



June 28, 2024

Philip Barlow, Associate Commissioner  
Department of Insurance, Securities & Banking (DISB)  
1050 First Street, N.E.;  
Suite 801  
Washington, DC 20002

**Re: DCIF Submission on May 14, 2024 DISB Request for Comment –  
*Report on Market Conduct Examination – Evaluating Unintentional  
Bias in Private Passenger Automobile Insurance (Market Conduct  
Review)***

Dear Associate Commissioner Barlow:

The District of Columbia Insurance Federation (DCIF) welcomes the opportunity to provide this submission in response to DISB’s May 14, 2024 Request for Comment regarding DISB’s Draft Report on *Market Conduct Examination – Evaluating Unintentional Bias in Private Passenger Automobile Insurance (Market Conduct Review)*.

DCIF is particularly appreciative of DISB having proactively scheduled and actively participated in a Question & Answer session on June 7th to further clarify the Market Conduct Review. DCIF’s members and other participants found the content of the June 7th session particularly helpful for better responding to the May 14th Request for Comment.

By reference, DCIF incorporates into these comments the comments of DCIF’s national trade association members, the American Property Casualty Insurance Association (APCIA) and the National Association of Mutual Insurance

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Companies (NAMIC). Given this, DCIF's comments are intentionally brief as not to be repetitive of other comments submitted.

## **I. BIFSG Methodology for Race Inference**

Buried deep in Appendix A, paragraph 1, the Market Conduct Review explains that "we used the Bayesian-improved first name surname geocoding (BIFSG) methodology [algorithm] to infer the race of policyholders". Paragraph 2 of Appendix A concludes that, "Bayes' theorem is applied to combine the guesses". The footnote supporting that phrase is from Wikipedia, a notoriously unreliable source.

In two instances in Appendix A, the Market Conduct Review points to the Rand Corporation and the Consumer Financial Protection Bureau's (CFPB) use of a related but different methodology, BISG, and incorrectly suggests that BIFSG has their imprimatur. Further, the footnote referencing the Office of the Comptroller of the Currency's (OCC) proposal and validation of BIFSG does not indicate whether the OCC has employed BIFSG.

DCIF makes these observations as to the precision of the Market Conduct Review's numerical conclusions and to encourage DISB to incorporate in the final review an appropriate range of possible values; e.g. (+/- X) in each instance in the Market Conduct Review where the speculative BIFSG algorithm has been applied.

## **II. Additional Data Collections**

There are many references throughout the Market Conduct Review that suggest DISB may seek additional data calls related to the initial Market Conduct Review.

As detailed in DCIF's June 29, 2022 testimony before the Department, DISB has conducted the following, related auto insurance inquiries in the recent past:

- A.** DISB conducted a Public Hearing entitled, '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 to the basis for developing rates and rating classifications. In reviewing the DISB website and other documentation, DCIF could not find any report detailing the findings

from this Public Hearing. DCIF renews its belief that this report would be useful information to provide to the O’Neil Risk Consulting and Algorithmic Auditing (ORCAA) as well as the insurance industry and the public.

- B.** DISB conducted a Market Conduct Examination (MCE) of the four auto insurers with the largest market share in the District of Columbia covering the period ending December 31, 2018. The 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 that insurers received the draft MCE report detailing the Comments and Recommendations regarding insurers’ predictive models.
  
- C.** The insurers who participated in the MCE provided documentation in support of their predictive models and incurred significant costs, time and devoted significant resources.

Given this history, DCIF and its national trade association members feel that any further data calls in the private passenger automobile marketplace would be excessive and not in the best interest of PPA policyholders in the District of Columbia.

### **III. Sample Size**

The first paragraph of page five of Market Conduct Review draft report says that the data call reflects only 64% of the marketplace. While the DCIF employs no statical nor actuarial staff, it seems suspect to rely on data call results that apply only 64% of the marketplace.

### **IV. Grammatical Edits**

To assist DISB in finalizing the Market Conduct Review, DCIF notes the following edits:

- A.** P. 3, para. 2, sentence 2 - the split infinitive, “to initially focus” might read better as “to focus initially”;

- B.** P.4, para. 4, sentence 2, “applied it to call insurers” might read better as “all insurers”;
- C.** P.5, sentence 1; is “Washington DC area” the correct term given that the market conduct study was limited to the District?;
- D.** P.5, para. 2, sentences 1 & 2 and para. 3, sentence 1, should “Asian drivers” not read “API drivers” to be consistent with the rest of the report? If yes, the sentence following Chart 1, p.7 should also be updated;
- E.** P.5, para. 4, sentence 2, would “agency” be better understood as “DISB”?;
- F.** P. 6, para. 2, sentence 1, should “On such” read “One such”?
- G.** The Review capitalizes, “Black policyholders/drivers”, “API policyholders/drivers” and “Hispanic policyholders/drivers”. It would it be more consistent to capitalize, “white policyholders/drivers”. *See*, e.g., p. 15, para. 1, penultimate sentence.
- H.** P.14, Table 1, the guide obscures much of the data. Maybe move guide off the table;
- I.** P.14, para. 1, last sentence, is “very” necessary?

As shared repeatedly throughout this process, through its D.C.-licensed insurer members and its national trade association members, DCIF represents the overwhelming majority of insurers who issue private passenger automobile insurance policies in the District of Columbia.

**District of Columbia Insurance Federation**  
**June 28, 2024**

DCIF looks forward to working closely with DISB, its contractors and other stakeholders as the Market Conduct Review becomes final.

Sincerely,

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