

Testimony of
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Missouri Department of Commerce and Insurance
On Behalf of the National Association of Insurance
Commissioners

Before the
Subcommittee on Diversity and Inclusion
U.S. House Committee on Financial Services

Regarding:
A Review of Diversity and Inclusion at America's Largest
Insurance Companies

September 20, 2022

Chairwoman Waters, Chair Beatty, Ranking Member Wagner, members of the Subcommittee, thank you for the invitation to testify today. My name is Chlora Lindley-Myers and I serve as the Director of the Missouri Department of Commerce and Insurance. I am also the President-elect of the National Association of Insurance Commissioners (NAIC)¹ and serve as the Co-Chair of the Special Committee on Race and Insurance.

We appreciate the subcommittee's attention to this important topic and look forward to sharing the ongoing efforts of state insurance regulators with regard to race and insurance. Our regulatory system and insurance in general is a reflection of the society it aims to protect, and state insurance regulators are committed to working on financial inclusivity and representation in our sector.

In 2020, in the wake of a national call to action on race and inequality issues, the NAIC created a Special Committee on Race and Insurance,² the first of its kind in NAIC history, to evaluate racial inequity in the insurance sector across all facets, as providers of insurance products and as employers of a large portion of the workforce. Where previously issues of discrimination and market access occurred as part of broader conversations around pricing and underwriting in specific product lines, the Special Committee elevated our work from these somewhat technical or narrow discussions to candid Commissioner-level discussions on whether and how the industry was serving the needs of all people, policyholders and employees, regardless of race. Our formation of such a committee was emulated by others throughout the insurance sector leading to a national discussion on this critical issue.

Our committee is focused on addressing access to the insurance sector and market barriers to the acquisition and use of insurance products by researching:

- the level of diversity and inclusion within the insurance sector and developing recommended action steps for insurance regulators and companies that reflect a broad consensus among NAIC members;
- diversity, equity, and inclusion (DE&I) best practices within state insurance departments and developing forums for sharing relevant information among states and stakeholders;
- barriers that may disproportionately impact people of color and/or historically underrepresented groups within the property and casualty, life insurance and annuities, and health insurance lines of business.

¹ As part of our state-based system of insurance regulation in the United States, the National Association of Insurance Commissioners (NAIC) provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

² <https://content.naic.org/article/news-release-naic-announces-special-committee-race-and-insurance>

Workstream One is our group focused on industry diversity. Over the past two years, we have engaged with stakeholders representing a cross section of industry representatives and diversity advocacy groups to understand the efficacy of diversity-related programs, how insurance companies measure their DE&I progress, and what state insurance regulators can do to support these efforts. This workstream held several public calls to discuss actions companies can take to foster a more inclusive and diverse workplace environment and has appreciated hearing about industry's DE&I efforts and their diversity-related programs.

We recognize the importance of recruiting, retaining, and promoting talent, at all levels of organizations, who are representative of insurers' customers and communities. To that end, this workstream has been developing recommendations on steps regulators and industry can take to improve upon the diversity in the employment pipeline and resulting employee base. On September 13, we released these draft recommendations for public comment and look forward to receiving feedback.³ These recommendations reflect discussions with stakeholders and state insurance regulators over the past two years. Our work acknowledges the initiatives by industry to increase DE&I in their organizations and looks forward to continued engagement from all stakeholders as the workstream finalizes its recommendations. We will keep the subcommittee apprised of our work moving forward.

We are also pleased to share that the NAIC has formed the New Avenues to Insurance Careers Foundation. The Foundation will focus on fostering interest in careers in insurance and insurance regulation, with particular focus on students from underserved and diverse communities. This is a crucial step that will advance one of the key goals of the Special Committee on Race and Insurance and support our members' efforts to increase diversity and inclusion in the regulatory community specifically, and the industry more generally.

On the international front, the NAIC has used its platform at the international level to promote discussion of DE&I issues at the International Association of Insurance Supervisors (IAIS). In response to the efforts of state regulators and other insurance supervisors around the globe, the IAIS has committed to deepening and strengthening its work on DE&I by creating a forum for regulators to share steps taken by supervisors in support of DE&I, partnering with other relevant international organizations focused on DE&I, and incorporating relevant DE&I aspects into ongoing IAIS projects particularly for corporate governance, culture, and conduct.

Turning to our regulatory focus on access to insurance products, we believe there should be equal access to insurance markets and products, and we must ensure that insurance companies are not unfairly discriminating at any stage of the insurance process, from underwriting to rate setting, to claims handling. The volume of data being created, combined with ever evolving computational

³<https://content.naic.org/sites/default/files/inline-files/Proposed%20Recommendations%20Special%20%28EX%29%20Committee%20on%20Race%20and%20Insurance%20Workstream%20One%20--%20Exposed%20Sept%2013%202022.pdf>

techniques has resulted in unprecedented data mining capabilities that fuel the development of predictive models used to support decision making by insurers.

The NAIC's Algorithmic Bias Project of the Collaboration Forum is addressing unfair algorithmic bias, how it emerges, and the right regulatory approach to mitigation and detection. The Project held a multi-day collaboration session for state insurance regulators featuring academics and experts on this topic. These issues are complex and far reaching and our work is necessarily measured and deliberative to avoid unintended consequences in the market. We are committed to continuing these important efforts and welcome your engagement.

The report produced by this Subcommittee indicates that insurance, like the financial services sector at large, has significant room for improvement to ensure a diverse workforce at all levels of organizations. Like you, we expect the statements of support and commitments made in the wake of the deaths of George Floyd and other victims of racial violence to be met with a sustained commitment to progress. The insurance regulatory community is committed to being a part of that progress.

In conclusion, state insurance regulators appreciate the subcommittee's attention to measuring diversity and inclusion in the insurance sector. We are encouraged by the unprecedented discussions that have taken place to date between our members and stakeholders on race and diversity issues and our work will continue. I appreciate the opportunity to join you today to share insurance regulators' efforts and the work of the NAIC's Special Committee on Race and Insurance as we look for ways to close the protection gap for traditionally underserved communities, address the barriers to accessing insurance products, expand insurance sector opportunities, and enhance financial literacy.