

NAIC Rings in a New Year for Addressing Racial Inequities

December 15, 2020

In 2020, the NAIC formed the Special (EX) Committee on Race and Insurance to consider what measures insurance regulators and the industry can take to increase diversity and inclusion within the insurance industry and to address practices that potentially disadvantage people of color and/or historically underrepresented groups. The Committee divided its work into five “workstreams.”

Notably, Workstream Four is examining and determining which practices or barriers exist that potentially disadvantage people of color and/or historically underrepresented groups in the life insurance and annuities lines of business. On December 10, Workstream Four members discussed that the group would be addressing these issues and heard from interested parties.

Workstream Four currently intends to address the following three issues:

- Access to life insurance products, focusing on education and distribution/marketing.
- Disparities in underwriting/rating, focusing on what the disparities are and what factors cause the disparities.
- Disparities in cancellations/rescissions, focusing on what the disparities are and what factors cause the disparities.

During the meeting, Christopher L. Gandy, speaking for the National Association of Insurance and Financial Advisors and Skip Edmonds, Chief Compliance Officer, Life Insurance and Marketing and Research Association (LIMRA), spoke about:

- The wealth gap that is in part due to lack of access to financial advice and products because of the absence of diverse individuals in leadership or mentorship roles.
- Those who are underserved by the life insurance industry often lack financial education, are not having the needed conversations at the right time, and lack someone who can speak in a manner to help them. These issues may also lead to higher lapse rates for the underserved markets.

- The health and work disparity of diverse and underserved individuals and how the life insurance industry takes this into account in life underwriting.

Paul S. Graham of the American Council of Life Insurers discussed ACLI member companies' initiatives. This included increasing underserved communities' access to life insurance using accelerated underwriting. He also explained the members' commitment to address "proxy" discrimination.

Birny Birnbaum of the Center for Economic Justice believes that education will not overcome systemic historical racism and inherent biases in insurance. Rather, Birnbaum believes it is necessary to require insurers to test for, and minimize, disparate impact. He also warned that underwriting algorithms are based on data that reflects inherent biases.

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