



NAMIC Statement in Support of NCOIL Race and Insurance Committee and Risk-Based Pricing in Insurance

The National Association of Mutual Insurance Companies¹ is committed to continued participation in the ongoing dialogue among stakeholders to identify joint paths forward to ensure fairness and equity in property/casualty insurance. NAMIC and our member companies have a long and storied history of commitment to our policyholders and the communities they serve. Key to the success and survival of any insurer is a sound understanding of the responsibilities that accompany the promises made in policies: fair treatment and payment of covered claims when they come due. These things can only be accomplished when insurers are free to adequately spread their risk among policyholders.

In 2020, the United States has faced a unique and vast set of challenges. The economic strife resulting from well-intentioned pandemic response efforts by every level of government have amplified an even broader and fundamental conversation centered on our nation's continued journey to identify and eliminate racism. Racism has no place in today's world, and its elimination improves every aspect of our relationships, institutions and business communities. NAMIC stands with our fellow Americans against injustice and racism, and we commit to pooling our creativity and ingenuity to promote justice and equality under the law. To that end, we commend NCOIL for taking the initiative to develop a race and insurance committee to hold policymakers, regulators, and the entirety of the broader insurance community accountable for these efforts.

At NAMIC, we believe that at its very core insurance underwriting is a system predicated on and sustained by fair and equal treatment. A level playing field is achieved through applying equal, objective standards of risk assessment to everyone and it is still the best and only way to ensure that risk is spread appropriately and fairly across a book of business.

NCOIL's commitment to remaining data driven over the course of this initiative is a wise approach to these complex issues, as only through the data can we together be assured of the truth that property/casualty insurance does not contemplate an individual's race when assessing risk. A further commitment to risk-based pricing encourages the use of variables that make the most honest attempt by an insurance company to accurately measure the risk being purchased. We are confident that the data before NCOIL will continue to

¹ The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of more than 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market.



show the predictive value of these racially neutral factors as well as the inherent fairness to all policyholders in assessment based on risk presented.

To the extent that any conversations before NCOIL encourage drawing conclusions divorced from data or promote the use of new causation-based standards not contemplated by law, NAMIC issues strong caution and deep concern. A history of DUI does not *cause* a future loss or crash, but it certainly highly correlates to the likelihood of a future loss. Parking a car on the street rather than in a garage does not *cause* it to be stolen, but it correlates to the likelihood of a future theft. On the homeowner's insurance front, the presence of a wood burning stove does not *cause* a future loss due to fire, but it highly correlates. Note that correlation also works in the opposite direction as a mitigation technique – a smoke detector or fire alarm system in a home does not prevent a future loss from a fire, but it makes it significantly less likely and less severe. A causation requirement is not only impractical and inconsistent with current law, but impossible to implement with certainty.

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 NAMIC's members are adamantly opposed to discrimination on the basis of race and any other form of unfair discrimination, and we support legislative and regulatory policies to prevent these practices.

Beyond that, our industry has an obligation to not just stand back and watch, but to lead the way by creating diverse, inclusive, and equitable workplaces – and many of our members are already tackling the issue head-on. An industry-wide effort is critical, and therefore we believe a good place to start is to understand the initiatives that are currently being pursued by insurers in the diversity and inclusion space. As of this writing, our member companies are approaching these issues in myriad ways as part of a broad and wholistic effort. Examples of just a few of the initiatives our members are undertaking in this space include:

- Signing on to the CEO ACT!ON pledge² for diversity and inclusion
- Increasing efforts to recruit new associates from historically black colleges
- Establishing strategic partnerships with minority focused professional associations
- Establishing strategic partnerships with minority focused non-profits to promote grant, scholarship, and employee volunteer opportunities
- Establishing supplier diversity programs to provide opportunities for minority vendors
- Creating and promoting Employee Resource Groups (ERG's) to bring together employees of shared backgrounds for mentoring and development programs
- Providing financial literacy workshops in minority communities

² Pledge and list of signatories available at www.ceoaction.com/pledge.



- Purchasing and distributing diversity and inclusion training videos for associates
- Creating multicultural market strategy teams to focus on improving access to financial products
- Creating new feedback mechanisms to better assess existing diversity and inclusion efforts
- Signing on to the Credit Union DEI Collective Statement of Commitment and Solidarity with the African American and Black Community³

NAMIC looks forward to NCOIL's forthcoming hearing on race and insurance as an opportunity to collectively reflect on the absolutely critical nature of risk-based pricing and its importance to ensure fairness and equity. Additionally, we hope to engage with legislators in identifying ways in which the industry may play a role in fighting racial disparity in the United States. In addition to the above strategies already deployed by our members, NAMIC seeks to discuss perhaps the greatest antidote to inequity in America: access.

Access to wide ranging, highly competitive, and affordable insurance is essential to American families and their financial success. Additionally, access to careers and education around the myriad opportunities to make a living in the insurance sector enrich underserved communities and the talent pipeline for the entire industry. Those goals are *only* achieved by thriving insurance markets, made stronger by accurate risk assessment, disbursement, and rating. NAMIC believes that the single greatest combatant the industry may deploy to fight racism is to be more accurate, more innovative, more competitive and thereby more beneficial to all consumers.

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³ Statement and list of signatories available at www.cudeicollective.org/pledge.