

SPECIAL (EX) COMMITTEE ON RACE AND INSURANCE

Special (EX) Committee on Race and Insurance, Dec. 2, 2023, Minutes
2024 Adopted Charges (Attachment One)

Draft Pending Adoption

Draft: 12/19/23

Special (EX) Committee on Race and Insurance
Orlando, Florida
December 2, 2023

The Special (EX) Committee met in Orlando, FL, Dec. 2, 2023. The following Special Committee members participated: Andrew N. Mais, Co-Chair (CT); Chlora Lindley-Myers, Co-Chair (MO); Jon Godfread, Co-Vice Chair (ND); Scott A. White, Co-Vice Chair (VA); Lori K. Wing-Heier (AK); Mark Fowler (AL); Alan McClain (AR); Michael Conway (CO); Karima M. Woods (DC); Michael Yaworsky (FL); Doug Ommen (IA); Dean L. Cameron (ID); Dana Popish Severinghaus (IL); Sharon P. Clark (KY); James J. Donelon (LA); Judith L. French (OH); Gary D. Anderson (MA); Kathleen A. Birrane (MD); Timothy N. Schott (ME); Anita G. Fox (MI); Grace Arnold (MN); Eric Dunning (NE); Justin Zimmerman (NJ); Alice T. Kane (NM); Scott Kipper (NV); Andrew R. Stolfi (OR); Michael Humphreys (PA); Alexander S. Adams Vega (PR); Michael Wise (SC); Larry D. Deiter (SD); Jon Pike (UT); Kevin Gaffney (VT); Mike Kreidler (WA); Nathan Houdek (WI); and Jeff Rude (WY). Also participating were: Chandara Phanachone (CA), Veronica Murray (OR)

1. Adopted its Summer National Meeting Minutes

Commissioner Godfread made a motion, seconded by Commissioner Yaworsky, to adopt the Special Committee's Aug. 14 minutes (*see NAIC Proceedings – Summer 2023, Special (EX) Committee on Race and Insurance*). The motion passed unanimously.

2. Adopted its 2024 Proposed Charges

Commissioner Mais reported that the proposed charges reflect the continued work of the Special Committee. In the next year, the Special Committee will discuss with Membership and interested parties specific timelines and deliverables for the workstreams and continue the discussion on closing protection gaps.

Commissioner Kreidler made a motion, seconded by Director Cameron, to adopt the Special Committee's 2024 proposed charges (Attachment One). The motion passed unanimously.

3. Received a Status Report on the Property/Casualty (P/C) Workstream

Commissioner Gaffney reported that the Property/Casualty (P/C) Workstream continues to focus on engaging with the Collaboration Forum activities related to algorithmic bias. He said the work is best conducted in a collaborative manner, not only through the Collaboration Forum but with the Life Workstream and Health Workstream, as well as the Big Data and Artificial Intelligence (H) Working Group.

Commissioner Gaffney said the Workstream is building on this fundamental work by looking at potential bias in the product life cycle, starting with marketing and access, then moving to underwriting and rating, and concluding with claims handling and fraud detection. The Workstream has met with several insurers to focus on marketing and advertising activities. Commissioner Gaffney said that more recently, the Workstream has met with insurers to discuss underwriting and rating to understand insurers' corporate governance principles and best practices. These discussions help to inform the Workstream's work looking at potential algorithmic bias and exploring industry best practices. The Workstream will continue to investigate additional areas of the product life cycle, likely at future national meetings.

Draft Pending Adoption

Commissioner Gaffney concluded by saying the Workstream is also looking at recent studies and reports concerning the possibility of unfair bias within underwriting by examining ongoing research and in conversations with additional parties.

4. Received a Status Report on the Life Workstream

Director French reported that the Life Workstream met Oct. 11 to hear a presentation from the Colorado Division of Insurance (DOI) about the latest developments in the implementation of its algorithmic bias law passed in 2021 (S.B. 21-169).

The Life Workstream also heard a presentation from the Oregon Division of Financial Regulation about its Outreach Sponsorship Program, which is a collaboration with trusted community partners to deliver financial education to consumers in underserved communities.

The Workstream will continue to focus on marketing, distribution, and access to life insurance products in minority communities, including the role that financial literacy plays. The Workstream will produce a deliverable in the form of a resource guide, developed in cooperation with the NAIC Diversity, Equity, and Inclusion (DE&I) Division and the State Member Diversity Leadership Forum, with the goal of including information helpful to all insurance departments looking to take action to improve access and understanding in underserved communities.

The Workstream will explore leveraging NAIC Connect, a regulator-only space currently being rolled out by the NAIC, as a place where states can share information about their efforts to improve financial literacy in underserved communities.

5. Received a Status Report on the Health Workstream

Commissioner Arnold reported the Workstream met twice in September in open session to discuss mental health coverage and the evolution of the federal Affordable Care Act's (ACA's) Section 1332 waivers, which are the areas of focus identified by the Workstream at the beginning of the year. Through the presentations, the Workstream heard conversations on how to address health disparities through essential health benefits (EHBs) and on ways for states to use the ACA's Section 1332 waiver provision beyond reinsurance programs to address issues such as obesity and other social determinants of health.

The Workstream continues its work to finalize its collaborative space on NAIC Connect to provide a platform where the Workstream can share with NAIC members information captured during meetings and serve as a living resource for the NAIC membership where the Workstream will continue to build content and other tools for the states to access on this site. In addition, the Workstream hopes that this site could also serve as a platform for discussion and conversations related to health equity and other related topics. In a regulator-to-regulator meeting, the Workstream received a demonstration of the Workstream's page on the NAIC Connect platform and plans to have the page finalized early in the new year.

Commissioner Birrane reported that the survey on the use of artificial intelligence (AI) in health insurance is being done in coordination with the Johns Hopkins School of Public Health. The Workstream will coordinate a meeting of regulators from the big data/AI survey group and the Health Insurance and Managed Care (B) Committee to meet with representatives from Johns Hopkins to go through the draft survey and work to finalize the draft for exposure in early 2024.

Draft Pending Adoption

6. Received an Update on the Member Diversity Leadership Forum

Evelyn Boswell (NAIC) provided an update on the Member Diversity Leadership Forum and the best practices identified over the last quarter.

Ms. Murray provided an update on the activities of the Member Diversity Leadership Forum. In February 2023, the DE&I training was launched for state insurance regulators with the goals to understand diversity and inclusion, develop cultural proficiency, and recognize the impact of DE&I in the workplace.

More than 1,000 state insurance regulators have registered for the course. The top five states making up 85% of the registrations are California with 568, Pennsylvania with 207, Michigan with 56, Oregon with 41, and Kentucky with 28. State insurance regulators and NAIC staff are encouraged to take this course in 2024.

During the October quarterly meeting, the Forum heard from Professor James Bruner (Gallaudet University) in celebration of national disability awareness month. Professor Bruner presented on the university's risk management and insurance program for students who are deaf and hard of hearing. He discussed the importance of being intentional in everything the university does to build a pipeline, including opening doors at insurance companies and state agencies for student internships since these types of work experiences are key to inspiring students beyond the classroom.

Ms. Phanachone provided an update highlighting the Member Diversity Leadership Forum's contribution to the Life Workstream's resource guide, which fosters financial literacy in underserved communities. Ms. Phanachone said for 2024, the Forum will continue its focus on collaboration and sharing DE&I best practices, as well as engagement and community building within the NAIC community. NAIC national meetings and the Annual Diversity, Equity, and Inclusion Conference on June 5, 2024, are key opportunities to engage with the NAIC community.

The Member Diversity Leadership Forum is in the process of creating a webinar with the International Association of Insurance Supervisors (IAIS) where the California DOI and Rhode Island Division of Insurance will share best practices and learned experiences before the IAIS Market Conduct and Governance Working Groups with the goal of informing IAIS leaders in the development of their application papers.

7. Heard an Update from the Insured Retirement Institute (IRI)

Representatives from the (IRI) provided a presentation on the work IRI has done to advance internal organizational DE&I practices and how that work ties to the NAIC's DE&I recommendations.

Shani Armon (IRI) and Christina Brady (IRI) reported that in 2020, the organization established a board of director-level DE&I advisory council. Since then, IRI has set priorities for outreach to and education of college students, the development of partnerships with DE&I- focused industry groups, the creation and distribution of resources to members, and the embedding of DE&I in advocacy and access efforts. When the Special (EX) Committee on Race and Insurance adopted Workstream One's Proposed Recommendations for recruiting, retaining, and promoting talent, at all levels of organizations, that is representative of insurers' customers and communities, IRI realized its efforts were closely aligned with the NAIC's Recommendations.

For the first recommendation, educate students about careers in the insurance industry, IRI has joined two industry coalitions established by their member organizations. The first organization, the Financial Alliance for Racial Equity (FARE), was established by the leadership of Nationwide Financial in 2020 and is a network of companies committed to building relationships with historically Black colleges or universities (HBCUs) for the purpose of attracting diverse talent. FARE has a scholarship program benefiting current Black financial

Draft Pending Adoption

professionals, helping them secure their Certified Financial Planner (CFP) certification, offering a scholarship program targeted at HBCU students interested in pursuing a career in financial services and helping them prepare for the Securities Industry Essentials (SIE) exam, and offering a mentorship program between FARE members and HBCUs providing networking with and exposure to financial services and industry leaders. In 2024, FARE will conduct research to understand better why Hispanic Americans are underrepresented in financial services and how they can help with recruitment efforts in that area. The second coalition is the Coalition for Equity in Wholesaling, established by Equitable, which is a collaborative effort to educate students about the wholesaling profession and to pair those students with career opportunities. The Coalition held a series of in-person and virtual education programs targeted at diverse students, and the Coalition's outreach has resulted in more than 1,000 diverse students from around the country expressing an interest in a financial services career.

For the second recommendation, identify opportunities to improve workforce diversity, IRI joined PricewaterhouseCoopers' (PwC's) CEO Action for Diversity & Inclusion coalition and pledged to adopt DE&I best practices and foster education. IRI formed the board-level advisory council and conducted research to determine where the industry stood with the implementation of DE&I best practices related to retention and acquisition goals and to ascertain and evaluate industry recruiting best practices. IRI also launched a Women in Leadership conference and programming to address gender disparities, promote the unique value proposition women bring to the workforce, and create a network for women within the industry to collaborate and innovate.

For the third recommendation, disseminate DE&I resources and best practices, IRI developed a DE&I resource compendium website to compile and distribute best practice resources for the IRI's membership and created original publications like the *Embedding DEI in Early- and Mid-Career Talent Acquisition* resource. IRI is also partnering with the Money Management Institute (MMI) and cohosted a DE&I symposium focused on inclusive marketing. It also will cohost a Women in Leadership webinar later this year. IRI's partnership with the American Council of Life Insurers (ACLI) involves benchmarking diversity across the industry and thinking about ways to share and distribute best practice materials.

For the fourth recommendation, embedding DE&I topics in regulatory interactions, IRI's advocacy focuses on advocating for policies and regulations that broaden access to industry products. Annually, IRI develops the *Federal Retirement Security Blueprint*, created in collaboration with IRI member companies. The document outlines IRI's advocacy positions, including those positions that help broaden access to industry products for underserved and underrepresented communities. IRI also supports financial education that helps people make decisions to prepare for retirement through its involvement with: 1) EveryIncome, a personalized financial education and management tool supplied to all IRI employees with efforts to introduce member companies to the tool; and 2) CAAB, which is a Washington, DC based organization providing education and programming to ensure low- and moderate-income families have access to financial literacy resources and tools.

Commissioner Mais asked how state insurance regulators could participate in partnerships within the insurance industry, particularly in developing best practices in talent acquisition.

Ms. Brady responded that when presenting career opportunities to students, it would be helpful to include career opportunities in the regulatory community, which opens a new avenue for students to consider when they think about the financial services industry as a career.

8. Received an Update on the N.A.I.C. Foundation

Kay Noonan (NAIC) provided an update on New Avenues to Insurance Careers (N.A.I.C.) Foundation activities, including identifying scholarship opportunities the Foundation can fund at universities that would be coupled with internships at insurance departments and within insurance companies. This concept is being piloted under the leadership of Commissioner Fowler and the Alabama DOI with Troy University (Troy, Alabama), which offers a

Draft Pending Adoption

bachelor's degree in science and business administration with a concentration in risk management and insurance. The Foundation is currently identifying students to be awarded grants for the next academic year.

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

SharePoint/NAIC Support Staff Hub/Committees/EX CMTE/SCORI/2023_Fall/_Final Minutes & Summary/12-RaceIns Minutes.docx

Adopted by the Executive (EX) Committee and Plenary, Dec. 4, 2023

Adopted by the Special (EX) Committee on Race and Insurance, Dec. 2, 2023

2024 Charges

SPECIAL (EX) COMMITTEE ON RACE AND INSURANCE

The mission of the Special (EX) Committee on Race and Insurance is to serve as the NAIC's coordinating body on identifying issues related to: 1) race, diversity, and inclusion within the insurance sector; 2) race, diversity, and inclusion in access to the insurance sector and insurance products; and 3) practices within the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups.

Ongoing Support of NAIC Programs, Products or Services

1. The **Special (EX) Committee on Race and Insurance** will:
 - A. Serve as the NAIC's coordinating body on identifying issues related to: 1) race, diversity, and inclusion within the insurance sector; 2) race, diversity, and inclusion in access to the insurance sector and insurance products; and 3) practices within the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups.
 - B. Coordinate with existing groups such as the Innovation, Cybersecurity, and Technology (H) Committee, Big Data and Artificial Intelligence (H) Working Group and the Casualty Actuarial and Statistical (C) Task Force and encourage those groups to continue their work on issues affecting people of color and/or historically underrepresented groups, particularly in predictive modeling, price algorithms, and artificial intelligence (AI).
 - C. Receive updates on recommendations on action steps state insurance regulators and companies can take to improve the level of diversity and inclusion in the industry.
 - D. In coordination with the Executive (EX) Committee, receive reports on NAIC diversity, equity, and inclusion (DE&I) efforts. Serve as the coordinating body for state requests for assistance from the NAIC related to DE&I efforts.
 - E. Receive reports from the Member Diversity Leaders Forum concerning best practices among state insurance departments on DE&I efforts.
 - F. Continue research and analysis of insurance, legal, and regulatory approaches to addressing unfair discrimination, disparate treatment, proxy discrimination, and disparate impact. Make recommendations for statutory or regulatory changes and additional steps, including:
 1. (Life Workstream) The impact of traditional life insurance underwriting on traditionally underserved populations, considering the relationship between mortality risk and disparate impact.
 2. (Property/Casualty Workstream) Developing analytical and regulatory tools to assist state insurance regulators in defining, identifying, and addressing unfair discrimination in property/casualty (P/C) insurance, including issues related to:
 - a. Rating and underwriting variables, such as socioeconomic variables and criminal history, including:
 1. Identifying proxy variables for race.
 2. Correlation versus causation, including discussion of spurious correlation and rational explanation.
 3. Potential bias in underlying data.
 4. Proper use of third-party data.
 - b. Disparate impact considerations.

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

- G. (Life, Property/Casualty, and Health Workstreams) Consider enhanced data reporting and record-keeping requirements across product lines to identify race and other sociodemographic factors of insureds, including consideration of legal and privacy concerns. Consider a data call to identify insurance producer resources available and products sold in specific ZIP codes to identify barriers to access.
- H. Continue research and analysis related to insurance access and affordability issues, including:
1. (Life Workstream) The marketing, distribution, and access to life insurance products in minority communities, including the role that financial literacy plays.
 2. (Life Workstream) Disparities in the number of cancellations/rescissions among minority policyholders.
 3. (Health Workstream) Measures to advance equity through lowering the cost of health care and promoting access to care and coverage, with a specific focus on measures to remedy impacts on people of color, low income and rural populations, and historically marginalized groups, such as the LGBTQ+ community, individuals with disabilities, and Alaska Native and other Native and Indigenous people.
 4. (Health Workstream) Examination of the use of network adequacy and provider directory measures (e.g., provider diversity, language, and cultural competence) to promote equitable access to culturally competent care.
 5. (Health Workstream) Conduct additional outreach to educate consumers and collect information on health and health care complaints related to discrimination and inequities in accessing care.
 6. (Property/Casualty Workstream) Whether steps need to be taken to mitigate the impact of residual markets, premium financing, and nonstandard markets on historically underrepresented groups.
 7. Make referrals for the development of consumer education and outreach materials, as appropriate.

NAIC Support Staff: Andrew J. Beal/Kay Noonan