



September 10, 2020

Special Committee on Race and Insurance  
National Association of Insurance Commissioners  
1100 Walnut Street  
Suite 1500  
Kansas City, MO 64106

**Via Electronic Mail: [abeal@naic.org](mailto:abeal@naic.org)**

Re: NAIC Special Committee on Race and Insurance Charges and Workstreams

Dear Committee Members:

Society at-large is experiencing a historic opportunity to evaluate and address racism and to act on social equity, diversity, and inclusion concerns. Improving racial equity and justice is important not only as a societal public policy imperative, but also as context for self-examination within the property casualty insurance sector. Meaningful and lasting change will require deliberate, thoughtful, and honest conversations among community leaders, regulators, and companies, with a lasting commitment to long-term solutions.

The American Property Casualty Insurance Association (APCIA) represents nearly 60 percent of the U.S. property casualty insurance market. We promote and protect the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association with insurance members of all sizes, structures, and regions, protecting families, communities, and businesses in the U.S. and across the globe. Our industry footprint brings with it a responsibility to promote public policy outcomes that are in the best interests of all stakeholders and demonstrate thought leadership.

Insurance is an essential safety net in the U.S. economy that supports financial and economic progress and allows individuals and communities to prosper. The basis of insurance is matching risk costs based on objective criteria with rates, and then spreading those risks accordingly across society. That risk-based pricing ensures accessibility, affordability, and availability of essential insurance protections within a voluntary competitive market. APCIA is aligned with the National Association of Insurance Commissioners (NAIC) and state regulators on the need to have the hard conversations together about how to directly tackle concerns related to fairness and preventing unlawful discrimination to determine if there are improvements that could both strengthen competitive markets and address inequities while preserving the risk-based foundation of insurance.

APCIA applauds the NAIC for its thoughtful approach toward understanding race and insurance issues. We share your commitment to developing and implementing a workplan that will address race and diversity challenges in a collaborative and meaningful manner. APCIA has established a special board working group on social equity and inclusion that is developing core principles and reviewing our public policy and advocacy efforts in light of those principles. In doing so, our goal is not to simply focus on property casualty insurance within the context of our stated mission, but also to advance positive industry efforts toward greater diversity and inclusion and to promote a stronger insurance role in support of disadvantaged communities, creating partnerships that will effect lasting and beneficial change for everyone.

APCIA is committed to long-term engagement with all stakeholders and as a first step, included below are our initial thoughts and perspectives on the NAIC's workstreams.

**Workstream 1: Research/analyze the level of diversity and inclusion within the insurance industry and accessibility to insurance products by under-represented communities.**

With respect to workstream 1's focus on accessibility, addressing the twin connected goals of availability and affordability will improve accessibility to insurance products for low-income communities and small minority-owned businesses. Both constituencies are sometimes unable to access financial services appropriate to their needs. Industry and regulators are fundamentally aligned that insurance has a critical and noble purpose within the country's economic framework and is a foundation for economic progress at the individual and community levels. Collectively, industry and regulators have significant power to support and drive progress in this area.

Providing expanded resources that better explain insurance products and the benefits insurance offers will lead to more informed financial decisions about insurance and that, in turn, should enhance overall economic stability and encourage individual empowerment.

Specific to diversity and inclusion, the insurance industry is actively working to promote and advance a more diverse and inclusive industry. Five years ago, recognizing the talent and recruitment challenges facing the industry, APCIA co-founded the Insurance Careers Movement (ICM), a global grassroots initiative that brings together more than 1,000 insurance companies, agents and brokers, trade associations and industry partners to inspire more people to choose insurance as a career and remain in the insurance industry. This cross-industry, multi-phased initiative seeks to raise awareness of the dynamic career opportunities in insurance and to recruit the next generation of industry leaders, with a goal of creating a more diverse and inclusive workforce.

The industry is working collaboratively to help attract and retain a diverse workforce through professional development events such as APCIA's Emerging Leaders Conference, an event designed to recognize rising talent in the industry and illustrate its strong commitment to addressing talent in innovative ways. APCIA also is committed to building events that provide actionable steps companies can take to establish diverse and inclusive corporate communities, such as the Women & Diversity: Expanding Opportunities in Insurance Conference hosted with industry partners in New York City earlier this year.

Expanding apprenticeship opportunities is yet another way the insurance industry is working to cultivate a diverse and inclusive workforce. Industry commitment to creative workforce development solutions led APCIA to create Insurance Apprenticeship USA (IAUSA), an effort to promote and expand

apprenticeship programs within the industry. Building upon the success of established programs in the industry, APCIA is working with member companies to mobilize support for the apprenticeship model.

Insurance companies currently use many best practices to help recruit diverse candidates and cultivate diversity and inclusion programs within their companies. Currently, APCIA is cataloging our members' commitment to diversity and inclusion programs on an anonymized basis. Our aim is to provide a shared resource, which will allow the organic development of best practices and potentially ways to measure and predict which programs will have the most meaningful long-term impact.

**Workstream 2: Research/analyze the level of diversity and inclusion within the NAIC and state insurance regulatory community.**

APCIA supports parallel efforts by the NAIC and state regulators to review and assess the progress of their respective diversity and inclusion programs, in order to identify government best practices. The NAIC should explore opportunities to share their best practices with private industry, as well as learn from the best practices identified by industry.

**Workstreams 3,4,5: Examine and determine which practices or barriers exist in the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups.**

APCIA is committed to understanding the challenges that have typically disadvantaged consumers of specific racial or underrepresented groups, as well as the underlying causes that have contributed to those challenges. Our industry is solidly built on consumer trust, fairness, and as stressed above, promoting economic stability for individuals and our communities. Statutorily, insurance rates cannot be excessive, inadequate or unfairly discriminatory. These pillars of the state-based insurance system are not broken and through deliberate and committed exercises to understand consumer perceptions of fairness, the very premise of this workstream may be challenged. Ultimately, treating consumers fairly may result in supplementing existing programs and practices in lieu of tearing down these pillars. Substantial and sustainable solutions require the authentic participation of subject matter experts representing all stakeholders who can objectively and creatively think through the second order consequences of a variety of solutions to arrive at what will work for all.

Further, a solution with meaningful long-term sustainability should leverage the insurance industry's expertise in managing and mitigating risk to reduce the challenges of disadvantaged consumers of specific racial or underrepresented groups and to potentially enhance insurance options. Importantly, social equity and justice issues are a societal problem; a problem of great complexity, requiring thoughtful and comprehensive solutions. In fashioning public policy solutions to this problem, regulators and legislators need to be mindful that even though this problem may manifest in insurance, that does not mean that it demands an insurance-based solution, particularly where doing so may adversely affect those groups that are intended to benefit. Every industry must reflect on their practices and procedures.

We are of one accord with state regulators in support of diversity and inclusion in the insurance sector, strict enforcement of prohibitions on unlawful discrimination, and practices that make insurance more affordable and accessible. However, proposed solutions must not undermine risk-based, actuarial principles that are the foundation of the business of insurance. Doing so may create unintended market consequences, such as impairing solvency, reducing competition and inhibiting innovation. Preventing the use of objective criteria to match premiums with risk could harm consumers without advancing social

equity and justice and undercut the ability of consumers in disadvantaged communities to leverage private market competition. Further, risk-based pricing is essential for orderly society as insurance can often drive behavioral modifications. Provided with education about the consequences and likely outcomes of various individual decisions can incentivize individuals and businesses to make well-reasoned, beneficial choices. Alternatively, decoupling risk and encouraging inadequate pricing could lead to increased risky behavior.

Consistent with a holistic approach, we encourage the NAIC, as it executes its workstreams, to assess and study how the insurance industry can use our unique expertise in risk mitigation, risk management and loss prevention to make insurance more affordable in low-income, minority and traditionally underserved communities. Action to effect change and to lower the risk profiles in those communities will require partnerships among private industry, government, non-profit organizations, and community leaders.

To be certain, analyzing the industry's ability to leverage our risk management and mitigation expertise complements and does not take away from the review of underwriting and rating factors and transparency efforts. We have started renewed deliberations about these topics and will work with the NAIC to provide constructive thought leadership and actionable and collaborative engagement.

### Coordination

APCIA appreciates that the workstream document recognizes the need for coordination among various NAIC committees, working groups and task forces. The importance of this coordination cannot be overstated. To ensure efficiency and to avoid duplicative and inconsistent work efforts, we respectfully suggest tasking an individual or team of individuals with monitoring and coordinating all discussions and deliberations related to NAIC's social justice and equity efforts.

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It was stated throughout the NAIC Summer National Meeting that change starts with the hard conversations. APCIA applauds the NAIC for outlining a thoughtful and collaborative process for these hard conversations to occur. We look forward to the robust exchange of ideas and are excited to engage in productive, solution-focused dialogue. Balanced and well-developed solutions that promote fairness and risk-based decision-making will evidence why the insurance industry is a cornerstone of our society's economic foundation and can serve as an example for other critical financial industries.

Respectfully,



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