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AMERICAN ACADEMY *of* ACTUARIES

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*Objective. Independent. Effective.™*

September 10, 2020

David Altmaier, Co-Chair  
Raymond G. Farmer, Co-Chair  
Special Committee on Race and Insurance  
National Association of Insurance Commissioners  
c/o Andy Beal ([abeal@naic.org](mailto:abeal@naic.org))

Dear Commissioner Altmaier and Director Farmer:

On behalf of the American Academy of Actuaries,<sup>1</sup> I appreciate this opportunity to provide comments to the National Association of Insurance Commissioners' (NAIC) Special Committee on Race and Insurance on its charges set forth for public comment. The Academy highly values its collaboration with the NAIC over the many years on our work of mutual interest in assisting in formulating effective regulation to benefit the public and providing a framework for governing insurance entities. In this new focused initiative undertaken by the NAIC, I would like to offer the Academy's assistance as you attempt to identify and explore issues pertaining to race, diversity, and inclusion and ways to address practices that could create barriers to, or conversely provide incentives to inclusion, to insurance products. The Academy shares the Special Committee's goals.

Insurance products provide critical protections. They protect against financial losses due to unexpected death, illness, accident, or property damage. More specifically, health insurance can help increase access to health care; life insurance can facilitate wealth accumulation; property insurance can protect investments and increase access to those investments. It is of the utmost importance for all stakeholders to engage in a public discourse on race, diversity, and inclusion in the insurance sector. Noting the Committee's ambitious timeline to conclude its work by year-end, I would offer that it may require more time to fully examine the range of issues involved. The Academy especially recognizes the need to acknowledge that there may be retrospective practices that could have a bearing on insurance-based disparities and to examine whether current practices perpetuate or exacerbate those disparities.

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<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Actuaries help design and implement insurance products, relying on data-driven analysis, that meet the needs of consumers while also assuring the financial viability of these products. In particular, actuaries provide essential services to insurers and regulators in a myriad of areas including reserve adequacy, insurance product designs pricing of products (including data and assumptions), overseeing risk transfer considerations, and in assisting in the design and operation of capital adequacy and risk management mechanisms, among many others.

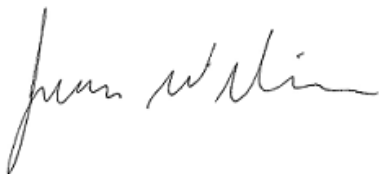
Actuarial practice is ever evolving along with new technologies, techniques, and methodologies. A principal area of focus of actuaries is in risk classification, and while traditional risk classification and underwriting techniques are being adapted through emerging practices, they are still effectively guided by our actuarial standards of practice (ASOPs), which of course are reviewed on an ongoing basis to reflect current and emerging practices. Risk classification structures by nature provide discernment based on variance in underlying costs to the insurance system. To the extent the NAIC chooses to examine concerns over appropriateness of data and assumptions used in actuarial practice, the Academy would be happy to provide you with an actuarial perspective.

Finally, I would like to make you aware that the Academy is undertaking a new initiative to study health equity. Although we are in the early stages of this initiative, we expect to examine various aspects of the health and health insurance systems, especially those in which actuaries are involved, to determine whether they contribute to health disparities. In particular, we may explore issues related to benefit design and cost sharing, provider availability and network development, provider reimbursement methods, utilization management, how data are used and assumptions are created, pricing factors, and how medical and non-medical interventions are evaluated. We would be pleased to keep you and other relevant NAIC committees/working groups informed of our progress on this initiative.

Again, on behalf of the Academy, I look forward to assisting commissioners and regulators as you work on these challenging issues. If you have any questions or feedback, feel free to reach out to the Academy's director of public policy, Craig Hanna ([hanna@actuary.org](mailto:hanna@actuary.org)). I look forward to working with you as the Committee proceeds with its charges.

Sincerely,

Yours truly,

A handwritten signature in black ink, appearing to read "D. Joeff Williams". The signature is fluid and cursive, written in a professional style.

D. Joeff Williams,  
MAAA, FSA  
President  
American Academy of Actuaries