Draft Pending Adoption

Draft: 8/28/24

Special (EX) Committee on Race and Insurance
Chicago, Illinois
August 13, 2024

The Special (EX) Committee on Race and Insurance met in Chicago, IL, Aug. 13, 2024. The following Special Committee members participated: Andrew N. Mais, Co-Chair (CT); Jon Godfread, Co-Chair (ND); Elizabeth Kelleher Dwyer, Co-Vice Chair (RI); Lori K. Wing-Heier (AK); Mark Fowler (AL); Alan McClain (AR); Ricardo Lara (CA); Michael Conway (CO); Doug Ommen (IA); Ann Gillespie (IL); Amy L. Beard (IN); Timothy J. Temple (LA); Kevin P. Beagan (MA); Joy Y. Hatchette (MD); Robert L. Carey (ME); Anita G. Fox (MI); Grace Arnold (MN); Chlora Lindley-Myers (MO); Mike Causey (NC); Eric Dunning (NE); Justin Zimmerman (NJ); Judith L. French (OH); Glen Mulready (OK); Michael Humphreys (PA); Michael Wise (SC); Cassie Brown (TX); Kevin Gaffney (VT); Mike Kreidler (WA); Nathan Houdek (WI); and Jeff Rude (WY). Also participating were: Chandara Phanachone (CA) and Gary Jones (PA).

1. Adopted its Spring National Meeting Minutes

Commissioner Godfread made a motion, seconded by Commissioner Gaffney, to adopt the Special Committee's March 16 minutes (*see NAIC Proceedings – Spring 2024, Special (EX) Committee on Race and Insurance*). The motion passed unanimously.

2. Received a Status Report on its Health Workstream

Commissioner Arnold reported that the Special Committee's Health Workstream met in regulator-to-regulator session after the Spring National Meeting to consider its activities and initiatives for 2024. During this meeting, the Workstream discussed its potential year-end deliverables, including developing a referral document based on its work to date for other NAIC groups to explore and delve more into issues the Workstream has identified that could potentially promote health equity.

The Workstream also decided to restart its discussion on data collection through learning sessions focusing on what insurers need with respect to data as part of their efforts to promote health equity. The Workstream will schedule meetings in September and October to hold these discussions.

The Workstream also plans to continue its work on its collaborative space on NAIC Connect. The Workstream intends NAIC Connect to be a platform where Workstream members can share with other NAIC members the information it has gathered during its meetings on removing barriers to health insurance for historically disadvantaged communities. The thought is that the Workstream's NAIC Connect page would be a living resource for the NAIC Membership, and it can continue to build content and other tools for the states on this site. In addition, the Workstream hopes this site can also serve as a platform for discussions and conversations related to health equity and other related topics, including adding blog posts from various stakeholders on issues and topics relevant to its work.

The Workstream recently published a guest blog post on its NAIC Connect page from Blue Cross and Blue Shield of Minnesota (Blue Cross MN): "Addressing inequities through a commitment to gender care." Blue Cross MN will participate in the Diversity, Equity, and Inclusion (DE&I) Member Diversity Leadership Forum meeting later today, which will discuss "Coverage in Transition: Making Health Insurance Work for Transgender Beneficiaries."

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3. Received a Status Report on its Life Workstream

Commissioner Humphreys reported that the Special Committee's Life Workstream met Aug. 5, April 25, and March 28. Commissioner Humphreys reported that during its Aug. 5 meeting, the Workstream heard from Sharon Dietrich (Community Legal Services of Philadelphia). She gave a presentation on Clean Slate initiatives and had some questions and comments following the American Council of Life Insurers (ACLI) presentation in April.

Commissioner Humphreys also reported that the Workstream exposed a draft survey asking about insurers' use of criminal history in life insurance underwriting for a 30-day public comment period ending Sept. 5. The draft survey is 11 questions, focused on underwriting, cut back from a broader initial draft that was looking to gather information about the use of criminal history relative to producer engagement, company operations, use of data, product design, as well as its use in underwriting. The Workstream plans to meet in September to discuss any feedback received.

During its April 25 meeting, the Workstream heard a presentation from the ACLI on the use of criminal history in life insurance underwriting.

The Workstream also finalized two work products. The first was the Financial Wellness Resource Guide, a project started by the Workstream in 2023. This document highlights financial literacy initiatives in DC, MD, and OR. The Resource Guide is intended to be helpful to all insurance departments looking to take action to improve access and understanding in underserved communities. The Workstream hopes that in the future, additional states and outside organizations will add information to the Resource Guide so that it can become a robust resource for states looking to implement financial literacy initiatives.

The Workstream also adopted a draft endorsement supporting state legislation requiring a financial literacy course as a prerequisite to high school graduation. As was noted in the presentation from John Pelletier (Champlain College Center for Financial Literacy) about the Center for Financial Literacy's 2023 National Report Card on State Efforts to Improve Financial Literacy in High Schools, mandatory financial literacy courses in high schools make the biggest difference in the lives of kids in underserved communities.

During its March 28 meeting, the Workstream continued its focus on barriers to access to life insurance for people in underserved communities, focusing on criminal history. The Workstream heard several interesting presentations that provided different perspectives on how justice-impacted individuals continue to face barriers long after committing a crime. The Workstream heard from Chastity Murphy (U.S. Department of the Treasury—Treasury Department) about some of the current Treasury Department initiatives seeking to address barriers in financial services for justice-impacted individuals.

The Workstream heard from Jo-Ann Wallace (National Legal Aid & Defender Association [NLADA] Mutual Insurance Co., Risk Retention Group [RRG]), who spoke about the obstacles created by the intersection of racial bias and a criminal record. The negative public perception of individuals with criminal records acts as a barrier for many businesses to engage with this community. She suggested some ways the NAIC might help remove barriers to insurance for people with a criminal record.

The Workstream also heard from Shannon Ross (The Community). The Community is an organization focused on correcting the common misperceptions about justice-impacted individuals through videos, presentations, and

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conferences. Ross is also the host of the All In All Out podcast. He spoke about his personal experiences trying to purchase life insurance as a formerly incarcerated individual.

The Workstream heard from Raymond Robinson (Raymond Robinson Group LLC), who spoke about the challenges he has experienced in finding suitable life insurance products for individuals with a criminal history.

The Workstream also heard from Peter Kochenburger (Southern University Law School), who spoke about the use of criminal history data in insurance.

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

Commissioner Gaffney reported that the Property/Casualty (P/C) Workstream met Aug. 12 and heard presentations related to various definitions of discrimination in the insurance industry. The Workstream heard from Kay Noonan (NAIC), who provided it with a base understanding of terms defined in the legal space, such as unfair discrimination, disparate treatment, disparate impact, and proxy discrimination. The Workstream also heard a consumer perspective from Peter Kochenburger and industry perspectives from Robert Gordon (American Property Casualty Insurance Association—APCIA) and Tony Cotto (National Association of Mutual Insurance Companies—NAMIC), where the Workstream discussed unintentional and intentional requirements for these terms as well as risk-based pricing aspects. Finally, Ken Williams (Casualty Actuarial Society—CAS) provided an actuarial perspective, including an overview of a study related to definitions and a preview of other upcoming CAS papers.

Commissioner Gaffney reported that the Workstream met June 20 in regulator-to-regulator session to hear an update from Commissioner Karima M. Woods (DC) about the District of Columbia Department of Insurance, Securities and Banking (DISB) initiative to evaluate unintentional bias in private passenger automobile (PPA) insurance. Commissioner Gaffney said the Workstream also met June 3 and heard from consumer groups about homeowners insurance messaging to underserved communities and research related to uninsured homeowners trends.

Commissioner Gaffney stated that the Workstream plans to receive an update on DC's final report, investigate California's low-cost auto program, and discuss how the Property & Casualty Market Intelligence (PCMI) Data Call results can be leveraged.

5. Received an Update on the Member Diversity Leadership Forum

Chandara Phanachone, co-chair of the Member Diversity Leader Forum, reported that the DE&I Leadership Forum's mission is to be able to share knowledge and resources, provide thought leadership for regulatory training coursework, and enable the NAIC and its regulated entities. Ms. Phanachone provided an update on the DE&I Leadership Forum's strategic plan, stating the Forum continues to collaborate on projects that highlight best practices in DE&I for collaboration. She said the DE&I Leadership Forum shares best practices by presenting at the Insurance Public Policy Summit and the NAIC International Insurance Forum and works with other countries to share best practices, increase community engagement by amplifying the disability inclusion pipeline and supporting other NAIC pipeline projects, and increase education and awareness by launching Phase 2 of the DE&I Regulator Coursework to further education and awareness of diversity in the insurance industry.

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Gary Jones, co-chair of the Member Diversity Leader Forum, provided a shared learning update stating that the DE&I Leadership Forum heard presentations, including one from Patrick Smock (RI), who informed the Forum of Rhode Island's financial literacy for youth initiative. The forum also heard from Ron Henderson (LA), who provided information about the diversity of opportunities and the importance of building a diverse recruitment pipeline for insurance careers.

The Forum heard from Alycia Anderson (The Alycia Anderson Company) in July. Mr. Jones explained that Ms. Anderson is a disability inclusion champion and advocate, TEDx speaker, and California Insurance Diversity Task Force appointee. At that meeting, Ms. Anderson shared the meaning behind Disability Pride Month, which is celebrated in July because it aligns with the anniversary of the Americans with Disabilities Act of 1990 (ADA). The ADA ushered in a new era of diversity and disability inclusion. Ms. Anderson stated that Disability Pride Month encourages people to embrace their identities and promotes disability rights in order to create a more inclusive world.

6. Heard an Update from the American Academy of Actuaries (Academy) on its HEC

Annette V. James (American Academy of Actuaries—Academy) provided an overview of the Academy's Health Equity Committee (HEC) and its accomplishments over the past four years. Ms. James explained that the HEC was created in 2020 to provide an actuarial perspective on health equity. The HEC focuses on evaluating actuarial practices in the context of health equity, educating actuaries and other stakeholders on health equity issues, and applying an equity lens when considering the impact of current or proposed health care policies. The HEC publishes issue briefs exploring health equity topics in actuarial practice and held a symposium on equity-enhancing benefits in the employer coverage space in November 2023.

Ms. James further explained that the HEC hosted a discussion group with a broad range of participants on the successes and challenges of incorporating equity-enhancing benefits in employer health plans. Ms. James stated that the areas and focus of the symposium were the process and challenges to incorporating equity-enhancing features, how benefit changes are evaluated, how to incorporate the voices of the people being served, and addressing implementation challenges. The HEC held four workshops in 2023 and had a subsequent release of related issue briefs. Ms. James explained that the 2023 Workshop Series provided an opportunity for actuaries to gain a broader perspective and opportunities for non-actuaries to understand the actuarial perspective.

Ms. James explained the importance of data, stating that data drives decisions that impact health coverage. Actuaries use data for pricing benefits, forecasting, reserving, risk adjustment accruals, population management programs, and provide contracting. Data is used in determining the efficacy of those benefits. Actuaries use data to measure and monitor health disparities and health equity. Ms. James explained that there are challenges in collecting the data in a consistent format with the types of information needed to measure equity. The collection of that data may be limited, and the data may be imperfect, but it still could be usable. Ms. James explained that policy experts have stated that they have not moved the needle on equity because they do not have good data. Ms. James also stated that while actuaries love perfect data, there is no reason to wait for perfect data to make changes.

Ms. James presented the limitations of claims data and explained that claims data only reflects claims of those using the health care system. For historically marginalized groups, claims understate risk and unmet needs. Ms. James further explained that claims data does not always include key information needed to measure disparities. To combat this, combining data from other sources could be helpful. For example, enrollment data, clinical data,

and social risk indices. However, actuaries must understand the limitations and risks of using data from different sources.

When evaluating benefits, actuaries need to evaluate cost and cost-effectiveness. The HEC has been looking for a better metric for success in evaluating benefit programs and entities. Participants of the symposium suggested that cost-effectiveness may be a better metric to incorporate the true value of a program. Ms. James explained that the advantages of using cost-effectiveness as a metric are that it reflects not only health costs but also desired health outcomes and the impact on total benefits supports using a longer time horizon to see the value of the benefit, and helps reframe the evaluation of benefit options to prioritize high-value care that improves health.

Ms. James explained the challenges of implementing a cost-effective approach to evaluating benefits. She explained that the challenges include: 1) it might be difficult to attribute results to specific benefits or initiatives; 2) there is a lack of uniform metrics to measure health and health outcomes; 3) there is a risk of misinterpreting clinical information; 4) the cost is much more easily understood and accepted and decision-makers may not prioritize cost-effectiveness; and 5) there is a lack of data to support a cost-effective approach.

Ms. James highlighted the regulatory issues affecting the implementation of equity-enhanced benefits. The following regulatory issues were found: 1) laws are often not designed with an equity lens; 2) state and federal limitations on the collection and use of data; and 3) federal and state laws may limit the ability to enhance benefits.

The HEC's 2024 focus is on behavioral health. The HEC is focusing on using cost-effectiveness to evaluate enhanced behavioral health benefits, as opposed to using only cost. This requires evidence to connect the dots and incorporate other factors into actuarial analysis, such as non-financial outcomes and impact on other medical spending. The HEC is focusing on using behavioral health to develop a framework that could be generalized for other health benefits. Ms. James, in conclusion, informed the Committee of the 2024 Academy Annual Meeting, which is Oct. 15–16 at the Grand Hyatt in Washington, DC. Ms. James highlighted the health-specific breakout sessions. The first breakout session, "Broadening the Focus: Incorporating Indirect Costs/Savings and Non-Financial Outcomes," can be attended virtually or in person. The other breakout sessions are "Integration of Care for Dual-Eligible Beneficiaries Across Medicare" and "Medicaid and Regulating the Affordable Care Act: What's New for 2025?"

Acting Director Gillespie asked a question regarding Ms. James's point that health care claims are not predictive of unmet needs. She said she was wondering if there were more specifics on the type of data that might help illustrate those unmet needs. Ms. James responded that the Academy has not specifically identified other data elements, but generally, it would be data collected in other areas like emergency room utilization or similar data. Ms. James said that the HEC is not focused on that at this point.

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

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

National Association of Insurance Commissioners (NAIC)

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

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

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

FINANCIAL FUTURES BEGIN EARLY

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

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

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

[2] *Study Finds Foster Youth Lack Critical Financial Skills*. March 24, 2021. Washington State University.

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

[4] According to the National Center for Education Statistics, in 2021, about 62 percent of people who completed high

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

STATE STATUTORY ENVIRONMENT

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

FINANCIAL LITERACY IN SCHOOLS THROUGH AN EQUITY LENS

A state mandate is necessary to provide all graduating high schoolers with a similar baseline understanding of personal finance and will help to address inequities in access to financial education. According to research commissioned by Next Gen Personal Finance, in states that do not mandate a personal finance course as a graduation requirement (leaving such decisions up to local school district control), predominantly-minority high schools have only a 7 percent chance of being locally required to take such a course, while predominantly-white high schools are more than twice as likely to have such a local graduation requirement (14.2 percent).

FINANCIAL LITERACY AND INSURANCE

A comprehensive financial curriculum should focus on an understanding of the fundamentals of insurance, such as risk pooling, cost sharing, underwriting and premiums. A curriculum also should include exposure to insurances more likely to resonate with high school students, as well as include an introduction to the largest personal lines insurance coverages (auto, homeowners, health, and life) to prepare students for decisions that they face soon after graduation. Not only will personal finance coursework better prepare individuals for insurance decisions and transactions, but it may also improve their access to affordable insurance for the next several years of their lives or longer. It is particularly important for younger individuals to understand the difference between whole and term life insurance so that they may make informed decisions about which product to buy and the best time to purchase, including the benefits of accumulating cash value. Further, research consistently finds that requiring financial education in high school increases credit scores, particularly through reducing the likelihood of credit delinquencies. ~~As the use of credit and insurance scores is generally not a prohibited underwriting factor across the country, i~~Increased credit scores resulting from high school financial education could have the ~~inadvertent~~ effect of reducing premium prices that consumers will pay for insurance products well into their financial futures[5].

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

~~[5] The use of credit scores in underwriting personal lines insurance policies is controversial and this endorsement of required financial literacy coursework in high schools is NOT an endorsement of the use of credit or insurance scores in underwriting insurance policies.~~

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November 13, 2024

The Hon. Andrew Mais
President
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106
Via email: Kay Noonan, General Counsel – KNoonan@naic.org

RE: NAIC Endorsement of Financial Literacy Courses in High Schools

Dear Commissioner Mais:

The National Association of Mutual Insurance Companies[1] and the undersigned NAIC Consumer Representatives[2] write today united in our support for the proposed Endorsement of Financial Literacy Courses in High School developed by the Special Committee on Race and Insurance – Life Workstream. We believe an organized effort by participants across the insurance ecosystem to encourage required standalone financial literacy courses in high schools across the country will benefit all future policyholders. Personal finance courses should be as universally available and accessible as possible, taught using a variety of approaches and to all students, including those with developmental or intellectual disabilities. Of course, we also support the appropriate inclusion of insurance concepts in the course curricula.

The role of the insurance industry and state regulators has never been more important to consumers all around the country than it is now as we enter cautiously into a new era of risk. A critical part of responsibly taking on emerging risks will be more robust consumer education that helps applicants and policyholders better understand the products they will have the opportunity to purchase when they complete their education and enter the workforce. As the proposal notes, it is never too early to begin teaching our youngest generations about financial responsibility as financial education about insurance concepts is key to enhancing both understanding of risk and access to insurance.

[1] NAMIC membership includes nearly 1,500 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers, including 6 of the top 10 auto insurers in the country. NAMIC member companies write $357 billion in annual premiums. Our members account for 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets.

[2] NAIC Consumer Representatives aim to help state regulators to advance the consumer interest in insurance regulation. Consumer Representatives apply and are appointed by a governing board within the NAIC. They represent diverse populations of consumers and bring an array of perspectives, lived experience, and subject matter expertise across a range of insurance access and regulation issues that span all lines of insurance. **The Consumer Representatives do not represent or work for the NAIC**. More information about consumer participation at the NAIC is available here.

As you consider the proposed endorsement, we offer our collective support and experience engaging with insurance consumers as a resource should the NAIC decide to develop more detailed recommendations for financial literacy education. We take to heart your comments from the Summer National Meeting that "no generation can go at it alone," and we believe issues like this are fertile ground for state regulatory leadership. We believe financial education in high schools will benefit state insurance markets and the consumers we all serve. Thank you for your consideration of these comments on this matter of great importance.

Sincerely,

Erin Collins
Senior Vice-President, State and Policy Affairs

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Stephani Becker, Shriver Center on Poverty Law
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Christa Stevens, Autism Speaks
Harold Ting, Healthcare Consumer Advocate
Wayne Turner, NAIC Consumer Representative
Brent Walker, Coalition Against Insurance Fraud
Richard M. Weber, Life Insurance Consumer Advocacy Center
Silvia Yee, NAIC Consumer Representative

Cc: Michael Humphreys, Pennsylvania Insurance Commissioner – Co-chair, SCORI Life Workstream
Mark Fowler, Alabama Insurance Commissioner – Co-chair, SCORI Life Workstream