

THE AAL BRANCH SYSTEM
AND HOW IT RELATES TO OUR CHURCHES

Mike Loescher
Senior Church History
Prof. Fredrich
March 30, 1983

Wisconsin Lutheran Seminary Library
11831 N. Seminary Drive. 65W
Mequon, Wisconsin

THE AAL BRANCH SYSTEM
AND HOW IT RELATES TO OUR CHURCHES

We see it on just about every piece of media in our church. It has become so commonplace in our church that we hardly notice it. The familiar AAL signia often reminds us of the work of the Aid Association for Lutherans. When we were confirmed many of us received gifts from the local AAL branch. At many church conferences the folders of material are donated by the AAL. Filmstrips and movies often end with the AAL signia, since AAL provides funds to produce such things. AAL is a part of our church-life.

In order to fulfill its fraternal obligations, AAL sets up local branches. These, for the most part, are made up of AAL members from one congregation. And through these local branches AAL deals on a personal level within our congregations. We will do well, then, to examine the branch system of the Aid Association for Lutherans, especially as it relates to the local congregation.

The Aid Association for Lutherans is an insurance company. It currently has over \$14 billion of life insurance in force, putting it in the top two percent of all life insurers in this country.

But AAL is more than just an insurance company. It is a fraternal benefit society. "Aid Association for Lutherans is a fraternal benefit society which provides insurance protection and fraternal benefits to Lutherans and their families."¹

Here we must take a look at the concept of fraternal societies. Basically, fraternalism is the concept of taking corporate profits and turning them over to its members.

"A fraternal benefit society is declared a 'charitable and benevolent institution' under the law and required to provide insurance protection, maintain a system of local branches and operate for the benefit of its members rather than for profit. That's why AAL offers 'certificates of membership and insurance' rather than insurance 'policies'. All certificateholders are members of AAL and of local branches in their communities."²

A fraternal benefit society then, is a charitable institution. AAL not only provides insurance to its members, but is must, by law, return its profits back to its people in charitable programs. AAL does this in many ways:

- AAL fulfills its obligations in many ways:
- By offering its members valuable life and health insurance protection.
 - By assisting projects of Lutheran church bodies.
 - By assisting thousands of people annually in their educational efforts and by supporting the institutions they attend.
 - By supporting fraternal and benevolence programs at branch, federation and national levels.
 - By cooperative endeavors among branch members which qualify for added dollars from the home office.
 - By assisting homes for the aged and handicapped, and people who have faced misfortune.
 - By community projects which answer individual community needs and strengthen the family.

In more than 5,400 local branches AAL members respond to others' needs in ways which speak to the real purpose of fraternalism. This could mean raising money to pay someone's personal medical bills after an auto accident, equipping a high school gymnasium, sending a child to summer camp.

As the name implies, the AAL accepts only Lutherans as members. Originally, AAL had the policy of selling insurance only to Lutherans who were members of churches belonging to the Synodical Conference. In view of the break-up of the Synodical Conference in the late 50's and early 60's, AAL felt constrained to open up membership to all Lutheran bodies. Today, however, its members are still overwhelmingly members of the former Synodical Conference Churches.

This then raised questions of fellowship principles. Does membership in a fraternal society, which embraces others with whom we are not in fellowship, constitute a breaking of fellowship principles? A committee was set up at our Synod's 44th Biennial Convention to study this and other questions concerning organizations like AAL. They came to the conclusion that membership in a fraternal society does not establish church fellowship with all other members of that fraternal society:

The legal definition of "fraternal" can be stated as follows: "A fraternal is a corporation, society, order, or association without capital stock (non-profit) which exists for the benefit of its members and their beneficiaries, which has a branch or local unit or lodge system with a representative form of government, which makes provision for payment of death, disability, annuity, or endowment benefits, or combination of such benefits, and which engages in socially redeeming activities (benevolence programs)." From this definition it is evident that the word "fraternal" has no spiritual or theological connotations as used in the insurance industry.

The question may then be asked, "if membership in AAL does not constitute church fellowship, why is membership restricted to Lutherans only?" We will let AAL answer this. The President of AAL is quoted thus in the Fall 1974 issue of The Correspondent: "It is not our purpose to be a church body, or a Lutheran institution carrying out church work, or an arm of the church."⁵ Again he is quoted: "Membership in AAL is restricted to Lutherans and their families--There's good reason for it. The whole idea of fraternal benefit societies is to bring together groups of people with like interests so they can better meet their own financial and social needs."⁶ Again in a pamphlet explaining the local AAL branch, it is explained this way: "While the members of a Lutheran congregation may also be members of an AAL branch, the branch is not part of the church structure. Its programs do not compete with those of the local congregation; they complement them."⁷ AAL is not a church. It is a fraternal benefit society which exists to serve Lutherans with insurance and then returns the profits from this insurance back to these Lutherans to be used in charitable ways.

Let us then take a closer look at the AAL local branch, the system by which AAL deals on a personal level with Lutherans. In order to maintain its fraternal status and thus to be granted non-profit status, AAL must, by law, have such a branch system. This branch of "lodge" system has been defined by our government:

A society having a supreme legislative or governing body and subordinate lodges or branches by whatever name known, into which members are elected, initiated or admitted in accordance with its constitution, laws, ritual and rules, which subordinate lodges or branches shall be required by the laws of the society to hold regular meetings at least once in each month, shall be deemed to be operation on the lodge system. 8

So AAL has set up a system of local "branches" to fulfill its fraternal obligations. "A branch is a local group of AAL members. These members gather together to aid themselves and others. Many members of a particular branch live in the same community and are members of the same Lutheran congregation."⁹

The purpose of the AAL branch is to provide benefits from fraternal insurance to AAL members in the first place, and then, through them to the Lutheran congregation to which these members belong. There are many services which AAL branches can render the congregation. The following may give the general idea of the services performed by AAL:

An AAL branch can provide its members and your congregation with fraternal activities. These "people to people" services help members, their fellow Lutherans, the congregation and the community.

Examples include:

- Visiting the sick or shut-in.
- Helping those in need--the disadvantaged, the elderly, the minorities.
- Providing tangible gifts--such as Bibles, hymnals, flags, educational equipment, and church furnishings--to local congregations.
- Giving financial assistance to candidates studying for full-time church work.
- Assisting youth groups with meaningful projects.
- Arranging for donors to provide blood.
- Honoring confirmands.

An AAL local branch offers social opportunities for its members and their families. These events can fill an important need in some congregations by providing occasions for church members to get together socially.

Examples include:

- Picnics.
- Dinners.
- Parent-children banquets.
- Choral presentations.
- Confirmation recognition programs.
- Talent shows.
- Easter sunrise breakfasts.

Benevolence efforts by a local branch are a major part of AAL's fraternal benefits. Your congregation, its members, and the church as a whole can realize meaningful benefits from an AAL local branch. Individually or by joining hands with neighboring branches,

an AAL branch can give meaningful benevolence expression to local or regional worthy causes. AAL offers its members a sense of pride as they work together to help Lutheran organizations, institutions, and the community at large. 10

AAL maintains a certain measure of control over its local branches. This is only natural, since its status as a fraternal company depends on its branch system.

The local branch is required to submit annual reports to the home office in Appleton, WI. It must submit a report of elections of Directors of AAL. It must also submit a report on the election of branch officers. A financial report is also to be turned in to the company. The report is used for AAL's reports to the Internal Revenue Service.

AAL has also set up a system by which it evaluates each local branch. This determines how AAL distributes its funds.

The purpose of the Branch Rating System is to strengthen local branches to enable Lutherans and their families to aid themselves and others through voluntary actions. The rating system also helps your Association meet the legal requirement of reporting to governmental authorities.

One important function of the rating system is to help branches plan their activities by providing direction through the various rating requirements. The rating system also provides means for branches to measure their own performance.

Together with the number of certificates branches have, the rating system helps determine the amount of operating funds branches receive. The higher the rating level achieved, the more funds per certificate a branch earns. 11

There are two basic levels of rating; the basic and advanced levels. All branches are in the basic level and receive one of seven possible ratings. The ratings are as follows from top to bottom: Gold Star, Silver Star, 1,2,3,4, and 5. The advanced rating level is for branches which have received a consistent Gold Star rating, giving them further opportunities and

In order to achieve a gold star rating, a certain number of requirements must be met. A branch must hold twelve regular meetings per year to qualify for a gold star rating. A branch must have one election meeting to elect branch officers. A branch must hold at least one benevolent, fund-raising or service project. One education, personal health, or family relationship activity must be held. There are a number of such programs set up by AAL. One new member welcoming activity must be held. Certain attendance requirements must be met. In order to receive the gold star rating, 20% of all AAL members in the branch must attend one activity, or the combined attendance at two activities must equal 30% of the total membership. 10% of the membership must vote in the electing of AAL directors. Total attendance for all the meetings of a certain year must equal 150% of the total membership. Election results for the year must be reported by Dec. 10th, and the Annual Financial Report must be at the AAL office by Jan. 31st. And the final of these eleven requirements for the gold star rating is that "Service Assistance Sheets" be provided to the District Representative. These sheets provide information on each person in the AAL membership.

The service assistance sheet is designed to help you keep your AAL representative informed about branch members needing counsel and service, and about prospective members. 12

If these requirements are met by the branch, it receives the highest rating in the basic level, and therefore more funds per certificate-member from AAL. There are six lower ratings, the lowest rating reserved for branches which do none of these things. A branch which maintains a consistent level of gold star rating is eligible for the advanced level, which is a new rating system. It first went into effect in 1981, and provides

8

This is basically how the local AAL branch works. It is something which most of us will come across at sometime or other in our churches. What conclusions can we come to? Is this something which we can use to serve our Lord and Savior? Or is this something whereby the church is being used to serve the purpose of an insurance company? Let us look more critically at the AAL branch system.

Christ gave His great commission to His Church. He also told His Church to abound in works of charity. This is the work of the Church. AAL, through its branches and members, has chosen to offer assistance to our church. Such an offer of help can and should be accepted; but not without reservations. We could sum it up this way: the AAL branch system can be a good thing for our church as long as we, as a church, use the AAL system for our purposes, namely to glorify God. The AAL branch is not a good thing when it uses the church for its purpose; namely, selling insurance.

One thing which appears conspicuously absent in AAL guidelines for the branch is a specific directive concerning the relationship between the local branch and the congregation. The writer, when talking to AAL insurance agents, noticed two different views on this. One view stresses the difference maintained between the congregation and the branch. In fact one branch may have members from different congregations. The other view considers the church and AAL working closely together with the local congregation, since most often members of local branches come from the same congregation.

There appears to be some variety in the type of relationship existing between the congregation and the AAL branch. Most likely this depends greatly on the relationship between the pastor and the local branch leaders. In those areas where AAL and church have a close relationship, we, as a church, must make sure that we use the service offered us by AAL to do the work of the Church of Christ, without courting these services to the advantage of AAL. Again, the church must use AAL, not AAL the church.

Again where the AAL branch is closely connected with the congregation, the danger exists that members of AAL may be viewed as an exclusive group within the congregation. And with the many charity programs of the AAL branch, the active members of the branch may be viewed as "better" church members. So also there may be pressure to join AAL. We dare never give the impression that AAL insurance is part of being a Lutheran. Rev. Richard Neuhaus recognizes this danger in an article he wrote for the December 31 Forum Letter. "Numerous parishes share mailing lists with insurance agents, often leading to the implication that Lutheran insurance is part of 'the complete package' of church membership." 13

AAL has to do with money. The AAL branch exists so that AAL may return its profits to its membership. And where AAL and the congregation meet, that money is going to affect the church. Here in this area again, our basic thesis stands. The church must use AAL, not AAL the church.

AAL gives our church a lot of money. Where much money is involved, much Christian stewardship must also be exercised. This was and still is one of the greatest concerns as far as AAL is concerned. Good stewardship means Gospel-motivated giving

to the Lord by those who know His great love for them. "There can be no question that under normal circumstances the first and most important source to which the church ought to look for support is its own membership."¹⁴ Does this easy money from AAL discourage such good, Christian stewardship? That is a question we must all ask ourselves, "Every congregation, every institution, and every agency within our church body must ask itself what effects such financial aid may have on the God-pleasing, faith-induced stewardship of the members of the church." ¹⁵

And this problem may become more prevalent in the years to come. With the insurance business booming and church membership declining, there may be more and more money which AAL must bestow on Lutheran churches to maintain its fraternal status. That is the point of the article, reported in "Christian News", which Rev. Neuhaus writes in Forum Letter. The article is entitled "Money from AAL and LB May Eclipse Total All Monies Raised by Church." It goes on to paraphrase Neuhaus;

According to Neuhaus: In question are grants totalling many millions of dollars. Informed sources indicate that within a few years the amount of money coming from the insurance companies may equal or eclipse the total monies raised by the churches in all other ways. Because the companies are non-profit--with all the advantages and limitations attending that status--they have no choice but to bestow great sums upon the churches. Non-profit profitability poses an increasing problem for both granter and grantee. The churches are not above welcoming a little help from their friends, even a great deal of help. But at what point, albeit with the best intentions on all sides, does the friendship become overweening? Who decides who gets what for what? Then too, not all intentions may be the best. The love of money . . . 16

And he concludes, "But the growing temptations of very big money call for a careful reexamination of principles and practices. What is good for the insurance business is not necessarily good for American Lutheranism."¹⁷

AAL is alert to this problem. And it has set up definite guidelines for the distributing of its funds. "It should be noted that the AAL, for example, is alert to the possibility that that a church group or synod may become dependent on grants for its programs. For that reason it has set up definite guidelines that place a restriction on the kind of projects for which it will offer assistance."¹⁸ So also Rev. Neuhaus reports,

"Indications are that the companies are sensitive to the problems. LB is undergoing a major restructuring of its benevolence program. AAL is talking to church executives about a revised relationship."¹⁹ This writer was told that AAL is using more techniques like matching funds already put up by members of the branch, or encouraging fund-raising activities. The emphasis is on the church members reaching out in charity, with the AAL providing assistance to them.

Some of the programs that AAL uses to distribute its money may not be the best for Christian stewardship. One area where this is evident is in the fund-raising programs of AAL. The local branch, through the branch-rating system, is encouraged to sponsor fund-raising activities. This was a concern of Rev. Neuhaus also:

Some very fundamental questions are being raised about the relationship between churches and companies. There is the question of commercialism. The 1964 ALC convention, for instance, adopted a fine resolution on the subject, noting that "even a slight taint of commercialism in or in the name of the church jeopardizes the good name and integrity of the church." The statement was to apply not only to local bazaars and pie sales but also to "boards, agencies, institutions and auxiliaries" of the national Church. It would seem that the advertising and promotion of insurance in myriad church programs constitutes more than a "slight taint" of commercialism.²⁰

The report given to the WELS convention in 1979 was also concerned about a commercialism connected with the AAL:

We view with misgiving the rather steady encouragement which the AAL, through its publication YES, gives to local branches to engage in various fund-raising activities. Though the projects in most cases are worthy ones, these efforts can have an adverse effect on the stewardship life of the congregation if the urge "to make money for the church" dampens the desire of the membership to give money out of faith and love toward the Savior.²¹

There can be no doubt that there are dangers inherent in the branch system of AAL. Yet that does not necessarily mean we have to throw it out of our churches. Fraternal insurance can prove to be a wise use of our resources, given us by our gracious God. But we must maintain a relationship in which the congregation does the work of the Church. As the churches go about doing this work, they can and should use resources given to them by God, of which AAL is one. However, the church must be in control. The church must be doing works of love out of love for the Savior. The church must be the one to initiate, plan, and carry out programs of charity. The church must use AAL, not AAL the church.

END NOTES

- ¹AAL, Pamphlet entitled, "AAL in Wisconsin".
- ²AAL, Pamphlet entitled, "An Aid Association for Lutherans Branch for the AAL Members of Your Congregation".
- ³AAL, Pamphlet entitled, "We're Fraternal".
- ⁴Proceedings of the 45th Biennial Convention of the Wisconsin Evangelical Lutheran Synod, (1979), "Report of the Committee on Grants, " p. 61.
- ⁵Ibid., p. 60.
- ⁶Ibid., p. 61.
- ⁷AAL, Pamphlet entitled, "An Aid Association for Lutherans Branch for the AAL Members of Your Congregation".
- ⁸"Uniform Code for Organization and Supervision of Fraternal Benefit Societies, Revision of 1962. p.1.
- ⁹AAL, Pamphlet entitled, "An Aid Association for Lutherans Branch for the AAL Members of Your Congregation".
- ¹⁰Ibid.
- ¹¹AAL, "The Branch Action Guide," p. C8 11-80.
- ¹²Ibid., p. C21.
- ¹³Quoted in Christian News, Jan. 17, 1983, p. 16.
- ¹⁴Proceedings of the 45th Biennial Convention of the Wisconsin Evangelical Lutheran Synod, (1979), op. cit., p. 52.
- ¹⁵Ibid., p. 63.
- ¹⁶Christian News, Jan 17, 1983, p. 16.
- ¹⁷Ibid.
- ¹⁸Proceedings of the 45th Biennial Convention of the Wisconsin Evangelical Lutheran Synod, (1979), op. cit., p. 59.
- ¹⁹Christian News, Jan. 17, 1983, p. 16.
- ²⁰Ibid.
- ²¹Proceedings of the 45th Biennial Convention of the Wisconsin Evangelical Lutheran Synod, (1979), op. cit., p. 59.

B I B L I O G R A P H Y

Branch Action Guide. AAL, Appleton, WI.

Christian News, "Money From AAL and LB May Eclipse Total All Monies Raised by Church," Jan. 17, 1982, p. 16.

Proceedings of the 45th Biennial Convention of the Wisconsin Evangelical Lutheran Synod, (1979), "Report of the Committee on Grants, " pp. 49-65.

"Uniform Code for Organization and Spervision of Fraternal Benefit Societies, Revision of 1962."

Pamphlets put out by the AAL:

"AAL in Wisconsin"

"An Aid Association for Lutherans Branch for the AAL Member of Your Congregation."

"We're Fraternal"

Special thanks to agents Gene Rosenthal and Neil Thompson for their help.