



***DISTRICT OF COLUMBIA INSURANCE FEDERATION***

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Testimony of

**District of Columbia Insurance Federation**

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**Department of Insurance, Securities and Banking**

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**Evaluating Unintentional Bias in Private Passenger Automobile Insurance**

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Good afternoon, Commissioner Woods, and thank you for the opportunity to address this hearing entitled, 'Evaluating Unintentional Bias in Private Passenger Automobile Insurance'.

My name is Tom Glassic. I represent the District of Columbia Insurance Federation (DCIF). This hearing is my first opportunity to formally represent DCIF and I look forward to working with the Department (DISB) over the months and years to come.

The DCIF is the state insurance trade association whose members provide property, casualty, life and health insurance products and services in the District of Columbia. DCIF members include primary domestic and foreign insurance carriers, their agents and most of the national insurance trade associations, whose members collectively represent a majority, of the industry. Accordingly, it may be said that the DCIF membership is the most representative of the insurance community doing business in the District of Columbia.

As noted, our members represent a cross-section of the insurance industry, and a number of our members participate in the Private Passenger Automobile Insurance market. Of course, interest in the subject of this hearing goes far beyond one line of coverage. Insurers of all lines of coverage are following this and similar initiatives so to ascertain their practical impacts.

Before my substantive testimony, a bit of housekeeping – also testifying today are witnesses representing other insurance entities that are members of the DCIF – American Academy of Actuaries, American Property Casualty Insurance Association (APCIA), The National Association of Mutual Insurance Companies (NAMIC) and Scott Hoffman of the Howard Hoffman Agency. If helpful, the group of us are willing to remain available after our testimony should you want to ask questions to the group. We are testifying virtually today, with the understanding that additional written testimony will be accepted until July 8, 2022.

Pursuant to the information included on the Public Hearing Notice, the Motivation for this hearing is to discuss the commencement of a Market Conduct Examination ‘Data Call’ to explore whether the use of certain information by auto insurers in the application and underwriting process may cause harm to Black, indigenous, people of color, and other protected classes of Washington, DC consumers. It appears the Data Call will review the effects of the use of credit scoring, education, home ownership, occupation and marital status as factors in underwriting and ratemaking.

With those understandings and in the interest of time, I limit my comments today to quoting and paraphrasing my immediate predecessor Wayne E. McOwen from January 2018 when he testified before the Department at a hearing entitled, “Private

Passenger Automobile Insurance Premiums and Rating Factors.” In his testimony, Mr. McOwen made clear:

“I do not speak for a specific insurer, nor am I intending to offer any measure of statistical analysis regarding rate history or the ratemaking process. I am not an actuary. But, my experience in the insurance industry spans five decades, nearly fifteen of those years with involvement in the DC insurance market. Accordingly, my testimony is intended to provide a general overview of the Private Passenger market and the issues that affect the health of that market. . . . In summary, it can be said that District of Columbia consumers are provided with choice, offered by numerous insurers presenting professional underwriting expertise and the satisfaction of efficient claims responsiveness.”

I quote my immediate predecessor not because I’m lazy and not because there is nothing new to say, but rather to remind that DCIF participated in the 2018 and 2019 Auto Insurers Public Hearings conducted by The Department. The purpose of the 2018 Public Hearing was to review the justifications and impacts of requested material increases by insurers in premium rates for automobile insurance. The purpose of the 2019 Public Hearing was to continue the review of the causes that resulted in the filing of material premium rate increases and to review the algorithms

use in the sophisticated models used by insurers as a basis for developing premium rates and rating classifications. Also, several DCIF members were part of the market conduct examination conducted by Merlinos and Associates on behalf of DISB, to review the rating factors and algorithms in the sophisticated models used by auto insurers in the District of Columbia. To my knowledge, there have not been any material findings published or provided to the insurers detailing any violation of insurance statute or regulation concerning the use of the sophisticated models used by insurers in underwriting or in the development of premium rates.

DCIF looks forward to working closely with the Department and its outside consultants throughout the present engagement and beyond. To that end, attached as an appendix to this submission are threshold questions DCIF recommends that DISB respond before moving forward with sending Market Conduct Examination Notices to auto insurers.

Thank you, Commissioner Woods, for the opportunity to testify, today. I am happy to take any questions now and after my insurance colleagues' testimony.

1. DISB conducted a Public Hearing called, ‘The State of the Private Passenger Automobile Insurance Market in the District of Columbia’ on March 25, 2019. One of the purposes of this hearing was to cover the use of sophisticated models as the basis for developing rates and rating classifications. In reviewing the DISB website and other documentation, we could not find any report detailing the findings from this Public Hearing. We believe this report would be useful information to provide to O’Neil Risk Consulting and Algorithmic Auditing (ORCAA) as well as the insurance industry and the public. Could DISB provide a copy of this report to DCIF?
2. DISB conducted a Market Conduct Examination (MCE) on four auto insurers with the largest market share in the District of Columbia covering the period as of December 31, 2018. This scope of this examination was to review the use of predictive models for the development of automobile rates and underwriting in the District of Columbia. It appears the insurers received their draft MCE report detailing the Comments and Recommendations from their predictive models but DCIF could not locate an aggregate final MCE detailing a summary of the predictive models used by insurers in the District of Columbia marketplace. Can DCIF receive a copy of the final MCE aggregate report?

3. The insurers who participated in the MCE provided documentation in support of their predictive models and incurred costs in excess of \$100K each on the MCE. Will these insurers be required to participate in Data Call from this Hearing?
4. It appears from the Public Hearing Notice that auto insurers who have submitted premium rate increase request will be required to provide information in response to the Data Call. If this is accurate, will insurers that do not have pending premium rate requests in SERFF be excluded from the data call process?
5. Insurers usually do not maintain race and ethnicity information on the applicants and policyholders. It appears that this information would be extrapolated by ORCAA from data provided by the insurers. Can DCIF received information on how the standards or processes ORCAA is planning to use to determine race and ethnicity of insurers' applicants and policyholders.