

Market Analysis Procedures (D) Working Group

July 7, 2023

To: Jo LeDuc, Chair of the Market Analysis Procedures (D) Working Group
Randy Helder, Assistant Director of Market Regulation Regulatory Services, NAIC

From: Karen Veronikis, Chief of the Division of Market Analysis - Pennsylvania

RE: Pennsylvania Comments on the Exemption of Fraternal Insurance Companies in MCAS

Pennsylvania Comments:

In reviewing the correspondences I have received from Fraternal Companies and listening to the comments on the June Working Group call, it prompted me to do more research on the status of Fraternal in Pennsylvania. There many Fraternal Companies selling Life and Annuity products with Considerations and DWP ranging from \$12 to \$273million. This wide range was not expected.

It is difficult to determine if a Fraternal company is experiencing issues by only reviewing baseline and complaints. There are nuances and complexities of the different types of annuities on the market that Fraternal sell to their members. There may not be any consumer complaints concerning a traditional annuity, but to keep their members and to be competitive they're offering other annuity products that are more complex than a traditional annuity. How do we know that the Fraternal companies are experiencing limited Market Conduct issues?

We have many small mutual companies with limited staff and DWP right above the NAIC threshold that are required to submit MCAS annually. Pennsylvania's suggestion would be that Fraternal Companies be required to submit MCAS. Defining a higher NAIC threshold would be beneficial to the smaller Fraternal.

Thank you for the opportunity to share our comments.

Respectfully submitted,

Karen Veronikis