

**California Department of Insurance
Insurance Diversity Initiative**

2016 REPORT

DRAFT

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EXECUTIVE SUMMARY

The California Department of Insurance regulates California's \$288 billion insurance industry. The Insurance Diversity Initiative (IDI) was established in 2011 to increase procurement from diverse suppliers and expand governing board diversity in the insurance industry.

This year, Commissioner Jones led a multistate effort to increase the diversity of suppliers and governing boards within the nation's insurance industry by launching the 2016 Multistate Insurance Diversity Survey (MIDS). MIDS is being administered in partnership with insurance commissioners from 5 other states – District of Columbia, State of Minnesota, State of New York, State of Oregon, and State of Washington – in an effort to focus on diversity issues within the nation's \$1.78 trillion insurance industry.

Since 2011, the Insurance Diversity Initiative has:

- Grown into a multistate initiative with five partner states to examine the nation's insurance industry;
- Increased procurement from California's diverse-owned businesses by insurance companies by \$586 million dollars, an increase of 63% in 3 years;
- Surveyed 200+ insurers representing 47% of the nation's insurance market;
- Established the first-in-the-nation Insurance Diversity Summit, which is now an annual event (this year marks the 5th Annual Summit; it will be held at CSULA on December 7, 2016);
- Facilitated business matchmaking at the Annual Summit, providing a forum for diverse business owners and insurance representatives to network; and
- Awarded insurance industry leaders and diversity advocates for their achievements.

Goals are accomplished by carrying out a transparency initiative -- by conducting surveys to collect and make public information about the diversity efforts of insurers, diversity issues are brought to the forefront in a way that had not occurred before. CDI has administered first-in-the-nation surveys examining insurance industry procurement from diverse businesses (woman, minority, disabled veteran, and LGBT-owned businesses) and the state of diversity on insurer governing boards.

In 2012, Assembly Bill 53 was signed into law, which helped move the Initiative even further. The bill required all insurance companies that collected \$100 million or more in California written premiums to report on their procurement efforts with California's diverse businesses.

BACKGROUND

Mission

The mission of the Insurance Diversity Initiative is to expand economic opportunities and ensure equal access for all persons and businesses within the insurance industry. To accomplish this, the Initiative focuses on two goals: 1) increasing procurement from diverse suppliers and 2) increasing diversity on governing boards.

The centerpiece of the Initiative is transparency. The effort of administering surveys to insurers about their efforts in diversity and then posting their responses publicly has had the effect of creating internal dialogue amongst the state's top insurers.

History

In 2011, upon taking office, Insurance Commissioner Dave Jones sought data about insurance companies and their efforts around diversity, specifically, the state of supplier diversity and governing board diversity in California.

Increasing business networks within the state's \$288 billion insurance industry and California's talented and vast pool of diverse businesses – specifically, minority, women, disabled veteran, and LGBT owned businesses – seemed to be a new and exciting opportunity to help boost California's economy.

As no data could be found, the Department first administered a Voluntary Survey in 2011 to understand and establish the baseline for diversity issues within the insurance industry. The survey was sent to all insurers that wrote \$100 million or more in California premiums, approximately 200 companies. Less than 30% of the 200 companies submitted a survey in response.

Since the Department could not set a true baseline based on the responses received, a coalition was formed to pass a bill that would require response to a survey on supplier diversity. In 2012, Assembly Bill 53 was signed into law. The bill required all insurance companies that collected \$100 million or more in California written premiums to report on their procurement efforts with California's diverse businesses.

THE PROGRAM

The Insurance Diversity Initiative is carried out via three main components; the Insurance Diversity Task Force, an Annual Summit and Matchmaking event, and most importantly, surveys to the insurance industry to collect and make public information about their efforts and programs as they relate to supplier diversity and governing board diversity.

Insurance Diversity Task Force

Mission

In January 2012, Insurance Commissioner Dave Jones announced the formation of an Insurance Diversity Task Force to consider and make recommendations about diversity in the insurance industry, including the diversity of corporate governing boards and procurement from diverse businesses. Specifically, the mission of the Task Force is to:

- Identify and promote insurance companies that are actively engaged in diversity issues;
- Explore the status of diverse representation on insurance company governing boards;
- Identify actions that the Department of Insurance can take to encourage insurance companies to increase procurement with diverse suppliers; and
- Provide recommendations in regards to current legislation and suggest changes to existing law.

Structure

The Task Force is structured as follows:

- Total number of members:
 - Minimum 12
 - Maximum 15
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- Designations, *at least*:
 - (2) Insurance Industry Representatives, including one who currently serves as a practitioner in the field of supplier diversity (i.e. Supplier Diversity Manager or Chief Procurement Officer)
 - (3) Minority Business Enterprise (MBE) Advocates / Representatives
 - (2) Women Business Enterprise (WBE) Advocates / Representatives
 - (1) Disabled Veteran Business Enterprise (DVBE) Advocates / Representatives
 - (1) Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE) Advocates / Representatives
 - (1) Diverse Business Owner Representatives §(1) Supplier Diversity Advocates / Experts
 - (1) Governing Board Diversity Advocates / Experts
- Leadership & Terms: The Task Force elects a Chair and Vice Chair annually, and terms for Task Force members are two years. Task Force members may be reappointed for an unlimited number of terms.

Task Force Members

Insurance Industry Representative

Ramon Jones – *Regional Vice President, Nationwide Insurance*

Sal Peinado, Jr. – *Senior Supplier Diversity & Innovation Manager, CSAA Insurance Exchange*

Cathy Schwamberger – *Associate General Counsel, State Farm*

Minority Business Enterprise (MBE) Advocate / Representative

Danielle Beavers – *Economic Equity Program Manager, The Greenlining Institute*

Janice Brown – *Owner & Founding Partner, Brown Law Group*

Pat Fong Kushida – *President & CEO, California Asian Pacific Chamber of Commerce*

Women Business Enterprise (WBE) Advocate / Representative

Robin Billups – *Former Director, Business Development, Women's Business Enterprise National Council*

Melinda Guzman – *CEO, Melinda Guzman Professional Corporation*

Disabled Veteran Business Enterprise (DVBE) Advocate / Representative

Randolph Sinnott – *President & Attorney, Sinnott, Puebla, Campagne & Curet, APLC*

Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE) Advocate / Representative

Mark Morales – *Vice President, SBA Division, HomeStreet Bank*

Diverse Business Owner Representative

Michael Keeley – *President, MGK Risk and Insurance Services*

Supplier Diversity Advocate / Expert

Craig Holden – *Partner & Chair of the National Commercial Litigation practice and Vice-Chair of the National Government Relations practice for the law firm of Lewis, Brisbois, Bisgaard & Smith*

Melanie Shelby [CHAIR] – *Managing Director, Gray, Greer, Shelby & Vaughn LLC*

Governing Board Diversity Advocate / Expert

Linda Akutagawa [VICE CHAIR] – *President & CEO, Leadership Education for Asian Pacifics*

Scott Syphax – *President & CEO, The Nehemiah Companies*

Annual Insurance Diversity Summit and Matchmaking

Since 2012, the Department has hosted an Annual Insurance Diversity Summit. The Summit was established to discuss and explore issues of diversity within California's insurance industry with stakeholders from all sectors. Most importantly, it is forum for representatives from the state's top insurers and diverse business owners to network and establish new partnerships. Each year, the Summit attracts approximately 200 attendees, including representation of over 40 top insurance companies.

Topics from past Summits have included: best practices in supplier diversity and governing board diversity; diversity issues from both industry and supplier perspectives; changing demographics of the state and nation and its impact on industries and their diversity efforts; and most recently, how to create successful business partnerships within the insurance industry.

In addition, the Summits have also featured breakout sessions, in response to stakeholder suggestions to focus on audience-specific issues. Past breakout sessions include: an insurer-only workshop to discuss and share ideas in a confidential space for industry representatives; best practices for diverse suppliers; how to position oneself for a board position; and a "B2B" – business to business – networking space to provide a forum for diverse businesses to network, connect, and find ways to support one another.

Finally, since 2014, the Summit has featured a Matchmaking Session for insurers and diverse businesses. The goal of the Matchmaking Session is to strategically pair insurance representatives with diverse business owners for one-on-one meetings. The insurance representative meets only with those diverse businesses that offers goods or services for which the representative's company is currently seeking. The purpose of this is that, after this initial contact, the diverse business has the opportunity to bid on the insurer's current contracting opportunity.

Surveys

The success of the Insurance Diversity Initiative relies on transparency as its foundation. Specifically, the Initiative administers surveys to the insurance industry to collect and make public information about their efforts and programs as they relate to supplier diversity and governing board diversity. All surveys, with the exception of the 2011 Voluntary Survey and 2016 Multistate Insurance Diversity Survey, were sent to and received response from all insurers that collect \$100 million or more in California written premiums.

Since the inception of the Initiative, the following surveys have been administered to the insurance industry;

- 2011 Voluntary Survey: focusing on supplier diversity and governing board diversity
- 2013 Insurer Supplier Diversity Survey
- 2014 Governing Board Diversity Survey
- 2015 Insurer Supplier Diversity Survey
- 2016 Multistate Insurance Diversity Survey (*results to be posted December 1, 2016*)

The surveys were designed in collaboration with stakeholders, including insurers, diverse business owners, advocates, and leaders and experts around supplier diversity and governing board diversity.

All survey data, including individual company reports and aggregate data, are publicly posted and available at: www.insurance.ca.gov/diversity. Finally, each year's Summit features a public release of that year's survey data and results.

SURVEY RESULTS

Supplier Diversity: Highlights

- Over 200 companies surveyed, representing 47% of the national insurance market
 - Diverse spend in California
 - 2012: \$930 Million
 - 2013: \$1.3 Billion
 - 2014: \$1.5 Billion
 - **Between 2012-2014: 63% increase in diversity spend (\$586.8 Million)**
 - Diverse spend by Certification
 - Women Business Enterprises
 - 2012 (\$153 Million), 2013 (\$433 Million), 2014 (\$558 Million)
 - Minority Business Enterprises
 - 2012 (\$241 Million), 2013 (\$618 Million), 2014 (\$729 Million)
 - Disabled Veteran Business Enterprises
 - 2012 (\$1 Million), 2013 (\$83 Million), 2014 (\$89 Million)
 - LGBT Business Enterprises
 - 2012 (\$104,000), 2013 (\$6 Million), 2014 (\$5 Million)
 - Multi-Certified Business Enterprises
 - 2012 (\$38 Million), 2013 (\$111 Million), 2014 (\$135 Million)
 - Diverse spend by Ethnicity
 - African American: 2013 (\$154 Million), 2014 (\$173 Million)
 - American Indian: 2013 (\$42 Million), 2014 (\$39 Million)
 - Asian/Pacific Islander: 2013 (\$277 Million), 2014 (\$330 Million)
 - Latino/Hispanic: 2013 (\$111 Million), 2014 (\$146 Million)
 - Multi-Ethnic: 2013 (\$10 Million), 2014 (\$10 Million)
 - Diverse Spend by Top 3 Industry Categories
 - Facilities: \$510 Million
 - Information Technology: \$208 Million
 - Claims Services: \$199 Million
- Additional findings between the 2013 & 2015 Insurer Supplier Diversity Surveys
 - Increase between 2013 and 2015:
 - Diverse spend with California diverse suppliers (\$586.8 Million)
 - Number of insurance companies conducting outreach to diverse businesses
 - Number of insurance companies tracking spend with diverse businesses
 -

Governing Board Diversity: Highlights from 2014

- Over 200 companies surveyed
 - Total number of board members: 1,153

- Average members per insurance company / group: 10
 - Gender
 - Only 19% of board members are women
 - **21 companies have 0 women** on their governing boards
 - 155 men, 0 women
 - Ethnicity
 - Only 13% of board members are ethnic persons
 - 6.3% African American
 - 2.9% Hispanic / Latino
 - 2.9% Asian Pacific Islander
 - 0.6% Multi-Ethnic
 - 0% American Indian
 - **45 companies have 0 ethnic persons** on their governing boards
 - 312 Caucasian persons, 0 ethnic persons
 - Only 1 board member identified as a disabled veteran
 - Only 4 board members publicly identified as LGBT

MULTISTATE INSURANCE DIVERSITY SURVEY

In May 2016, the Commissioner Jones announced that six state insurance commissioners have joined together to administer a national Multistate Insurance Diversity Survey to collect information from insurance companies regarding their supplier and governing board diversity. The new national diversity initiative builds on the success that the Initiative has seen since 2011.

In addition to California, insurance commissioners from Washington DC, Minnesota, New York, Oregon, and Washington are now surveying insurers in all of their states to determine to what extent insurers are opening the doors of economic opportunity to minority, women, LGBT and disabled veteran owned businesses in contracting or purchasing goods and services. The survey also focuses on the diversity of their boards of directors.

The new national Multistate Insurance Diversity Survey will collect and make public information about the diversity of insurers' governing boards and procurement from and contracts with diverse suppliers in all six participating states and nationwide. Insurers representing 75 percent of the nation's market are currently being surveyed, including insurers that collect \$300 million or more in premiums nationally, in addition to any company that has participated in the California diversity survey previously. A joint letter was sent to the over 600 insurance companies that met the threshold on May 2, 2016.

In addition to the partnership of the states, national diversity organizations are actively supporting these new national efforts. The Disabled Veterans Business Alliance, Executive Leadership Council, United States Black Chamber of Commerce, United States Hispanic Chamber of Commerce, and the National Gay and Lesbian Chamber of Commerce are all supporting efforts by connecting the partner states with their local chapter organizations and acting as resources and experts when needed.

MIDS is being administered via the new MIDS Portal, an online system that allows the insurance companies to complete and submit the survey online. Surveys were released to insurers on June 1; surveys are due back to the Department on September 1; and the data will be released publicly via the Portal on December 1, 2016.

CONCLUSION

The Insurance Diversity Initiative, in five short years, has started an important dialogue within the insurance industry, in California and across the nation. The insurance industry – an industry that collects \$288 billion annually from Californians and \$1.78 trillion annually at the national level – is one that could have a significant impact on communities and local economies with a new and targeted focus on issues of supplier diversity and governing board diversity.

Since 2011, Insurance Diversity Initiative staff has been inspired by the progress witnessed since the program's inception. Progress that can be found within the quantitative data collected from the annual surveys, and from anecdotes shared by stakeholders across the board.

The data sheds light on progress and room for growth, within both issues of diversity. For instance, it is exciting to note that diverse spend has increased 63% with California diverse suppliers, as one compares the procurement data supplied by insurers in 2013 and then in 2015. It is also exciting to see that more insurers are purposefully and strategically building their capacity to implement practices around supplier diversity. However, it is also vital to note that the increase in diverse spend can still be attributed to only a handful of companies. We notice progress, while at the same time continue to recognize that there is much room for growth and that, in partnership with the Task Force and stakeholders, we will provide the resources and means necessary to support industry efforts to move forward in these arenas.

Over the years, many stories have also been shared that indicate the movement forward within the insurance industry. Insurance companies are hiring supplier diversity managers for the first time, and they are setting up systems to track procurement with diverse suppliers that had not been in place before. Internal dialogue is taking place within the state and nation's top insurers and insurance representatives are meeting one another to learn best practices. Diverse business owners are sharing stories of new contracts with the insurance industry, as well as increased networks within the diverse business community as they work to support one another. Advocacy organizations are hosting insurance diversity workshops for their members, both insurers and diverse businesses, for the first time.

In 2016, California's statewide Insurance Diversity Initiative grew into a multistate effort, with a new and exciting opportunity to understand diversity issues within the insurance industry nationally. The goal now is to see similar progress across the nation with the same mission in mind; that is, to expand economic opportunities and ensure equal access for all persons and businesses within the insurance industry.