

Coming Together

Two Catholic fraternal benefit insurers joined forces to create a groundbreaking technology initiative that they hope will bring back-office efficiencies and lower costs for their organizations.

by Lori Chordas

American author F. Scott Fitzgerald wrote in *The Last Tycoon*: “No brilliant idea was ever born in a conference room.”

But Timothy Kuzma, chairman of the American Fraternal Alliance, begs to differ.

Last year, two members of the alliance joined forces to create a groundbreaking technology initiative that Kuzma hopes will drive more innovation and collaboration in the fraternal market.

In August 2019, Catholic Financial Life and Catholic United Financial launched Conventus Now, a first-of-its-kind wholly owned initiative that will allow the two organizations to develop and share state-of-the-art technologies, placing them on a level playing field with their larger peers.

The idea for the joint venture was born out of a discussion at a 2017 investment conference—something Kuzma calls “a revolutionary meeting of the minds.”

As the leaders of the two fraternal organizations sat across the table from each other discussing the

opportunities and struggles their companies faced, “it became evident pretty quickly that the biggest challenge we share is technology,” said Harald Borrmann, CEO, president and board chairman of Catholic United Financial.

Like many fraternal, his company struggled to keep up with the big guys when it came to technology.

For years the Arden Hills, Minnesota-based fraternal benefit society, often feeling disadvantaged by its size, made do with tools such as a 20-year-old policy administration system and other antiquated technologies.

But when it became evident those tools were no longer sufficient, Borrmann and his management team knew they needed to devise a way to develop and fund the use of new technologies for their life insurance and annuity products to remain competitive with their peers.

Three hundred miles away in Milwaukee, another Catholic-focused fraternal, Catholic Financial Life, faced similar struggles.

“We also had a legacy platform and a two-decade-old policy administration system in constant need of

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updating that was limiting our ability to improve the service experience for our members and advisers,” said William O’Toole, CEO and president of the fraternal founded in 1868.

Fraternals have long been challenged by technology and the limited budgets and resources needed to fund those tools.

High initial implementation costs and the rapid pace of technological change can be particularly daunting for small and mid-sized fraternals.

And fraternal societies of all sizes often struggle to keep up with larger traditional insurers who can easily manage long-term road maps with ongoing innovation and implementation and upgrade processes connecting their direct-to-consumer channels and portals to their back offices, according to the October 2019 Best’s Market Segment Report, *U.S. Fraternal Face a Difficult Growth Environment*.

As a result, fraternals left searching for other options to compete are often forced to outsource technology and back-office services to control and shrink expenses.

Key Points

Tech Challenges: Fraternal insurers Catholic United Financial and Catholic Financial Life share a similar mission, philosophy and geography, but they also face similar limitations posed by their legacy platforms and outdated policy administration systems.

Partnership in Innovation: In a breakthrough in collaboration, the two fraternal launched a joint venture that will build next-generation technology to serve their members.

Wider Implications: The companies hope the technologies they develop may eventually be used by other fraternal insurers.

Fulfilling a Need

Outsourcing back-office functions was an idea Borrmann and O’Toole quickly tossed aside.

Instead, they wanted to keep those services in-house and create a vehicle through which their companies can develop and operate technology solutions.

The goal of their novel joint initiative, Borrmann said, is to modernize new business and in-force operations with next-generation technologies to lower customer acquisition costs and achieve economies of scale to benefit members.

“During our initial conversation three years ago, it became very clear that we have many similarities, including a shared philosophy, products and geography,” he said.

“But we also share the same struggles with our back-office systems and proposed time frame to find something new to improve our tech needs. So we knew we needed to work together to come up with a collaborative way to approach technology,” Borrmann said.

The first step in that process was devising an end-to-end solution where sales reps can sit down with prospective members to fill out applications, underwrite them, administer policies and pay claims.

“We also want to give our members things that we might not otherwise be able to afford to give them on our own, and create the look and feel of a much larger organization in terms of quality and depth of what members can get from the experience without losing the personal touch,” Borrmann said.

Catholic United and Catholic Financial Life then searched for a technology partner that could join in the Conventus Now initiative to help streamline the servicing of members’ needs, open new sales channels and lower ownership costs, O’Toole said.

Last summer they selected cloud-based software provider iPipeline. The two fraternal plan to use

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William O'Toole
Catholic Financial Life

iPipeline’s omnichannel SSG Digital Platform with a next-generation policy administration system to automate and simplify new and existing individual life and annuity business, plus drive digital transformation and collaboration within their organizations.

Joining Forces

Collaboration was the impetus behind Conventus Now and its name.

The word “conventus” means “coming together” in Latin. “We added the word ‘now’ to emphasize that the project is here and now is the time,” Catholic United Financial’s Borrmann said.

For years the American Fraternal Alliance has been trying to drive greater collaboration among fraternal.

“One of the biggest benefits of the fraternal model is the nature of fraternal’s mission of social good that can lead to collaboration,” Kuzma said.

Fraternal benefit societies were created in the 1800s to assist immigrants coming to America. Since then, they’ve developed into nonprofit, mutual aid organizations that insure members and their families against death, disease and disability.

“Conventus Now is the kind of collaborative breakthrough we’ve been looking for, and it’s a perfect example of what fraternal can do when they put their minds together,” said Kuzma, who along with leading the alliance’s board is the president and CEO of Polish Falcons of America, a fraternal provider of life insurance and financial services to members of the nation’s Polish community.

Edward Kohlberg, a director at AM Best, credits the mission and goals shared by Catholic Financial Life and Catholic United Financial as laying the

foundation for what he hopes will drive down costs for the companies and become a quantum leap in innovation in the fraternal market.

“They’re both Catholic fraternal organizations dedicated to providing financial stability to their members, and that will help with shared costs for services, software, marketing and other needs,” he said.

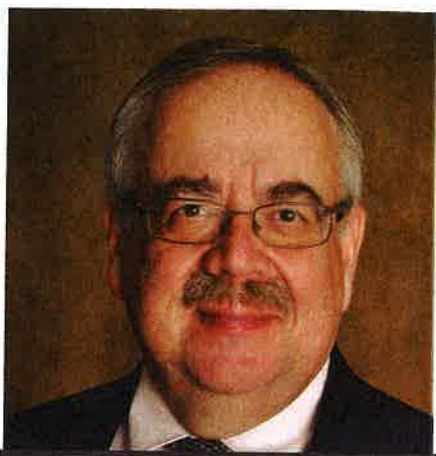
The two fraternal have been serving U.S. Catholics and their families since the latter half of the 19th century.

Today, Catholic Financial Life, the second largest Catholic not-for-profit financial services organization in the nation, serves nearly 140,000 members in 28 states. Fraternal benefit association Catholic United Financial offers life insurance, annuities and retirement products to more than 75,000 members in Minnesota, North Dakota, South Dakota, Wisconsin and Iowa.

Both companies have more than \$1 billion in assets. Catholic Financial Life’s total assets now surpass \$1.6 billion, and last year Catholic United Financial celebrated a milestone when its assets hit the \$1-billion mark. Assets have grown as the amount of insurance in-force, both life and annuities, have grown. The fraternal return revenues each year to members and communities through dividends, charitable contributions and fraternal benefits after operating expenses are paid and conservative reserves are set aside to recognize future liabilities.

The Road Ahead

The goal of Conventus Now is to shed member costs and technology expenses. But Borrmann and O’Toole hope the joint venture will also help grow membership for their organizations.



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Catholic United Financial

Membership in fraternal societies has been on a downward trajectory in recent years, largely driven by a shrinking middle market and less focus on the fraternal community, said David Marek, a financial analyst at AM Best.

“Today younger generations prefer to socialize online rather than socializing at a fraternal chapter or lodge,” he said.

Over the years, many fraternalists have loosened their requirements in an effort to expand membership, broadening their target market to include more religious affiliations or demographic groups, according to AM Best’s fraternal market report.

Also in recent years, relatively flat premium growth, limited financial resources, a changing landscape and size have made it difficult for many fraternalists to become first movers on innovation and stay relevant in the market—a market Marek characterizes as “challenged.”

But he’s hopeful that collaborative efforts like Conventus Now will drive innovation back into the fraternal market and become a model other fraternalists can follow.

“They may look at it and ask, ‘What can we do to partner with other fraternalists to create something similar or other kinds of breakthroughs?’” American Fraternal Alliance’s Kuzma said.

He’s also bullish on the idea that Conventus Now could one day be used by other fraternalists.

“But we don’t want to put the cart before the horse,” Catholic United Financial’s Borrmann said.

“First we have the responsibility to benefit our members and our two societies. Then after passing that litmus test, the technology we develop could possibly be shared with other fraternalists in the future,” he said.

Last year, Catholic Financial Life and Catholic United Financial spent much time strategizing and building Conventus Now.


This year is all about execution and implementation, Borrmann said.

“Our goal in 2020 is to create a plan, work that plan and test how it works. Then later in the year, we’ll begin to roll out and implement aspects of Conventus in our companies and hopefully drive more appeal to the fraternal market, which is well-poised for growth,” he said.

Catholic Financial Life’s O’Toole offers his own take on the future of the market and Conventus Now with an analogy synonymous to the city in which he works.

“Sitting here in Milwaukee, there was a period of time when the major breweries were dominant players in their market. Today, you have microbreweries in just about every city or town in the country.”

He compares fraternalists to those specialized breweries. “Twenty years ago people discounted the rise of microbreweries and said they’d only drink major brand beers. But the world has changed, and there’s now a taste for both types of beers. I think there’s also still a taste of what fraternalists’ missions are all about and where profits are directed toward our missions and members and not to enrich directors and shareholders.

“We believe our taste still matters to people and will resonate with them, especially millennials. So don’t count out fraternalists. We’re here to stay, and we hope collaborations like Conventus Now will bring even more attention to the fraternal market and drive more innovation in our sector,” O’Toole said. 

Making Change

Starr's Greenberg discusses the need to continuously evolve. Lloyd's of London goes through a self-imposed transformation. And two fraternal insurers join hands to overcome technology challenges.

"We lived on change."

Maurice R. "Hank" Greenberg has never been one to shy away from a challenge. As the former leader of AIG and current head of C.V. Starr, he's long been one of the driving forces in the insurance industry, challenging the status quo and seeking to expand opportunities.

Best's Review spoke with Greenberg at his office in New York City on a December day just before Christmas. In this conversation, Greenberg discussed the insurance industry's need to evolve and adapt to change. He spoke about his time in the Army and about carrying out orders, both in the military and on the corporate battlefield.

Over the course of his career, he's pioneered new lines of business and transformed the companies he's led.

"AIG had a culture of innovation in the insurance industry unlike anything the industry has ever seen," said Marsh & McLennan CEO Dan Glaser, who worked at AIG under Greenberg.

Read "Change Is Inevitable," for more about the discussion with Greenberg.

An ocean away, Lloyd's of London is undertaking a major transformation on several fronts. Its Future at Lloyd's initiative calls for more technology, closing unprofitable business lines and promoting diversity.

"The world around us is changing. The expectations of our own customers, the type and style of their business, the risks they present are very different to the risks that were presented even five and 10 years ago," Lloyd's CEO John Neal said at the AM Best Insurance

Market Briefing-Europe in London.

In "The Choppy Seas of Change," *Best's Review* examined the pressures on Lloyd's and how it's responding.

Changes are taking place throughout the insurance industry, not just among the largest organizations.

In "Coming Together," *Best's Review* looks at an initiative by two fraternal, Catholic Financial Life and Catholic United Financial.

They launched a joint venture last year that allows them to develop and share state-of-the-art technology and helps them to compete against larger peers.

The ability to move quickly and adapt is a theme that runs throughout this month's issue of *Best's Review*. March is Programs and Wholesale Business Awareness Month. The wholesale business and specialty markets play a critical role for the insurance industry, helping the industry respond to changing customer needs.

The wholesale and specialty market trade group WSIA will hold its underwriting summit on March 1-4 in Palm Desert, Calif.

The March issue of *Best's Review* also offers a look at insurance asset management. Anthony Silverman, associate director, analytics, AM Best, spoke at AM Best's Insurance Market Briefing-Europe, held in London and discussed a recent AM Best survey about European insurers and illiquid assets. Go to "Building Assets" to read more.

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The Question:

Is social inflation a widespread problem for insurers or are years of price-cutting taking their toll for some?

Email your answer to bestreviewcomment@ambest.com.

Reader responses will be published in a future issue.

