



## Spring 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**

#### **Life Insurance Fraternal Organizations Must Look Forward to Survive**

Life insurance fraternal organizations occupy a distinctive place in the financial services landscape. Built on shared values, mutual aid, and community service, fraternal organizations have historically delivered more than insurance—they have offered identity, belonging, and purpose. Yet the environment that once sustained them has changed dramatically. Demographics are shifting, consumer expectations have evolved, and competitive pressures from commercial insurers and digital-first entrants continue to intensify.

For fraternal organizations, survival is no longer guaranteed by tradition alone. To remain relevant and financially strong, they must look deliberately—and sometimes uncomfortably—toward the future.

#### **Demographic Headwinds Can No Longer Be Ignored**

Many fraternal organizations were founded to serve tightly defined populations: faith-based communities, ethnic groups, or professions. While this focus was once a source of strength, it now presents a challenge. Core memberships are aging, birth rates are lower, and younger generations are less likely to affiliate automatically with legacy institutions.

Millennials and Gen Z consumers tend to delay marriage, have fewer children, and engage less with formal organizations. They may value community and social impact, but they expect those values to be expressed digitally, transparently, and inclusively. Fraternal benefit societies that rely primarily on inherited membership risk gradual erosion of both scale and relevance unless they adapt their outreach, messaging, and eligibility models.

Looking ahead means redefining growth - not as dilution of mission, but as evolution of it.

#### **Relevance Must Be Earned, Not Assumed**

Historically, fraternal organizations benefited from high levels of trust rooted in shared beliefs and personal relationships. Today, trust must be continually earned in a marketplace shaped by comparison shopping, online reviews, and instant access to alternatives.

Younger consumers expect simple products, frictionless underwriting, and intuitive digital experiences. Lengthy paper applications, opaque policy language, or outdated servicing models are barriers, not quirks. If fraternal organizations wish to compete, they must modernize how they deliver value, not just what they stand for.

## Trending Topics in the Insurance Industry (continued)

### Life Insurance Fraternal Organizations Must Look Forward to Survive (continued)

That includes:

- Streamlined products aligned with modern household needs
- Accelerated underwriting and data-driven risk assessment
- Digital onboarding, servicing, and beneficiary management

Technology is not a threat to fraternal values - it is a vehicle for expressing those values more effectively at scale.

#### Financial Strength Is a Prerequisite to Mission

A fraternal's mission is only sustainable if it is financially sound. Low interest rates over the past decade, volatile capital markets, and rising longevity have placed pressure on traditional life insurance business models. For fraternal, which often operate with thinner margins and limited access to external capital, these challenges are magnified.

Looking to the future requires disciplined enterprise risk management, robust asset liability modeling, and a willingness to reassess legacy product portfolios. Organizations must ask difficult questions:

- Are current products economically viable under realistic assumptions?
- Do investment strategies align with modern risk-return realities?
- Is surplus being deployed strategically or simply preserved?

Strong actuarial governance and forward-looking capital planning are no longer optional - they are existential.

#### Governance and Leadership Must Evolve

Many fraternal are governed by well-intentioned volunteers deeply committed to the organization's history. While this dedication is invaluable, governance structures must also evolve to reflect modern regulatory, financial, and operational complexity.

Future-focused fraternal invest in board education, diversify leadership skill sets, and embrace data-driven decision-making. They balance respect for tradition with openness to change. Critically, leadership must be willing to challenge assumptions that were valid decades ago but may no longer serve members today.

In a rapidly changing environment, nostalgia is not a strategy.

#### Social Purpose Remains a Powerful Differentiator

Where fraternal retain a unique advantage is in their ability to authentically combine financial protection with social impact. Younger consumers consistently express interest in organizations that contribute positively to society - but they demand transparency and measurable outcomes.

Fraternal that modernize their charitable initiatives, align them with contemporary social concerns, and communicate their impact clearly can differentiate themselves meaningfully. Community engagement, volunteerism, and member participation should not be treated as ancillary - they should be integrated into the core value proposition.

The future belongs to organizations that can clearly answer the question: *Why do we exist beyond selling insurance?*

#### Choosing the Future Over Comfort

The greatest risk facing life insurance fraternal organizations is not competition or regulation - it is complacency. The comfort of legacy success can mask gradual decline, delaying action until options are

## Trending Topics in the Insurance Industry (continued)

### Life Insurance Fraternal Organizations Must Look Forward to Survive (continued)

limited.

Looking to the future requires courage: the courage to change products, invest in technology, rethink governance, and engage new generations on their terms. It requires honoring the past without being constrained by it.

Fraternal organizations that successfully navigate this transition will not only survive - they will prove that mutual aid, purpose-driven insurance, and community still matter in a modern world. Those that do not may find that good intentions alone are no longer enough.

We here at Bruce & Bruce want to work with fraternal organizations to help them with the clear choice here, which is **to evolve with intention**, as the alternative, **to fade with dignity**, is not what any of us want to bear witness to.

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

### Generator of Economic Scenarios (GOES) – Aligning Reserves and Capital with Reality

In today's insurance environment, there is often a disconnect between the way companies manage their risk and the way regulatory reserves and risk-based capital reflect that risk. Different regulatory requirements often rely on different views of future economic conditions, and as a result, reserves, capital, and surplus do not always tell the same story. This can make year-to-year changes in surplus difficult to explain, particularly to boards, rating agencies, and regulators.

The NAIC's new Generator of Economic Scenarios (GOES) was designed to help reduce this disconnect. Historically, different regulatory requirements relied on different economic models, each producing its own view of future interest rates, markets, and investment performance. GOES establishes a common set of economic scenarios for prescribed reserve and capital calculations, including principles-based reserves and C-3 capital requirements. This added consistency should make it easier to compare results across frameworks and to explain changes in reserves, capital, and surplus from one period to the next.

#### Where GOES Applies

From a regulatory perspective, GOES will apply wherever insurance rules require the use of NAIC economic scenarios, beginning January 1, 2026 for reserve calculations and year-end 2026 for capital calculations.

GOES applies across multiple regulatory reserve and capital requirements. For annuity writers, this includes VM-22 principles-based reserves for fixed annuity products - such as MYGAs, SPIAs, and fixed indexed annuities - as well as risk-based capital calculations under the C-3 framework. Because C-3 capital feeds directly into reported capital and surplus, its impact is often the most visible to management.

In practice, many companies may choose to use GOES-based scenarios more broadly than the rules strictly require. Asset adequacy testing does not require GOES, since scenario selection is based on actuarial judgment rather than prescribed rules. Even so, many companies will find value in using a consistent economic approach across asset adequacy testing, reserves, and capital, making results easier to understand and explain.

The timeline is close enough that companies should already be preparing. GOES has been incorporated into the 2026 Valuation Manual effective January 1, 2026 and into the revised C-3 instructions for year-end 2026 reporting.

While GOES must be adopted for VM-22 reserves and C-3 capital starting in 2026, regulators have allowed

## Trending Topics in the Insurance Industry (continued)

### Generator of Economic Scenarios (GOES) – Aligning Reserves and Capital with Reality (continued)

companies to spread the impact over time rather than absorb the full effect immediately. As a result, the next few year-ends are key for model updates, parallel testing, and management education.

These changes matter for all insurers, but they may be especially challenging for small and mid-size insurers and fraternal benefit societies. Smaller organizations often have lean actuarial teams, limited flexibility to raise new capital, and boards that pay close attention to surplus volatility. For those companies, using a single economic engine across C-3, VM-22, and asset adequacy testing is not just a technical improvement. It can also reduce operating strain, simplify governance, and make the overall risk story easier to explain.

#### Impact on Products

For products such as MYGAs, these changes are not just a technical modeling update. They can directly influence how aggressively a company can afford to price new business. Using GOES-based scenarios can increase the cost of offering very high guaranteed rates, especially in environments with lower interest rates or higher market volatility, by requiring higher reserves or capital.

Over time, this is likely to encourage more disciplined MYGA pricing, clearer differences between short-term and long-term guarantees, and a greater focus on product designs that hold up better in stressed conditions – such as market value adjustments or tighter liquidity features. In practical terms, GOES and VM-22 should make MYGA pricing less driven by short-term rate competition and more grounded in long-term risk and asset performance.

#### What Companies Should Do Now

- Understand where the exposure is. Develop a clear inventory of which life and annuity products, including MYGAs, SPIAs, fixed indexed annuities, fixed deferred annuities, and variable annuities, are likely to be affected by the new GOES requirements.
- Run GOES-based scenarios in parallel to current reserve and capital testing, so management can see how results may change and which products are driving those changes.
- Consider whether internal asset adequacy testing should use GOES-based scenarios so that management can view risk, reserves, and capital through a single, consistent economic lens.
- Prepare a clear explanation for leadership explaining what GOES is, where it applies, when it starts to matter, and how it may affect surplus or earnings patterns.

Boards, regulators, rating agencies, and senior management will expect more than a technical overview. They will want a clear business-level explanation of what is changing, why it matters, and how management is responding.

If your company writes MYGAs, SPIAs, fixed indexed annuities, or other types of annuities and wants to get ahead of GOES and the related reserving and capital changes, **Bruce & Bruce can help**. A practical review of product exposure, model readiness, and management communication can make the transition significantly smoother.

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

## Trending Topics in the Retirement Plan Space

### Employer Sponsored Retirement Plans – Which one is best for my workforce?

Employers face a tough decision when it comes to deciding what retirement plan is best for their employee workforce. Many people view defined benefit pension plans as the “old” benefit and a 401(k) plan (or defined contribution plan) as the “better/more current” retirement plan benefit. But don’t be so quick to make that assumption. Which retirement plan (or plans) that is best for your workforce depends on the type of employee, the culture of your organization, and many other factors. To help determine which retirement plan (or plans) is best for your employee workforce, you should ask yourself the following questions:

- Are my employees retirement savvy (i.e., do they naturally save for retirement)?
  - If the answer is “Yes,” then maybe a defined contribution plan is best for your organization. The risk of having enough money saved for retirement is carried primarily by the employee. The employee knows how much to save and how to invest the savings.
  - If the answer is “No,” then maybe a defined benefit plan is best. The risk of having enough money saved for retirement is carried by the employer. The employer will decide how much retirement income is needed for its workforce.
- Is employee retention an issue for my organization?
  - Employee turnover comes at a cost (as new employees require time and resources for training).
  - If the answer is “Yes,” then maybe a defined benefit plan is best for your organization as this type of retirement plan encourages employee retention (i.e., the longer you work for us, the larger your retirement benefit).
- What kind of culture am I trying to create for my organization?
  - Do you want to have generational employees (i.e., do you want to see your kids or your grandchildren work for your organization?)? If the answer is “Yes,” then a defined benefit plan would help promote this kind of culture.
  - Do you see your organization being bought or merged with another company? If the answer is “Yes,” then maybe a defined contribution plan is best for your organization.

When it comes to employee benefits, it's always going to be a tug-of-war between providing too much or too little. Instead of looking purely at costs to help make retirement plan decisions, employers may benefit from a more holistic approach factoring in answers to the questions above.

Note that employers do not have to choose between a defined benefit pension plan or a defined contribution plan either. Employers are allowed to maintain both types of retirement plans. Having multiple retirement plan savings options helps to ensure that your employees will have enough savings for retirement.

Reach out to Bruce & Bruce to learn more about determining the right retirement plan (or plans) for your employee workforce.

### Retirement Plan Document Governance

Plan document governance is a critical, but often underappreciated, component of effective retirement plan management (regardless of which retirement plan your company sponsors). At its core, governance ensures that the written terms of a plan document are accurate, up to date, and consistently align with both regulatory requirements and the plan sponsor’s intended design.

## Trending Topics in the Retirement Plan Space

### Retirement Plan Document Governance (continued)

A plan document is the legal foundation of the plan. It defines benefit formulas, eligibility rules, vesting schedules, and administrative procedures. Because retirement plans are heavily regulated, particularly under tax and labor laws, even minor inconsistencies between plan operations and the written document can create compliance risks. Strong governance helps prevent these gaps.

Effective governance begins with clear ownership. Plan sponsors should designate responsibility for document oversight – often shared among HR, legal, and external advisors (such as actuaries or ERISA counsel). This group is responsible for monitoring legislative and regulatory changes and ensuring timely amendments to the plan document.

Periodic document reviews are another key governance practice. Many organizations conduct annual “gap analyses” comparing plan operations to document provisions. These reviews can identify inconsistencies early, allowing for correction through retroactive amendments or operational fixes before issues escalate into compliance failures.

The IRS requires plan documents to be restated every so often (to comply with IRS regulatory changes). For pre-approved/prototype/volume submitter plan documents, the IRS requires these plans to be restated every six years. For individually designed plan documents, the IRS used to require full restatements every 5 years (starting in 2017, this is no longer required as the IRS no longer accepts determination letter applications for existing plans, other than for terminating plans). Therefore, annual reviews are critical to ensure timely amendments to the plan document. Summary Plan Descriptions (SPDs) must also be updated every five years if the plan has been amended or changed. If no amendments or changes have occurred, an SPD must be updated at least every ten years.

Bruce & Bruce regularly partners with its clients to help ensure plan documents (and SPDs) are up to date and align with their intended design. Reach out to Bruce & Bruce today to find out how we can help. Please note that Bruce & Bruce is not a law firm and does not provide legal services. The information here is for informational purposes only and should not be considered legal advice.

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### 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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