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June 6, 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 agenda item “c” included on the June 12 virtual meeting of the Market Analysis Procedures (D) Working Group. The Alliance appreciates this opportunity to provide our views about the importance of the fraternal exemption. There are three distinct reasons fraternal benefit societies do not participate in MCAS which we believe are still relevant.

#### Fraternal Benefit Societies Have Limited Market Conduct Issues

Fraternal benefit societies (“fraternals”), at their core, are not-for-profit membership organizations that offer their members a variety of insurance benefits and opportunities to give back to their communities through local volunteerism and charitable works. Our societies have strong ties to their policyholder members because of their unique structure. Each member belongs to a local lodge and participates in the election of the society’s leadership. The connection of members to enterprise governance leads to an increased focus on company service and accountability. In addition, fraternal agents – who are frequently members of the society – tend to know their customers well, which leads to limited complaints or market conduct concerns. Alliance members are happy to continue to provide complaint logs which demonstrate the low incidence of member complaints.

#### Fraternals’ Market Share is Small and Includes Large and Small Insurers Skewing Survey Results

The Alliance represents close to 60 fraternal benefit societies which write approximately two percent of the total life insurance and annuity policies in the nation. A majority of fraternals are small organizations with between 5,000 and 50,000 members and operate primarily on a regional or single-state basis. Most societies would fall below the annual premium threshold which would exempt them from MCAS requirements. With only a few societies writing most of the business on which MCAS data would be reported, the MCAS data on our sector would present skewed results. We are proud of the diverse nature of the fraternal sector, and we know firsthand through our own survey efforts that results derived from fraternal industry data can often be inconclusive and sometimes misleading.

Current Market Conduct Exam Process Already Identifies Issues

Fraternal are not exempt from market conduct exams that state regulators conduct on a routine or targeted basis. The nature of the fraternal organizational structure, the close relationship societies and their management have with their members, and the less complicated and lower value products offered by most fraternal result in a very limited number of consumer complaints or market conduct concerns. We feel that submitted complaint logs and market conduct exams get to the core of protecting consumers; requiring MCAS reporting would create burdensome work for societies that would not provide meaningful data for regulators.

All our societies are committed to serving their members and eager to work with departments of insurance to protect consumers. We look forward to continuing the dialogue on this issue and are happy to answer any questions.

A handwritten signature in black ink that reads "Allison H. Koppel". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Allison Koppel  
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