survivability of the organization, not power.

### What will happen to conventions and voting?

The international conventions will continue and will be focused on culture and heritage, but not include the resolutions to the floor or voting. Resolutions can be sent by any member at any time to the International Board for their consideration. Over the years, many excellent proposals have come from our membership and we expect the same going forward. We will conduct a business meeting to ensure all the members in attendance have an opportunity to learn about the business and understand plans for the coming years.

Future conventions will become a “Member Experience” with the focus on celebrating our culture and heritage. These events will include vendors, cultural breakout sessions, and will provide a collective cultural experience for all. We will include sessions for ideation and collaboration as it relates to the fraternal efforts of the organization. We will allow time for updates from the districts and for lodge leadership development. Notably, the conventions will now be open to any benefit member, not just delegates. This will give greater opportunity for folks to attend and provide greater energy to our fraternal endeavors.

### Will we still vote for lodge officers and district officers?

Yes, you will need to continue to have officers in place to conduct district and lodge business.

### What will happen at future conventions?

Per the passing of the Referendum, future conventions will focus on celebrating culture and heritage, providing district updates, receiving a business update, having lodge leadership development sessions, and the usual fellowship and entertainment.

Do I need to have a certificate after this change if I want to be on the district board?

Yes.

When we sold the building we had a surplus, why are we now showing a loss?

We have incurred losses in the past few years because of diminishing insurance sales over the last decade and an increase in operating expenses over the same period.

While we have increased sales over the last 2-3 years, it takes approximately 4-10 years for an issued certificate to break even, so that increased revenue will begin to turn a profit over the next few years. On the expense side, the insurance operation has slashed over 2 million dollars of expense over the past two years of insurance sales growth. Unfortunately, the fraternal expenses have remained relatively high.

While we made an important decision to sell the building on Lake Street which added to our surplus, the MDOC requires a healthy amount of that surplus to cover unanticipated expenses in the financial side of the business. Surplus is a measure of solvency and is used to pay insurance claims if reserves prove to be insufficient. We cannot continue to use our surplus to cover excess expenses. We have reported on our surplus in the Sons of Norway annual report which is published in the June issue of *Viking* magazine each year.