



## Winter 2026 Newsletter

**Bruce & Bruce provides a wide range of actuarial and consulting services to help organizations reach their financial goals and risk objectives through the development of customized and cost-effective solutions.**

### Trending Topics in the Insurance Industry

#### Artificial Intelligence in the Real World

Artificial intelligence (AI) is no longer something that might change insurance “someday”, it is already affecting how products are priced, underwritten, serviced, and monitored for compliance. AI can be a real boost for fraternal and small and mid-sized insurers, helping limited teams work more efficiently and offer faster, more personalized service, but it also brings a growing list of regulatory expectations that are getting harder to ignore.

#### How AI is showing up in insurance

In marketing, many insurers now lean on machine-learning models to score leads, prioritize outreach, and tailor messages across email, web, and other digital channels. For a small organization, that can mean spending less time chasing cold leads and more time talking to people who are likely to buy, but it also means the models may be pulling in behavioral data, credit-adjacent information, or third-party scores that need to be understood and documented.

On the underwriting side, AI is increasingly layered on top of traditional rules engines, especially for simplified issue and final-expense products. For a fraternal or small-mid-sized carrier, this might look like an external mortality score that blends prescription histories, credit-based attributes, and application data to approve a case in seconds or send it to an underwriter for a closer look. The same thing is happening in claims, where AI tools can route straightforward claims for fast payment, flag files that look suspicious, or suggest the next action for the claims team.

Used well, these tools can genuinely help smaller organizations make quicker, more consistent decisions and get more out of their limited staff. The trade-off is that they can also feel like “black boxes,” and regulators are increasingly expecting boards, actuaries, and management to be able to look inside those boxes and explain what is going on.

#### Where regulation stands today

Right now, the most important development for insurers is the NAIC’s Model Bulletin on the Use of Artificial Intelligence Systems by Insurers, adopted in 2023 and now being picked up by more and more states. The bulletin does not ban AI or tell companies which algorithms they can use, but it does expect each insurer to have a formal AI governance program, with clear policies, controls, and documentation across the full

## Trending Topics in the Insurance Industry (continued)

### Artificial Intelligence in the Real World (continued)

AI lifecycle. In plain language, regulators want to see basic guardrails around governance, risk management, transparency, and fairness, and they expect boards and senior leaders to stay involved rather than handing everything off to vendors or IT.

By late 2025, more than twenty jurisdictions, including over twenty states and Washington, D.C., had adopted the bulletin or something very close to it, and other states have signaled they will use it to frame their exam questions even before adopting their own version. For multistate writers, that means questions about AI are now part of everyday regulatory conversations, not a side issue for “tech people.” For fraternal and other smaller carriers, a key message is that third-party tools are clearly in scope, so saying “that is just our vendor’s model” will no longer satisfy regulators.

#### What is coming next

Looking ahead, regulators are piloting an AI Systems Evaluation Tool that exam teams can use when they want to dig deeper into how a company is using AI. The draft tool includes structured questions and exhibits that ask insurers to map out where AI shows up across their business, describe their governance framework, and explain how they oversee both in-house models and external vendors, including tools that rely on open-source or generative AI. While this tool is still being tested and refined, companies should expect to see more standardized AI questionnaires, especially in market-conduct exams and targeted reviews.

At the same time, the NAIC’s Big Data and Artificial Intelligence (H) Working Group is looking at whether it should move beyond the bulletin and develop a full AI model law for insurers, and it has already begun circulating exposure drafts and seeking feedback. A model law would take some of today’s expectations, such as having an AI governance program, documenting key decisions, and monitoring for bias, and write them directly into statute, though that would require drafting, NAIC adoption, and then a state-by-state legislative process. Outside the insurance specific work, many states are also passing broader AI and automated-decision-making laws, and federal policymakers are issuing AI policy directives, adding to the attention on fairness, privacy, and safety in automated systems.

#### Practical steps for fraternal and smaller insurers

Even if a company only uses a handful of AI-enabled tools today, it is worth putting together a short-written AI policy and a simple inventory of AI and advanced analytics. For many fraternal and small and mid-sized insurers, that list will include things like credit-based scores, vendor underwriting engines, fraud detection services, and “smart” customer-service tools, each with a named owner, a clear purpose, and a basic risk view that considers bias, explainability, and operational risk.

AI work also fits naturally into frameworks that insurers already have. It can be folded into existing model risk, governance, and compliance processes rather than treated as something separate and mysterious. In practice, that means doing some up-front validation before deploying a tool, setting expectations for periodic back-testing, and keeping good documentation of data sources, assumptions, and limitations, in line with actuarial control cycles and Own Risk and Solvency Assessment (“ORSA”). It also means revisiting contracts with third-party vendors to make sure the company has enough access and rights to review documentation, test models, and satisfy examiners’ questions.

A helpful way for smaller organizations to check their readiness is to see if they can answer three straightforward questions:

- Where are we using AI today?
- Who is accountable for each use?
- How do we know these tools are doing what we think they are and treating members fairly?

## Trending Topics in the Insurance Industry (continued)

### Artificial Intelligence in the Real World (continued)

When AI is framed as an extension of existing governance and professionalism, not as a separate, exotic technology, it becomes much easier for fraternal and small and mid-sized insurers to navigate the new rules and the questions that will follow.

Vladimir Krepiy ([vkrepkiy@bruceandbruce.com](mailto:vkrepkiy@bruceandbruce.com)) wrote the above article. Feel free to contact Vlad if you have any questions or would like to learn more.

### Life Insurance Products – Expanding Value to the Consumer During All Life Stages

I recently attended a Society of Actuaries webinar focused on expanding the value of life insurance contracts to the policyholder beyond just death benefits. Here are some highlights as well as my own thoughts coming away from that webinar.

Insurers have been increasingly adding non-life benefits to life insurance products to appeal to an increasingly competitive customer base. A non-life benefit is one that can provide value, both real and perceived, throughout the policyholder's lifetime, changing the product from an end-of-life necessity to one that can assist with ongoing potential financial needs and encourage a healthy lifestyle. Both types of benefits can fulfill real needs for a client and create a long-lasting insurance partnership.

Some non-life benefits offered to consumers have been around for years. Financial benefits can include mortgage payments in case of job loss, income payments in case of disability, and health riders that protect assets in case of serious illness. More recently, lifestyle benefits can include wellness programs that provide financial incentives or rewards for policyholders who meet health goals either by using wearables or apps that track healthy lifestyles. These wellness programs are encouraged and used by both life and health insurance companies.

Once a suite of non-life benefits is designed, the implementation may be relatively simple. Offer benefits at the right life stage and keep designs flexible so they can be customized to provide a personalized product. And keep policyholders engaged as they are likely to remain loyal if they are rewarded for active participation in incentive programs.

Incorporating these benefits can also help foster ongoing client relationships. Younger clients that develop an early relationship with an insurer will grow with the company and be offered valuable products during all stages of life, creating a mutually beneficial relationship between the policyholder and the company. Insurers will benefit by developing a deeper understanding of their policyholders' needs and wants which will help retain a loyal and consistent customer base.

Finally, these concepts easily extend to fraternal, which are founded on the premise of providing benefits to their members. Typically, the fraternal model is to provide scholarships and other membership perks, such as access to cultural activities. Offering additional benefits to life insurance products may improve the original product's appeal and enhance the alignment between the offering and fraternalism.

If you'd like to have a second set of eyes on your product portfolio and discuss how a life product might be tweaked at minimal cost to provide additional benefits to your members, feel free to reach out to Bruce & Bruce.

Kathleen Lawrence ([klawrence@bruceandbruce.com](mailto:klawrence@bruceandbruce.com)) wrote the above article. Feel free to contact Kathleen if you have any questions or would like to learn more.

## Trending Topics in the Insurance Industry (continued)

### A Disciplined View Forward: Financial Planning at Year-End

Year-end is a natural pause point for insurers. Results are coming into focus, and attention shifts from explaining the past to setting expectations for the year ahead.

That shift begins with a comparison of actual results to the prior year's plan. Reviewing where experience diverged from expectations, and why, helps identify which assumptions held, which did not, and where emerging risks became visible. Those lessons inform how assumptions and sensitivities are carried forward into the new planning cycle.

At the same time, each new plan reflects strategic choices that differ from the past. Decisions around product mix, growth targets, capital actions, or investment posture introduce elements for which historical results provide context but not direct guidance. Financial planning at year-end therefore requires both experience-based evaluation and forward-looking judgment.

Cash flow testing and new business models support this process by translating strategy and assumptions into projected financial outcomes. They illustrate how the in-force block is expected to emerge over time and how new sales and strategic actions may affect earnings, liquidity, and capital. These projections form a baseline for evaluating performance as experience unfolds.

The real value emerges as experience develops. Comparing actual results to the original projection clarifies where performance is broadly tracking as expected and where it is beginning to diverge. Over time, this comparison brings risk into sharper focus by revealing where margins appear thinner than assumed, where liquidity pressures may emerge earlier, or where capital sensitivity differs from initial expectations.

Variance analysis provides structure for that comparison. By relating developing results back to the baseline projection, it helps frame what has changed and in what direction. While attribution is rarely perfect, examining differences through lenses such as volume, margins, timing, and assumption performance supports clearer discussion of whether deviations reflect temporary noise or more persistent shifts in the business.

When used consistently, this process supports both strategic and defensive objectives. Strategic plans remain grounded in how the business is actually performing, while risk management and capital considerations are informed by observed trends and their interaction with stress and scenario analysis. Planning becomes iterative: expectations are set, experience tests them, and insight feeds back into future decisions.

At year-end, this cycle allows expectations to be reset with intention. Assumptions can be refined, risks reassessed, and plans adjusted before they are finalized and communicated to boards and stakeholders. The outcome is not greater precision, but greater confidence in the planning process.

Ultimately, financial planning earns credibility when projections are connected to experience in a transparent and disciplined way. By anchoring expectations, monitoring how results develop, and applying thoughtful variance analysis, insurers enter the coming year with clearer insight into what is working, what is changing, and where attention is most needed.

Bruce & Bruce prides itself on developing financial projection models for its clients. Reach out to Bruce & Bruce today to learn more.

*Phil Deon ([pdeon@bruceandbruce.com](mailto:pdeon@bruceandbruce.com)) wrote the above article. Feel free to contact Phil if you have any questions or would like to learn more.*



## Trending Topics in the Retirement Plan Space

### Planning for Unlimited Lump Sum Payments

If your company's defined benefit pension plan offers an unlimited lump sum payment option at retirement, planning for these payments is not only important from an employee/retiree perspective, but also from an employer perspective. The employer needs to review the pension plan trust/assets to determine if there are any liquidity constraints associated with making the lump sum payment. Additionally, the pension plan's funded status needs to be monitored before and after the lump sum payment. If the pension plan's funded percentage (specifically the most recent Adjusted Funding Target Attainment Percentage (AFTAP)) is less than 80%, it may be the case that only a partial lump sum payment can be made. If the lump sum is to be paid to a "Top 25 Highly Compensated Employee (HCE)", the pension plan needs to be at least 110% funded before and after the lump sum payment.

The above "constraints" can be eliminated with a cash contribution to the pension plan's trust (to help increase the pension plan's funded status/percentage). But if these constraints are to remain in place, employers need to communicate these constraints to impacted employees/participants.

### Late Retirees

At Bruce & Bruce, we encourage our clients to have regular retirement planning conversations with their employees. If your company offers a defined benefit pension plan, retirement planning conversations are a must for employees who work beyond age 65 (typically the normal retirement age as defined by the plan document). These "late retirees" need to understand how their pension benefit is calculated and the payment options available to them so they can properly plan for retirement.

You should review the language in your pension plan document and be able to answer questions such as:

- Do late retirees get actuarial equivalent increase adjustments?
- Can late retirees start receiving their pension benefit while actively employed?

Bruce & Bruce has seen a few cases where late retirees assume their pension benefit operates like Social Security where they get an actuarial equivalent increase adjustment for starting their benefit after normal retirement age. If your defined benefit pension plan does not provide these increases, conversations can become difficult with a late retiree. We suggest providing projected pension benefit estimates to employees as they near age 65 so everyone is informed and can properly plan accordingly.

Bruce & Bruce regularly partners with its clients to navigate the above matters and more. Reach out to Bruce & Bruce if you have any questions or would like to learn more.

*Jonathan Rhoda ([jrhoda@bruceandbruce.com](mailto:jrhoda@bruceandbruce.com)) wrote the above Retirement Plan Space articles. Feel free to contact Jonathan if you have any questions or would like to learn more.*

## About Bruce & Bruce

**Bruce & Bruce has been providing value-added consulting services for life and health companies since 1929. We are experts in insurance products and retirement plans and provide guidance in these areas to help foster the success and growth of your business. Our consulting services include, but are not limited to the following: Actuarial, Marketing, Life Insurance and Annuity Product Development, Reserve Calculations, Compliance, Financial Reporting, Strategic Advisory, Enterprise Risk Management, Merger & Acquisition Analysis, Financial Projection Models and Retirement Plan Solutions.**

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