



August 16, 2020

Visit us on-line at [ERIE Action Network](#)

NAIC's 2020 Summer National Meeting Focuses on Race and Diversity

The National Association of Insurance Commissioner's (NAIC's) renewed focus on racial equality was evident throughout the 2020 summer national meeting last week. During the opening session, NAIC President, Director Ray Farmer (SC), pressed the importance of seizing this historic moment to make lasting change in the diversity of the insurance industry and the impact of race on insurance products. This is a very personal issue for many of the regulators and the NAIC is prepared to act as evidenced by the creation of a new special committee on race and inclusion, comprised of 51 of the 56 jurisdictions represented by the NAIC. In early September, the NAIC's special committee will hold an open meeting and invite all stakeholders to present their thoughts on how to address these issues and opportunities.

Regulators welcomed the engagement of the industry and praised the commitment of CEOs to change - and said they will hold them to it. Key issues under discussion included:

- *Diversity and Inclusion (Workforce and Board)*: Promoting a more diverse workforce from the top down is a primary objective of regulators for the industry, their own departments, and the NAIC. Suggestions to help promote change included: creating an education pipeline that encourages students to enter and stay in the insurance industry; having corporate sponsors that advocate for and promote minorities for upward advancement; and fostering the development and support of minority owned and run insurance businesses. Several states suggested specific goals and requirements were needed, with one commissioner stating, "if you can measure it, you can manage to it." In a related area, the discussions also emphasized that corporate boardrooms need to be more diverse.
- *Financial Literacy*: "An educated consumer is an empowered consumer." Helping minority consumers understand the value and availability of insurance is a powerful tool. Relatedly, as an industry, discussions reinforced the need to find ways to increase minority representation in the producer community.
- *Underwriting and Rating Variables* - The legitimacy of all underwriting and rating variables appear to be on the table for discussion. The use of education/occupation and credit-based insurance scores were specifically targeted and will be a key focus of the regulators. This review is not limited to the property-casualty industry. Credit-based insurance scores have been identified as a controversial data source in accelerated underwriting by life insurers.
- *Big Data*: Concerns with big data were categorized as follows: (1) a lack of transparency to consumers and regulators as to what data is being used; (2) data accuracy; (3) information provided by unregulated vendors; (4) the types of data being used; and (5) a lack of state and federal legislation to unlock complicated algorithms. Consumer activists

felt strongly that insurers should not be able to hide behind unregulated data vendors and should be able to explain to consumers and regulators every data point that they use.

- *Studies/Data Calls:* Discussion centered on the outdated nature of the research in this area, with suggestions made to update prior studies or perform new studies to assess whether past regulatory and legislative actions have had a meaningful impact on affordability and availability. In addition, regulators and consumer activists are calling for access to more granular data, at least at the zip code level, to better monitor market conduct. This was not only an issue during the special session, but the chair of the Property and Casualty (C) Committee asked members to think about whether regulators needed more detailed data. The requests for data affect both market and financial regulation and will likely be raised in various NAIC committees.
- *Availability and Affordability:* Insurance has been identified as a key to the path to upward mobility and wealth creation. Discussion will focus on how to ensure that minority communities have access to affordable policies with meaningful coverage.

Insurance trade associations, on behalf of member companies, will continue working with the NAIC and state regulators on these issues. APCIA's Board Working Group on Social Equity and Inclusion is overseeing the development of the principles and framework.