

SUSAN NEELY REMARKS TO NAIC SPECIAL COMMITTEE ON RACE AND INSURANCE

Thursday, September 17, 2020 – 2:00 pm ET

Opening Comments

- Commend the NAIC for choosing to make diversity, equity and inclusion a priority.
- ACLI shares your passion and commitment to making a meaningful difference, which is why we have also brought this important societal issue to the forefront of ACLI's agenda, to be overseen at the highest levels of our organization.
- We wholeheartedly agree that 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.
 - Our congratulations to Evelyn Boswell, the NAIC's first Diversity, Equity and Inclusion Officer – we look forward to working with her on this important initiative.
- Now is also the time 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.
- 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 socioeconomic spectrum.

Proxy Discrimination

- At the outset, I would like to recognize Commissioner Godfread and members of the Innovation and Technology Task Force for advancing guidelines that address the use of artificial intelligence in the underwriting process, which ACLI supports.
- A clear and reasonable relationship between the data elements used and the risk being underwritten must exist and be explainable to regulators and consumers.
- We said it before and I'll emphasize it again: racial discrimination in any form, direct or indirect, is wrong and has no place in the business of insurance.
- The NAIC's artificial intelligence guidelines set the stage for a more fulsome discussion of what is meant by the term proxy discrimination. There are different ways this can be accomplished, such as a definition of the term or by constructing a regulatory framework around the use of underwriting algorithms. Or both.
 - ACLI has assembled a multi-disciplinary team of data scientists, doctors, actuaries and lawyers and we look forward to working with the NAIC as the issue continues to unfold.

- I want to share with you today our preliminary ideas for concrete steps that can be taken to advance economic empowerment and racial equity.

The First is Expanding Access to Affordable Financial Security in Underserved Markets

- We encourage this Special Committee to take a close look at whether unnecessary barriers exist that may impede people of color to become licensed by or employed with the insurance industry.
- The important initiative underway at the American College of Financial Services led by former NAIC President George Nichols to recruit, educate, place and support thousands more Black American advisors will strengthen the financial health of communities of color.
- On a recent NAIC podcast Connecticut Commissioner Andy Mais mentioned one of the first things he did upon taking office was to make the producer licensing exam available in Spanish. Encouraging culturally diverse individuals to become licensed insurance producers to serve culturally diverse markets is a laudable goal and one ACLI fully supports. The commitment to diversifying producers and advisors and, in turn, reaching diverse communities is strong among ACLI members.
- We understand some states may be reconsidering whether any type of criminal background should permanently disqualify an individual from seeking employment with a financial institution. Some banks are instituting “second chance” programs that support reentry into the workforce while maintaining high professional qualification, licensing and conduct standards. This may be an area where additional focus by the NAIC is warranted.
- Innovation and technology can drive expanded consumer access and consumer affordability in the middle market and underserved communities and we encourage NAIC to keep this in mind as it considers actions that can be taken to promote diverse and inclusive markets.
- The NAIC’s successful annuity best interest model is an excellent example of how the bar on consumer protection can be raised while at the same time ensuring lower to middle income savers have access to the retirement security products they want and need.

The Second is Advancing Diversity and Inclusion Within Companies and on Corporate Boards

- In recognition of the persistent racial inequities that exist across the country, private sector CEOs have signed an Action Pledge on Diversity and Inclusion. CEOs on ACLI’s Board were among the founding members of the pledge, which commits signatories to four key goals:

- Making workplaces trusting places to have complex, and sometimes difficult conversations about diversity, equity and inclusion.
 - Implementing and expanding unconscious bias education.
 - Sharing best practices.
 - Creating and sharing strategic diversity, equity and inclusion plans with their boards of directors.
- In recent months we have seen a number of federal and state legislative proposals that would require disclosure of corporate diversity, equity and inclusion data on boards of directors and executive officers.
 - As the NAIC begins to study the current level of diversity, equity and inclusion in the insurance industry, we encourage you to consider the progress being made through initiatives such as the CEO Action Pledge and to take note of pending legislation as you develop recommendations for moving forward.

The Third is Achieving Economic Empowerment Through Financial Education

- This is an area in which the NAIC is uniquely positioned to expand its already considerable reach and resources as a bully pulpit for advancing consumer insurance education.
- Numerous studies have shown how financial empowerment can increase financial wellbeing across income and education levels, as well as push more households out of poverty.
- ACLI members are active supporters of financial education and wellness campaigns in communities across the country. Harnessing the power of these programs and partnerships through coalitions can help close gaps fueled by systemic inequality and build intergenerational wealth.
- We encourage the NAIC to consider aligning resources with programs such as the American College's four step forward initiative aimed at achieving economic empowerment through financial education.

Fourth and Finally, Expanding Investments in Underserved Communities

- As you well know, one of the strengths of the state-based system of regulation is the framework governing insurer investments. It has served consumers and the industry well during times of both financial crisis and prosperity.
- Given the long-term nature of their products, life insurance make promises today for benefit payments that will be made to insureds and their beneficiaries sometimes decades later. So the nature of their investing looks to long-term, stable returns to meet these promises.

- Consistent with these stringent state investment requirements, ACLI supports voluntary initiatives which 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.
 - During the 2009-2010 financial crisis, life insurers invested heavily in high quality public purpose infrastructure bonds called Build America Bonds to the tune of \$60 billion, or about one-third of the total issued by the federal government.
- As part of our Economic Empowerment initiative, we are endeavoring to unwind the complicated tangle of existing and proposed state and federal proposals to promote investment in things like affordable housing, broadband access and other services benefitting underserved communities.

Conclusion

- Say what you will about the year 2020, but it marks an extraordinary time in the history of our country. Amid a global pandemic, an opportunity has arisen to address racial disparities and inequality of opportunity with the kind of purpose and resolve not seen in a half of century.
- We are eager to engage in a collaborative effort with the NAIC and other stakeholders to advance diversity, equity and inclusion in the insurance sector.
- What I've outlined for you today is our preliminary ideas for concrete steps that can be taken to advance economic empowerment and racial equity. It's only just the beginning and we welcome the opportunity for a robust dialogue focused on key objectives and measurable results.
- As NAIC President Ray Farmer recently pointed out, "there is much more that unites us than divides us," and working together we look forward to making a positive difference for our society.