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NAIC Special Committee on Race and Insurance
Life Workstream
Sent *via* email: jcook@naic.org

RE: Barriers to Access to Life Insurance

Dear Commissioners Fowler & Humphreys,

Thank you for the opportunity to comment on the barriers to access to life insurance. Please find below the American Council of Life Insurer's ("ACLI") proposal to address barriers to access to life insurance and help close the coverage gap.

A Path Forward That Allows Successful Fulfillment of the NAIC Life Race & Insurance Charge

Life insurers believe that all Americans should have access to tools and resources that will help them thrive and succeed. The NAIC has, among others, the following charge related to race & insurance in the life insurance space:

- Life Workstream — The marketing, distribution, and access to life insurance products in minority communities, including the role that financial literacy plays.

Introduction

In order to fulfill this charge through existing NAIC workstreams, ACLI proposes the following suggestions. These suggestions are based on data ACLI received through a survey of people of color who were either in the market to purchase life insurance or who already owned or received coverage.¹ Overall, the data shows that these consumers prioritize trusted, simplified, and modernized processes.² These preferred processes are already reflected in previously implemented NAIC charges as well as industry initiatives.

¹ Zebra Strategies, Inc., "Exploring the Impact of Race and Innovation on Life Insurance Applications Among Black/African American, Hispanic /Latinx People of Color" (2022).

² *Id.*

Life insurers have been working to enhance interactions with customers, making it easier and more convenient for modern customers to access the financial protection they need. This includes greater use of technologies that simplify the underwriting process and a broader-based agent population to help more consumers gain access to a financial professional's assistance. Industry improvements in these areas will help close the life insurance coverage gap. A regulatory environment that supports these enhancements will help ensure these efforts are successful.

In fact, the NAIC already has several established groups that are currently working toward regulatory improvements in the producer licensing and innovation/e-commerce areas. These existing NAIC groups (Producer Licensing Task Force (D) + Innovation and E-Commerce Working Groups (H)) could be tasked with adapting their existing efforts to more fully address and fulfill the charge set forth above. Progress has already been made in both areas that is directly responsive to the charge; with respect to producer licensing, it is identifying and removing barriers to licensure that likely disproportionately adversely impact members of minority communities; with respect to innovation/e-commerce, it is examining ways technology can be harmonized with current regulatory requirements such that members of minority communities have greater access to life insurance products. Both of these areas are further highlighted below.

Producer Licensing

Issue: Increase Access to Life Insurance for Underserved Communities

ACLI supports the removal of unwarranted barriers that may impede the ability of candidates to become licensed by or employed with the insurance industry. Some of these barriers are structural, like excessive and unnecessary pre-licensing mandates. Others are just outdated, like only offering licensing exams in English.

Adopting these commonsense reforms will enhance the recruitment, development, and retention of diverse candidates in the life insurance producer community. And it will lead to more American families feeling secure that their financial futures are safe and protected.

Proposed Solutions:

- I. **Encourage a more diverse, inclusive community of producers to increase trust in the industry; and**
- II. **Utilize an innovative approach to modernize processes so they are more accessible.**

I. Distribution

Producer diversity is important to increasing access for minority communities because it helps build trust for consumers to purchase products from someone with a similar background. Data shows that there is a lack of trust in the financial services industry amongst minority communities and continuing to build trust in those communities will directly address this coverage gap.³ Data further shows that trust is usually generated when a potential customer has a shared background with the producer.⁴ The following proposals are suggested as ways to increase diversity and remove unnecessary barriers to producer licensing.

³ *Id.*

⁴ *Id.*

- Background Checks and Waivers
 - ACLI proposes to improve the 1033 waiver process for potential applicants with a criminal history by:
 - Promoting the uniform availability of 1033 applications and related documents on department websites;
 - Eliminating fees associated with 1033 applications;
 - Supporting and providing guidance on innovative ways of interacting with 1033 candidates. For example, allowing applicants to assess their likelihood of success before embarking on the application process; and
 - Exploring avenues to share information concerning 1033 waiver processes between states that utilize centralized licensing platforms such as NIPR and Vertafore.
 - NAIC committee(s) of jurisdiction: Producer Licensing (D) Task Force and Antifraud (D) Task Force

- Mandatory Pre-Licensing Education Hours
 - The presence of pre-licensing education mandates creates an additional barrier to entry and has not been shown to impact test scores, so ACLI proposes to remove these mandates.
 - Research shows that pre-licensing mandates do not produce candidates more prepared to pass the exam and the NAIC Producer Licensing (D) Task Force acknowledged this in a 2011 memo.
 - As of August 2023, Tennessee, Washington, and Alabama have eliminated these mandates with broad support. Twenty-six states and the District of Columbia do not have mandatory education hours.
 - These mandates can discourage potential applicants due to unnecessary commitments of time, money, and methods of study. Potential applicants may be caregivers, considering insurance as a second career, or come from non-traditional education backgrounds and require more flexibility in preparing for the exam.
 - NAIC committee(s) of jurisdiction: Producer Licensing (D) Task Force

- Additional Language Licensing Exams & Materials
 - In order to increase diversity, the NAIC should encourage and provide guidance related to expanding non-English language options for insurance licensing exams and materials.
 - Each state should consider the most spoken languages within their state. A number of states have already expanded exams to offer in Spanish.
 - NAIC committee(s) of jurisdiction: Producer Licensing (D) Task Force

- Online Accessible Exams
 - Encouraging and providing guidance related to online proctored exams could help remove barriers by making the exam process more convenient for a wider variety of individuals such as those in rural areas.
 - Online proctored exams can offer equivalent security measures and pass rates are nearly identical.
 - During the COVID-19 pandemic, states had to switch to online exams and now, almost all states continue to offer online exams.
 - NAIC committee(s) of jurisdiction: Producer Licensing (D) Task Force

- Exploring Mentorship Programs by Reimagining Continuing Education’s Role in Retention
 - ACLI proposes to creatively reimagine the role of continuing education credit during the early stages of a producer’s career. With much of the producer workforce looking to retire in the next decade, it is crucial to attract new talent. Encouraging and providing means for mentoring could provide a meaningful step towards attracting this talent.
 - The industry could benefit from a mentorship curriculum that encompasses enough to replace continuing education for the first four years a producer is licensed.
 - States should also be encouraged to join the 14 states that offer continuing education credit for association membership.
 - These measures are likely to attract new producers who may not have considered a career in financial services by providing a process to learn and develop necessary skills.
 - NAIC committee(s) of jurisdiction: Producer Licensing (D) Task Force

II. Innovation

As electronic communications and transactions have rapidly evolved over the past several years, customer expectations have also changed, and the industry is seeing an increase in the value placed on modernized processes. Data shows that this is especially true in minority communities.⁵ The COVID-19 pandemic highlighted how insurers can safely and efficiently interact with consumers via digital means.

ACLI supports innovation and technologies that are part of the solution by driving expanded consumer access and consumer affordability in underserved communities. ACLI, therefore, proposes building out a modern e-commerce framework to streamline processes related to purchasing insurance so it is more accessible to underserved communities.

- ACLI recommends that the E-Commerce (H) Working Group build upon its informational framework by creating guidance for and encouraging states to modernize processes such as:
 - Waiving wet signature requirements for regulatory filings;
 - Allowing for remote notarization;
 - Allowing for remote regulatory examinations;
 - Promoting use of electronic applications;
 - Promoting use of e-delivery; and
 - Examining filing requirements related to electronic applications.
- NAIC guidance would encourage a level of uniformity in the states that would benefit consumers, regulators, and the industry. Many consumers prefer streamlined, electronic processes and the E-Commerce (H) Working Group is best suited to evaluate the impact the above recommendations have on consumers and ensure the appropriate consumer protection measures are in place.

Conclusion

ACLI appreciates the importance and benefits of the charge related to race & insurance in the life insurance space. Addressing areas where the industry can improve marketing and distribution

⁵ *Id.*

practices in minority communities is an important step towards achieving equality in the life insurance market. Fostering a regulatory environment that helps expand outreach to consumers, both online and in person, will advance the industry and NAIC's and the industry's shared mission to help more families build financial security by closing the coverage gap. Continuing to work with the existing NAIC workstreams to achieve this goal through the aforementioned proposals will lead to further trust between the industry and consumers.

Sincerely,

A handwritten signature in black ink, appearing to read "Rikki Pelta", with a long horizontal flourish extending to the right.

Rikki Pelta
Senior Counsel
ACLI