WHAT IS A FRATERNAL BENEFICIARY SOCIETY?

A fraternal beneficiary society ("fraternal") is a non-profit, mutual aid organization that: (1) insures members and their families against death, disease and disability, and (2) maintains an active lodge system.

Fraternal benefit societies bring together individuals with a common bond and provide them with the opportunity to make a meaningful contributions to their local communities and American society. The common bond between members can be based on religious beliefs, gender, occupation, ethnicity, physical condition or value system. These unique organizations, many of which have been serving their members for over 100 years, offer members a variety of "fraternal benefits," such as scholarships, educational publications, travel opportunities and discount programs. The altruistic efforts of fraternal benefit societies are primarily funded by the sale of life insurance and other financial services products to their members.

Many societies have their roots as mutual aid organizations—founded to serve the needs of immigrants and other underserved groups before the days of government and employer-based health care and retirement programs. Today, the focus of fraternal benefit societies is less about "who we are" and more on "what we do." For instance in 2008, society members maintained and supported homes for the aged, undertook Habitat for Humanity projects, provided welfare services and gave material and financial assistance to the victims of many natural disasters.

All fraternal benefit societies must comply with state and federal regulations, with regard to their financial services, and must be licensed by the insurance department of the state or states in which they operate. Fraternal benefit societies are recognized as 501(c)(8), not-for-profit fraternal organizations, by the Internal Revenue Service. As the Treasury Department concluded in its 1993 study of fraternals, without the exemption, the many charitable and benevolent activities of the fraternal benefit system would be severely curtailed, with little benefit to the federal government. According to Joint Committee estimates, if the exemption were removed, federal taxes from fraternals would amount to $½ billion over the next 10 years; but that figure pales in comparison to the $20 billion lost to the American social safety net over the same timeline due to the absence of these private sector charitable and benevolent activities performed by the fraternal benefit system.