

SPECIAL (EX) COMMITTEE ON RACE AND INSURANCE

Special (EX) Committee on Race and Insurance, Dec. 7, 2020, Minutes

Special (EX) Committee on Race and Insurance, Sept. 17, 2020, Minutes (Attachment One)

Draft Pending Adoption

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Special (EX) Committee on Race and Insurance
Virtual 2020 Fall National Meeting
December 7, 2020

The Special (EX) Committee on Race and Insurance met Dec. 7, 2020. The following Special Committee members participated: David Altmaier, Co-Chair (FL); Raymond G. Farmer, Co-Chair (SC); Dean L. Cameron, Co-Vice Chair (ID); Chlora Lindley-Myers, Co-Vice Chair (MO); Lori K. Wing-Heier (AK); Jim L. Ridling (AL); Alan McClain (AR); Evan G. Daniels represented by Vanessa Darrah (AZ); Ricardo Lara (CA); Michael Conway (CO); Andrew N. Mais (CT); Karima M. Woods (DC); Trinidad Navarro (DE); John F. King represented by Martin Sullivan (GA); Colin M. Hayashida represented by Kathleen Nakasone (HI); Doug Ommen (IA); Robert H. Muriel (IL); Stephen W. Robertson represented by Claire Szpara (IN); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon represented by Ron Henderson (LA); Gary Anderson (MA); Kathleen A. Birrane (MD); Eric A. Cioppa (ME); Anita G. Fox (MI); Grace Arnold represented by Kathleen Orth (MN); Mike Chaney (MS); Mike Causey represented by Tracy Biehn (NC); Jon Godfread (ND); Bruce R. Ramge (NE); Marlene Caride (NJ); Barbara D. Richardson (NV); Linda A. Lacewell represented by My Chi To (NY); Tynesia Dorsey (OH); Glen Mulready (OK); Andrew R. Stolfi (OR); Jessica K. Altman (PA); Rafael Cestero Lopategui (PR); Elizabeth Kelleher Dwyer (RI); Larry D. Deiter (SD); Carter Lawrence represented by Rachel Jrade-Rice (TN); Texas represented by Doug Slape (TX); Tanji J. Northrup (UT); Scott A. White (VA); Michael S. Pieciak represented by Kevin Gaffney (VT); Mike Kreidler (WA); Mark Afable (WI); James A. Dodrill (WV); and Jeff Rude (WY).

1. Adopted its Sept. 17 Minutes

The Special Committee met Sept. 17 and took the following action: 1) discussed its charges and workstreams; and 2) heard comments from interested parties on the work of the Special Committee.

Commissioner Donelon made a motion, seconded by Commissioner Anderson, to adopt the Special Committee's Sept. 17 meeting minutes (Attachment One). The motion passed unanimously.

Director Farmer noted that the Special Committee will not be adopting new 2021 charges at this point as the existing workstreams continue their progress.

2. Received a Status Report on Workstream One

Executive Deputy Superintendent of Insurance To reported that Workstream One is charged with: 1) researching and analyzing the level of diversity and inclusion within the insurance industry; and 2) making recommendations on action steps. Initially, the charge also included researching and analyzing access to insurance products. However, once the various workstreams began to meet, it became apparent that there was some overlap between the efforts of Workstream One and the efforts of Workstream Three, Workstream Four and Workstream Five. Workstream One's charge was amended by the Special Committee to focus solely on diversity and inclusion within the industry.

Workstream One met in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member, including budget, personnel and contractual matters, and including consideration of internal administration of the NAIC, including, but not limited to, by the Internal Administration (EX1) Subcommittee or any subgroup appointed thereunder) of the NAIC Policy Statement on Open Meetings, on Dec. 1, Oct. 30, Oct. 20, Oct. 6 and held a public meeting on Nov. 18 with interested parties.

Workstream members immediately began researching and analyzing available data and information on diversity within the insurance industry and planning its public meeting. Questions by the members focused on such things as: the significance of a board's role with regards to advancing diversity and best practices; key challenges that companies face in diversifying their board leadership; what companies can do to foster a more inclusive environment to attract and retain diverse executives and board members; and what metrics the industry uses for talent acquisition and retention.

Given the role that outside recruiting agencies play in assisting companies with onboarding talent, the members sought to determine how diversity is considered by these recruiting agencies. Workstream members wondered about the internal statistics that companies have on the representation of people of color and historically underrepresented groups within their ranks. They asked if this data is not currently available, what would be helpful for companies to have and what can the NAIC and state

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insurance regulators do to support companies' efforts to increase the representation of people of color and historically underrepresented groups in the insurance industry.

During its Nov. 18 public call, the Workstream heard from representatives from: the Alliance for Board Diversity (ABD); the American Council of Life Insurers (ACLI); the American Property Casualty Insurance Association (APCIA); the Amerisure Mutual Insurance Company; executive search firm Egon Zehnder; the Insurance Careers Movement; the Latino Corporate Directors Association (LCDA); and Out Leadership's Quorum initiative. The speakers agreed that the insurance industry could do more to improve workforce diversity and inclusion. Several speakers discussed the importance of having diverse board membership. Speakers also voiced the need for companies to prioritize diversity at all levels: entry-level, senior-level executives and board members. The speakers discussed the societal, economic and business performance reasons for diverse corporations and highlighted some statistics related to industry diversity.

Several speakers also provided recommendations on how the industry can improve diversity:

- Working with companies to develop specific and expansive definitions of what diversity means.
- Supporting the visibility of entry-level talent for senior and board roles.
- Working with the industry to create or improve apprenticeship programs.
- Collaborating with colleges and universities to encourage graduates to pursue careers in insurance.

Executive Deputy Superintendent of Insurance To reported that members have begun drafting an initial report outlining the workstream findings, as well as preliminary recommendations to the Executive (EX) Committee and membership on next steps. The group plans to continue more focused engagement with industry stakeholders and gathering more information specifically to learn more about such things as specific practices companies are employing to improve diversity in their ranks. There is a recognition from Workstream members that everyone needs to do more to increase diversity within the insurance industry.

3. Received a Status Report on Workstream Two

Commissioner Clark reported that Workstream Two is charged with: 1) researching and analyzing the level of diversity and inclusion within the NAIC and state insurance regulator community; and 2) making recommendations on action steps.

Because this workstream is directed internally at the NAIC and the departments of insurance (DOIs), the three meetings held so far have been in regulator-to-regulator session. The work has been divided into two subgroups. Commissioner Clark will take the lead on state insurance department issues, and Director Muriel has been leading the efforts related to the NAIC. Workstream members were assigned to the subgroups based on their preference.

Commissioner Clark reported the first significant item of discussion was how best to collect information from the various states and how to share that information in a way that allows states to learn from each other. Among the items discussed were: 1) how to account for differences in state-level, rather than department-level, initiatives; 2) how to account for variances in public reporting on statistical and other information in state reporting; 3) how to account for demographic variations among states; and 4) what is the best way to gather information on existing best practices, while also allowing for states to learn from what other states are doing.

The group developed a "best practices survey" to examine initiatives state insurance departments can adopt to promote diversity and inclusion in their offices. Currently, several volunteers are working with NAIC staff to develop the survey and present a draft to the full Workstream. Since the survey will ultimately be sent to all NAIC members, the Workstream will look for an opportunity to present the draft at an upcoming member meeting.

Director Muriel reported the first step in researching the level of diversity and inclusion within the NAIC was to send the NAIC a list of written questions. The NAIC has established a Diversity, Equity and Inclusion (DE&I) Council and hired Evelyn Boswell, NAIC Director of DE&I. Ms. Boswell, Michael F. Consedine (NAIC, Chief Executive Officer), Andrew J. Beal (NAIC, Chief Operating Officer and Chief Legal Officer), Kay Noonan (NAIC) and the NAIC Human Resources and Talent Management teams responded to the questions on Nov. 30.

Director Muriel provided an extensive list of NAIC initiatives already underway or anticipated directed at hiring, retaining and promoting people of color or historically underrepresented groups. In particular, the NAIC is doing a lot of work evaluating its recruiting methods. Also, the NAIC described existing policies and training in place, as well as plans for enhancement.

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The group also asked the NAIC how it can best support state efforts and the role of the Executive (EX) Committee and members in supporting NAIC efforts. As the Workstream members have more time to evaluate the responses and receive a formal presentation from the NAIC on the results, the members hope the NAIC's work can also inform best practices for state use.

4. Received a Status Report on Workstream Three

Commissioner Schmidt reported that Workstream Three is charged with: 1) examining and determining which practices or barriers exist in the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups in the property/casualty (P/C) line of business and making recommendations on action steps.

The Workstream first met Oct. 13 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member, including budget, personnel and contractual matters, and including consideration of internal administration of the NAIC, including, but not limited to, by the Internal Administration (EX1) Subcommittee or any subgroup appointed thereunder) of the NAIC Policy Statement on Open Meetings, to discuss its charge, timeline and next steps. During this meeting, Workstream members also reviewed a draft list of proposed casualty/C insurance issues that co-chairs developed. The Workstream finalized a preliminary list of issues and sought comment on its proposed list of issues on Oct. 29 and met Nov. 12 to review comments and hear from seven interested parties: Lauren Cavanaugh (American Academy of Actuaries—Academy); Angela Gleason (APCIA); Birny Birnbaum (Center for Economic Justice—CEJ); Michael DeLong (Consumer Federation of America—CFA); Sonja Larkin-Thorne (Consumer Advocate); Grace Vandecruze (Grace Global Capital LLC); and Nat Shapo (Katten Muchin Rosenman LLP).

The Workstream then met Nov. 19 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member, including budget, personnel and contractual matters, and including consideration of internal administration of the NAIC, including, but not limited to, by the Internal Administration (EX1) Subcommittee or any subgroup appointed thereunder) of the NAIC Policy Statement on Open Meetings, to review the Nov. 12 comments and revise its preliminary list of issues.

Commissioner Mais provided a brief overview of the progress on those issues. Initially, the Workstream created five major categories of issues with anywhere from two to seven subheadings under each major category: 1) "Affordability and Availability of Insurance." The Workstream will look at what has been studied but will focus on what can be done rather than just acknowledge there are issues; 2) "Access." The Workstream will look to combine some of the sub-issues under this category with "Affordability and Availability" and prioritize marketing practices and how education and consumer partnerships can improve access to underrepresented groups; 3) "Unfair Discrimination." The Workstream has heard from many parties and had lengthy discussions about disparate impact and potentially unfair rating characteristics that might be proxies for race. The Workstream would like to see if there are tools that can be developed to assist state insurance regulators in looking at unfair discrimination; 4) "Use of Data." This may be combined with "Unfair Discrimination." Here, there are some issues where the ongoing work of certain working groups like the Big Data (EX) Working Group and the Artificial Intelligence (EX) Working Group should be acknowledged and emphasize that issues affecting race should be considered in their charges; and 5) "Producer Issues." The NAIC will be asked to conduct research and provide additional information related to producer licensing, testing and agent location. The Workstream also talked about agent diversity and minority agency development programs and will work with Workstream One to make sure that is covered.

Commissioner Mais reported the overall goal with the issues list is to prioritize items, recognize that many issues are known and identify the action needed. The Workstream plans to prioritize and create recommendations for existing or new committees or working groups to take on next year with achievable goals. These revised issues list will be part of the recommendations that will make up the essential part of the Workstream's report to its parent committee.

5. Received a Status Report on Workstream Four

Commissioner Afaible reported that Workstream Four is charged with examining and determining which practices or barriers exist in the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups in the life insurance and annuities lines of business.

The workstream met on Nov. 16 and Oct. 30 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member, including budget, personnel and contractual matters, and including consideration of internal administration of the NAIC, including, but not limited to, by the Internal Administration (EX1) Subcommittee or any subgroup appointed thereunder) of the NAIC Policy Statement on Open Meetings, to discuss a list of issues for Workstream Four to consider and prioritized the following: 1) access to life insurance products focusing on education

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and distribution; 2) disparities in underwriting/rating, focusing on what the disparities are and the factors that cause disparities; and 3) disparities in cancellations/rescissions, focusing on what the disparities are and the factors that cause disparities.

The Workstream plans to hold an open public meeting on Dec. 10 to discuss the above prioritized issues and to invite stakeholders to present their perspectives.

6. Received a Status Report on Workstream Five

Commissioner Lara reported that Workstream Five is charged with: 1) examining and determining which practices or barriers exist in the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups in the health insurance line of business; and 2) making recommendations on next action steps.

Workstream Five met Oct. 20 in a regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member, including budget, personnel and contractual matters, and including consideration of internal administration of the NAIC, including, but not limited to, by the Internal Administration (EX1) Subcommittee or any subgroup appointed thereunder) of the NAIC Policy Statement on Open Meetings, to discuss a potential work plan, including next steps and deliverables, to complete its charge. The first step is to begin collecting and evaluating data to confirm the existence of issues. Then the Workstream will engage with stakeholders to obtain data on the existence and scope of issues and consider possible best practices and next steps.

During this meeting, the Workstream members also discussed a timeline and a list of potential issues for its consideration and possible engagement of stakeholders. Those issues included affordability and accessibility, and the Workstream agreed that accessibility would most likely be its main issue to study.

Commissioner Lara also reported that Workstream Five met Dec. 2 in open session to hear from stakeholders and to help the Workstream members: 1) identify and understand more fully disparities in health insurance affecting racial and historically underrepresented groups; and 2) identify the questions the Workstream members should be asking themselves and consider as it moves forward.

The Workstream heard from six invited speakers, who identified various issues they believe the Workstream should examine and develop recommendations to address, such as: more robust network adequacy requirements and enforcement; provider workforce education and equity; enhanced outreach to affected communities and groups; and the lack of data collection in areas related to sexual orientation and gender identity.

The speakers included: 1) Samantha Artiga (Kaiser Family Foundation—KFF); 2) Kiran Savage-Sangwan (California Pan-Ethnic Health Network—CPEHN); 3) Amber Hewitt (Families USA); 4) Amanda McAllister-Wallner (California LGBTQ Health and Human Services Network); 5) Scout (National LGBT Cancer Network); and 6) Cori Uccello (Academy Health Equity Work Group) and Mr. Birnbaum (CEJ).

Commissioner Lara said the Workstream will meet in the near future in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member, including budget, personnel and contractual matters, and including consideration of internal administration of the NAIC, including, but not limited to, by the Internal Administration (EX1) Subcommittee or any subgroup appointed thereunder) of the NAIC Policy Statement on Open Meetings, to discuss the key takeaways from its Dec. 2 meeting and its next steps.

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

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Special (EX) Committee on Race and Insurance
Virtual Meeting
September 17, 2020

The Special (EX) Committee on Race and Insurance met Sept. 17, 2020. The following Special Committee members participated: David Altmaier, Co-Chair (FL); Raymond G. Farmer, Co-Chair (SC); Dean L. Cameron, Co-Vice Chair (ID); Chlora Lindley-Myers, Co-Vice Chair (MO); Lori K. Wing-Heier (AK); Evan G. Daniels (AZ); Ricardo Lara (CA); Michael Conway (CO); Andrew N. Mais (CT); Karima M. Woods (DC); Trinidad Navarro (DE); Colin M. Hayashida (HI); Doug Ommen (IA); Robert H. Muriel (IL); Stephen W. Robertson (IN); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon (LA); Gary Anderson (MA); Kathleen A. Berrane (MD); Anita G. Fox (MI); Grace Arnold (MN); Mike Causey (NC); Jon Godfread (ND); Bruce R. Ramge (NE); Marlene Caride (NJ); Barbara D. Richardson (NV); Linda A. Lacewell (NY); Tynesia Dorsey (OH); Glen Mulready (OK); Andrew R. Stolfi (OR); Jessica K. Altman (PA); Rafael Cestero Lopategui (PR); Elizabeth Kelleher Dwyer (RI); Larry D. Deiter (SD); Hodgen Mainda (TN); Kent Sullivan (TX); Todd E. Kiser (UT); Scott A. White (VA); Mike Kreidler (WA); Mark Afable (WI); James A. Dodrill (WV); and Jeff Rude (WY).

1. Heard Introductory Remarks

Director Farmer introduced the members of the Special Committee. Director Farmer and Commissioner Altmaier will serve as co-chairs, and Director Cameron and Director Lindley-Myers will serve as co-vice-chairs.

Director Farmer said: “Our personal engagement, along with the vast majority of the NAIC membership, is representative of how seriously we are taking these issues and how committed NAIC members are to effect meaningful action in the insurance sector. And, for many of us, this is personal.”

2. Discussed Its Charges

Director Farmer reported that the charges of the Special Committee were adopted by the Executive (EX) Committee during its July 14 meeting, when the Executive (EX) Committee appointed this Special Committee.

Commissioner Altmaier reaffirmed the Special Committee’s charges: “The Special (EX) Committee on Race and Insurance is hereby established by the Executive (EX) Committee to do the following work and report back to the Executive (EX) Committee by year-end: 1) conduct research and analyze the level of diversity and inclusion within the insurance sector; 2) engage with a broad group of stakeholders on issues related to race, diversity, and inclusion in, and access to, the insurance sector and insurance products; 3) examine and determine which current practices or barriers exist in the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups; and 4) make recommendations to the Executive (EX) Committee and membership by year-end regarding steps: (a) both insurance regulators and the insurance industry can take to increase diversity and inclusion within the sector; (b) that should be taken to address practices that potentially disadvantage people of color and/or historically underrepresented groups; and (c) to ensure ongoing engagement of the NAIC on these issues through charges to its committees, task forces and working groups.”

3. Discussed Its Workstreams

Director Farmer stated: “We have a great deal of work to do before year-end. Let me be clear, however, in setting up expectations related to this initiative. Our work will certainly not be completed by year-end. As others have observed, we are playing the long game here and our work over the next few months will merely set the stage for the real work to come. The role of the Special Committee for 2020 is to evaluate key areas of focus; provide initial conclusions and findings; and, most importantly perhaps, provide recommendations on how we structure our engagement on these matters going forward to ensure that we are being effective, inclusive and transparent.”

Director Farmer discussed the need to develop workstreams in order to help delegate the assigned work of the Special Committee arising from its charges. “We identified five workstreams and surveyed the members to get their preferences regarding which workstreams they want to join,” Director Farmer said.

Director Farmer announced the workstreams and co-chairs:

- Workstream #1 will focus on diversity within the insurance industry and access to insurance products. The co-chairs are Commissioner Mainda and My Chi To (NY).
- Workstream #2 will focus on diversity within the insurance regulatory community and the NAIC. The co-chairs are Commissioner Clark and Director Muriel.
- Workstream #3 will focus on identifying practices or barriers that potentially disadvantage people of color and/or historically underrepresented groups in the property and casualty insurance area. The co-chairs are Commissioner Schmidt and Commissioner Mais.
- Workstream #4 will focus on identifying practices or barriers that potentially disadvantage people of color and/or historically underrepresented groups in the life insurance and annuity areas. The co-chairs are Commissioner Caride and Commissioner Afable.
- Workstream #5 will focus on identifying practices or barriers that potentially disadvantage people of color and/or historically underrepresented groups in the health insurance area. The co-chairs are Commissioner Altman and Commissioner Lara.

4. Heard Comments from Members of the Special Committee

The Special Committee members were invited to make comments about any of the workstreams, including any programs and/or initiatives they have in place or are pursuing in their jurisdictions.

a. Tennessee

Commissioner Mainda reported that Tennessee is “looking forward to the work we are going to do together. This is very personal, and I am very passionate about this issue. I was passionate before everything started about three months ago with the death of George Floyd. And, as I have said before, it is unfortunate that this tragic incident has happened that has elevated this conversation, but I take it as an opportunity to really be impactful and have positive change within the NAIC and as regulators in our specific departments in our state. This is not a political issue. This is upholding the sanctity and dignity of human life and that is what we need. Politics aside, this is just about human beings and being inclusive and accepting of people for who they are.”

In Tennessee, the Law Enforcement Training Academy is part of the Tennessee Department of Commerce and Insurance (TDCI). “We rolled out training and are looking at further training for police officers and how that relates to the different law enforcement communities,” Commissioner Mainda said.

The TDCI has established a Diversity and Inclusion Council. The first meeting included 13 staff across the department as nominated by the assistant commissioners. Commissioner Mainda added: “We are looking forward to the work and looking at our policies and practices, training and education within the department, and specifically for insurance. We will focus on research and analyzing the level of diversity and inclusion, as well as access to the insurance products. We are waiting to see the work that comes out of this Special Committee before we implement anything.”

b. Louisiana

Commissioner Donelon reported that “Louisiana, for about 25 years I truly believe, [was] the only state insurance department with a division of diversity and opportunity in America. During that time, we have enjoyed the opportunity to develop careers and insurance programs to include a concentration in risk management and insurance at Southern University in Baton Rouge, one of our nation’s [historically black colleges and universities].”

“We also implemented the Invest Program, a minority outreach effort, sponsored by the Independent Insurance Brokers and Agents Association of America, Inc. in 14 high schools and universities, leading to internships and job-shadowing experiences for participating students throughout the state. We are a key player in a course-share agreement between Southern University Law Center in Baton Rouge and the University of Connecticut School of Law Insurance Institute for a master’s level insurance law course. We are also collaborating with Southern University on creating a curriculum for an insurance concentration.”

The Louisiana Department of Insurance has also participated in workshops and seminars throughout Louisiana, providing students with information on educational and employment opportunities in the insurance industry. These workshops include

continuing education credits for producers and how to become a licensed claims adjuster, as well as how to form a producer cluster, among other initiatives focused on minority involvement in the insurance world.

Commissioner Donelon said: “We have a guideline that is monitored by the legislative auditor that measures each state agency for its diversity and minority involvement in its workforce. We have 225 employees in the department at Baton Rouge and, of that 225, more than 50% are females and more than one-third of our state’s employee population is from the minority ranks.”

Commissioner Donelon added that he would be happy to share his slides and other information with other Special Committee members.

5. Heard Comments from Interested Parties

Commissioner Altmaier introduced the eight interested parties who requested to comment.

a. ACLI

Susan Neely (American Council of Life Insurers—ACLI) said, “The time is now to discuss and take actionable steps to promote diversity, equity and inclusion within the insurance industry, state insurance departments and the NAIC.”

Ms. Neeley said: “We also think the time is now to take a close look at our regulatory framework, with an eye toward identifying and eliminating any standards or practices that have the effect of depriving people of color access to affordable financial security protection. Some of you have heard me talk about what we believe our leadership platform must be as an industry going forward. We have identified that long before 2020 and that includes providing financial security to all Americans, regardless of race or ethnicity, and we believe this is an important time for progress on that goal.”

Ms. Neeley said: “Our common goal should be a modernized regulatory framework that recognizes and incentivizes new and innovative methods of expanding access to Americans across the entire social economic spectrum. I would like to recognize Commissioner Godfread and members of the Innovation and Technology (EX) Task Force for advancing guidelines that address the use of artificial intelligence (AI) in the underwriting process. The ACLI supports these efforts. A clear and reasonable relationship between the data elements and the risk being underwritten must exist and be explainable to regulators and consumers. Racial discrimination in any form—direct or indirect—is wrong and has no place in the business of insurance, and the NAIC AI guidelines set the stage for a more fulsome discussion of what is meant by the term ‘proxy discrimination.’”

Ms. Neeley also shared some preliminary ideas for concrete steps that could be taken to advance economic empowerment and racial equity: expanding access to affordable financial security protection in underserved communities; advancing diversity, equity and inclusion with companies and on corporate boards; achieving economic empowerment through financial education; and expanding investments in underserved communities.

Ms. Neeley said, “We encourage the Special Committee to take a closer look at whether unnecessary barriers exist that may impede people of color to become licensed or employed within the insurance industry.” She noted that this important initiative is underway at The American College of Financial Services.

Ms. Neeley noted that on a recent NAIC podcast, Commissioner Mais mentioned that one of the first things he did in Connecticut was to make the producer licensing exam available in Spanish, encouraging culturally diverse individuals to become licensed insurance producers to serve culturally diverse markets. She said: “This is a very important goal and one that the ACLI fully supports. The commitment to diversify producers and advisors and, in turn, to reach diverse communities is a very strong commitment of our members.”

Ms. Neeley added: “Programs that support entry into the workforce while maintaining licensing and qualification standards may be another way to aid consumer access and consumer affordability in the middle market and underserved communities. The successful annuity best interest model is an excellent example of how the bar on consumer protection was raised while, at the same time, ensuring lower middle-income savers continued access to the retirement security products they want and need.”

“Our second recommended step is advancing diversity and inclusion within companies and on corporate boards in recognition of the persistent racial inequities that exist across the country. As you begin to study the current level of diversity, equity and inclusion in the industry, we encourage you to consider the progress made through our CEO action pledge,” Ms. Neeley said.

“Achieving economic empowerment through consumer financial education across the country, harnessing the power of these programs, and partnering through collaborations and coalitions can close gaps fueled by systemic inequality and build intergenerational wealth. We encourage you to consider aligning resources,” Ms. Neeley said.

In regard to expanding investments in underserved communities, Ms. Neeley said: “As you know, one of the strengths in the state-based system of insurance regulation is the framework governing insurer investments. It has served consumers and the industry well during times of financial crisis as well as prosperity, given the long-term nature of our products. Life insurance makes promises today for benefits payments to those who are insured and their beneficiaries decades later, so the nature of our investing looks to long-term stable returns to meet those promises. Consistent with stringent state investment requirements, we support voluntary initiatives to help facilitate institutional, quality, purpose-driven investments that bring economic opportunity to underserved communities.”

“We also support state and federal legislation establishing tax incentives and other measures that promote investments in underserved communities. In 2009 and 2010, life insurers invested in the Build America Bonds, making up investors in one-third of the total bonds issued by the federal government,” Ms. Neeley said.

“So, as part of our economic empowerment initiative and the fourth step that we are focusing on, we are endeavoring to unwind the complicated time frame, and propose state and federal proposals to promote investment and things like affordable housing, broadband access and other services that will benefit underserved communities,” Ms. Neeley said.

b. CURE Auto Insurance

Eric Poe (CURE Auto Insurance) said CURE Auto Insurance is a regional not-for-profit reciprocal exchange auto insurer that writes insurance in New Jersey and Pennsylvania. He stated that, as a consumer advocate, he has personally been involved with rate filings and regulatory compliance.

Mr. Poe stated that he has been “crusading” and has been a “whistleblower” in the industry for 15 years trying to ban the use of income proxies as they have proliferated: from credit scores, to education, to occupation and full-time employment. He stated that in 2000 when the NAIC assembled a working group to see if there were race-based insurance criteria still being used, it was shocking that the NAIC uncovered that life insurers, at the passage of the federal Civil Rights Act, actually substituted race as the application question for educational attainment and occupation.

Mr. Poe said: “In general, the motive for the industry is very simple: profit. We are in the business to make a profit. The vast majority of insurance carriers are publicly traded, and wealthier people simply are more attractive to the industry for several reasons. Number one, they are more profitable because, whether or not you live in a no-fault state where we have to actually insure more poor people in the household, poorer people have more people per household per vehicle. Wealthier people also have more disposable income, so they can pay more for minor car accidents out of their own pockets. The industry can also sell more products to wealthier people because they own their homes or have other assets. For lower-income people, they rent and their biggest asset probably is their car.”

Mr. Poe added: “Also, as an industry, we can barter or sell the data of wealthier drivers. Obviously, because the consuming marketplace doesn’t have a need to attract people that can’t afford to buy their product, the wealthier people’s data is important to barter for the industry.”

Mr. Poe said: “How did we end up getting to a point where we are now, in terms of regulators allowing the use of these income proxies to get approved? We’ve accomplished this by convincing regulators that all you have to do is show a factor that you want to use for underwriting relating to risk. That correlation of risk is not simply loss ratios; it is just a measurement of profitability. So, the question is, is the risk being measured properly? Studies show that—outside of students—doctors, lawyers and architects have the highest accident rates of all occupational groups. So, if we really measured risk as the risk of driving poorly or unsafely, these criteria clearly would not be met.”

Mr. Poe said: “In terms of looking at these income proxies and how they migrated through our country, let’s start with the most obvious income proxy and that is credit scores. Ninety-three percent of insurers adopt the use of insurance-based credit scores. People think credit scores only have to do with whether or not somebody pays their bills on time. I think regulators lost sight of the fact that the second-highest component of a credit score has to do with somebody’s income. Shocking to most is that 35% of your credit score has to do with your credit utilization, which is based on how much money you actually make. The

poorer you are, the lower your credit score is; and, the poorer you are, the more likely you are to use your available credit. As you use your available credit, your credit score goes down.”

Mr. Poe said: “Over time, we started seeing that there were correlations to profitability and loss ratios with higher-income people. Insurers are trying to target the most profitable drivers. How do they do that? They started adopting more obvious income proxies, like educational attainment, occupation, full-time employment and homeownership status. Unfortunately, there are insurance companies in this country that have received approval to use full-time employment as a methodology, only giving the best rates to those people who are full-time employees. In this time of pandemic and job loss, it only makes the accessibility of reasonable rates worse.”

Mr. Poe added: “There are regulations in every state that require car insurers to give good rates and accept drivers with a good record, but, in my opinion, the industry has also employed a new practice. I call it the ‘constructive rejection.’ In other words, while we have these state laws that say you must accept and provide a rate to certain drivers if they have a good record, we have practices that make rates so high for people, they are constructively rejected.”

Mr. Poe said that in 2018, New York banned the use of education and occupation as a basis for establishing auto insurance rates. In 2019, Michigan Gov. Gretchen Whitmer was the first governor to sign legislation banning the use of education and occupation proxies. He suggested that the NAIC should produce a model law for every state to enact to prohibits the most common occupation and income proxies. He also encouraged the NAIC to write a letter of support for the “Prohibit Auto Insurance Income Discrimination Act” introduced in the U.S. Congress in 2019 to prohibit these income proxies.

c. IRI

Wayne W. Chopus (Insured Retirement Institute—IRI) commented on behalf of the IRI, the leading national trade association for the entire supply chain of insured retirement strategies, including life insurers, asset managers and distributors, such as broker-dealers, banks and marketing organizations.

The IRI established a Diversity, Equity and Inclusion (DEI) Board Working Group in June of this year. “Our intent is to collaborate with member companies, other industry organizations and policymakers, such as NAIC, to identify industry DEI best practices that could be embraced and implemented across the entire supply chain of the financial services industry,” Mr. Chopus said.

In addition to the board working group, the IRI also established a DEI Steering Committee, comprised of 22 DEI professionals and champions from IRI member companies. This group has been meeting monthly to identify and focus its scope of work. “We recognize there are many populations that are subsets of a DEI program. The initial focus of the IRI board working group and steering committee will be on the Black population, with a particular focus on talent acquisition and retention within the industry,” Mr. Chopus said.

Mr. Chopus stated: “We share the Special Committee’s goal to research current DEI programming underway within the industry. Our intent is to work with member companies to benchmark the tactics in use at each organization such that we promote industrywide adoption of best practices. Our approach will involve helping companies see opportunity rather than working from a place of criticism. Our work is beginning, but we have already felt the passion and commitment from our member companies and their leadership teams. We look forward to working with the NAIC Special Committee to learn more about the past, current and future diversity, equity and inclusion focus of IRI members, and additionally, to connect equally with all our employees, customers and corporate and policy leaders.”

d. ICM

Marguerite Tortorello (Insurance Careers Movement—ICM) said the ICM is a global grassroots initiative that brings together more than 1,000 insurance companies, agents and brokers, trade associations and industry partners to inspire more people to choose insurance as a career and to remain in the insurance industry.

The ICM works on initiatives to help increase diversity and inclusion in the insurance industry and with their industry partners. She provided some examples of individual and collaborative industry actions to drive diversity and inclusion in the insurance industry. She said these are “not a complete representation of diversity and inclusion initiatives, yet showcase the power of industry collaboration and innovative work underway to expand opportunities and drive meaningful DEI change.”

1. Industry Statements and Actions to Address Racial Inequality

Throughout the summer, insurers have spoken up and are taking action to address social injustices and advance diversity and inclusion. Examples of actions to drive change include: Travelers committing \$1 million to assist nonprofits—such as the NAACP Legal Defense and Educational Fund, National Urban League, YWCA Minneapolis and the Saint Paul Area Chamber of Commerce—that are dedicated to advancing racial equality across the U.S. and rebuilding damaged businesses in Minnesota; American International Group (AIG) donating \$250,000 from the AIG Foundation to the NAACP Legal Defense and Educational Fund and Amnesty International; CSAA Insurance Group donating \$10,000 to the Equal Justice Initiative; and American Family Insurance creating the American Family Insurance Institute for Corporate and Social Impact. She also referred to a YouTube video, “Allyship in Insurance: Summer 2020,” which was created by the ICM summer interns and can be accessed online at <https://youtu.be/QP9oOLc5na0>.

2. Industry Collaboration on Diversity and Inclusion

The insurance industry is collaborating on several large-scale initiatives to provide education on diversity and inclusion, accelerate action, and engage more people to choose insurance as a career. Examples include:

a. Diversity and Inclusion

1. Dive In: The Festival for Diversity and Inclusion in Insurance: The insurance industry is accelerating work on diversity and inclusion through Dive In: The Festival for Diversity and Inclusion in Insurance. Since its inception in 2015, Dive In has grown exponentially, reaching global heights with events taking place across 32 countries worldwide, attracting more than 10,000 people. Read more: <https://diveinfestival.com>.
2. Insurance Industry Charitable Foundation (IICF) Women in Insurance Conference Series: The IICF has raised awareness of career opportunities in insurance and worked to advance diversity and inclusion through its Women in Insurance Conference Series. Since 2013, more than 7,000 women and men have participated in the conference series.
3. APCA/ACLI/LICONY “Women and Diversity: Expanding Opportunity in Insurance” Conference: The American Property Casualty Insurance Association (APCIA), the ACLI and the Life Insurance Council of New York (LICONY) co-hosted the “Women and Diversity: Expanding Opportunity in Insurance” conference in New York, NY, in February. The joint industry event was designed to provide actionable steps that companies can take for building diverse and inclusive corporate communities.
4. Emerging Leaders Conference: The Emerging Leaders Conference—hosted by the APCIA, the ICM and AM Best—is designed to help identify, develop and retain rising stars in the insurance industry. The Emerging Leaders Conference intentionally develops a diverse class and embeds diversity and inclusion issues and actions into the event program.

b. Educational Collaboration to Advance Diversity and Inclusion in Insurance

1. Apprenticeship Programs: Industry leaders—such as Zurich, The Hartford and Aon—have created apprenticeship programs as an innovative way to address labor shortages, promote diversity and inclusion, and address barriers to professional advancement. The apprenticeship programs provide exposure and hands on work for opportunities in the insurance industry. The apprenticeship program provides opportunities for recent high school graduates, as well as veterans and other nontraditional students. Read more: <https://www.zurichna.com/careers/apprentices>.
2. Insurance Careers Month: The ICM leads the Insurance Careers Month every February and works with insurers, agents and brokers, trade associations, media partners, InsurTech and other industry partners to help promote diversity and inclusion in the industry, as well as attract and retain diverse talent.
3. Collaborations with Girls Who Code: Insurance carriers, such as CNA and CSAA Insurance Group, are partnering with Girls Who Code to increase awareness of STEM (science, technology, engineering and math) opportunities in the insurance industry and provide hands-on experiences. Read more: <https://www.prnewswire.com/news-releases/cna-partners-with-girls-who-code-for-2018-summer-immersion-program-300671491.html>.

4. Collegiate Tech Partnerships: Some insurance companies are partnering with colleges and universities to expand tech opportunities and illustrate potential career paths in the insurance industry to reach new audiences and help drive diversity and inclusion.
5. Scholarships and Grants: Insurers recognize the importance of support through scholarships and grants to help drive diversity and inclusion in the industry and many organizations are engaged with the Spencer Foundation. The Spencer Foundation's commitment to innovation begins with funding talented students who are studying to join the insurance field and continues through to supporting risk practitioners in advanced studies. Scholarships are awarded to students studying risk management, actuarial science, underwriting, engineering, finance, business administration and enterprise risk management in the U.S. and Canada.
6. Collaboration with Gamma Iota Sigma: The ICM, the APCIA and many insurers collaborate with Gamma Iota Sigma, the risk management insurance fraternity, to help promote opportunities in insurance to students and to advance diversity and inclusiveness in the industry. Read more: <https://www.gammaiotasigma.org>.

c. Networking Groups

Many insurers have formed employee networks to help address diversity and inclusion challenges, reduce barriers and provide access to executives to accelerate career opportunities and drive retention. Networking groups support key actions to advance a diverse workforce, such as mentoring, training and sponsorship. Following are a few examples of insurer networks:

1. Zurich's Women's Innovation Network (WIN) is aimed at creating insights into business success while providing networking opportunities with accomplished colleagues and industry experts.
2. CSAA Insurance Group's Women's Professional Network (WPN) is a coalition of women and men who collaborate, learn and lead to support the advancement of women at CSAA Insurance Group.
3. Erie Insurance's Women's Affinity Network (WAN) has a mission to break down gender barriers, promote understanding of gender differences and create confident, executive leaders at all levels of the organization. WAN strives to improve business practices and develop rewarding relationships through community outreach, mentoring, business impacts and networking.
4. COUNTRY Financial's Women in Networking (WIN) arranges successful female representatives to serve as mentors. The WIN mission is to be a forum that brings COUNTRY Financial female representatives together to: support one another through mentoring; explore opportunity areas; capitalize on their strengths; and create strategies to develop within their chosen career paths.
5. Shelter Women's Advocacy Group (SWAG) holds educational activities such as lunch-and-learns that give members an opportunity to sharpen their professional skills, provide personal enrichment and network.

d. Business and Community Collaboration to Support Diverse Leaders in Tech

The Hartford is a leader in promoting STEM innovation and insurance careers in the Hartford area and insurance industry. In 2017, The Hartford partnered with the city of Hartford, CT, and CTNext to create the Hartford InsurTech Hub, which is focused on addressing the need for attracting new technologies and talent in insurance and technology into the city of Hartford.

e. CEJ

Birny Birnbaum (Center for Economic Justice—CEJ) stated: “We are united in our commitment as consumer stakeholders to address racial inequities in insurance markets. We commend the NAIC for your stated commitment to racial justice in insurance and the concrete actions you have taken to date: the principles on AI and the creation of the Special (EX) Committee on Race and Insurance.”

Mr. Birnbaum said: “We welcome the NAIC openly investigating, addressing and seeking the correct path forward to eliminate systemic racial biases in all lines of insurance and across all aspects of the insurance benefit design, marketing, purchasing, pricing and claims process. We recommend the following concrete actions by state insurance regulators and the NAIC:

1. Collect and publish consumer market outcome data such that the information can be analyzed by race and other protected class factors.
2. Appoint a select group of non-regulator advisors to assist the Special Committee in identifying key issues for change and solutions to help address the disparity between industry voices and resources with those of consumer stakeholders.
3. Plan a national symposium to be held in the summer or fall of 2021 hosted by the NAIC. This “summit” would present the findings and recommendations of the Special Committee and serve as a call for unity and action to address systemic racism in American insurance markets.
4. Commit to consider the recommendations for new regulatory guidance presented by the CEJ at the NAIC/Consumer Liaison Committee meeting in August 2020.
5. Define specific and clearly stated action steps and measurable results to be achieved and assessed at one-, three-, five- and 10-year intervals.

Mr. Birnbaum said, “We urge the NAIC to reach out to organizations representing communities of color to recruit their consumer participation at the NAIC and in the states.”

f. APCIA

Angela Gleason (APCIA) said that society at large is experiencing a historic opportunity to evaluate and address racism and to act on social equity, diversity and inclusion concerns. She said, “Improving racial equity and justice is important not only as a societal public policy imperative, but also as context for self-examination within the property/casualty insurance sector.”

The APCIA represents nearly 60% of the U.S. property/casualty insurance market. Ms. Gleason said: “We promote and protect the viability of private competition for the benefit of consumers and insurers. The APCIA represents the broadest cross-section of home, auto and business insurers of any national trade association, with insurance members of all sizes, structures and regions, protecting families, communities and businesses in the U.S. and across the globe.”

Ms. Gleason added: “Insurance is an essential safety net in the U.S. economy that supports financial and economic progress and allows individuals and communities to prosper. The basis of insurance is matching risk costs based on objective criteria with rates and then spreading those risks accordingly across society. That risk-based pricing ensures accessibility, affordability and availability of essential insurance protections within a voluntary competitive market. The APCIA is aligned with the NAIC and state regulators on the need to have the hard conversations together about how to directly tackle concerns related to fairness and preventing unlawful discrimination to determine if there are improvements that could both strengthen competitive markets and address inequities, while preserving the risk-based foundation of insurance.”

Ms. Gleason said: “The APCIA has established a special board working group on social equity and inclusion that is developing core principles and reviewing our public policy and advocacy efforts in light of those principles. In doing so, our goal is not to simply focus on property/casualty insurance within the context of our stated mission, but also to advance positive industry efforts toward greater diversity and inclusion and to promote a stronger insurance role in support of disadvantaged communities, creating partnerships that will effect lasting and beneficial change for everyone.”

Ms. Gleason reiterated that the APCIA is committed to long-term engagement with all stakeholders and provided perspectives about the NAIC workstreams.

g. NAMIC

Tony Cotto (National Association of Mutual Insurance Companies—NAMIC) provided comments on some of the charges and workstreams of the committee. He said, “Our members understand that, like our regulators and the communities we serve, we are stronger when we leverage and include diverse backgrounds, skills, knowledge and perspectives of our policyholders, vendors and employees.”

“As was discussed during the NAIC’s August special session on this topic, mutual insurance companies are built on the notions of community and inclusivity; the mutual model has a long and proud history of service to minority communities. NAMIC and its members are adamantly opposed to discrimination on the basis of race and unfair discrimination in general, and we support legislative and regulatory policies to prevent these practices.”

“As NAMIC and our member companies look at ways to continue opposing and combating unfair discrimination—as well as ways to attract, engage and retain the employees who best represent and reflect the needs of the communities they serve—we commend the NAIC for taking up these important and timely issues, and we commit to pooling our talents to promote unity and oppose racism. NAMIC and our members strongly believe that treating all employees and policyholders with dignity and fairness is essential to the success of our industry”.

h. Swanson Insurance Agency

Greg Swanson (Swanson Insurance Agency) said he has been in the insurance industry since 1955, when he attended meetings with his dad. His daughters are now in the business with him.

Mr. Swanson said: “It was always that we were unable to quote or go after an account because we didn’t have access to the companies that wrote those accounts. Now that we have those companies, we still can’t write those accounts because the agents on those accounts are locked in for years with the only company that writes those big accounts. When we are in the room with the customers, we must stay in the background and are not allowed to go to the forefront and go after those accounts that we feel we are able and willing to write.” He believes they are being required “to stay in their lane.” It leaves them out of business they feel they should be able to write.

Director Farmer invited Mr. Swanson to select a workstream he would like to participate in and let the NAIC know.

6. Discussed Other Matters

Commissioner Mainda requested that the ACLI’s CEO action pledge be shared with the NAIC.

Commissioner Richardson said it is apparent the national trade groups are moving quickly, “so please let the local/regional groups of your trade associations know about your work as the states are working with the local groups.”

Commissioner Altmaier said NAIC staff will be providing committee support staff for each of the five workstreams. There will be a call in the near future with the co-chairs of each workstream to discuss coordination and timelines. He said: “As was noted earlier, we have a lot of work to do between now and the end of the year in developing recommendations for the Executive (EX) Committee to consider. As Director Farmer noted, much of the effort for the remainder of the year will help position us organizationally for the real work to follow in 2021 and beyond.”

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

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