

July 6, 2022

Commissioner Karima Woods  
D.C. Department of Insurance, Securities & Banking  
1050 First Street, NE Suite 801  
Washington, DC 20002

**RE: NAMIC Comments Gathering Data Related to Unintentional Bias in Private Passenger Automobile Insurance**

Commissioner Woods,

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to provide comments about the gathering of data related to unintentional bias in private passenger automobile insurance policies in the District of Columbia.

NAMIC is the largest property and casualty insurance trade association in the country, with more than 1,500 member companies supporting local, regional, and national member companies who write more than two-thirds of the U.S. private passenger auto insurance market.

As society continues to examine fundamental issues of fairness in states and cities across the country, NAMIC would like to urge caution as the Department embarks on its initiative to collect data it believes relevant to the evaluation of unintentional bias in private passenger auto underwriting and ratemaking.

NAMIC and our members believe firmly in the fair treatment of all policyholders. Mutual insurance companies are built on the notions of community and inclusivity, and the mutual model has a long and proud history of service to minority communities. NAMIC and our members are adamantly opposed to discrimination based on race and unfair discrimination in general, and we support legislative policies to prevent these practices, many of which are already established in the DC



Insurance Code. The elimination of racism improves every aspect of our relationships, institutions, and business communities.

The Department's initiative establishes at least two purposes: First, a discussion of gathering data to evaluate "whether" there is unintended bias in underwriting or rating of private passenger auto insurance and the subsequent purpose of using collected data to inform the department's initiative regarding the use of certain quote unquote "non-driving" factors, including the eventual pursuit of legislation to prohibit the use of certain information that may cause harm to certain protected classes.

While the purposes and intentions of the Department's initiative may be laudable, it is important to begin with some cautionary level-setting: The Private Passenger Auto insurance market is driven by the effort to match rate to risk above all else. Matching rate to risk promotes accuracy, which is the essence of insurance fairness – a system in which insurers most accurately price risk and charge a commensurate premium. Policyholders benefit from risk-based pricing as insurers compete for business and ensure that lower-risk policyholders are not unfairly forced to subsidize higher-risk policyholders.

Additionally, a word of caution against oversimplifying the eventual analysis of identified data and rating factors; the Department's prior recommendation to prohibit such factors rests on a faulty assumption that they are "non-loss" factors. Each factor listed for potential prohibition has been repeatedly proven an actuarially sound predictor of the risk of loss for purposes of private passenger auto. Rating factors that enhance accuracy should be embraced, not prohibited. We agree that rating factors should be responsibly and continuously considered and validated for accuracy, credibility, and objectivity by insurers, actuaries, and policymakers. What is already certain, however, is that **more** risk-based factors improve fairness and consumer choice by enhancing the accuracy of a consumer's overall risk assessment. Eliminating valid factors not only intentionally creates cross-subsidies, but it does nothing to reduce the overall costs of coverage. Additionally, the removal of any proven factor necessarily increases reliance on other remaining factors,

while reducing accuracy and making coverage unaffordable for more consumers.

Most importantly, since concerns about race have been brought up numerous times: the underwriting and rating analysis of private passenger auto is not informed by race, because race does not matter for purposes of analyzing the likelihood of a loss. More factors make racism less likely and improve the fairness of pricing for all insurance consumers.

Turning to the specifics of the pending data collection effort: The Department has stated that it intends to conduct its work by issuing a data call and reviewing recent applications for auto insurance. Some questions we would urge the Department to consider:

- How does the Department propose going about the collection of such applications? How far back? What about applications that are incomplete?
- Will distinctions be drawn between policies sought, policies quoted, and policies issued? Policies offered, but rejected by the consumer after the full premium development process?
- Since the department intends to infer consumer race information, will underlying data and inference methodology be made available for public review, in addition to any findings? Even using a generally accepted methodology like BIFSG, there will necessarily be an error rate that results in misclassifying a percentage of the population – how does the department intend to address this concern and the limitations it creates?
- Will insurers have due process to dispute particular findings, and if so, how?

Thank you again for the opportunity to provide comments. NAMIC appreciates the Department's commitment to this open dialogue and a data-driven process. We look forward to working with you moving forward on these and other initiatives to best ensure that private passenger auto coverage is available to residents of the District of Columbia at a rate that matches their risk of loss, something we believe can be best achieved through a system predicated on and sustained by



fair and equal treatment, using objective standards of risk assessment for every applicant and policyholder

If you have any questions, please don't hesitate to contact me.

Sincerely,

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