

DEPARTMENT OF INSURANCE

EXECUTIVE OFFICE
300 CAPITOL MALL, 17TH FLOOR
SACRAMENTO, CA 95814
(916) 492-3500
www.insurance.ca.gov



September 26, 2018

Via Email and USPS Certified Mail

RE: Advancing Governing Board Diversity

Dear CEO,

A number of recent, independent studies have demonstrated that companies with diverse governing boards produce stronger returns on investment than those companies whose boards have little or no diversity.

Boards are better able to make informed decisions and carry out their fiduciary and other duties when they contain a diverse mix of board members with different backgrounds and experiences.¹ For instance, from 2011 to 2016, U.S. companies that reached the “tipping point” of having three women on the board experienced median gains in return on equity of 10% compared to -1% in companies with no women on its boards.²

Further evidence of the value of governing board diversity comes from 1,800 investors who account for nearly \$70 trillion of assets under management and who have signed onto the Principles for Responsible Investment (PRI), which include improving governing board diversity.³ PRI highlights the importance of board diversity based on a recent study indicating that companies with strong gender and ethnic diversity outperform peers when measured by return on equity and other traditional financial metrics.⁴

In light of all of this evidence, the California Department of Insurance established the Insurance Diversity Initiative (IDI) in 2011, which includes the goal of working with leaders within the insurance industry to increase diversity on the governing boards of insurers selling insurance in California.

I would welcome your leadership in fostering greater diversity on your governing board given that your company currently does not have any ethnic and/or gender diversity on your board.

Earlier this year, I convened the 1st Governing Board Diversity Summit with some insurer CEOs and Board members to identify challenges to increasing board diversity and share best practices. McKinsey & Company provided a briefing on their recent report, [*Delivering through Diversity*](#), which underscores the link between greater board diversity and a company’s financial performance.

¹ Ceres. “View From the Top: Building Sustainability Competence on Corporate Boards.” September 2017. https://www.ceres.org/sites/default/files/reports/2017-09/LFTT_full%20report_online%20%28F%29_0_0.pdf.

² MSCI Inc. “The Tipping Point: Women on Boards and Financial Performance.” December 2016. <https://www.msci.com/www/blog-posts/the-tipping-point-women-on/0538249725>.

³ Principles for Responsible Investment. <https://www.unpri.org/pri/about-the-pri>.

⁴ Principles for Responsible Investment. “Incorporating Diversity: Case Study for Trillium Asset Management.” September 2016. https://www.unpri.org/listed-equity/incorporating-diversity/158_article.

McKinsey found that companies in the top-quartile for gender diversity on their executive teams are 21% more likely to have above-average profitability than companies in the fourth quartile. For ethnic/cultural diversity, top-quartile companies are 33% more likely to outperform on profitability.

Diversifying a corporate board requires both intentional and sustained commitment from the highest level of your company. It is my hope that as the chief executive officer and/or as a governing board member, you and/or your company would adopt a goal of increasing the diversity of your board of directors.

There are two specific ways in which I ask that you take the first steps and make the commitment to advance governing board diversity:

- 1) Make a commitment to create a governing board diversity policy statement⁵ within the next twelve (12) months, OR**
- 2) Develop a strategy or action plan within the next twelve (12) months to enhance your governing board with at least one diverse⁶ member by January 1, 2020.**

The Department of Insurance offers you support and resources to help you take these next steps. To learn more about the available resources, contact XXX at XXX@insurance.ca.gov or by phone at: XXX-XXX-XXXX.

By November 16, 2018, please communicate your intent to create a governing board policy statement and/or develop a strategy to add a diverse board member by completing the attached form and send it to me and to XXX, at XXX@insurance.ca.gov.

Thank you for your leadership within the insurance industry. I look forward to your response.

Sincerely,

DAVE JONES
California Insurance Commissioner

Enclosure

⁵ A governing board diversity policy statement is any language that refers to a company's/group's policy in regards to governing board diversity, with the goal of increasing governing board diversity on the respective company/group's board.

⁶ Diverse, as defined by the Insurance Diversity Initiative, includes a member who is a woman, LGBT, veteran, disabled veteran, or ethnic minority including African American, American Indian, Asian Pacific Islander, Hispanic/Latino, or Multi-ethnic.