

## **SPECIAL (EX) COMMITTEE ON RACE AND INSURANCE**

Special (EX) Committee on Race and Insurance, Nov. 17, 2024, Minutes

Adopted the Endorsement Supporting State Legislation Requiring a Financial Literacy Course as a Prerequisite to High School Graduation (Attachment One)

## Draft Pending Adoption

Draft: 12/3/24

Special (EX) Committee on Race and Insurance  
Denver, Colorado  
November 17, 2024

The Special (EX) Committee on Race and Insurance met in Denver, CO, Nov. 17, 2024. The following Special Committee members participated: Andrew N. Mais, Co-Chair (CT); Jon Godfread, Co-Chair (ND); Elizabeth Kelleher Dwyer, Co-Vice Chair (RI); Scott A. White, Co-Vice Chair (VA); Lori K. Wing-Heier (AK); Mark Fowler (AL); Ricardo Lara represented by Chandara Phanachone (CA); Michael Conway (CO); Karima M. Woods (DC); Doug Ommen (IA); Ann Gillespie (IL); Holly W. Lambert (IN); Sharon P. Clark (KY); Timothy J. Temple (LA); Marie Grant (MD); Anita G. Fox (MI); Grace Arnold (MN); Mike Causey (NC); Eric Dunning (NE); Justin Zimmerman (NJ); Scott Kipper (NV); Judith L. French (OH); Andrew R. Stolfi (OR); Michael Humphreys (PA); Michael Wise (SC); Cassie Brown (TX); Kevin Gaffney (VT); Mike Kreidler (WA); Nathan Houdek (WI); and Jeff Rude (WY). Also participating was Gary Jones (PA).

### 1. Adopted its Summer National Meeting Minutes

Commissioner Godfread made a motion, seconded by Commissioner Arnold, to adopt the Special Committee's Aug. 13 minutes (see *NAIC Proceedings – Summer 2024, Special (EX) Committee on Race and Insurance*). The motion passed unanimously.

### 2. Received a Status Report on its Health Workstream

Commissioner Arnold reported that the Health Workstream met on Oct. 24 and Sept. 9. The Workstream continued its demographic data collection discussions during the Oct. 24 meeting. During this meeting, the Workstream heard from AHIP on the challenges with demographic data collection, such as inaccurate and incomplete data, lack of interoperability, and a non-patient-centric demographic data collection process. AHIP also discussed its Demographic Data Element Modernization Initiative, which is aimed at addressing some of these issues by modernizing and enhancing national demographic data content and exchange standards so that they are culturally sensitive, sufficiently granular, and allow for alignment across stakeholders. The Workstream also heard from the National Committee for Quality Assurance (NCQA) about its approach to building a foundation of equity data for action, including using its Health Equity Accreditation program and embedding equity in various programs to advance this goal.

During its Sept. 9 meeting, the Workstream heard from the Pennsylvania Department of Insurance (DOI) about its work related to collecting race and ethnicity data in insurance applications. The Workstream also heard from Independence Blue Cross on how the collection of relevant demographic data helps it identify health equity issues and then intervene and monitor progress to address identified problems.

The Workstream also heard about the Blue Cross Blue Shield Association's (BCBSA's) National Health Equity Strategy initiative. This initiative aims to address health disparities and build a more equitable health care system. The initiative's Data Equity Coalition focuses on setting standards for collecting accurate and representative data on race, ethnicity, language, sexual orientation, and gender identification with the goal of improving health outcomes by optimizing the collection of relevant demographic data and addressing barriers to providing personal information.

Commissioner Arnold reported that the Workstream plans to meet in regulator-to-regulator session after the Fall National Meeting to consider its work to date and potential year-end deliverables.

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The Workstream also plans to continue its work on its collaborative space on NAIC Connect, which the Workstream intends to be a platform where Workstream members can share with other NAIC members the information it has captured during its meetings and serve as a platform for discussions and conversations related to health equity and other related topics, including adding blog posts from various stakeholders on issues and topics relevant to its work.

### 3. Received a Status Report on its Life Workstream and Adopted the Endorsement of a Financial Literacy Course

Commissioner Humphreys reported that the Life Workstream finalized an endorsement supporting state legislation requiring a financial literacy course as a prerequisite to high school graduation. The mandatory financial literacy courses in high schools make a difference in the lives of kids, especially those in underserved communities. Commissioner Humphreys stated that it makes sense to have this body on the record as supporting state efforts to require coursework in financial education at the high school level.

According to the Champlain College Center for Financial Literacy 2023 National Report Card, for the graduating class of 2023, only seven states required students to take a stand-alone half-year course in personal finance or its equivalent as a high school graduation requirement. However, by or before the graduating class of 2028, 25 states are projected to require this financial education requirement, showing significant support among state legislatures. The idea is to close the gap between the remaining 25 states and encourage insurance commissioners to work with departments of education and state legislatures to recognize the importance of financial education, including insurance education, as a prerequisite for graduation.

Commissioner Humphreys noted that the endorsement contains strikethroughs of some language that, although initially included in the endorsement, is not critical to its meaning and goal. In addition, the NAIC consumer representatives and the National Association of Mutual Insurance Companies (NAMIC) have expressed support of the NAIC formally endorsing financial education.

Since the Summer National Meeting, the Life Workstream has continued to focus on “marketing, distribution, and access to life insurance products in minority communities,” including a focus on criminal history. The Life Workstream heard a number of presentations exploring the impact of criminal history on a person’s ability to access life insurance.

In order to learn more, the Life Workstream circulated a draft survey for public comment asking about insurers’ use of criminal history in life insurance underwriting. Comments were requested by Sept. 5. Based on the comments received, a revised chair draft survey was distributed and discussed during a call on Oct. 17. Once the survey questions are finalized, the process for issuing the survey can also be finalized.

Commissioner Humphreys said the idea is to use the same process that was used to conduct the big data/artificial intelligence (AI) survey of life companies. Like the AI survey, states can choose to participate (or not), with a focus on getting participation from companies that make up a significant percentage of the life insurance market.

Commissioner Humphreys said he and Commissioner Fowler have had internal discussions with NAIC staff and the Market Regulation and Consumer Affairs (D) Committee about the process for conducting the survey and to ensure there is coordination with any other surveys that may be going on.

Commissioner Humphreys made a motion, seconded by Commissioner Fowler, to adopt the endorsement supporting state legislation requiring a financial literacy course as a prerequisite to high school graduation.

Commissioner Mais noted that the Special Committee received a request from NAMIC and the NAIC consumer representatives to amend the endorsement to include additional text to the section, “Financial Literacy in Schools

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Through an Equity Lens,” to include “an equity lens also raises the need for personal finance courses to be as universally available and accessible as possible, taught using a variety of approaches and to all students, including those with developmental or intellectual disabilities.”

Commissioner Humphreys made a motion, seconded by Commissioner Fowler, to amend the endorsement supporting state legislation requiring a financial literacy course as a prerequisite to high school graduation (Attachment One). The motion passed unanimously.

### 4. Received a Status Report on its P/C Workstream

Commissioner Gaffney reported that the Property/Casualty (P/C) Workstream met Nov. 16 and heard from the District of Columbia about its recent report studying potential unintentional bias in private passenger auto (PPA) insurance. The report is publicly posted and lists a number of potential next steps including studying telematics, wealth-related factors, additional information on quotes, and driving loss costs for certain populations. Other states may wish to look at the D.C. report for the tools and methodologies it used.

The Workstream heard from California about its Low-Cost Auto Program. This program has been around since 1999 and has seen recent growth. It provides low liability limits for low-income drivers and appears to have assisted the state in lowering the uninsured population.

The Workstream heard an update from the Casualty Actuarial Society (CAS) about four new reports the CAS has released. Of note, one paper surveyed state insurance departments about their perspectives on auto rating factors and bias testing methodologies, among other things. Another paper looked into telematics and how it can reduce reliance on other, more controversial, rating variables. The four reports are posted on the CAS website.

The Workstream heard from Verisk about tools it has created to evaluate bias in models. These include statistical methods used to remove the potential contribution of protected class information on the final variables in the model, imputing race via appropriate methodology, and bootstrapping to properly assess the role of race in the models. Verisk also touched upon AI governance principles and its governance life cycle.

Finally, the Workstream is following the work of the Property and Casualty Insurance Market Intelligence (PCMI) Data Group to understand how homeowners data can be analyzed, including looking at coverage gaps and understanding changes in the market and how they impact different groups.

### 5. Received an Update on the Member Diversity Leadership Forum

Chandara Phanachone, who is the co-chair of the Member Diversity Leader Forum, provided an update on the DE&I Leadership Forum’s strategic plan. The strategic plan hinges on three pillars of impact: 1) collaboration and sharing best practices; 2) community engagement by implementing a guest speaker series where the Forum will amplify the voices and impact of community leaders; and 3) education and awareness by continuing education and developing Phase II of the Foundations of DE&I coursework for regulators.

Gary Jones concluded by providing a shared learning update. Jones informed the Special Committee that in October, the Forum invited Norman Bristol Colón, chief diversity officer for the Commonwealth of Pennsylvania, to speak at the Forum. Colón spoke about Pennsylvania’s Diversity, Equity, Belonging, and Inclusion (DEBI) program. Colón stated that DEBI is an economic, human relations, competitive, and nonpartisan initiative and that the program is a development of human capital and will help sustain our future. Jones explained the economic impact of diverse consumers and how they make up a significant amount of gross domestic product (GDP) throughout the world.

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Mr. Jones recognized the last two living Navajo Code Talkers of the U.S. Marines. The Navajo Code Talkers were a group of 20<sup>th</sup>-century war heroes who aided in securing victories for the U.S. and its allies during World War II. The Code Talkers used the Navajo language to communicate without U.S. adversaries being able to decipher the messages.

### 6. Discussed Other Matters

Commissioner Mais noted that the Special Committee did not adopt its 2025 proposed charges. As part of its 2025 activities, the Special Committee will consider the transition of its work to the letter committees. Discussions will continue with committee leadership and the Membership as a whole. He said that there will be more to come in terms of new charges and deliverables moving into 2025.

Having no further business, the Special (EX) Committee on Race and Insurance adjourned.

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Revision - for consideration by the Special (EX) Committee on Race and Insurance

**National Association of Insurance Commissioners (NAIC)**  
Special (EX) Committee on Race and Insurance – Life Workstream  
Endorsement of Financial Literacy Courses in High Schools

THIS DOCUMENT recommends that state insurance departments engage with state financial regulators, state departments of education, and state legislators to promote a student’s completion of stand-alone financial literacy and personal finance coursework as a prerequisite for high school graduation that includes an insurance component. This policy endorsement begins with the premise that a basic financial education, including one that introduces insurance types and concepts, is fundamental to an individual’s future financial success. State insurance regulators are uniquely positioned to offer expertise in identifying key insurance concepts and skills to be included in the curriculum of a mandated course. We encourage insurance regulators to partner with those who have experience and expertise developing curriculum and teaching high school students to identify or create curriculum that includes insurance content for a mandated course. Insurance regulators can also offer their expertise to serve as resources for teachers as they prepare to deliver insurance-related content, including partnering with those designing and delivering teacher training.

Insurance regulators should play a key role in advancing conversations surrounding the need for financial literacy courses in our high schools, as financial education and individual financial circumstances may impact both insurability and cost of all insurance products, including life insurance. Further, comprehensive financial education for all students is expected to contribute to successfully addressing financial disparities among historically underrepresented groups.

**FINANCIAL FUTURES BEGIN EARLY**

It is never too early to begin teaching our youngest generations about financial responsibility, as these lessons can last a lifetime. While that education can start at home, according to T. Rowe Price, 57 percent of parents have some reluctance about discussing financial matters with their kids and 37 percent do not like to talk to their children about money, making classroom-provided education all the more important. In addition, foster children, a population that is overrepresented by African-American children<sup>1</sup>, have been found to experience financial capability challenges, especially when transitioning out of the foster care system and into adulthood.<sup>2</sup>

For too many children, the only financial education available to them may be the one offered (hopefully required) through their school curriculums. And because many graduating high schoolers<sup>3</sup> will go directly into the workforce<sup>4</sup>, it is important that financial education and skills are developed before graduation

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<sup>1</sup> According to the Annie E. Casey Foundation, while black children represented 21 percent of the total child population in 2021, they represented 22 percent of all kids in foster care.

<sup>2</sup> *Study Finds Foster Youth Lack Critical Financial Skills*. March 24, 2021. Washington State University.

<sup>3</sup> According to the National Center for Education Statistics, in school year 2019-2020, the U.S. average adjusted cohort graduation rate (ACGR) for public high school students was 87 percent, with varying rates among demographic populations: Asian/Pacific Islander (93 percent), White (90 percent), Hispanic (83 percent), Black (81 percent), and American Indian/Alaska Native (75 percent).

<sup>4</sup> According to the National Center for Education Statistics, in 2021, about 62 percent of people who completed high

to provide individuals with the best opportunity to achieve financial success.

#### STATE STATUTORY ENVIRONMENT

In recent years, states have focused on the importance of bringing financial literacy to high school classrooms. According to the Center for Financial Literacy at Champlain College, 7 states required high school graduates in the Class of 2023 to have taken a personal finance course before graduation with that number growing to 25 states for the Class of 2028. That still leaves students in half the country without state-required access to a basic financial education and provides an opportunity for state insurance and financial regulators to work with legislators to enact meaningful policy solutions.

#### FINANCIAL LITERACY IN SCHOOLS THROUGH AN EQUITY LENS

A state mandate is necessary to provide all graduating high schoolers with a similar baseline understanding of personal finance and will help to address inequities in access to financial education. According to research commissioned by Next Gen Personal Finance, in states that do not mandate a personal finance course as a graduation requirement (leaving such decisions up to local school district control), predominantly-minority high schools have only a 7 percent chance of being locally required to take such a course, while predominantly-white high schools are more than twice as likely to have such a local graduation requirement (14.2 percent). An equity lens also raises the need for personal finance courses to be as universally available and accessible as possible, taught using a variety of approaches and to all students, including those with developmental or intellectual disabilities.

#### FINANCIAL LITERACY AND INSURANCE

A comprehensive financial curriculum should focus on an understanding of the fundamentals of insurance, such as risk pooling, cost sharing, underwriting and premiums. A curriculum also should include exposure to insurances more likely to resonate with high school students, as well as include an introduction to the largest personal lines insurance coverages (auto, homeowners, health, and life) to prepare students for decisions that they face soon after graduation. Not only will personal finance coursework better prepare individuals for insurance decisions and transactions, but it may also improve their access to affordable insurance for the next several years of their lives or longer. It is particularly important for younger individuals to understand the difference between whole and term life insurance so that they may make informed decisions about which product to buy and the best time to purchase, including the benefits of accumulating cash value. Further, research consistently finds that requiring financial education in high school increases credit scores, particularly through reducing the likelihood of credit delinquencies. Increased credit scores resulting from high school financial education could have the effect of reducing premium prices that consumers will pay for insurance products well into their financial futures.

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school or earned a GED certificate immediately enrolled in college. Asian/Pacific Islander students had the highest ACGR (93 percent), followed by White (89 percent), Hispanic (82 percent), Black (80 percent), and American Indian/Alaska Native (74 percent) students.