Draft for Adoption

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Special (EX) Committee on Race and Insurance
Columbus, Ohio
Aug. 15, 2021

The Special (EX) Committee on Race and Insurance met in Columbus, OH, Aug. 15, 2021. The following members participated: David Altmaier, Co-Chair (FL); Dean L. Cameron, Co-Chair (ID); Raymond G. Farmer, Chair Emeritus (SC); Chlora Lindley-Myers, Co-Vice Chair (MO); Andrew N. Mais, Co-Vice Chair (CT); Lori K. Wing-Heier (AK); Jim L. Ridling (AL); Alan McClain (AR); Peni Itula Sapini Teo (AS); Ricardo Lara (CA); Michael Conway (CO); Karima M. Woods (DC); Trinidad Navarro (DE); Colin M. Hayashida (HI); Doug Ommen (IA); Dana Popish Severinghaus (IL); Amy L. Beard (IN); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon (LA); Gary D. Anderson (MA); Eric A. Cioppa (ME); Kathleen A. Birrane (MD); Anita G. Fox (MI); Grace Arnold (MN); Mike Chaney (MS); Mike Causey (NC); Jon Godfread (ND); Eric Dunning (NE); Marlene Caride (NJ); Barbara D. Richardson (NV); Linda A. Lacewell (NY); Judith L. French (OH); Glen Mulready (OK); Andrew R. Stolfi (OR); Jessica K. Altman (PA); Elizabeth Kelleher Dwyer (RI); Larry D. Deiter (SD); Doug Slape (TX); Jonathan T. Pike (UT); Scott A. White (VA); Michael S. Pieciak (VT); Mike Kreidler (WA); Mark Afable (WI); James A. Dodrill (WV); and Jeff Rude (WY).

1. **Adopted its July 21, July 1, and Spring National Meeting Minutes**

Commissioner Altman made a motion, seconded by Director Lindley-Myers, to adopt the Special (EX) Committee’s July 21 and July 1 minutes (Attachment One, Attachment One-A, and Attachment Two) and April 12 minutes (see NAIC Proceedings – Spring 2021, Special (EX) Committee on Race and Insurance). The motion passed.

2. **Received a Status Report on Workstream One**

Executive Deputy Superintendent of Insurance To reported that Workstream One’s initial recommendations were incorporated into the Special (EX) Committee’s charges and will move forward with the next phase of the workstreams work.

In terms of next steps, Workstream One will reconvene in September to move forward with additional engagement with stakeholders to understand the efficacy of diversity-related programs, how companies measure their progress, and what state insurance regulators can do to support these efforts.

Workstream One will also continue collecting input on any existing gaps in available industry diversity-related data.

Workstream One will continue to do research and analysis to identify issues and develop specific recommendations on action steps state insurance regulators and companies can take to improve the level of diversity and inclusion in the industry.

3. **Received a Status Report on Workstream Two**

Commissioner Clark reported that Workstream Two has been charged with researching and analyzing the level of diversity and inclusion efforts of the NAIC and state insurance departments.

The Workstream recently emailed to commissioners a Best Practices Survey intended to examine, at the zone level, best practices and initiatives state insurance departments can consider to promote diversity, equity, and inclusion (DE&I) in their offices. Once responses have been gathered, the Workstream will meet to discuss and develop a method and forum to share diversity and inclusion information among state insurance regulators.

The NAIC has asked commissioners to share their department’s diversity contact with Evelyn Boswell, NAIC Director of Diversity and Inclusion, for sharing DE&I information and training. The NAIC has also begun the process of developing a diversity training program for regulators and will get input from the NAIC membership as it moves forward, likely through Workstream Two.
4. Received a Status Report on Workstream Three

Commissioner Schmidt reported that Workstream Three recommendations from the initial report were incorporated into the 2021/2022 adopted charges and will move forward with the next phase of their work.

The (American Academy of Actuaries—AAA) and the (Casualty Actuarial Society—CAS) have created working groups looking at these issues and both groups have reached out to the NAIC offering input. The Special (EX) Committee will engage with the Academy and CAS early in the process to see what their research has shown and how it can inform our next steps.

In terms of next steps, the workstream will reconvene in September to formulate a workplan and develop priorities and timelines.

Commissioner Mais stated as we look at the charges related to Workstream Three, the workstream believes charge F. will garner immediate attention. Charge F. spreads across the workstreams and calls for continuing research and analysis of insurance, legal, and regulatory approaches to addressing unfair discrimination, disparate treatment, proxy discrimination, and disparate impact.

A subset of charge F., is F.2, which is specific to Workstream Three and calls for the development of analytical and regulatory tools to assist state insurance regulators in defining, identifying, and addressing unfair discrimination in property & casualty insurance.

Workstream Three will work closely with the Special (EX) Committee in determining who works on the research and analysis part of insurance, legal and regulatory approaches. It seems likely that the Workstream may want to take on that part first, with a focus on defining the terms, before the Workstream turns to developing analytical and regulatory tools. Workstream Three will be a key part of creating those definitions and Workstream members will see that as a high priority within the workplan.

Workstream Three’s other charges have to do with data collection, affordability issues and nonstandard markets. The workstream will prioritize those alongside the unfair discrimination charge. The charge in regard to producer issues has been received by CIPR and the Workstream will oversee that work.

5. Received a Status Report on Workstream Four

Commissioner Afable reported that Workstream Four has not met since adopting the Workstream’s initial report and recommendations. Now that the Special (EX) Committee has adopted its charges, the Workstream is eager to start meeting and do a deeper dive into the practices and barriers that potentially disadvantage minority and underserved populations in the life insurance and annuity lines of business.

The Workstream will meet in September to develop a work plan with concrete deliverables and look forward to making a positive contribution to an issue that continues to be a critical for all.

6. Received a Status Report on Workstream Five

Commissioner Altman reported that Workstream Five met July 8 and June 10. During its July 8 meeting the workstream focused on issues related to provider networks, provider directories and cultural competency. The Workstream asked panelists representing consumers, industry and providers to respond to several key questions related to these issues, including: 1) are there ways state insurance regulators can incentivize more diverse, inclusive, and culturally competent provider networks?; and 2) how can provider directories be used as a tool to connect patients to culturally competent providers and care? The Workstream also asked if there were specific deliverables the NAIC should work towards to address these issues.

During its June 10 meeting, the workstream heard responses from a panel of industry representatives and a panel of consumer representatives on several key questions related to demographic data collection. Those questions asked about the benefits of insurer collection of disaggregated demographic data, the risks of collecting such data and regulatory barriers to the collection of such data. The panelists also were asked what role state insurance regulators should have in collecting this type of data and whether there was a specific deliverable the NAIC should work towards in considering this issue.
Commissioner Altman noted that the workstream prepared and distributed for a public comment period ending Aug. 19, a draft data collection best practices document reflecting the discussion during the June 10 meeting. The Workstream anticipates beginning to discuss the comments received on this document during its meeting Aug. 26.

Commissioner Altman also noted that Workstream Five plans to continue meeting at least once a month to work on the data collection best practices document, a future network/directory document, and to collect additional information on issues the Workstream identified in its report to the Special (EX) Committee.

Workstream Five will consider the following topics and actions in the remaining meetings in 2021: 1) at the workstream’s September meeting, the workstream plans on receiving consumer presentations, as well as further consideration of the Data Best Practices document; 2) at the October meeting, the workstream plans on receiving additional presentations regarding equity issues in provider networks and provider directories, as well as discussion of next steps in framing a policy document for networks and directories. Also, if time permits, the Workstream will further discuss the Data Best Practices document; 3) at the November meetings, the workstream proposes to receive presentations regarding the equity lessons of the COVID-19 pandemic, approve the Data Best Practices document, and release a network/directories equity issues policy document for stakeholder comment.

Birny Birnbaum (Center for Economic Justice—CEJ) asked a question of Workstream Two regarding what metrics, if any, the NAIC is using to evaluate DE&I efforts and do the metrics include DE&I within regulatory processes. Mr. Birnbaum noted he asked the question based on the presentation made during the consumer liaison meeting based on the survey of consumers organizations and their difficulty navigating regulatory processes. Kay Noonan said Workstream Two was not specifically charged with looking at diversity within regulatory processes but was charged with looking at DE&I within state insurance departments. When the Workstream meets again, the NAIC will make sure they receive a copy of the presentation and the Workstream can talk about whether there is a need to expand that charge. Evelyn Boswell described what metrics the NAIC is using for internal DE&I efforts goals, benchmarks, and implementation. She noted it is a three-year strategy and going into 2022 the NAIC DE&I work will ensure there is continued momentum and progress.

7. Heard Comments from Interested Parties

   a. Robert W. Klein and Associates

Robert W. Klein (Robert W. Klein and Associates) reported on the availability and affordability of insurance for minority consumers. He noted that empirical research indicates that some consumers (e.g., African americans, low-income households) tend to pay higher premiums and may have less adequate coverage. Is this due to unfair discrimination or other factors or a combination of both?

As an economist specialized in insurance, unfair discrimination could be explicit or implicit. Insurers may not intend to treat certain consumers unfairly, but certain rating factors (e.g., credit scores) could have a ‘disparate impact’ on these consumers.

What constitutes “unfair” discrimination depends on the standard for “fair” discrimination. There is the Actuarial standard which is embodied in most, if not all, state rating laws – pricing/underwriting are “fair” if factors used are commensurate with an insured’s risk. There are other standards that may be applied such as insurance prices should be the same for all insureds or based on an insured’s ability to pay.

This brings us to the issue of “disparate impact” refers to practices that have adverse effects on certain protected groups that do not appear discriminatory on their face but are discriminatory in their application or effects. There is this “business necessity” defense – challenged practice serves a legitimate purpose that cannot be served by an alternative practice with less discriminatory effect. This is something that a company or firm who is accused of disparate impact might offer in defense of what they are doing.

Dr. Klein noted that he continues to be involved in insurance issues and follows activities regarding unfair discrimination and other aspects of insurance. He said he recognizes the concerns and is sympathetic to availability and affordability problems. He said he believes allegations of unfair discrimination warrant careful and rigorous investigation and public policies that
improve market efficiency and equity. Regardless of whether insurers engage an unfair discrimination, there are measures that could improve the availability and affordability of insurance for minority and low-income consumers. He said good policy should be based on sound research and careful consideration of the tradeoffs associated with different measures.

Dr. Klein next briefed the Special (EX) Committee on economic principles. There are three conditions for economic price discrimination: 1) the seller must have some control over prices; 2) the price discriminator must be able to segregate consumers into groups with different elasticities of demand or reservation prices; and 3) no opportunity for arbitrage – resale by low-price to high-price consumers which really doesn’t apply to insurance. An economist named Becker in 1993 proposed that economic price discrimination should seek to determine whether firms profits on minority consumers are higher than they are for non-minority consumers.

For actuarially unfair discrimination to occur, there needs to be some form of market failure that enables insurers to acquire market power or that otherwise impairs efficient market functioning. Also, insurers would need to be able to segregate low-income/minority consumers and charge them higher premiums. While most economists believe that auto/home insurance markets generally meet the conditions for workable competition, there are problems and Dr. Klein the most significant problem is in auto and home insurance. Both insurers and consumers have imperfect information. Many consumers have a poor understanding of insurance and some may find it difficult to shop for it.

What does the literature say? Studies by consumer groups conclude that insurers engage in unfair discrimination, whether it is explicit or implicit against minority and low-income consumers. The most rigorous studies by insurance economists have not found evidence of unfair discrimination in pricing in auto/home insurance. That does not mean it does not exist, but we have not found evidence of it, but again, these studies for the most part are about 20 years old. These economists are more guarded in their conclusions regarding the effects of insurers’ underwriting/marketing practice on the availability of coverage for minority/low-income consumers. The economists have not been able to rule out the possibility that these underwriting and marketing practices may have effects on availability and may result in certain consumers having less than adequate coverage. Findings of studies by insurance regulators tend to be consistent with academic studies, such as study performed by the Missouri Department in 2018. There are some exceptions. For example, some older studies by the Texas insurance department found evidence of unfair discrimination. Differences in findings appear to be due to different methodologies used by different researchers.

Dr. Klein formed a study commissioned by NAMIC earlier this year that analyzed data published in the NAIC’s 2020 auto insurance study. This report contained tables/figures showing average premiums, pure premiums, and loss ratios by income quartile for each state. Underlying data was at a zip code level. Dr. Klein’s principal objective was to determine how these insurance metrics varied with income. He found that average premiums, pure premiums (average loss costs), and loss ratios tend to be higher in low-income areas, but this pattern was not consistent across all states.

Dr. Klein’s study indicates that loss ratios tend to be higher in low-income areas, but this pattern is not consistent across all states. Where loss ratios are higher or the same in low-income areas, this suggests (but does not prove) that insurers are not charging low-income drivers “excessive” rates. Then there are a number of states where there is the opposite case so does it suggest that drivers in those states are being charged excessive rates.

Dr. Klein said his analysis was at a very high level and not rigorous. He could not access nor analyze data at a zip code level. While income may serve as a proxy for race/ethnicity, it is not the same thing. He was unable to analyze how premiums, claims, and loss ratios varied with race/ethnicity and other variables that could affect or be associated with insurance premiums and availability.

There is a need for more rigorous research that would provide a much better understanding of what minority and low-income consumers face with respect to the price and availability of auto/home insurance and what factors drive their experience. This research could take various forms, e.g.: 1) analysis of zip code level data coupled with economic and demographic data; 2) surveys of consumers; and 3) examination of insurers’ rating models, underwriting guidelines, marketing, etc. One particular question Dr. Klein is interest in is are certain consumers disadvantage with respect to their ability to shop for insurance? This definitely could have an effect on what consumers pay for insurance and the quality of coverage consumers receive.
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Dr. Klein noted that good zip code level data for auto insurance are available for every state to the NAIC Tableau application. The stat agents/advisory organizations (e.g., ISO/Verisk) have even better data at a transaction level. J.D. Powers has very good survey data but they are reluctant to share it for this kind of research. Academic researchers need data as well as financial support to conduct this kind of research.

Dr. Klein noted that good policy requires good research. These are not simple problems with simple explanations that are easy to solve. Banning certain rating factors (e.g., credit scores) may seem like a good idea but could backfire. If we understand the nature, extent and causes of availability/affordability problems, we can design appropriate welfare-enhancing “solutions.” They could involve restrictions on certain insurer practices, reducing risk and claim costs for minority consumers, improving consumer information and the ability to shop for insurance, and other measures (e.g., taxpayer funded subsidies).

Commissioner Ridling asked how are the quartiles identified? Is it IRS data, is it housing data - what identifies the quartiles of the prospective insured?

Dr. Klein responded he believes the NAIC used census data to divide zip codes into these income quartiles. So it was linking the census data to identify the zip codes and then the NAIC, with the help of the statistical agents, have the insurance data for those zip codes. There were some zip codes for which income data was not available so that creates that fifth category.

Commissioner Ridling so it was basic income data from the IRS?

Dr. Klein replied, no – not the IRS, it was basically the bureau of the census and not necessarily the 10 year census. There are also other surveys the census bureau does every one or two years. He believes that was a source of the income data for those zip codes, but they just use either a mean or median income for a zip code to determine where they fit within which quartile.

Eric Ellsworth (Unfunded Consumer Representative) asked Dr. Klein his thoughts on the impact of difficulty in shopping for consumers in terms of potentially increased premiums?

Dr. Klein replied it is a great concern, he is not aware of any research. His concern stems from the fact that it is generally known that if you shop for insurance and you are well informed about it, you often can get a better price and a better quality coverage for what you pay. The concern is there might be low income groups and, to the extent that minorities tend to have lower incomes or live in certain areas, they are not able to shop as well. It may have more to do with access to the Internet or access to insurance agents. All these issues have been raised in the past, but he is not aware that anyone has really studied this.

b. CEJ

Birny Birnbaum (Center for Economic Justice—CEJ) discussed testing for racial bias in insurance. He noted that provisions regarding fair and unfair discrimination are generally found in two parts of insurance statutes. Unfair discrimination is generally defined in two ways: 1) actuarial – there must be an actuarial basis for distinction among groups of consumers; and 2) protected classes – distinctions among groups defined by certain characteristics – race, religion, national origin – prohibited regardless of actuarial basis.

Mr. Birnbaum asked the question why is race a prohibited factor for underwriting or pricing? He said we know, at least for some lines of insurance, that race is predictive of insured loss so why are life insurers prohibited from using race as an underwriting your pricing factor? If race were predictive of auto insurance claims, why shouldn't insurers be able to use that or any other factor that is predictive of claims? He said Dr. Klein’s report suggests it should be.

Mr. Birnbaum said one reason race is prohibited could be that a person has no control over their race, they are born with it, but there are plenty of pricing factors based on characteristics that consumers have little or no control over like age or gender. Religion is a prohibited factor, but you can change your religion. Mr. Birnbaum asked again, why do state and federal laws declare racial discrimination is unfair discrimination in insurance.

Mr. Birnbaum said he suggests the reason race and protected class characteristics are carved out regardless of actuarial fairness is there is a history of discrimination that, at best, has left a legacy of outcomes that are embedded in the data used for actuarial analysis and, at worst, continues today with racist practices whether intentional or unintentional that are unrelated to risk or cost of insurance. The protected class unfair discrimination in insurance regulation recognizes historic discrimination has long lasting
effects that disadvantage these groups. The shorter life expectancy of black Americans is not caused by their skin color, but by the historic and ongoing discrimination and housing, health care, policing and other parts of our lives. Mr. Birnbaum said this is why US federal civil rights and anti-discrimination laws discrimination on employment, credit, housing and insurance have always been understood to prohibit not just intentional discrimination, but practices, intentional or unintentional, that result in disparate outcomes. Federal laws and every court that has opined on the issue recognize both disparate treatment and disparate effect as unfair discrimination.

Mr. Birnbaum noted that systemic racism refers to policies, practices, or directives that result in advantages or disadvantages to individuals or communities based on race, including harm caused by infrastructures that determine access and quality of resources and services.

Mr. Birnbaum went on to identify three ways systemic racism can manifest in any aspect of the insurance lifecycle – whether for marketing, pricing or claims settlement. One would be disparate intent – intentional use of race. Mr. Birnbaum said for this presentation he will focus on two types of unintentional forms of racial bias: 1) proxy discrimination – a factor predicting race and not the intended outcome. Use of non-prohibited factor that, due in whole or in part to a significant correlation with a prohibited class characteristic, causes unnecessary, disproportionate outcomes on the basis of prohibited class membership. The result is unnecessary racial bias, because the predictive factor is not in fact predicting the outcome. For example, consider the use of criminal history information in Ferguson, MO. Using criminal history as a predictive variable would simply be a proxy for racist policing practices; and 2) disparate impact – disproportionate outcomes tied to historic discrimination embedded in insurance outcomes. Mr. Birnbaum said it is important to distinguish between proxy discrimination and disparate impact. With proxy discrimination, insurers have or should have interest in stopping this unnecessary discrimination.

Disparate impact, however, requires a policy decision based on equity considerations. Specifically, prohibiting the use of a particular data source or consumer characteristic that compromises the cost-based and risk-based foundation of insurance. We know that equity-based decisions have been made and that is why intentional use of race is prohibited. In the Big Data / AI era, it is essential for insurers to test their algorithms and for regulators to test actual consumer market outcomes for proxy discrimination and disparate impact. While there is an important distinction between disparate impact and proxy discrimination, there is a common methodology to test for both consistent with predictive analytic methods that insurers use.

Mr. Birnbaum said to explain how current analytic methods in insurance can be used to test for racial bias, he will explain the difference between analyzing one variable at a time and analyzing multiple variables simultaneously. He noted that in the past 30 years, insurers have moved away from univariate analysis to multivariate analysis – from analyzing the effects of one risk characteristic at time to simultaneous analysis of many risk characteristics.

What the problem with univariate analysis? If we analyze the relationship of age, gender and credit score – each individually – to the likelihood of a claim, the individual results for each risk characteristic are likely capturing some of the effects of the other risk characteristics – because age, gender and credit score (or other risk classifications) may be correlated to each other as well as to the outcome variable.

To address this problem, insurers have developed multivariate analysis techniques which simply means that several predictive factors are analyzed simultaneously. By analyzing these predictive variables simultaneously, the model removes the correlation among the predictive variables. If we were to add another predictive variable or a control factor – like geographic location – we would be able to identify whether age, gender or credit score were correlated with location and better identify the unique contributions of age, gender and credit score to predicting the outcome.

Mr. Birnbaum reviewed a number of slides showing disparate impact as both a standard and methodology. Using a multivariate model and race as a control variable, he noted the impact of race can been seen on both the outcome - is the algorithm itself racially biased - and the impact on the predicted variables themselves because adding race removes the correlation between race and the other predictive variables. Mr. Birnbaum noted this is one common method of testing for racial bias, but there are a variety of methods that generally seek to do the same thing; identify the correlations between predictive variables and race (or other protected class factors) and evaluate the impact of that correlation on the predictive capability of the model. After reviewing a number of examples, Mr. Birnbaum said the one key takeaway is that disparate impact analysis improves cost-based pricing and is entirely consistent with the cost base foundation of insurance.
Mr. Birnbaum said a regulatory regime requiring testing and related actions by insurers is a holistic approach to identifying and addressing systemic racism in insurance, and avoids historical debates over banning selected rating factors. By testing their algorithms, insurers test not just individual predictive variables, but the algorithm as whole. The holistic testing approach avoids three key issues with efforts to ban selected factors because those selected factors are considered proxies for race: 1) testing confirms and distinguishes between proxy discrimination and disparate impact; 2) avoids shifting proxy discrimination and disparate impact from a now-prohibited factor to a remaining permitted factor; and 3) identifies problematic factors previously unknown to the regulator and public.

Mr. Birnbaum next discussed insurer testing of algorithms / regulator testing of market outcomes and said the least insurers can do to address systemic racism in insurance is to test their practices for and seek to remove racial bias. Mr. Birnbaum noted that regulator testing of actual consumer market outcomes should accompany insurer testing of their algorithms. Regulators must collect and analyze granular consumer market outcome data for racial bias for several reasons: 1) algorithms don’t always work as intended. An insurer’s good intentions are not a guaranty of intended consumer market outcomes; 2) even if individual insurers’ algorithms work generally as expected, industry aggregate consumer outcomes may produce racial bias; 3) enables regulators to evaluate claim settlement, anti-fraud and marketing practices – parts of the insurance product cycle for which algorithms are not filed and reviewed by regulators; and 4) more efficient and effective use of regulatory resources compared to upfront review of insurers algorithms. The market outcome review represents an independent review of objective data. With today’s complex insurer algorithms, up front review relies on insurer representations.

Director Cameron said he understands Mr. Birnbaum is asking for the NAIC and insurers to do testing on algorithms if an insurer or their algorithm had data on race, ethnicity, sex or sexual orientation. He asked Mr. Birnbaum if he considers that to be discriminatory or some sort of proxy discrimination on its face.

Mr. Birnbaum responded, “no, of course not”, but you cannot measure racial bias without considering race. You have to include consideration of sensitive characteristics in order to evaluate whether the algorithm is biased towards those characteristics. Racial bias in lending has been tested for four decades by specifically including consideration of race in those tests. The fact that you collect data on race and use it for testing for racial bias does not mean you are required to use it in your algorithm that you actually deploy in the marketplace. Mr. Birnbaum said he pointed out in his comments the use of race is simply to make your algorithm more accurate and devoid of racial bias, not to use race in the marketplace.

Director Cameron followed up asking if an insurer did not have that data would not that lead you to believe that they were not using that sort of data for any sort of racial discrimination.

Mr. Birnbaum responded saying the theory behind that question is that if you do not consider race in your algorithm and then you can’t possibly be discriminating on the basis of race. Every data scientist knows that is not true and, the reason is, that because of systemic racism racial bias is baked into almost all of the data that are used. The other aspect is that there are many sources of data on race that insurers could use to append to their existing data sets in order to do the types of testing that I mentioned.

Mr. Birnbaum continued saying there is no reason to stop insurers from collecting data on race with clear consumer protections. The second is that even if they are not collecting data on race, which Mr. Birnbaum said he assumes they are not, there are tools and methods in which insurers can get information that serves as a proxy for race that they can append to their individual consumer transaction data in order to do the types of analysis. Mr. Birnbaum said this is not stuff that he is suggesting is new or novel, these are techniques that have been in place and used for decades.

Commissioner Mais asked the difference between what Mr. Birnbaum proposed and what the Federal Government requires mortgage bankers to do when collecting race information to the best of their ability and making decisions if that information is not provided, even though they cannot use it, but it has to be used in order to analyze whether or not there is discriminatory impact. Is there a difference between that and what you are suggesting?

Mr. Birnbaum replied lenders test for racial bias from the ground up because they know that federal laws prohibit discrimination on the basis of race. Mr. Birnbaum said he can point to text for developing lender models that show exactly the type of methodology he presented. The federal government says here are the laws and regulations about racial bias and we are also going to collect granular data. So the Home Mortgage Disclosure Act has been recorded for 40 years for all types of lending.
which not only gets information on loans that were given but on applications. To do that lenders ask the consumers if they are willing to identify their race and, if the consumers willing, they collect it.

Mr. Birnbaum said what he is sharing is a practice that has been in place for decades in the U.S., but is also the types of testing that is done in Europe now because gender is a prohibited factor in Europe in insurance.

Commissioner Conway noted Colorado passed a law in the last legislative session doing in part what Mr. Birnbaum was talking about asking the insurance companies to step up and test their algorithms for unfair proxy discrimination. We had lots of conversations about the data component and whether we were requiring insurance companies to collect data on race or other protected classes that they may not be otherwise collecting.

The companies and their trades tried to make the argument that because they may not have the data they could not test for it. Commissioner Conway said while that might be true with some protected class information, it is certainly not true with race.

Commissioner Conway said the point Mr. Birnbaum made the tools that are out there, they have been out there for a very long time and they are well known and have been tested. Commissioner Conway continued saying on that component he thinks regulators are in good stead to start doing that work and requiring the carriers to actually test their algorithms and test their machine learning systems to make sure they are not having unintended consequences.

Commissioner Conway said he wanted to extrapolate or compare and contrast Mr. Birnbaum’s presentation with Dr. Klein’s presentation. He said Dr. Klein made the argument that if you look at just pure income, there may not be an issue in play. Commissioner Conway pointed to Aaron Miller's comment in the chat, which he said is a very good one, that incomes may not be a good proxy for race at all. Commissioner Conway continued saying Mr. Birnbaum’s presentation makes it clear we are going to need to take a complete look at the algorithms and testing in order to really see if there is unfair discrimination and trying to do it just based on one simple proxy is probably not going to work. Commissioner Conway asked for Mr. Birnbaum’s thoughts on if we can actually test for proxy discrimination by looking at just one simple factor like income.

Mr. Birnbaum responded, no and said it can’t be done using the methodology that the Dr. Klein used in this report on behalf of NAMIC. While Dr. Klein’s report is interesting, it does not really have any relevance for work of this committee because NAMIC and Dr. Klein simply assume structural racism has no impact on insurance and that race has no impact, intentional or unintentional, on insurance outcomes. The logical extension of the conclusions in Dr. Klein’s report is that insurers should be permitted to use race because it could be predictive of insurance claims and stopping insurers from using any predictive characteristic will destroy risk-based pricing.

Dr. Klein responded that he made it clear what his study indicated and what it did not show. He said he fully indicated the limitations of the study. The study by itself should not be interpreted as a finding that insurers do not engage in unfair discrimination or that everything is fine. I worked with the data I had. It was very limited and at a very high level.

The best studies have been done by me and others were 20 years ago, which used much more granular data, much more rigorous analysis and even those studies were subject to limitations. Dr. Klein said he does not agree that his report or presentation shows or proves that insurers practices are perfectly fine or there are not problems with availability/affordability for minority consumers.

c. **ACLI**

Bruce Ferguson (American Council of Life Insurers—ACLI) commented on ACLI’s economic empowerment and racial equity initiative and the commitment of its board of directors to make DE&I, financial security, and investing in improving the upward mobility of underserved communities a long standing priority for ACLI.

He noted the Special (EX) Committee put in motion a very significant effort on the part of the NAIC. ACLI’s board approved economic empowerment and racial equity initiatives align between what ACLI is working on and the NAIC workstreams.

Mr. Ferguson noted three things that are ACLI’s priorities: 1) corporate governance and diversity; 2) financial inclusion, which also includes algorithmic accountability and the barriers to licensure and employment in the insurance industry; and 3) racial
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equity impact investment, which is something that you're seeing more where the industry is looking at ways to aggregate to move the needle further and faster.

Mr. Ferguson also reported that ACLI board members have all signed the CEO action pledge. It is something that brings to the forefront ways in which corporate diversity happens in the corporate level. One of the key elements of that CEO action pledge is finding a way for the CEO leadership to report to the corporate board of directors a diversity plan. About two-thirds of the NAIC Commissioners have adopted the NAIC Corporate Governance Annual Disclosure Model Regulation and in it requires the CEO to report the corporate diversity applied to its board of directors. That confidential information allows all of state insurance regulators to ask the progress that is being made by the corporation with respect to diversity within the corporation. That shows you the fact that individual companies have various members of which they're located, where they're located, all those various factors that help determine whether there's progress on the part of the corporation and that's good with respect to underserved.

The next issue is financial inclusion. We have talked about life insurers’ commitment to digital financial inclusion that provides a gateway for all companies to be able to protect their family's financial future no matter their gender, race or economic status.

Thank you, Commissioner Godfread, for the work that you've done to advance artificial intelligence principles that were adopted last summer. The ACLI supported and adopted a roadmap for taking advantage of new and innovative ways to reach a broader segment and close the racial wealth gap in particular, the racial wealth gap within our industry.

Mr. Ferguson noted that regarding the discussion of what an overall framework should look like, the ACLI had a cadre of member company data scientists, actuaries, lawyers and a lot of groups spending daily, if not weekly, for the past year looking at recommendations that we might be able to make as to how we test algorithmic data to implement measures avoiding unintentional racial bias. Not every company is the same and we've adopted and have some initial ideas about how we might share that with regulators going forward.

I listened to Mr. Birnbaum and I talked with him in the past about some of their ideas about correlation versus causation. None of that is easy to figure out it and all certainly depends on what this group will be looking at going forward.

Thank you, Commissioner Mais for your work at how you address the issue going forward it's looking at what companies are doing now, so that you can base further discussion on what additional action might be needed, so thank you for that.

Commissioner Conway for your work over the past few months on legislative session we appreciate all that.

Mr. Ferguson noted the effort underway on racial equity impact investments what individual companies are doing and aggregating the additional power that we might bring to the table to show what industry can be doing and capable of doing regarding racial impact investing.

d. Root Insurance

Alex Timm (Root Insurance) stated that insurance has never really been about data sets and it has always been about people and the obligation we owe to each other. It is recognition that at some point we all fall down and need help picking ourselves up. At a basic level, fair insurance underwrites a fair society. I imagine that is why many of us are passionate about this industry today.

Mr. Timm noted if success is measured by the distance between ideals and reality, unfortunately, we have a very big problem. Years in the industry has made it very clear to him that fairness is not always considered a virtue. Fairness and profitability are often seen as mutually exclusive, at best, and irreconcilable at worst. It does not have to be that way. He started Root six years ago based on the idea that insurance can be fairer. Our goal is to make insurance fair and more equitable by harnessing modern technology and data science enabling providers to offer personalized policies. To accomplish this we need to transition away from premium price based on demographics.
Leading among these unfair demographic based systems is credit-based scoring in auto insurance. As you know, credit-based scoring is currently used by every major auto insurer in the country as the main factor to price policies. Under the system those with lower credit scores are often forced to pay more, even if they are the safest drivers on the road.

More than anything else credit scores entrench bias into pricing and its effects are not felt equally. For those who are not wealthy or have a thin file, the system means paying more because of who they are rather than how they drive, which is a very controllable factor. An unfair system becomes more unfair when race becomes a factor. According to the urban institute, 50% of white households have FICO credit scores above 700, while only 21% of black households do. I do not know how you can have a system with those kinds of basic facts that does not in some way perpetuate racial injustice.

Those who did not happen to grow up in the right place or those who are young and do not have a credit history are negatively impacted by the use of credit score in insurance pricing.

As an entrepreneur, I clearly believe America can still offer the reality that people can build the dream and build their life but it is hard to do that when there are limits to the possibilities of that dream, limits that are well outside of an individual's control and certainly credits for files in this factor.

Pedro Montenegro has a phenomenal driving record. He's never been in a car accident, nor has he been issued a ticket for a moving violation. He also never in his adult life qualified for affordable car insurance. He's a 30 year old Guatemalan American living in Washington, DC and he's suffered at the hands of the credit system. He’s saddled with student loans and he had some irresponsible spending in his younger years so his credit score is in the low five hundreds. His auto insurance premiums and the quotes he is eligible for are $350 a month, and this is for a government mandated purchase product. The only ticket he has ever had was for a broken taillight. His rates shouldn’t be that high.

The difference between cause in correlation is everything and the truth is that credit is a proxy for race and income, not risk. I will add this was supported by the evidence from Dr. Klein’s study that showed loss ratios essentially being flat by income group, which effectively means we are using income to price.

We need to build a better system of auto insurance and we need to do it now, but it won't happen on its own. The good news viable alternatives are already readily available to us. At Root we have seen what this can look like. We've never used occupation and we've never used education level at determining rates. When drivers have control of what impacts their premium that's when insurance becomes fair.

We do this by measuring real driving behavior through telematics. Based on this data we calculate a rate that more accurately reflects how someone drives rather than how likely they are to file a claim.

I completely reject the notion that reform is a zero sum game and we're proof that you can run a business and combat inequality. By making risk assessment fairer, we can make car insurance more accessible and encourage the nearly 13% of uninsured U.S. motorists to enter the market creating benefits for drivers and auto insurance alike. I’m here, because I know we can create a more fair world; one where insurance protects and supports not burdens and suppresses.

I’ve worked in the industry and seen firsthand how comfortable many of the players are with how things currently work even as they know that there is better and more fair way.

The future of our industry is in our hands. I want to see a world where we don't use demographic factors that are beyond a driver’s control to set their car insurance rate, but where drivers are priced individually on their behavior and risk not as part of a group because of where they work or their education level.

The work this Special (EX) Committee is doing to investigate the source of bias in insurance is essential and I support what you are doing. I urge you, please do not be okay with the way things are. Focus on the way things should be. My hope for this committee is that your research and your tough conversations will result in the creation of a model law that can guide commissioners and legislators to bridge the gap between today's unfair reality and the more fair ideal that we are so close to.
Draft for Adoption

By opening a dedicated investigation into the role that credit-based scoring plays and perpetuating inequality, the NAIC can further its goals of creating “fair competitive in healthy insurance markets to protect consumers.” Let's take this opportunity to do things the right way and let's drop the credit score.

Commissioner Donelon asked one question relative to adverse selection. In Louisiana about five or six years ago, an insurer failed in large part because they failed to use credit and the rest of the industry was using it. How has Root addressed that problem relative to competition with the rest of the national carriers?

Mr. Timm stated there are multiple states in the country where insurers are profitably writing today where credit score is not allowed. So when the regulator's move, I think we have lots of examples of companies that can certainly become profitable and make it work. The second is using modern techniques like driving behavior and really measuring the causal effects of why someone gets into an accident, we've proven now through our data and we've had it validated by Milliman, which is now in the public light, that it is far more predictive than really any of those other variables. We believe that through the advent of machine learning and technology, we can actually build a system that puts control back into the consumers hands, rewards them for doing the right things, and by doing so, actually not have the level of adverse selection that you are referring to. But most importantly, we believe that it's most important for regulators to act to entirely eliminate it in markets, which has been done, and in those markets, there are profitable, healthy and competitive insurance environments.

Commissioner Donelon said Louisiana has been debating this issue back to his time in the 90s, as chair of the House Insurance Committee and his understanding is only five States now - California, Colorado, Maryland, Massachusetts, and Washington - ban the use of credit and two of those are just recently added to the original three so it's still quite uncommon and in my state, as I mentioned earlier, we have seen the result of adverse selection on a local company that have a good business along the lines of what your company does.

e. APCIA

Phillip L. Carson (American Property Casualty Insurance Association—APCIA) commented that it is important to get more involved with this Special (EX) Committee's work as it moves forward on its financial charges.

The Special (EX) Committee’s work is tremendously important and I would like to think that industry and state insurance regulators can work together to find policy options that improve diversity and inclusion within the insurance industry while also addressing, to the extent we can, some of the most intransigent problems that continue to disadvantaged minority communities. As a core foundation, as you know, insurance is built on risk-based pricing, meaning that insurance is priced according to the risk of loss based on past loss experience and other objective factors of loss potential. The risk-based pricing framework also encourages risk mitigation and safety, which in turn can lower the cost of insurance.

Risk-based pricing is just the beginning of a conversation. We at APCIA have been listening closely to the Special (EX) Committee and we are not tone deaf to your concerns about addressing the disproportionate impact of the cost of insurance, specifically auto and homeowners insurance.. Mr. Carson said to state for the record, APCIA is committed to working with this Special (EX) Committee on next steps. APCIA is committed to expanding availability and affordability of insurance for treating all consumers fairly.

APCIA is also committed to maintaining a healthy and competitive insurance market and APCIA Members are committed to always being there for all policyholders when worst events happen.

APCIA and its members have been working on analyzing and understanding various concerns such as affordability, explain ability, and fairness as well as issues associated with intentional or unintentional discrimination.

For the rest, of my comments I will summarize the internal discussion that we have been having on framing these concerns and identifying potential solutions to those concerns.

Let's start with intentional discrimination. This area of concern ought not to be an industry problem. Offering insurance with the intent to discriminate against protected class is illegal.
Proxy discrimination is another form of intentional discrimination and therefore also requires more scrutiny. Evidence of intentional discrimination is more appropriately addressed to the regulatory apparatus. Understanding and addressing unintentional discrimination however is more problematic. Identifying intentional discrimination requires a deeper loss analysis. There have been studies, including some done by the NAIC, that found that loss ratios for various income groups and groups living in primarily minority areas are not on average significantly lower than other groups.

However, if a protected class does appear to be charged a rate disproportionately higher than expected cost for other groups, then unintentional discrimination may be present. Further analysis would be warranted about the causes and impacts that create that disconnect so that appropriate remedies can be provided.

With respect to concerns about affordability, APCIA have been discussing alternatives to reduce the cost burden placed on a low-income communities. These alternatives could include low-cost auto programs, potential subsidies, and initiatives to improve inadequate infrastructure investments that creates adverse cost drivers. Regarding explainability, we know that the mechanics of insurance rating and underwriting are complex, so the challenge for industry and policymakers is to create plain language mechanisms to help consumers better understand the use of risk factors. People sometimes ask why auto insurers use non-driving rating factors. Auto insurance is not only about an individual’s driving efficiency, it involves factors such as bad weather conditions, bad roads or poor maintenance of a car and, therefore, all those types of factors should be considered in the writing process.

As an industry, we may need to do a better job of explaining rating factors to consumers, so they can make more informed choices about their insurance needs and about which insurers best meet those needs.

The issue of fairness is often raised, but it's rarely well-defined. For regulatory purposes unfair discrimination means charging different rates for the same risk. Some outcomes may still appear to be unjust or may appear to contribute or perpetuate historic social inequities. Addressing that current disparity will be difficult. Nevertheless, we hope policymakers and industry participants can agree on specific outcomes for achieving fairness. Getting to fairness would necessarily involve uncomfortable conversations as they must deal with sensitive issue about race, ethnicity, life experiences and wealth or, more appropriately, a lack of wealth.

If the underlying concern of this Special (EX) Committee is that certain insurance risk factors are inaccurate, then we need to work together to find other inputs with less adverse effects. If the risk factors are accurate, but we don't like the inequitable outcome it may be necessary to work outside of risk-based pricing to reduce unfair cost drivers. Coming out with fairness solutions will be an incredibly complex undertaking and that means we must be willing to have the difficult conversation about prioritizing what needs to be changed.

In closing, Mr. Carson provided a quick summary of some issues that APCIA and its members have been discussing and will continue to discuss. APCIA will continue our evaluation of our concerns with our board working group on social equity and inclusion. In the meantime, we welcome constructive suggestions from the regulatory community. The insurance industry cannot solve all our problems by itself and we do know that we must be part of this solution. We want to collaborate with regulators and the rest of the industry to address unintentional discrimination and develop potential solutions.

APCIA believes it's possible to develop policy options that address unintentional disparities without compromising the risk-based foundation of our business.

I’ll continue to be involved in the work of the Special (EX) Committee on Race and Insurance, and I hope you will feel free to reach out to me and APCIA with your concerns, questions and suggestions.

Having no further business, the Special (EX) Committee on Race and Insurance adjourned.
Protecting Consumers from Unfair Discrimination

Goal of SB21-169

Protect Colorado consumers from insurance practices that result in unfair discrimination on the basis of race, color, national or ethnic origin, religion, sex, sexual orientation, disability, gender identity, or gender expression.
Regulators and the industry have a duty to ensure big data is used responsibly

- The rapid expansion of big data has transformed insurance practices
- We want to encourage the efficiencies that can be achieved from the use of big data while ensuring consumers are not harmed
- SB21-169 requires insurers to stress test their big data systems and take corrective action to address consumer harms identified

Unfair Discrimination in Insurance

Auto Insurance
A study found that a 26 year old Chicagoan living in an underserved neighborhood with vacant lots and a high crime rate paid four times as much for auto insurance as a 34 year old advertising executive living in a white neighborhood in Chicago, even when both drivers had similar safety records.

Life Insurance
A study found there is evidence of a sizable life insurance coverage gap between Black and white Americans. Black respondents reported having life insurance equal to about a year’s income, compared with almost three years’ worth for white respondents.

Homeowners Insurance
A study found that controlling for an earthquake event, distance to epicenter, policy-level differences, and other zip-code level differences, insurers are less likely to pay claims from zip-codes with higher percentages of Black population.
Unfair Discrimination in Algorithms

Health Care
An investigation into an algorithm used by a carrier found that it prioritized care for healthier white patients over sicker black patients. The algorithm did not include race as a metric, but white patients with fewer chronic diseases and healthier vital signs were ranked the same as sicker black patients.

Facial Recognition
Researchers studied three facial-analysis systems and found bias against women and people of color. The error rate for determining the gender of light skinned men was about 0.8 percent. For darker skinned women, the error rate was around 20-30 percent.

Protecting Consumers from Unfair Discrimination

How is unfair discrimination treated in the law?

- At its core - a simple correlation to risk will not be sufficient if the underlying insurance practice also correlates to a protected class and negatively impacts that class
- The stakeholder process and the Division’s implementing regulations will ultimately describe the balancing test insurers will have to perform
What lines of insurance are subject to SB21-169?

- The law applies broadly to insurers using external consumer data and information sources, algorithms, and predictive models including:
  - Life
  - Health
  - Property & casualty
- The law specifically excludes:
  - Title insurance
  - Bonds executed by qualified surety companies
  - Commercial insurance policies (EXCEPTION: applies to insurers issuing business owners’ or commercial general liability policies with annual premiums of $10,000 or less)

What insurance practices are subject to SB21-169?

- Marketing
- Underwriting
- Pricing
- Utilization management
- Reimbursement methodologies
- Claims management
Regulations adopted by the Division must require insurers to:

- Provide information on the external consumer data and information source used in developing and implementing their algorithms and models
- Explain how the insurer uses external consumer data and information
- Establish and maintain a risk management framework or similar process to determine whether their big data systems result in unfair discrimination, and attest to its implementation
- Provide an assessment of the results of the risk management framework or similar process

Regulations adopted by the Division must also include provisions to:

- Establish a reasonable time frame for insurers to remedy any unfairly discriminatory impact
- Allow insurers to use external data sources and algorithms or predictive models using data sources that have been previously assessed and found not to be unfairly discriminatory
What are the next steps for SB21-169?

- Stakeholder meetings by line of insurance and insurance practice to begin mid-January 2022
- Any rules developed through this process will not be effective until January 1, 2023, at the earliest
- Check the Division’s SB21-169 website for updates
  - SB21-169 - Protecting Consumers from Unfair Discrimination in Insurance Practices
An analysis of property casualty insurers' commitment to diversity, equity, and inclusion in the workforce, on boards, and in supply chains
# 2021 Diversity, Equity, and Inclusion P&C Industry Catalog

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Background

The inaugural APCIA Diversity, Equity, and Inclusion (DEI) Catalog is a significant first step for the Association and its member companies and is a meaningful contribution to the insurance industry’s efforts to achieve diversity, equity, and inclusion. The Catalog provides a panoramic view of how leading property and casualty insurers are addressing these complex, multivariate issues. Using broad definitions of diversity to include race, ethnicity, gender, and other aspects, the Catalog has a wealth of information on current trends and patterns that can ultimately become the basis for the future discussions, programs, and innovations.

The Catalog findings reveal that several companies already have established, intentional investments in DEI, evidenced by >80% positive responses on “Creating more inclusive workplace policies” and high percentages on “Educating managers on the benefits of DEI in the workplace”. The findings also show areas for continued improvement in implementation of DEI practices is needed, for example, in addressing long standing challenges such as hiring and retaining employees from underrepresented groups or identifying and developing minority executives. Thus, the Catalog will enable the Association to raise awareness for sound DEI practices, offer guidance on how member companies can operationalize their goals, and ultimately further embed those practices into their corporate cultures.

Future versions can expand upon this initial information base, allowing for comparison and contrast on member companies’ progress, and paving the way for continuous improvement and potential breakthroughs.

GOALS OF THE DEI CATALOG

The goals of the Catalog were as follows:

• To establish DEI investment and commitment among APCIA’s membership
• To understand the depth of DEI practices among APCIA member companies
• To provide guidance and insights to members as a trusted industry repository of information
• To inform APCIA’s advocacy and reputational positioning on DEI issues at local, regional, and national levels

CATALOG STRUCTURE AND CONTENT

The Catalog captured anonymized foundational information through a set of questions that focused on the following broad categories:

• CEO and Board commitment to DEI in strategic planning
• CEO/C-Suite/Senior Management investment in workforce programming
• Company policy adoption e.g., hiring, supplier diversity, and product marketing for diverse communities
• Chief Diversity Officer, or designated internal role(s) responsible for DEI implementation
• Training/Professional development on DEI
• Recruitment (workforce and board) practices for individuals from underrepresented groups
• Retention (workforce and board) experience for individuals from underrepresented groups. Emphasis on senior level roles.
• Impact of virtual workplaces on DEI implementation
• Investments in community and economic empowerment programs.

We did not collect company-specific demographical information, and the Catalog does not disclose individual company results, or assess the effectiveness or efficacy of current DEI practices.

TARGET AUDIENCE

Our primary audience for data collection was Human Resources executives representing APCIA member companies. APCIA engaged company D&I officers) to oversee the drafting of the questions.

RESEARCH TEAM

Aon Ward Group – Census development, distribution, collection, analysis, reporting, presentation
PlūsUltré LLC and Dr. Leroy Nunery – Advisory services, narrative, reporting, presentation
Insights

The Catalog insights presented in this Executive Summary have been organized by question, with short narratives that expound on each question or group of related questions. The attached Appendix includes the actual results from catalog questions, grouped by broad themes to facilitate understanding of the trends and patterns of participant responses. We received 52 company responses to the Catalog, and results are broken down by company size, based on 2019 average direct premiums written as small, mid-sized, or large.

Participant Profile

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Overall</th>
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<th>Mid-Size</th>
<th>Large</th>
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<tbody>
<tr>
<td>Number of Companies</td>
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<table>
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<tr>
<th>Financial Profile</th>
<th>Overall</th>
<th>Small</th>
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<tr>
<td>1. 2019 Average Direct Premiums Written (000s)</td>
<td>$3,743,210</td>
<td>$237,129</td>
<td>$893,588</td>
<td>$7,450,704</td>
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<tr>
<td>2. 2019 Average Personal Direct Premiums Written (000s)</td>
<td>$2,107,970</td>
<td>$40,091</td>
<td>$335,073</td>
<td>$4,348,424</td>
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<tr>
<td>3. 2019 Average Commercial Direct Premiums Written (000s)</td>
<td>$1,635,240</td>
<td>$197,038</td>
<td>$558,516</td>
<td>$3,102,281</td>
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Adoption and Implementation of DEI Practices

Q2: Has diversity, equity, and inclusion been adopted as a core value/belief for your company and has it been incorporated into your strategic goals?

Q3: How deeply is diversity, equity, and inclusion embedded into your company’s culture and business/talent practices?

Diversity, Equity, and Inclusion (DEI) Adoption

- Large companies were more likely to have adopted DEI as a core value/belief of the organization, with 92% of companies adopting this practice.
How DEI is Embedded into Business/Talent Practices & Company Culture

- The majority of companies (88%) have DEI embedded into the business/talent practices and company culture.

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<th>Performance Metric</th>
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<tr>
<td>6. DEI Embedded into All Business &amp; Talent Practices</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
<td>4%</td>
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<tr>
<td>7. DEI Embedded into Most Business &amp; Talent Practices</td>
<td>20%</td>
<td>7%</td>
<td>21%</td>
<td>26%</td>
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<tr>
<td>8. DEI Embedded into Some Business &amp; Talent Practices</td>
<td>63%</td>
<td>79%</td>
<td>57%</td>
<td>57%</td>
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<tr>
<td>9. DEI Not Embedded into Business &amp; Talent Practices</td>
<td>12%</td>
<td>7%</td>
<td>14%</td>
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Question 2 examines whether DEI is a leadership priority and demonstrates the depth and breadth of its adoption and translation into actionable and measurable objectives at operational levels. Overall, Catalog respondents reported a high rate of adoption of DEI as a core value and belief (72%), and 62% took the next step of incorporating DEI into their strategic goals. There is a propensity for large companies (92%) to have adopted DEI, mostly likely because of the breadth and distribution of their businesses, and the implementation of best practices (as described in subsequent sections), such as inclusive workplace policies, educating managers on DEI, and pay equity analysis. Smaller companies (54%) had lower rates of adoption of DEI in their core values and strategic goals, most likely because of geography/markets served, the composition of ownership and stakeholders, and limitations to their access to sources of diverse talent.

Embedding DEI practices (Q3) in a company’s culture takes time and commitment. The overall rate of 6% for “All Business and Talent Practices” and the responses across categories of size, business lines, or geography indicates that there are substantial opportunities for progress.

Q5: Is DEI a component of your performance objectives for the following positions?
Q6: Are DEI objectives tied to compensation for the following positions?
While 62% of companies responded that DEI has been incorporated into strategic goals, 27% have tied DEI into Executive or Manager performance objectives and 15% have tied DEI objectives to compensation.

Similar to the individual performance objectives, 73% of companies did not have DEI metrics included as part of organizational key performance indicators (KPIs).

Significantly, DEI is not broadly tied to either performance objectives (73%) or compensation (85%) for either the executive or managerial levels. This outcome suggests that while DEI may be widely embraced at the corporate level, individual accountability for concrete, measurable implementation is an area of opportunity for companies moving forward. Taken together, responses to Q5 and Q6 indicate that companies can significantly deepen and broaden the adoption of DEI by increasing levels of accountability, particularly at middle and senior levels.
Impact of Employee Voice on DEI Initiatives

Q7: Does your company conduct annual/biannual employee surveys to obtain feedback and broad perspective on company culture?

Q8: If your company conducts annual/biannual employee surveys, what has your company done to address feedback from employees to improve DEI internally?

There was an overwhelmingly positive response to Question 7. Ninety two percent (92%) of the companies that have adopted DEI as a core value (Q2) responded that they deployed culture surveys, and 94% of the respondents which have incorporated DEI into their strategic goals also used company culture surveys. It appears that companies that have advanced DEI programs are more likely to use employee input to activate and sustain their initiatives.

Of the actions listed for consideration in Q8, “Creating more inclusive workplace policies” was the highest ranked action and “Educating managers on the benefits of DEI in the workplace” was the second-most mentioned response. These results indicate that companies have striven to normalize and codify DEI as part of their comprehensive approach to managing human resources, at least at the policy formation level. The results reveal that several companies have used culture surveys to respond to either internal or external concerns, ranging from how they are building multi-generational workforces to how they consider religious practices.

Employee-led task forces are popular vehicles for translating climate surveys into action: 67% of companies adopting DEI as a core value hosted these task forces, as did 75% of those incorporating DEI into strategic goals. These task forces (or Employee Resource Groups, etc.) may prove to be valuable ways to advance DEI agendas, allowing for greater allyship and affinities, and bestowing greater ownership for DEI at the employee level.

Overall, 47% of the respondents noted that they “Segment employee engagement surveys by minority groups”. Fifty five percent (55%) of companies adopting DEI as a core value, and 61% of those incorporating DEI into strategic goals, used that survey segmentation to decipher responses. The mixed result may be due to low proportions of minority employees at the respective companies or because companies have not yet determined if segmentation will deepen their understanding of underlying issues.
Findings from climate surveys can be more widely utilized to create actionable programs, identify “pain points”, or instruct managers and staff on how to operationalize DEI. For example, although companies reported that “Education of managers on the benefits of DEI in the workplace (Q8)” was highly rated, it is unclear how DEI policies extended to, or are reinforced in, specific managerial practices, as noted above in the narrative for manager or executive performance objectives (Q5) or compensation (Q6). These anomalies reveal substantial opportunities to accelerate the adoption and implementation of DEI by embedding the policies into individual accountabilities. Additionally, actions derived from culture survey findings such as “Promoting a multilingual workforce” may be more widely adopted as workforce demographics change over time, particularly in certain geographic areas.

**DEI Training and Professional Development**

Q9: Does your company require DEI training for hiring managers?
Q10: Is DEI training incorporated as part of your onboarding process?

**Recruiting Challenges & Hiring Practices**

- 33% of companies responded that recruiting diverse talent was difficult for the general workforce, but it was less difficult for executive leadership and directors.
- Geography was the most common response for challenges to recruit talent. Among “Other” responses, common issues included:
  - Lack of diverse leadership
  - Inadequate local talent pool from which to recruit
  - Competition for talent

<table>
<thead>
<tr>
<th>Business Practices Adopted to Hiring Practices</th>
<th>% employing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established Recruitment Goals to Engage &amp; Hire Diverse Talent</td>
<td>69%</td>
</tr>
<tr>
<td>Established Procedures to Prevent Unconscious Bias in Hiring</td>
<td>62%</td>
</tr>
<tr>
<td>DEI Training Incorporated into Onboarding Process</td>
<td>48%</td>
</tr>
<tr>
<td>DEI Training Required for Hiring Managers</td>
<td>38%</td>
</tr>
<tr>
<td>Leadership Development Program for Underrepresented Groups</td>
<td>18%</td>
</tr>
</tbody>
</table>
Overall for Q9, 38% of the respondents stated that they require DEI training for hiring managers. Companies that have adopted DEI as a core value (42%) and those that have incorporated DEI into strategic goals (45%) reported a greater likelihood to make training a requirement. These results may reflect how companies perceive DEI as philosophical, or even compliance-driven, initiatives but are not directly tied to managerial performance. Looking at the results for Q10, it appears that DEI is incorporated into onboarding in greater frequency than required as training (48% overall for Q10 vs. 38% for Q9). This difference points to DEI’s importance as part of a company’s “vocabulary” for new employees, in line with introductions to its Codes of Conduct and other requisite norms.

These results also suggest that while DEI is perceived as an important aspect at an employee’s point of entry, DEI best practices are not as highly emphasized in management development programs and policies. Thus, managers may not be formally exposed to how they can incorporate those practices into their hiring processes, and more work can be done to embed DEI in how managers train and develop their teams.

Q11: Does your company have Employee Resource Groups or other similar formats that provide employees with ongoing opportunities to meet and discuss pertinent issues?

Employee Resource Groups (ERG’s) or other employee affinity groups have broader adoption in larger company settings, because of the employee population sizes. Fifty-six (56%) of the companies that adopted DEI as a core value and 55% of those that have incorporated DEI in their strategic goals have ERG’s. Smaller insurers reported lower presences of ERG’s (only 21%), which may indicate that at smaller companies, employees have greater access to leadership/ownership and less need for aggregations based on race, gender, ethnicity, etc.

**Company Support and Sponsorship of External DEI Initiatives**

Q12: Does your company sponsor or support organizations that promote diversity, such as National African American Insurance Association, Latin American Insurance Agents Association, etc.?

Q13: Does your company have external programs that demonstrate a commitment to supporting diverse communities and economic empowerment for diverse groups?

Q14: If yes, please describe.

Q15: What percentage of your annual giving budget is devoted to organizations who are focused on DEI? (between 0 and 100).

This question received strong positive responses: Overall, 60% of the respondents reported support of such trade groups, and 75% of those who adopted DEI as a core value and 71% of those incorporating DEI as a strategic goal were supportive. As expected, the missions of DEI-centric trade groups align well with corporate support, as exemplified by their missions: NAAIA was “organized to create a network among people of color and others employed in or affiliated with the insurance industry and is engaged in the sharing of information for personal growth and professional development,” and LAAIA “works to ensure a healthy insurance environment by providing continuing education, legislative advocacy, representation on national advisory councils, monthly networking events, community outreach and the largest annual insurance convention and trade fair in South Florida.” It appears that these groups have more traction with larger companies (83%), probably a reflection of their visibility and access to company decision-makers. The comparatively lower rates of support from smaller insurers (29%) are most likely due to lower exposure to those organizations, fewer/
nonexistent chapter membership in the geographic vicinity of the smaller insurers, etc. The responses to these questions may offer an opportunity for those organizations to reach out to the leadership of non-sponsoring companies to increase awareness and become de facto extensions of the companies DEI efforts.

Responses to Question 13 were varied and demonstrated how several companies have committed to supporting the missions and goals of those organizations, at the local, regional, or national levels. While only forty-six percent (46%) of carriers have those connections to external programs, there was greater evidence of commitment for companies that adopted DEI as core values or that have incorporated as strategic goals (58% for both categories). Based on these results, it appears that carriers can further their DEI initiatives by identifying, selecting, and funding organizations where employees can volunteer, become active members, or through which the carriers can deepen their commitments.

The detailed responses to Q14 show that companies are engaged through community-facing programs that reveal the complexities and variations of culture, language, economic development, etc. There is strong evidence of responding to the needs of under-represented communities, captured by comments such as:

- “Acute awareness that communities of color are adversely impacted institutional and systemic racism.”
- “Partnering with local community college and high schools to help fund scholarships for underserved populations for dual credit courses.”

A number of companies encourage employee engagement with local community-based organizations and regional branches of national organizations, such as the United Way and National Urban League, with avowed missions to uplift their communities. Corporate giving programs (such as grants aimed at diverse communities), matching gift programs, and volunteering (i.e., “active employee participation”) were also noted as evidence of how carriers encourage employee engagements in their communities. There were several educational linkages noted, such as high school and university internships.

Other notable actions include CEO’s signing onto significantly visible programs, such as “CEO Action for D&I”, and sponsoring leadership developing programs for women and minorities.

**Measurement of DEI Initiatives**

- **Q16**: Are DEI metrics included as part of your Key Performance Indicators (KPI)?
- **Q17**: Does your company perform a pay equity analysis?
- **Q18**: If you answered yes to question 17, is the analysis conducted internally or by a third party?

A majority (65%) of respondents undertook pay equity analyses, across all sectors and sizes of companies, and through internal or third-party studies. Compensation gaps are widely acknowledged as fundamental indicators of inequity, particularly for minorities and women as compared to majority males. It is unclear how the companies are using the analyses to rectify pay imbalances, or more importantly, to effectively establish more transparent, systemically fair, compensation programs.

Only 26% of all respondents have included DEI metrics in their KPIs, and similarly, KPI metrics were present only at 35% of companies which adopted DEI as a core value and 37% of companies which have DEI in their strategic goals. It is not clear how the absence of quantifiable metrics affects how companies effectively gauge progress on their initiatives, or whether or not there are ramifications if expectations are not met.
Roles and Responsibilities for DEI Leaders

**Q19:** Do you have a chief diversity officer whose primary job function is responsibility for DEI implementation?

**Q20:** If you answered yes to question 19, who does the chief diversity officer report to? CEO, CHRO, Other?

**Q21:** If you do not have a chief diversity officer, do you have another designated internal role at another level whose primary job function is DEI implementation?

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Adopted DEI as Core Value</th>
<th>Incorporated DEI into Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Have Chief Diversity Officer Position</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>2. If No CDO, Have Role Responsible for DEI Implementation</td>
<td>64%</td>
<td>70%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Reporting Relationship for Chief Diversity Officer</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3. CEO</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>4. CHRO</td>
<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>5. Other</td>
<td>57%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Chief Diversity Officer**

Have Chief Diversity Officer Position

- Large companies were more likely to Chief Diversity Officer.
- For companies with a Chief Diversity Officer, 13% reported to the Chief Executive Officer. 25% reported to the Chief Human Resources Officer, and 62% reported to other positions.

Questions 19 and 20 reveal a relatively low presence of Chief Diversity Officers (CDO), even for those carriers that have adopted DEI as a core value (only 19%) or for those which have DEI in their strategic goals (only 26%). However, on a positive note, for those companies without formal CDOs, 49% of all carriers acknowledged that there was a designated person with responsibility for DEI implementation. We did not inquire about the individual’s position, function, or level of responsibility and it is unclear about how much authority non-CDO’s have for implementation, or where DEI responsibility is embedded (e.g., Human Resources).
In addition to the lack of CDO presence, CDOs most often did not report to CEOs or even Chief Human Resources Officers, but rather to another individual (63%). These responses suggest that the CDO may be reporting into a lower visibility role, or that CDO roles are not well articulated. A September 2020 Harvard Business Review article by Mita Mallick entitled, “Do You Know Why Your Company Needs a Chief Diversity Officer?” suggests that “The CDO should report directly to the CEO or to the head of HR with a dotted line to the CEO. Either way, a close partnership with HR, legal, and corporate communications, with full access to and support from the entire C-Suite, will be critical. Your new hire must have a seat at the senior leadership table if you want to see meaningful change.” It is conceivable that DEI adoption would be advanced if roles and responsibilities for DEI were clarified and defined.

### Recruitment and Retention Policies and Practices

- **Q22:** Does your company have a program aimed at retaining and developing diverse talent, as it pertains to race, gender, sexual orientation, gender identification, disability, or veteran status into executive leadership roles?

- **Q32:** What is your biggest challenge as it pertains to recruiting diverse talent? (Company’s geography, Lack of resources for recruitment team, Lack of internal diversity and inclusion programs to attract diverse talent, Other)

- **Q33:** Has your company actively established procedures to prevent unconscious bias in hiring and recruitment?

The questions in this section are interrelated, as they pertain not only to how talent is recruited into respective companies, but also how the organizations attempt to groom and develop those individuals. As noted in multiple studies on DEI practices, retention of talent — i.e., eliminating or mitigating attrition — is one of the most challenging aspects confronting employers. Without access to opportunities, viable networks, exposure, or mentoring and sponsorship, the likelihood of attracting and retaining diverse talent drops precipitously.

The combined responses to Q22 (Presence of specific retention and development programs to increase diverse talent into executive levels) and Q25 (Requiring diverse candidates for leadership positions), revealed relatively low overall outcomes (26% and 35%, respectively). These results speak to the intentionality and focus of recruitment efforts, i.e., how companies gain access to, and present opportunities to, seasoned individuals who can immediately contribute. The findings indicate that combining recruitment of early stage/junior level talent and developing seasoned talent (e.g., mentoring programs and sponsorship of high potential/high performing executives) would be the most efficacious ways to respond to the needs.

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Q23: If you answered yes to question 22, please describe the progress made in increasing the diversity in your executive leadership.

In response to Q23, there were concrete examples offered that highlight purpose and intentionality:

• "Inclusion Cohort program to help retain and up-skill accelerated talent that is culturally diverse for future leadership roles."

• "Women’s Leadership group focused on advancing women into leadership roles and have seen greater % of representation in our supervisor to mid-level leader positions."

• "Increase in board diversity with more women members, including an African-American woman, and a member of Asian descent."

• "Elevating Women in Leadership is an initiative to accelerate the leadership development of key high potential female leaders (and their managers)."

Respondents also offered several examples of success, e.g., promotion and elevation of women to supervisory and mid-management, and executive level programs that emphasize succession and leadership development.
Q24: Is the current demographic composition of your executive leadership team diverse, as it pertains to race, gender, age, sexual orientation, gender identification, veteran status, disability, or other?

Interestingly, for Q24 respondents claimed that they had a relatively high level of diversity in executive leadership (50% for the overall response). We posit that respondents viewed gender as the prevailing factor in determining whether a leadership team reflects diversity. In future Catalogs, additional questioning will help determine which categories of diversity were represented with the executive/C-suite ranks and help identify threshold percentages in order to deem if an executive leadership team is “diverse”.

Q25: Do you require diverse candidate slates for leadership positions?

Q25’s responses (above) reflect the presence or absence of available diverse candidates. The results show that the size of the company is major factor in determining the level of success in meeting requirements for diverse leadership slates. Moreover, it is very likely that results will vary depending upon the position and discipline (e.g., underwriting or production, which persist as areas with historically low representation), and the perceived opportunity at any particular company. Given the current stiff competition for diverse, experienced talent within underrepresented groups, companies will have to be creative in how and where they identify sources of high potential candidates.
Q26: How does your company define diversity, as it relates to your recruitment and retention policies and programs? Please select all that apply. (Race, Veteran Status, Age, Disability, Sexual Orientation, Gender Orientation, Other)

Q26 (“How does your company define diversity, as it relates to your recruitment and retention policies and programs?”) received exceptionally high coherence regardless of the size, line of business, or location of the respondents. As the graphic above shows, there is almost universal agreement that gender, race, age, and disability are the predominant markers for diversity in recruitment. This result indicates that the theme of diversity has been sufficiently popularized such that most insurers are using the same definitions and/or interpretations in their searches for talent. More importantly, given the broad alignment, it appears that successful implementations of DEI programs essentially rests upon the level of responsibility and accountability of the individuals who spearhead the programs.

Q27: Do your company recruitment goals include strategies to engage and hire diverse talent, as it pertains to race, gender, age, sexual orientation, gender identification, veteran status, disability, or other?

The responses to Q27 (“Do your company recruitment goals include strategies to engage and hire diverse talent?” were also relatively high with 69% overall responding in the affirmative. The strongest results were from larger companies, but it is notable that all respondent categories showed commitment in this area.
Q28: What strategies has your company adopted to recruit diverse talent? Please select all that apply.

Under Q28 (“What strategies has your company adopted to recruit diverse talent?”), we provided an extensive list of possible strategies.

<table>
<thead>
<tr>
<th>Diverse Recruiting Strategies</th>
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<tbody>
<tr>
<td>Business Practices Adopted to Improve Diverse Recruiting</td>
</tr>
<tr>
<td>Use Sourcing Methods that Contain Diverse Candidate Pipelines</td>
</tr>
<tr>
<td>Offer Workplace Policies that Appeal to Diverse Candidates</td>
</tr>
<tr>
<td>Write Job Postings to Attract More Diverse Candidates</td>
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<tr>
<td>Partnerships &amp; Strategies to recruit from HBCUs &amp; HSIs</td>
</tr>
<tr>
<td>Establish Diversity Strategy for Intern Recruitment &amp; Pipeline Development</td>
</tr>
<tr>
<td>Use Personality Assessments to Recruit Diverse Candidates</td>
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<tr>
<td>Screen Resumes Using Artificial Intelligence</td>
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<tr>
<td>Remove Candidates’ Name from Their Resumes</td>
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<tr>
<td>Conduct Blind Interviews</td>
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</table>

- Although geography was the most cited challenge to DEI objectives, 27% of companies also reported that the COVID-19 pandemic has created both opportunities for recruiting and retaining to diverse staff. Work from home and remote staffing strategies may allow companies to recruit talent from a larger geographic area.

By far, using different sourcing methods to attract diverse candidates (73%) is the predominant strategy deployed by carriers, with offering appealing workplace policies (47%) and designing job postings that appeal to diverse candidates (45%) are secondary strategies. Overall, 39% of the respondents indicated that they partnered with HBCUs and Hispanic Serving Institutions (HSIs) or developed strategies to recruit potential candidates from those institutions. This outcome reveals an opportunity for carriers to expand the diversity of their baccalaureate and professional school talent pools. Although a number of HBCU’s/HSI’s do not have formal risk management programs, recruitment efforts can be a substantially inexpensive, yet efficient, way to build brand awareness and identify talent which otherwise would not be attracted to the industry. Without exposure to these institutions, carriers may be foregoing a vital source of well trained and highly motivated individuals.
29. How does your company evaluate if your current diversity recruitment efforts are effective? Please select all that apply.

**Measuring Effectiveness of Diversity Recruiting Efforts**

<table>
<thead>
<tr>
<th>Business Practices Adopted to Evaluate Diversity Recruiting</th>
<th>% employing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of Recruitment Outcomes</td>
<td>50%</td>
</tr>
<tr>
<td>Do Not Have a System for Evaluating Effectiveness</td>
<td>42%</td>
</tr>
<tr>
<td>Employee Feedback and Surveys</td>
<td>36%</td>
</tr>
<tr>
<td>Quantifiable Interview Goals and Metrics</td>
<td>24%</td>
</tr>
<tr>
<td>Surveys to Candidates who Interviewed for Feedback</td>
<td>14%</td>
</tr>
<tr>
<td>Surveys to Hiring Managers</td>
<td>14%</td>
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</tbody>
</table>

- 42% of companies do not have a system for evaluating the effectiveness of diversity recruiting efforts.
- 24% of companies have adopted quantifiable interview goals and metrics. Larger companies were more likely to have formal process across most of the measures.

Reviewing recruitment outcomes (50% of respondents overall) appears to be more evident as a practice, but it is not clear how those reviews actually inform and lead to improvements. The lack of recruitment outcome reviews could prevent companies from understanding whether or not their diversity initiatives are really effective at the “point of sale” – i.e., exchanges between recruiters and candidates. And, given that we are in a virtual environment, which limits face to face interviews, it would appear that reviewing recruitment strategies and outcomes is an absolute necessity.

On a consolidated basis, the relatively low occurrence of the remaining evaluation techniques (e.g., “Quantifiable interview goals and metrics” at only 24%, or lack of “Systems for evaluating effectiveness” at 44%) should be viewed as areas of opportunity for carriers to dramatically improve the ways they source talent, regardless of background or experience. Responses to this group of questions suggest that carriers can enhance their talent acquisition strategies and institute effectiveness measures that better inform how they are deploying resources in their efforts. More importantly, without these techniques in place, the potential for biases in interviewing on a conscious or unconscious basis, substantially increases.
DEI and Leadership Succession Planning

**Q30:** Does your company require diversity in your succession plans?

**Q31:** If you answered yes for question 30, what level does your company require diversity in succession plans?

Only one third of responding companies require diversity in succession, which may be a reflection of the paucity of diverse talent ready for upward mobility, or that diversity has not been recognized as an essential element in succession planning. For those companies adding commentaries in their responses, individuals must have officer level designations as a prerequisite for consideration in succession planning, and vice president titles appear to be the most common base line for consideration. This indicates that companies must pay close attention to how they promote talent, incorporating DEI as a key variable in their assessments, along with job performance, client satisfaction, etc.

On the issue of requiring diversity in succession plans, we learned from several respondents that their companies have been striving to accomplish the goal. Some examples of those attempts are presented below:

- “[Require diversity in succession plans at] all levels.”
- “We focus on diversity in succession planning through manager levels as well as professional individual contributor roles that can lead to management”
- “[We require diversity] within 3 levels of reporting to the CEO”
- “Our practices indicate that diverse slates of candidates should be considered for every position, and every effort is made to ensure a diverse slate of candidates for succession plans.”
- “Enterprise critical roles, e.g., selected Vice President and Senior Vice President roles, in addition to the C-Suite”.
- “All management levels and pipelines of succession plans is reviewed during local management meetings and executive strategy meetings.”

Impact of COVID-19 on DEI Recruitment

**Q34:** Has working from home during COVID-19 created challenges or opportunities in recruiting or retaining diverse talent?

**Q35:** If you answered yes for question 34, could you please describe?

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Overall</th>
<th>Small</th>
<th>Mid-Size</th>
<th>Large</th>
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</thead>
<tbody>
<tr>
<td>Challenges/Opportunities Created by COVID-19 to Recruit/Retain Diverse Talent</td>
<td>27%</td>
<td>8%</td>
<td>38%</td>
<td>32%</td>
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<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Adopted DEI as Core Value</th>
<th>Incorporated DEI into Goals</th>
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<tbody>
<tr>
<td>Challenges/Opportunities Created by COVID-19 to Recruit/Retain Diverse Talent</td>
<td>30%</td>
<td>34%</td>
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</table>
The COVID-19 pandemic has disrupted every aspect of our lives, and our respondents remarked about the impact of the virus on their recruitment and retention practices. The results reveal that although traditional means of talent acquisition has been suspended, e.g., in-person interviews or career fairs, carriers are leveraging available technologies as feasible substitutes. For companies that have adopted DEI as a core value, only 30% reported that COVID-19 has changed their current recruitment/retention practices, about the same level as companies that have DEI incorporated in their strategic goals (34%). Twenty-seven percent (27%) of the 52 responding companies reported that the COVID-19 pandemic has created opportunities for recruiting and retaining to diverse staff.

It is apparent that today’s “Work from Home” modality, remote staffing strategies, and heavier reliance on online talent networks (e.g., LinkedIn, indeed.com, or company websites) may in fact allow companies to recruit talent from a larger geographic area, as opposed to being relegated to customary physical approaches. As for retention issues, however, it is not clear that the virtual environments are fully effective, and respondents would be encouraged to undertake additional study on how employees are interacting and engaging with their managers, peers, and clients.

Leadership Development Programs

**Q36:** Has your company found it difficult to retain diverse talent in your workforce, executive leadership, or board of directors?

**Q37:** If you answered yes for any group for question 36, could you please describe? (Workforce, Executive Leadership, Board of Directors)

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<tr>
<th>Performance Metric</th>
<th>Overall</th>
<th>Small</th>
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<tbody>
<tr>
<td>Difficulty in Retaining Diverse Talent by Employee Category</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Overall Workforce</td>
<td>33%</td>
<td>25%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>16. Executive Leadership</td>
<td>21%</td>
<td>20%</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>17. Board of Directors</td>
<td>10%</td>
<td>18%</td>
<td>18%</td>
<td>0%</td>
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</table>

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Adopted DEI as Core Value</th>
<th>Incorporated DEI into Goals</th>
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</thead>
<tbody>
<tr>
<td>Difficulty in Retaining Diverse Talent by Employee Category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Overall Workforce</td>
<td>35%</td>
<td>41%</td>
</tr>
<tr>
<td>16. Executive Leadership</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>17. Board of Directors</td>
<td>3%</td>
<td>11%</td>
</tr>
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</table>
When asked if there were difficulties in retention in three domains – workforce, executive leadership, and boards of directors (Q36 and Q37), participants noted a mixture of responses. Representative responses are listed below by domain, and as expected, there are recurring themes, namely: how companies attract talent; their geographical locations; and a lack of emphasis on retention practices.

**Workforce:**
- “We have greater success with attracting diverse talent compared with retention of diverse talent. We are actively focused on leveraging data insights and developing retention strategies.”
- “We are working closely with our business resource groups to continue to help engage and develop visibly diverse talent.”
- “[There is a] lack of career pathing for diverse talent, lack of access to executive sponsorship”
- “[Our] corporate offices are in medium-sized, midwestern town which is not as attractive to a diverse population as some locations.”
- “[There is] competition for talent; people are being recruited away.”

**Executive Leadership:**
- “[There are] challenges with geography of our headquarters”
- “[There is] competition for talent; people are being recruited away.”
- “[We] need to be more deliberate in hiring practices.”

**Board of Directors:**
- “[We] need to be more deliberate in recruiting practices.”
- “25% of BOD is diverse in gender and people of color.”

**Q38:** Does your company have a separate leadership development program for underrepresented groups?

**Q39:** If you answered yes for 38, please specify which underrepresented groups (women, Black, Hispanic, etc.)

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<tr>
<th>Performance Metric</th>
<th>Overall</th>
<th>Small</th>
<th>Mid-Size</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have Leadership Dev. Program for Underrepresented Groups</td>
<td>18%</td>
<td>8%</td>
<td>14%</td>
<td>26%</td>
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<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Adopted DEI as Core Value</th>
<th>Incorporated DEI into Goals</th>
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<tbody>
<tr>
<td>Have Leadership Dev. Program for Underrepresented Groups</td>
<td>26%</td>
<td>17%</td>
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In response to the Questions 38 and 39 regarding separate leadership programs for underrepresented groups, we found that while the current results are low (only 18% overall have such programs), some respondents noted that they have initiatives underway. In line with the definitions of diversity in Q26, companies that have dedicated leadership development programs involve women and People of Color (Black, Hispanic, Asian, Indigenous, multiracial/multiethnic), and in one instance, a respondent noted that it has a “women’s leadership group to advance women into leadership roles. We also recently implemented a mentoring program to pair high-potential leaders with our senior and executive leaders to help promote underrepresented leaders into more [senior roles]”.

Internal, dedicated leadership development programs can be essential to retention efforts, but only if those programs are perceived as integral grooming talent in general, not as set-asides for underrepresented groups, and more importantly, are regularly and actively tapped to source executive or senior positions. Additionally, management development programs at universities or professional development institutes could prove to be effective ways to achieve the same goals. Critical factors in successful execution of these programs are the organization and delivery of content; support and endorsement of managers/ supervisors; and allowances granted to individuals in order to fully complete the program.
Impact and Engagement of DEI on Governance and Boards of Directors

Q4: Are you required to report out on your DEI efforts to your board on a regular basis?

Q40: Is the current demographic composition of your board of directors diverse, as it pertains to race, gender, age, sexual orientation, gender identification, veteran status, disability, or other?

Q41: Has your company adopted strategies to expand the diversity of your Board of Directors, as it pertains to race, gender, age, sexual orientation, gender identification, veteran status, disability, or other?

Q42: Does your Board discuss DEI issues either at a committee level or as a whole?

### Board DEI Practices

- **60%** of companies responded the current Board was diverse, which was similar for companies of all sizes.

- **92%** of large companies discussed DEI issues at the board level, compared to **54%** and **79%** of small and mid-size companies, respectively.
Significantly, the Catalog responses revealed that board-level discussions about DEI are prevalent, and as the graphics above show, 92% of large companies discussed DEI issues at the board level, compared to 54% and 79% of small and mid-size companies, respectively. Additionally, 60% of all companies responded their current boards are diverse, similar for companies of all sizes, although they did not distinguish how board diversity was defined (i.e., by race, gender, religion, veteran status, etc.).

Despite the promising results on board composition or board-level discussions, 49% of all respondents stated that there was no requirement to report DEI issues at that level. Moreover, the absence of mandated reporting to company directors on DEI initiatives correlates to the low percentages in Q5 (Performance Objectives), Q6 (Compensation), and questions 16 and 19 (regarding Key Performance Indicators). In order for DEI initiatives to be more efficaciously implemented, these must be ongoing visibility, attention, and accountability at each level, particularly from boards and C-Suites.

Summary

This inaugural APCIA DEI Catalog is a significant endeavor to document the efforts of member companies to achieve their DEI goals. As a foundational document, the Catalog can have substantial impact on the entire insurance industry because it highlights areas of accomplishment and opportunity in a major segment of the industry. Association members should be pleased about the robust participation, and we appreciate the contributions of the 52 members in this first-ever effort.

The Association will be organizing presentations and professional development sessions on the Catalog throughout 2021. It also plans to engage member companies in dialogues on how to support their initiatives and offer guidance, as needed. We hope there will be numerous discussions about the Catalog and we invite readers to study the underlying findings and raise questions. Member companies should compare and contrast their individual efforts to the aggregated results, looking for ways to enhance DEI practices or explore new approaches. Readers are also encouraged to consider how the findings and the following recommendations can guide them in advancing and redesigning their DEI efforts.
DIVERSITY, EQUITY AND INCLUSION AT BCBSIL/HCSC

Special (EX) Committee on Race and Insurance
NAIC Fall National Meeting
San Diego, CA

December 14, 2021

DE&I at HCSC

Maurice Smith

- HCSC President & CEO, an African-American business leader who started with the company as an intern.

HCSC Diverse Workforce by the Numbers

- Women: 75%
- People of Color (POC): 44%
- Women in Mgmt: 63%
- POC in Overall Mgmt: 36%
- POC Execs, Directors & VPs: 31%

HCSC supports an environment where all employees feel valued, empowered and recognized for their unique talents, perspectives and differences.

Awards & Recognition

- World's Most Ethical Companies (2016-2021)
- Forbes Best Employers for Diversity (2020)
- Military Friendly Employer (2010-2020)
- Forbes Best Employers for Women (2019)
Business Resource Groups

- Business Impact
- Mentoring
- Professional Development
- Cultural Education
- Community Involvement

Business Resource Group Supports

Activities

- Business Impact
- Mentoring
- Professional Development
- Cultural Education
- Community Involvement

The 4C Model

- Career
- Commerce
- Community
- Culture
Morgan Park Solution Center and Blue Door Neighborhood Center℠

Blue Cross and Blue Shield joined the Morgan Park community on Chicago’s south side by opening a 130,000 square foot employee workspace and community center. Transformed from an abandoned retail store into a filled modern office space for up to 500 new employees with living wages.

- Local hiring efforts
- Community agencies supporting hiring efforts
- Economic stability, and pathways to better health
- Student development – Building future workforce
- Investing in local businesses

BlueCross BlueShield of Illinois

Addressing Health Equity, Cultural Competency, & Implicit Bias in Health Care
Patient-Focused Initiatives: REL / SOGI

BCBSIL is requiring enhanced patient demographic reporting and outcomes tracking as a first step to identify and close gaps for minority and historically marginalized groups. Minority or historically marginalized is defined as any group that is:

1. Race: Any non-white group
2. Ethnicity: Hispanic, Latinx, or Spanish origin
3. Primary Language: Non-English speaking OR English not primary language spoken at home
4. Gender: Gender identity does not match assigned sex
5. Sexual Orientation: Non-heterosexual

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Hyperlocal Community Health Engagement

Community Engagement Efforts

Community Outreach
Community initiatives focused on improving population health with education and expanding access to care in partnership with state and local partners to address social determinants of health.

Employee Engagement
Targeted service and thought-leadership employee engagement opportunities. Cultivates and sustains key stakeholder partnerships through meaningful community events and program support.

01
Hyperlocal Community Engagement to Improve Community Health and Advance Health Equity

02
Blue Door Neighborhood Center
Community "hub" linking community members to key community partners to support their health and wellness journey. Provides health information and education, fitness and wellness classes, access to care information, focus on chronic conditions, and supports care coordination.

03
Community Investments
Strategically funds programs and services for relevant health issues and social determinants of health to positively impact the health of our communities.
Community Partnerships

We collaborate with local, regional and national NFP’s to better understand community needs from organizations on the frontlines addressing the root causes of SDoH affecting individual communities.

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Zurich North America Diversity, Inclusion, Equity and Belonging Efforts

Zurich North America (Zurich) is committed to fostering an environment where individuals of diverse backgrounds, experience and perspectives can achieve their full potential, and our strategy for Diversity, Inclusion, Equity and Belonging (DIEB) reflects this objective. Our Senior Leadership, together with our Head of DIEB, is working to ensure equity is integrated into our processes and committed to making progress towards the DIEB ambitions we announced in 2021. Our strategy not only emphasizes the impact that our actions can have on our employees but also on our customers, distributors, communities and our broader society, which is evident in several key initiatives.

Executive Diversity & Inclusion Council
We formed an Executive Diversity & Inclusion Council (EDIC) to guide our efforts to accelerate progress and help ensure accountability. It includes senior leaders, members of employee resource groups and stakeholders outside Zurich, including representatives from community organizations, customers and distributors. EDIC oversees Zurich’s efforts to advance diverse representation, following our public release of our representation by gender and race/ethnicity in 2020. We provided an update on this representation information in 2021.

CEO Action Pledge
Zurich CEO Kristof Terryn signed the CEO Action Pledge for Diversity & Inclusion along with over 1,000 other CEOs of American companies. Zurich has also been honored by many organizations, including Forbes’ Best Employers for Diversity and the Human Rights Campaign’s Corporate Equality Index for LGBTQ+ Equality.

Apprenticeship Program
Zurich’s award-winning apprenticeship program has led to the hiring of 145 apprentices since the program was created in 2016. It removes barriers to professional opportunities by offering an earn-while-you-learn model that provides a full-time salary, benefits and tuition-paid college coursework. At the end of the program, apprentices receive an associate degree and a promotion at Zurich. We have recently created new avenues for talent representing diverse backgrounds by the expansion of the program from suburban Chicago to include New York City, Atlanta and our crop insurance business in certain agricultural states. Further expansion is planned in 2022.

Propel and Bridges Inclusion Programs
To strengthen diversity at all levels of our organization, Zurich offers various development programs and actions. The Propel program, introduced in 2019, is designed to enhance leadership presence and increase impact as a strategic partner and influencer for employees in higher-level roles. In 2021, Zurich added a complementary program, Bridges, to provide mid-level employees the opportunity to develop confidence and support to pursue stretch assignments.

Training Initiatives
In 2020, Zurich offered the Inclusion for Success training program on unconscious bias to managers and team leads. In 2021, we launched Allyship training applicable to all levels of employees. Over 100 members of the Zurich leadership team also participated in study groups focused on anti-racism.

Employee Resource Groups
Zurich’s nine employee resource groups (ERGs) are very active and have led courageous conversations on current events and social justice. They include the Women’s Innovation Network, Zurich African Ancestry Alliance, Zurich Asian American Pacific Islanders, VETZ: Veterans Engagement Team at Zurich, PrideZ, Emerging LeaderZ, LUZ: Latinos Unidos for Zurich, Good NewZ and AbilitieZ. The ERGs have held events on racial equity, increased community outreach and advanced allyship. They have also worked to support employee mental health and wellbeing, especially during the pandemic.

Industry Impact
We are collaborating with associations such as the National African American Insurance Association (NAAIA) and International Association of Black Actuaries to contribute to progress on equity and opportunity in insurance. Zurich has also joined the advisory board of the National Association of Minority and Women-Owned Law Firms (NAMWOLF).

Community Action
Through the Z Zurich Foundation, we are supporting the non-profit Year Up with a three-year grant. Year Up works to close the opportunity gap for underserved young adults by providing education, skill development and corporate internships to help them secure full-time employment. We also made financial contributions to the Equal Justice Initiative and the NAACP Legal Defense Fund.
Comments of the Center or Economic Justice

To the NAIC Committee on Race

December 9, 2021

2022 Charges and Distribution of Work to Other Committees and Working Groups

CEJ writes to recommend that the Committee on Race endorse charges to various working groups and committees to engage on issues of race and insurance. Specifically, we are recommending the following charges:

Market Regulation and Consumer Affairs (D) Committee

- Antifraud Task Force: Examine and identify sources of data and algorithms used by insurers to identify and investigate suspected fraud that may produce or have produced racially-biased outcomes. Focus on personal auto, residential property and life insurance lines of business. Report findings to the Committee on Race by the 2022 Summer National Meeting.

- D Committee: Examine and identify sources of data and algorithms used by insurers for claim settlement that may produce racially-biased claim settlement outcomes. Focus on personal auto, residential property and life insurance line of business. Reporting findings to the Committee on Race by the 2022 Summer National Meeting.

- D Committee: Examine and identify sources of data and algorithms used by insurers for marketing particular types of insurance products based on particular consumer characteristics that may produce racially-biased opportunities for consumers. Focus on personal auto, residential property and life insurance line of business. Report findings to the Committee on Race by the 2022 Summer National Meeting.

- Market Conduct Examinations Guidelines Working Group: Develop procedures and guidance for examiners to test for racial bias in insurer marketing, claim settlement and antifraud practices in personal lines (auto, home and life insurance) and for pricing in life insurance.
Property and Casualty (C) Committee

- Casualty Actuarial and Statistical Task Force: Develop procedures and guidance for regulators to test for racial bias in pricing for personal auto and residential property insurance. Report findings to the Committee on Race by the 2022 Summer National Meeting.

Financial Condition (E) Committee

- E Committee: Examine and identify investment practices of insurers that may disproportionately impact communities of color. Report to the Committee on Race by the 2022 Summer National Meeting.

Climate and Resiliency (EX) Task Force

- Task Force: Examine and identify impacts of climate change and insurer / reinsurer responses that may disproportionately impact communities of color. Report to the Committee on Race by the 2022 Summer National Meeting.

Discussion and Rationale:

Despite powerful statements made in connection with the establishment of the Committee on Race regarding the importance and urgency of addressing issues of race in insurance in July 2020, the Committee has progressed very slowly with little progress or concrete actions. One notable exception is the work of the health work stream’s efforts to develop principles for data collection to facilitate analysis of racially-biased outcomes in health insurance.

We endorse the role of the Committee as a coordinating body for the NAIC’s efforts to address systemic racism in insurance. However, all work on race and insurance has been limited to the activities of the Committee. This has proven to be an unproductive approach for at least two reasons.

First, the work streams – particularly life and p/c – have moved very slowly and have had a difficult time developing a strategy for moving forward. The p/c stream has only recently – last week! – started on the important step of reviewing critical concepts in unfair discrimination. But the scale of the issue of race and insurance is far too great for all the work to be done in one location, as evidenced by the lack of progress by the Committee.

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1 “It is the duty of the insurance sector to address racial inequality while promoting diversity in the insurance sector. We welcome the public commitments of industry leaders to address these issues and I am excited by the strong and personal commitment of my fellow commissioners to take action on these important subjects. If not us, who? If not now, when?” NAIC President Ray Farmer

“Our regulatory system and insurance in general is a reflection of the society it aims to protect, and while state insurance regulators have worked to eliminate overt discrimination and racism, we all have been increasingly aware that unconscious bias can be just as damaging to society,” said NAIC CEO, Mike Consedine.

At https://content.naic.org/article/news_release_naic_announces_special_committee_race_and_insurance.htm
Two, whenever CEJ has raised the issue of racial bias in subject matter committees, task forces and working groups, the response has always been that the issues are being addressed at the Committee on Race and the subject matter group declines to even examine issues of race and insurance in their subject matter areas. By excluding the subject matter groups from examining issues of race and insurance in their areas of expertise, the Committee on Race loses the opportunity for better understanding of racial impacts in particular phases of the insurance life cycle and the members of the subject matter groups lose the opportunity to engage more fully and better understand issues of race and insurance.

Consequently, we urge the Committee on Race to distribute important and necessary work to the relevant subject matter committees, task forces and working groups, while continuing both the coordination of work on race and insurance and addressing the high-level issues that cross lines of insurance and phases of the insurance life cycle.

The proposed charges, which CEJ is presenting to the relevant committees, represent fact-finding that is necessary for and complementary to the work on the Committee on Race.
Testimony of the National Association of Mutual Insurance Companies
Hearing on Special Committee on Race & Insurance

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty insurance trade group with a diverse membership of more than 1,500 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States.

NAMIC offers this testimony to renew and reinforce our commitment to each of you to have earnest and open dialogue about these important issues as well as to bring meaningful suggestions for action that we believe regulators and the NAIC are well positioned to achieve.

We first offer you our gratitude for leading the conversation. When the pandemic was reaching heights not contemplated in modern society and the methodology of even meeting to discuss important issues was difficult, the NAIC has tackled and is continuing to tackle these difficult conversations with all methods of technology and fervor despite challenges in doing so. We need to be having this conversation as an industry, particularly as it relates to how we can find and support the future leaders of our industry. We need to ensure that pathways are not just there but sought, created, and defended as the way forward for our workforce to reflect all colors and creeds. And, we must have the conversation about how insurance works – how it is formulated, enforced, and how it is or is not meeting consumers’ needs to transfer risk. These are things we think we can all agree on.

From our perspective, part of what makes this a difficult conversation is harnessing the emotional and social imperatives while also being able to express alternative perspectives (and potentially differences of opinion) not about whether to move forward but, about the most appropriate paths forward.

To inform our view of those paths, we must answer a threshold question: how do we define success? Everyone wins when two things exist from an insurance perspective. First, as discussed above, access is vital. Career and leadership opportunities must not only be open, but active steps must continue to be taken to advance inclusion in our great industry. Second, do no harm. By this we mean that insurance fundamentals remain stable and that race, ethnicity, and sexual identity demographics of individuals are not ever with a property/casualty insurer.

With this as our vision, we respectfully disagree with several of the proposed pathways of this important committee. To be clear, that does not mean that we do not support the committee or its work. We are grateful for this moment. We know that these conversations and actions have the ability to help the industry to best serve our policyholders, and NAMIC does not want anyone to lose sight that we are here to meet that moment.

Turning to details, three key areas that from our perspective serve as inflection points as to how the committee might proceed, and we offer suggestions as to how the future path here might reap important results.
1. Impartiality: We understand and share your commitment toward the absolute necessity to ensure that rates are not unfairly discriminatory. After all, this is the standard defined under state law, is a foundational actuarial standard, and requires that no inputs into the underwriting or rating process be based on race-ethnicity-preference criteria.

However, we do not believe that the path toward the goal of being impartial can be tested using an output-based approach. That is essentially what a disparate impact standard applied to risk-based pricing would be. Or in other words, it would endeavor to match underwriting factors and to match to certain demographic data and to draw conclusions based on those relationships. This approach just does not work within the insurance mechanism while preserving risk-based pricing.

In the context of spreading risk based on the likelihood of an event, there really is no way to consistently apply that standard where ANY factor, whether it is the kind of car you drive or even DUI convictions, would be deemed permissible. In addition, in conversations surrounding equity, NAMIC is firmly committed to the concept that the fairest possible insurance industry is one in which companies, individually, ascertain risk as closely as possible and then compete for consumer business on price and customer service. Ultimately such a system benefits all policyholders, regardless of immutable characteristics.

2. Individual policyholder private protected class data: The question of collecting private personal race-ethnicity-sexual identity is not necessary when impartiality is defined by inputs, when an unfair discrimination standard is used. It is only triggered when under that more problematic output-oriented experimental approach. There already has been much discussion about a suggestion that insurers should systematically collect, store, and report protected class data about their policyholders. Specifically, some suggest that the NAIC desires to know the race, national origin, and LGBTQIA status of policyholders – property/casualty insurers do not want to know this personal information about individuals. NAMIC has grave concerns with such a proposal:

   a. Receptivity & Conformity: Is this personal data collection a welcome request? To be clear, not only do property/casualty insurers not collect this data from their policyholders today, but they also don’t want to - ever. And it appears that industry’s position is consistent with that of many policyholders. Based on consumer response to governmental surveys, like the census, consumers’ willingness to provide this data is going down.

   b. Data Integrity: if the data is collected, will it be credible and accurate? There are several challenges, including whether people will share the data and whether it will reflect meaningful results. More Americans than ever now identify as multi-racial, leading to questions about how data would be sorted in such a way that it could be utilized and protected. Assuming that the data were able to be collected on a voluntary disclosure basis, we believe the take-up rate would be low. That has the potential to vastly distort the conclusions any of the analysis of that data, and then we’re left really no better than where we started.
c. **Vulnerability:** Is this personal data storage and distribution exposing people to greater risk to bad actors? As a preliminary matter, it is unclear how such data would be protected. We take quite seriously as an industry our commitment to policyholders to value and defend their privacy. Companies invest in huge and aggressive IT systems to protect policyholder data. To then add potentially polarizing and intensely personal data sets into that equation would only amplify the risk of outside parties’ attempting to access that data. Going back to the do no harm threshold, perhaps there are hackers somewhere interested in the fact that a consumer drives a two-year-old Hyundai. Our inclination, however, is that there are many more, and potentially foreign actors or others who may not have good intentions. Those bad actors may be much more interested in a policyholder’s data if they were also compelled to know that a driver was an Irish Catholic member of the LGBTQ community, and maybe a few other identity check answers that could garner access to huge sections of a family’s privacy and safety. Thinking this through, data at rest is one concern; now layer on security concern about sending that data elsewhere for aggregation or analysis like the regulator or the NAIC.

3. The third inflection point then becomes what activity the special committee might turn to in the year ahead. What direction might we turn together if not toward disparate impact or dangerous invasion into policyholders’ lives. NAMIC offers three suggestions: a survey, a legal analysis, and academia. NAMIC offers these suggestions in the collective spirit of progress and with commitment to work with the NAIC toward meaningful outcomes:

   a. **A survey** – First, to have definitive information to respond to the question of what information do insurers have and use today, a survey that is carefully constructed to protect company and policyholder information, and done in conjunction with the industry to ensure that questions are posed in a way aligns with available information, we think that the states (via the NAIC) should inquire **what data** with respect to race, religion, or sexual identity (if any) is currently in use across the lines of the industry, what the purpose and use is of any such data, and then report publicly the aggregated results. This would give regulators, industry, and consumers a clear view of what pieces of data are contemplated.

   b. **A legal analysis** of the status of state laws that would impact or be impacted by the workstreams’ potential outcomes. An outside legal opinion that examined the status of law and definition of unfair discrimination across states, restrictions on use of protected class status of individuals, and the distinct differences in legal and litigation framework between insurance lines and other industries such as banking we believe is absolutely essential before moving down a path to overturn the current risk-based pricing system.

   c. **Academia:** It has been proposed by some that a “formula” could be injected into the underwriting and rating process that could “control” for race. We would
encourage NAIC to form a qualified team of insurance academics and actuaries who could investigate this formulaic concept that was first articulated by the academic community. They may examine any impact its implementation may have to rates, and explain how such a formula could be utilized without collecting the individual policyholders’ race and then directly injecting it into the underwriting process as the formula currently seems to suggest. Certainly this project would be most successful by first working with stakeholders to seek input and identify ways to evaluate this concept.

The issue at hand is of great importance to NAMIC and its member companies. We look forward to collaborating with the NAIC and its members to make progress and develop actionable work product that will protect and educate the very consumers that we both are so dedicated to serving. Thank you again for the time and consideration.

Sincerely,

Erin Collins
Senior Vice – President, State & Policy