



THE PRODUCERS NETWORK

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## **Fraternal Benefit Societies**

**By John Light**

Fraternal Benefit Societies generally evolved in the United States in the late 1800's as immigrants from Europe settled their families in common areas and neighborhoods based on their religious or ethnic background. It helped provide them with much of the common bond they had shared in their former homeland and the security they wanted for their families in the new world. As these communities grew and the helping hand philosophy became prevalent, it also became apparent that funding their charitable costs were necessary to grow these organizational communities.

Fraternal Benefit Societies are formal membership organizations who formed Life Insurance Companies as the source for driving the necessary revenue to fund their charitable functions. These organizations have formed one of the nation's most effective and efficient volunteer networks delivering over 100 million hours in Community works and contributing more than 1 Billion Dollars in charitable programs.

Like commercial insurance companies such as Prudential, Met Life, New York Life, etc. Fraternal Benefit Societies are Legal Reserve Life Insurance Companies. Both Commercial and Fraternal companies are chartered in accordance with State Laws and must comply with the same State and Federal regulations. They are licensed and governed by the same rules & regulations of the states in which they do business.

Unlike commercial companies, Fraternal are not required to fund the state guarantee fund program in order to operate in that state, while commercial companies are required to do so.

(continued on Page 2)

## Fraternal Benefit Societies

Fraternal charitable ties allow them to operate as non-taxable 501C-3 organizations that produce the following financial benefits:

- Fraternal profits support Fraternal Lodges and Benefits.
- Fraternal Do Not Pay Income Taxes; these savings often help contribute to better product design. Commercial companies pay corporate and premium taxes as high as 35%.
- Fraternal exist for the benefit of their Policyholders while Commercial Companies are for profit & exist for the benefit of their shareholders/owners.
- Both Fraternal & Commercial insurance companies are Legal Reserve Insurance Companies & are governed by the same state insurance departments and regulations.
- Fraternal guarantees are backed by the entire financial strength and claims paying ability of the company.
- Fraternal have no take down strategy; generally have only 1 new Money Bucket with great renewal histories.
- Fraternal rarely advertise; they pay moderate commissions.
- Fraternal provide excellent service.

Unlike commercial insurance companies that use the sale of their financial products to generate profits for their shareholders, the sales of fraternal products benefit its members and their communities. Great focus is generated toward seniors and student educational programs.

Mutual assistance stands at the foundation of Fraternalism. The sales of Life and Annuity could be looked at as the National Fundraiser for Not-for-Profit Associations making enough money to support the cost of doing business and supporting their good work in their communities while providing exceptional Life and Annuity Products.

On April 18, 2012 Congress passed the Fraternal Benefit Society resolution Expressing the sense of Congress that "Tax-exempt Fraternal Benefit Societies have historically and currently continue to provide critical benefits to Americans and United States Communities."

For more info on Fraternal contact The Producers Network  
1.800.477.3662 (ext. 224)