



# Fraternally Yours

## A Look at the Benefits of Offering Your Clients Fraternal Company Products

“Fraternally yours” is a phrase that may conjure up thoughts of a secret handshake. From the sender it communicates a bond, a privileged relationship. Every recipient of this special greeting that I have encountered responds in a similar fashion: a knowing smile that acknowledges that indeed they are “members” with certain benefits that cannot be purchased anywhere.

Does this sound a little like a private club or an exclusive organization?

Well, like a club, a fraternal organization offers select benefits to members. But, unlike a private club, it is an affiliation most everyone can now enjoy. What are we talking about? Insurance companies that are fraternal benefit societies. If you haven’t taken a look at what fraternal insurance companies have to offer lately, it is high time you did, for your clients’ benefit and for the development of your practice.

Let me start by sharing my experience as a 31-year industry veteran. I am a fraternal novice having only been exposed to this world two years ago. Sure, I remember answering questions many years ago on my state license exam regarding the structure of fraternal benefit societies, but never really paid much attention to these organizations. I was very satisfied marketing products offered by mutual and stock companies. The few times I ran into competition from a fraternal insurance agent, they were generally restricted to selling only that society’s products and their product lines were fairly limited. Policy values were generally not as competitive as other products I had at my disposal. If this mirrors your experience, believe me it’s time to take another look.

There are many fraternal benefit societies in the marketplace today. Several now work through independent agents and advisors making their unique value proposition available to producers who, previously, have not had that access. About 75 percent of all sales by fraternal societies are now through independent agents in the fraternal life business. In addition, product offerings can be very competitive with traditional insurers and there is the built in advantage tied to complimentary member benefits that fraternal provide to eligible members.

While most fraternal organizations share common attributes, for the purposes of this article I will use examples from my experience with the Independent Order of Foresters (Foresters), a fraternal benefit society headquartered in Toronto, Canada. Foresters is rated “A” (Excellent) by A.M. Best and is domiciled and supervised by the Insurance Department of the State of New York. I chose Foresters because the organization distributes its product portfolio through independent producers and is non-denominational, meaning membership is available to any of your clients.

From a product standpoint, Foresters recently introduced new term and guaranteed Universal Life products that are highly competitive with products available through traditional independent brokerage companies. This marks a dramatic change in strategy as Foresters builds membership through independent marketing channels. You will continue to see fraternal benefit societies put more resources into updating their product portfolios. After all, if the products are equal in death benefit and cost, it would be hard for a client to ignore the additional benefits available when they make a purchasing decision. And, since the distribution system in the independent marketplace is not fully developed, the advisor who introduces this differentiated coverage to their clients will separate themselves from their competition. (in addition to other products and services)

### The Common Bond

A basic premise behind a fraternal benefit society is that members share a common bond. Some of these organizations share a the bond through a church affiliation and may require a member be affiliated with a particular church. In Foresters case, their fraternal mission is based on the principles of mutual aid and community service with a focus on the well-being of families and the communities where they live. Foresters and its members fulfill this mission through financial and volunteer support of various children’s charities, including its long-term partnership with Children’s Miracle Network., serving young persons with terminal illnesses.

If you are unsure, whether this membership privilege will resonate with your clients and prospects, ask a few people if they know a family who has a “Miracle Child” and needed the help of Children’s Miracle Network. You may be astonished at how many people know a family that has benefited from the work done by this great organization. As a financial advisor, your affiliation with this and other local charities can only enhance your practice. Foresters has a variety of resources to leverage its community good works and your reputation in the community.

### How Does Fraternalism Work?

Let’s focus for a minute on how the fraternal benefit society structure can be advantageous to your client. Besides membership in a local lodge/branch system, members and their families enjoy specific complimentary benefits that are offered in addition to their insurance coverage. These are known as benefits of membership. As a not-for-profit fraternal organization, Foresters and others are exempt from corporate taxes. However, the organization shares its financial strength with communities and its members, who are customers, through complimentary life, health and education benefits that help eligible members and their families.

Foresters offers a unique suite of member benefits. I’ll briefly highlight three of these benefits:

- **Scholarships** for family members: 350 competitive scholarships of \$8,000 each were awarded to member families last year;
- **Orphan Benefits:** children of members who are orphaned automatically receive college scholarships of up to \$24,000 per child and \$300 per child monthly until they reach age 18. These benefits are granted in addition to any life insurance proceeds payable to the beneficiaries.

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- **Critical Illness Benefit:** a \$4,000 one-time lump sum payment upon the initial diagnosis of stroke, heart attack, life-threatening cancer or multiple sclerosis. These benefits extend to any member of the immediate family in addition to the insured life.

Fraternal benefit societies have a history of helping individuals in times of need. According to the National Fraternal Congress of America (NFCA), an organization that represents 73 fraternal benefit societies in the U.S. and Canada, fraternal raised nearly \$17 million in the wake of September 11 and more than \$17 million in donations and materials for the victims of hurricanes Katrina, Rita and Wilma.

Foresters provide disaster relief support to members and their families, including those who were displaced as a result of natural disasters such as the California wild fires and gulf hurricanes.

While you will not find many fraternal benefit society names hanging from the side of a sports stadium, these organizations provide real tangible benefits to their customers and communities. Fraternal benefit societies also offer members opportunities to make a difference through community service and volunteering. In 2006, fraternal benefit society members donated nearly 95 million volunteer hours, helping communities in need.

I believe that a prospect, given the option of sending an insurance premium to a traditional for-profit company that provides the same insurance coverage but does not offer the benefits of membership provided by fraternal benefit societies, will appreciate



your introducing them to one of these unique organizations. By taking a long hard look at the opportunities described in this article, you too may start closing your letters with, "Fraternally yours." ☐




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