

Season 2, Episode 7

Special Podcast on Race and Insurance

Guest Host Connecticut Commissioner Andrew Mais

[Connecticut Commissioner Andrew Mais]

Hello and welcome to the regulators. This podcast, where we break down important issues facing consumers, state insurance regulators and the insurance industry as a whole. I'm your guest host, Andrew Mais, Connecticut Insurance Commissioner.

This is a very special podcast. It will focus on race and insurance. That's an issue the NAIC is addressing as part of its new race and insurance special committee that was announced in July.

I believe that by working together, regulators, advocates, industry, all the stakeholders, we can make progress. But that requires starting by talking openly about the issues.

Today, I'm joined by California Commissioner Ricardo Lara, New Jersey Commissioner Marlene Caride, Aflac CEO Dan Amos and consumer advocate, good friend of mine, and chair of the Connecticut Insurance Department's Advisory Council and Subcommittee on Big Data, Sonja Larkin-Thorne, welcome to all.

Now, there's clearly a lot to talk about here today. So, I'd like to break it down into two key areas. One is racial equality and how insurance products are delivered and sold. And the other which is related is racial diversity within our ranks.

And let me start with Commissioner Lara. Commissioner Lara, you have such an interesting story that is really relevant to this discussion. Can you briefly share it and comment on how important it is that we address these issues now?

[California Commissioner Ricardo Lara]

Thank you, Commissioner Mais. You know, I'm actually pleased that we're having these uncomfortable conversations at the national level. As somebody who grew up in East Los Angeles, a son of undocumented immigrants from Mexico. It's critical that we talk about the insurance industry and the need for it to diversify, the need for it to cater and work with people of color, with minorities throughout this country.

As we continue to grow, so do the opportunities for this industry to not only diversify in its corporate boards, but in the products it sells, but also to work with industry leaders and regulators to make sure that, you know, we don't discriminate against this community that are already vulnerable. I just think back on my parents not being able to speak English. And as a kid, I still remember going to public places with them as their, you know, as a translator and even in a place where everyone looks like me... That's confusing for a kid, seeing how your parents are treated differently as immigrants, whether it's at a school or at a business. I do have to say one advantage of being your parent's translator was when you got to translate your own parent teacher conference.

But, you know, again, these are real life scenarios. And, one of the reasons why I ran for insurance commissioner in California was, you know, the access to health care is important to me. I grew up without health care. And to me and my brothers and sisters, we had to drive to Tijuana, Mexico for health care or wait until we were sick and, you know, or

I got acute enough so that we would have to take that three-hour drive down south. And, ignorance is bliss because I thought everybody did that. But we still struggle with these issues about access, equality and protecting our vulnerable communities. And so, I'm glad that we're having these conversations. And I think that, that is why expanding diversity in the insurance industry is a priority and it should continue to be a priority. And something that I pursued the first day that I took office because I seen the difference that it makes in our public policy when women, people of color, immigrants our LGBTQ community. Well, we're not at the table. It is important for us to take these positions, include that perspective that is critical to our story as Americans. So, I'm glad we're having these conversations.

The protests over the killing of George Floyd have gone beyond policing into other areas of our economy where people who are low income, historically underserved and underrepresented have been shut out or ripped off by discriminatory practices. I'm glad to be part of the discussion and look forward to hearing the individual stories that, again, are not unique to me specifically. But, you know, again, demonstrate our tremendous diversity in our country and what really makes us who we are as Americans. So, thank you for inviting me to be part of this discussion.

[Commissioner Andrew Mais]

Commissioner Lara, I could not agree with you more. And just for you to know, on a personal note, one of the first things that I did here in Connecticut, and I should say we did because this was a staff effort here at the department. After I started last year, we found out that the licensing exams, we license a couple of hundred thousand people here in Connecticut, producers primarily, and others. But we found out that that exam was not available in Spanish. It was only available in English. So, we had that translated. The exam is available in Spanish, now because it is so important. If your community is not represented, it will be ignored. And that's why I think it is so important to the industry and to us as regulators that we all have a seat at the table.

And Sonja, you had a seat at the table for quite a while. You have quite the history in insurance. I've known you for quite a while. You've started working in the industry and then you moved to become a NAIC consumer advocate.

Over the years, of course, consumer advocates for the NAIC have had a rich history of working with the NAIC members to understand and to protect consumers. You did that for years. You're still doing that here at the department where you're working with us on our Advisory Council on Regulation on Big Data to protect consumers. What are your thoughts about this new initiative?

[Chair of the Connecticut Insurance Department's Advisory Council and Subcommittee on Big Data, Sonja Larkin-Thorne]

Well, I think that the initiative is an important one. It's critically important, in fact, in today's society. My concern is, and I will say this very bluntly. We've been to this prom before. The difference is were wearing different dresses and different sizes. When I started in this industry in 1974 in California, there really was a push by many companies to include diversity as part of their corporate culture. I have seen the decline in that push and in that commitment over the last 40 years. And so, it's concerning that as companies have grown, they've used new underwriting guides and products. And as they've implemented all of these changes, we see that there is not the corporate commitment from the top down to include people of color, to include a diverse community of people representing all

segments of the society. I could look recently to Aetna to see what they did under Ron Williams and he didn't have to go outside the corporation to develop that talent. The talent was in the corporation. He gave that talent. He provided the opportunity with his senior executive vice president over HR, as I look at this industry, I see a new way of underwriting. I see new practices that bring into the corporate structure discrimination.

Because the companies will say, well, we can look at our products and we can look at the use of credit score and we can look at artificial intelligence. And this gives us really a lot more information about the consumer. But what they're not looking at is the inherent racism that exists with many of those algorithms or AI or credit reports. And when I look at many of the products being offered, it's not the product. It's the access to the product that is limiting people of color. People who speak different languages. People who may be new to our country. There are too many barriers that exist today that didn't exist when I started in this business 40 years ago. We used to be a hands-on business where underwriters and agents knew each other, knew their communities, understood their consumers. That's moved away now to just a paperless society where we look at what a statistical touchpoint tells us. Many of these touch points are errors. And I will cite an example that I use a lot, and that is as an African American woman. When I look at the Big Data as it profiles individuals, it shows that I gave birth to a Caucasian child. I believe in miracles, but I can guarantee you that did not happen. And so, this unverifiable, Big Data that is used to develop these algorithms are discriminating. They include age. They include gender. They include income. They include many prohibitive practices that are unverified by the consumer. So, the accuracy is questionable. And as regulators, the responsibility is yours to be able to look at these touch points, verify the accuracy, and also make sure that they're not invading the privacy of individual American citizens.

[Commissioner Mais]

Thanks, Sonja.

Commissioner Lara, let me get back to you on that. The regulators responsibility...

In California are there specific insurance practices that disproportionately impact economically disadvantaged people or historically underrepresented communities? Sadly, the two are often the same. That you know you are working to address.

[Commissioner Lara]

Thank you. Yes.

Last year, my department released data showing wide ethnic and socio-economic disparities in auto insurance group discounts offered to millions of California drivers. There's been a long history of insurance companies redlining where historically underrepresented, ethnically diverse and lower income communities pay more for insurance not because of the risk, but because of who they are and where they live.

You know, I'm proud that California voters banned these practices 30 years ago when they passed Proposition 103.

And when I came into office, I directed my department to conduct the first ever investigation into these auto group discounts. And we found evidence of really disturbing inequities. We found that many affinity groups, as they're called, disproportionately and

adversely affect drivers residing in zip codes with lower per capita incomes, lower levels of education attainment and larger underserved communities. And based on a review of over 60 million insured vehicles in California, we discovered that these Affinity Group discounts were more prevalent among zip codes with higher non-Hispanic white populations. This is according to the census related data. And the reverse was true as well. More diverse zip codes with lower non-Hispanic white populations were made up of significant, fewer affinity group discounts for the population of drivers. Interestingly enough to our data also showed that 75 percent of the drivers in underserved communities did not receive an affinity group discount compared to fifty-seven of the rest of the state. So, you know, some insurers offer lower automobile premium pricing specifically to white collar occupations and highly skilled workers. This is obviously very disturbing data that confirm that what, we have been hearing for years that auto group discounts don't apply equally across California. And so many insurance companies were effectively using group discounts to cherry pick members, giving some higher income occupations essentially a fast pass, while people from certain racial and ethnic groups and lower income motorists were left in the slow lane, essentially. And, you know, we need a major course correction here. And any new rules of the road must allow for group discounts as voters intended, and only if these groups are justified and nondiscriminatory. So in January of this year, my department held the public workshop and proposed regulations to reform how insurance companies offer these group discounts based on occupation, education and other arbitrary factors that historically have been available to drivers and less affluent and more diverse communities. So, you know, California's Proposition 103 permits groups to exist.

But the department proposed regulations are mindful of the voters requirements that groups must be offered equally to all people, not just from socio economic groups that at the expense of others, I should say.

So, these proposed actions would effectively ensure that all Californians have access to these insurance group discounts intended by Prop 103.

As you can see, even today, we're still having to really fight for equality in the insurance market and the type of products and discounts that are being offered across the board.

[Commissioner Mais]

Thank you, Commissioner. The data is telling. Let me switch back to the West Coast
We're on the East Coast here.

I'm in Connecticut. Commissioner Lara is in California. Commissioner Marlene Caride is in New Jersey. The one thing that I think we all have in common in terms of our state is that we have diverse states, both in terms of racial and ethnic breakdowns and in terms of economic breakdown, which may or may not be related.

Commissioner Caride, you've had a long record of working both as an attorney and with legislature and now as a commissioner for fairness and equality. Are there recent policies that New Jersey has put in place to better achieve that goal of promoting fairness and equality?

[New Jersey Commissioner Marlene Caride]

As you mentioned, New Jersey is a very diverse state, not only with its people, but its economic levels.

And so, unfortunately, we see situations here.

That can be unfair, very unfair.

And so in the past year, I'm very happy that my colleagues in the legislature passed a bill that the governor then signed into law allowing for the issuance of driver's license to the residents of New Jersey, regardless of their immigration status. And this is a major change for our state for many reasons, for the social and economic, justice.

The interesting part about that law on what is the fairness of that law is that it prohibits insurance companies from using that information the driver's license for the individuals that have immigration status that are not against them.

So that when an insurance company is issuing insurance to these individuals, it's issuing it to them regardless of their immigration status and not profile them and say, well, because their immigration status is questionable, let's charge them more. So that is not permitted here with this law, which quite honestly, it was a big celebration here in our state.

A big accomplishment because we do have a large immigration community here in New Jersey.

Another thing that we had passed in the last year is law that allows us to establish our own state-based exchange. And that for us is so important because by having our own exchange our own health exchange. It would allow the state to be able to reach the underrepresented communities and the uninsured communities. And we see the disparities between the communities the haves and have not and are hard to reach communities are always the communities of color that they don't understand the language because it's a different language. I'm very proud of the fact that here in New Jersey for for many years, while I was in the legislature, we were constantly looking to have our laws or forms for insurance companies translated into Spanish and available in a different language. And again, this allows us to be able to reach them with regards to health, which is so important,

We've been very fortunate in that our governor from day one thought that you had to have individuals, that looked like the majority of residents in New Jersey at the table. And we've got a saying that we used to use, and we still use here in New Jersey. And if you don't have a seat at the table, you are on the menu. And in order to avoid being lunch, you have to be at that table. And so, we've been fortunate here in New Jersey where our governor has made a point of embracing the diversity that exists in New Jersey and and making sure that we all have a say as best as we can.

I mean, I'm the first Hispanic to ever lead the Department of Banking and Insurance. And I was the first Hispanic to represent my district as an assemblywoman in Trenton.

So, you know, we're doing our best to make sure that our communities of color who speak other languages are represented throughout the state.

[Commissioner Mais]

Commissioner, we do have that in common.

I am also the first black commissioner of insurance in Connecticut. Thirty-third commissioner and our first openly black anyway.

The cabinet that the current governor and lieutenant governor in Connecticut have is the most diverse in our state history. And that says something it says that things start from the top in some ways you need to have that.

This, by the way, is a special issue of The Regulator's podcast, where we break down the important issues facing consumers, state regulators and the industry. And we are focusing on race and insurance.

We've looked at what's gone wrong in the past. We've looked at what we need to deal with. We've heard from the regulatory side. We've heard from the consumer advocates. Now, I'm going to turn to somebody who represents a company that has a good record. Dan Amos is the CEO of Aflac.

And let's look at the future, Dan. We know you can't speak for all companies. I'm not asking you to. But from your perspective, as somebody who knows this business, how should insurance companies approach the innovation and fairness issue?

[Aflac CEO, Dan Amos]

Well, I'm sure there's some unintended bias that takes place, but I'm convinced that it's all a breakdown of your workforce and how it's doing. And diversity is a critical element of taking control of everything that takes place in your company. If you don't have that culture and you don't have that workforce that is open, then these things can happen. And so, the one thing I would say is that there should never be unfair discrimination. But the culture of the company can make sure it doesn't happen, or at least they stop it if they see it happen.

[Commissioner Mais]

Sonja, you'd mentioned some of the issues that you saw with Big Data and so forth. You've heard what Dan has to say.

What do you think regulators should be considering when it comes to innovation?

Regulators really need to understand the use of new information, Big Data and who's guiding this? One of the things that we've done here in Connecticut under your leadership is that we are examining all of these issues as they impact consumers from current regulation to the use of consumer data. What I have found most fascinating, because of my many long years in this industry, is the new individuals that I'm working with, this younger group of people in the industry who haven't been there for 30 or 40 years or even twenty-five years, who have a new attitude, now want to understand what their impact is on consumers so that innovation really is coming from the newer, younger folks who haven't been involved in many of the systemic problems that we have seen in this society who have gone to school in a more diverse classroom of individuals who don't necessarily assume as much as the older folks do about individuals and who are willing and open to change. And I have found this younger group of insurance folks to be exciting in terms of

their willingness to open the doors and recognize the problems of the past So as I look at innovation and I look at the responsibility of the regulator, I take it back to this. There are only two states, I believe in the country that don't mandate that you carry insurance on your auto. Why is it the states can create a law and then not do enough to make sure that everyone has access to that insurance policy so they're not made into criminals when they can't... One, find an agent in their area who can sell them the product. Two, find a product that does not have artificial barriers and an access to that product in terms of price or in terms of other factors that companies are using.

Many companies will say, oh, I'll sell anybody a product. But when we look at what the price of that product is, that becomes the barrier. We look at the underwriting of that product. That becomes the barriers. And as much as companies don't want to admit, there are built into the underwriting and the pricing factors that are out of control are out of the control of the consumer.

When we look at urban versus suburban neighborhoods, urban neighborhoods will have more closely aligned homes. They will have more businesses that are closer to neighborhoods. You come out into suburban areas and you look at these factors and say you're not going to find a bar in suburban Connecticut, in Avon or Farmington that are in the same neighborhood as a person lives. But when you go into urban environments, you will find that those are factors that companies are using against consumers that they're using in their pricing. And so those things from a regulator standpoint have to be addressed. The innovation from a regulator is to understand these new underwriting and pricing guidelines, to understand that there may be information and that included in that pricing and that underwriting that creates a barrier to access to that product. I'm not sure we need new products. I think we need to eliminate the barriers to the existing products. We also need to think about some things that California has, and that is a California low cost auto program, which again provides coverage to allow everyone to be legal if they meet certain standards. That's innovation.

[Commissioner Mais]

Thanks Sonja.

Let me switch gears a little bit now, because I think well, as Commissioner Caride just said, if you're not at the table, you're on the menu.

And I want to talk about another important element that's been mentioned here. It's ensuring diversity within or organizations and within all organizations, regulators, industry.

Now, Dan, Aflac has a track record of recruiting and promoting people of color, in fact. I understand that was at 46 percent. So almost half of your workforce is comprised of minorities and you have a strong representation within the C suite, including the president, of, Aflac, U.S. And no, that did not happen overnight. I've been in this industry too long to think that it required a lot of focus and a lot of leadership, I'm sure. Can you tell us how you got there and what you see ahead?

[Aflac CEO, Dan Amos]

This is my 30th year, as CEO. And I would say diversity is much a part of culture as it is programs. Certainly, we have diversity programs. We have a diversity council that I've had now for twenty-five years that does a great job promoting diversity inside of our business.

The one thing that I would say, though, is that diversity starts at the top. For example, the Diversity Council, I go to the kickoff meeting every year where they know it's important. They have to see you. You have to show that it's important and at Aflac we make sure that our teams know that the diversity is just as important as making the numbers and anything less is unacceptable.

Diversity has to be a part of your quarterly and annual review of management. This is important to me because when doing organization reviews, I like to have a photograph of everyone in the organization chart because it shows you whether or not there's diversity or not.

I can remember when we first bought the Aflac Group Insurance, I went to a meeting and had a list of all the people and it really didn't strike me. But when I walked in the room with Teresa White, who's African American and president of our U.S. operation, she was the only woman and the only African American in the room. And I was just stunned. I looked and I said, this is a mighty white crowd and we can't have this. We've got to have more diversity in the worksite, and we have that our board level. That's an important part of it. You have to have that.

Forty-five percent of our board is women and 62 percent are minority, including women. And as I said Teresa White is an example. And Audrey Tillman, our general counsel for the last six years, were both African American women. And one thing that Teresa has done is a mentoring program, and Audrey has helped with that. And it's called the Office of Career Successes, and it helps them. The employees come up with good resumes, job interviews, and it helps with their career path. And literally we have had hundreds that have received promotions going through that center. And then finally, I would say we have what we call Employee Appreciation Week, and we've been doing that for over 35 years, where we celebrate different cultures and we tell our people how important they are to the company because they are the key. Sixty-six percent of our workforce is women. Thirty-five percent African American and almost 50 percent are minority. So that to us is what's Important.

[Commissioner Mais]

If I hear you right, what you're saying is it takes leadership and it takes a culture change to make this work. We're closing here soon, but I want to go to a lightning round and I'm going to ask the members of the group. We're going to start with Sonja in a sentence or two...

What can we do to attract more historically underrepresented communities to insurance?

[Chair of the CID Advisory Council and Subcommittee on Big Data, Sonja Larkin-Thorne]

I think what Dan just said is important, that leadership at the top, you lead up and you lead down and that's critical. Education, outreach going to the historically black colleges and universities or going to your state universities and colleges and talking to the students, going to the high schools, and introducing insurance as a business is critical. You have to start going into the communities of color. You also have to recognize, and this is critical, that racism in America is no longer deniable.

And that statement was made this morning by Dan Walker, who was the president of the Ford Foundation, an openly black gay man in America. And I'll say this also and that it's easy to call someone a racist, but it's harder to have the conversation.

And that's what we need to do. We need to talk about the business of insurance. We need to talk about the barriers that have been historic in our business. But we also need to talk about the opportunities. When I started many years ago in this business, it was because of a diversity commitment by a corporation which is now faded across most of the insurance industry. And it's all about educating the communities, about the opportunities that exist in this business.

[Commissioner Mais]

Commissioner Caride.

[Commissioner Caride]

It's a matter of education. You know, when I was in the legislature and I would do public outings and events and even now as a commissioner or more, when I was in the legislature as an assemblywoman.

So many families, Latino families, would bring their kids up to me and say, you see, she did it she's an attorney and now she works for the government. You can do this, too. And it's a lovely role model, you know. And I've always wanted to be a role model. But the bottom line is what we do with that.

We're in a position where we could lead by example. I know Ricardo hates the word minority, but we are the minority, so to speak. You know, I grew up in an area where I was the majority. And I think that we need to educate. Many of times I've been in the boardroom where we're meeting with insurance companies and I'm the only woman and I'm the only Latina. At my department we have a diversity officer and we're going to be relying on this diversity officer to guide me better in our hiring process.

And I think that we need to bring that to the insurance industry and to industry in itself.

[Commissioner Mais]

The last words on this will be yours. California Commissioner Lara.

[Commissioner Lara]

You know, I think history can be a powerful teacher. We've seen what happens when you're not intentional. I mean, Daniel points out exactly what we need. We need intentionality. We need people to be intentional about diversifying our departments, diversifying the industry, diversifying your company. And, yes, you're going to get pushback. But stay the course, because through our diversity, not only do we improve the industry, we're able to meet the needs of our diverse community. But even for companies, it helps the bottom line. We know that businesses prosper when you have women on your corporate board. When you have people of color on your corporate board. You're able to connect in a way that you wouldn't be able to if your board wasn't diverse. And the reality is that our great United States of America is a diverse country and it's going to continue to diversify. And so why not expand your mission and your product and have the company

look like the rest of the United States of America? And so, I would just say, you know, we have to continue to be. able to have these uncomfortable conversations, and I'm proud of the fact that I am part of an organization contributing to this dialog that is long overdue. So, you know, we have to continue to do our jobs to fight, to diversify our industry, our association and and diversify the perspectives, because that's how we're going to survive. As we modernize, we diversify, and we have to be intentional about including everyone.

[Commissioner Mais]

California Commissioner Ricardo Lara, New Jersey Commissioner Marlene Caride, Aflac CEO Dan Amos, and longtime consumer advocate Sonja Larkin-Thorne. Thank you all for being a part of this important and very insightful conversation.

And the conversation must continue. If change is to happen. This is not a one-time thing. Thanks to Director Ray Farmer, who is the president of the NAIC, for working hard to make race a focus. Let's not let this moment go to waste.

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