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July 5, 2023

Jo LeDuc
Missouri Department of Insurance
Chair, NAIC Market Analysis Procedures (D) Working Group
Subject: Comments on Fraternal Exemption from MCAS

Dear Ms. LeDuc:

The following is submitted on behalf of the American Fraternal Alliance in response to continued discussions about the fraternal exemption from MCAS expected during the July 17 virtual meeting of the Market Analysis Procedures (D) Working Group. The Alliance again appreciates the opportunity to provide our views about the fraternal exemption from MCAS reporting that has been in place since its inception. We believe that the NAIC fraternal exemption from MCAS should remain in place for the reasons outlined below.

Historically, fraternal have been exempted from MCAS requirements because of their unique structure as not-for-profit membership organizations. Throughout their history fraternal have had very low incidents of complaints and market conduct issues. As recently as 2019 fraternal inclusion in MCAS was discussed by this group, and it was determined there was no compelling reason to add fraternal to MCAS reporting. As it stands, nothing has changed in this regard, and the advocates for removing the exemption have not suggested this. These societies have strong ties to their certificateholder members through both the lodge system, which includes regular opportunities for engagement, and the representative governance structure which fosters focus on service to members and maintains leadership accountability.

Through the submission of complaint logs, fraternal benefit societies can share meaningful data with regulators and demonstrate the continued low incidence of member complaints. We recognize that individual states are free to require MCAS reporting if they choose.

The Alliance represents close to 60 fraternal benefit societies which write just over two percent of the total life insurance and annuity policies in the nation. Our fraternal societies are committed to serving their members and eager to work with departments of insurance to protect consumers. Ultimately, changes in regulation should be in response to a need for change which does not exist in this situation. We appreciate the opportunity to continue the dialogue on this issue.

A handwritten signature in cursive script that reads "Allison H. Koppel".

Allison Koppel
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