

Comments of the Center for Economic Justice to the NAIC MAP WG

July 17, 2023

The working group received a letter from Modern Woodmen Fraternal Financial. CEJ went to the Modern Woodmen website and learned the following:

The fraternal has 718,000 members and 1,000 representatives operating in 46 states

It had Assets of 17.1B at year end 2022

It had Premium and Annuity Considerations of 1.1B in 2022 and 44B of Life Insurance in Force at year-end 2022

It has an AM Best Rating

The website includes the following:

Modern Woodmen adheres to state insurance department regulations to protect consumers

Modern Woodmen and other life insurance and annuity providers are highly regulated by state insurance departments. Regulations, such as the amount of reserves to set aside and the risk level of investments, provide additional protection to members.

In the 2021 NAIC Market Share Report, Woodmen is the 82nd largest issuer of life insurance by premiums in the list of the top 125 insurers. It is a bigger life insurer than Allstate, Erie, Chubb. There are bigger fraternal than Modern Woodmen. Another fraternal Woodmen World Life is 79 on the list and Knights of Columbus is 43 on the list with over \$1B in life insurance premium. Knights of Columbus offers annuities, term life, universal life, disability, long term

NAIC Financial Reporting Does Not Distinguish Fraternal for Special Treatment

The NAIC formerly had a separate annual statement blank for fraternal, several years ago, that separate blank was discontinued. Since around 2018, there is a single blank for Life, Accident & Health / Fraternal. The financial supervision of fraternal therefore not distinguish fraternal from other insurance organization types.

GBU Life

I visited another the website of another fraternal which markets itself as GBU Life – It claims to be the fifth largest fraternal in the nation by assets, “nationally recognized provider of life insurance and annuity products.

It had over \$500M in premium in 2022 and year-end assets of \$4.2B

It has Over 70,000 members and operates in over 47 states and DC

Quoting from the website:

GBU exceeded \$500 million in premium for the first time in 2022. This is a great accomplishment; however, it comes with the obligation to comply with two additional regulations.

The first of these regulations is called Own Risk and Solvency Assessment (ORSA). This requirement must be done annually beginning in 2023.

The second regulation, Section 16 of the Model Audit Rule, requires management to file a report on our internal controls over financial reporting.

GBU is well positioned to comply with these regulations. We added a director of enterprise risk management to our finance team in 2022 in anticipation of the need to comply with these regulations.

Based on the above, it is unclear why fraternal are not subject to MCAS reporting. Small fraternal will be exempt because of reporting thresholds, but larger fraternal serving a significant number of consumers will report like any other insurer of similar size. The fact that fraternal have members is no more a distinguishing factor for purposes of MCAS than the fact that mutuals are owned by policyholders.