CDI INSURANCE DIVERSITY TASK FORCE
2ND QUARTERLY MEETING
MEETING MINUTES

Friday, April 4th, 2014
10:00 a.m. – 12:00 p.m.
California Department of Insurance
300 Capitol Mall, Sacramento, CA 95814

I. Open Meeting – Chair Melinda Guzman
   a. Roll Call
   b. Attendee Introductions
   c. Review 1st Quarter Meeting Notes
   d. Review Agenda

II. Supplier Diversity
   a. 2013 Insurer Supplier Diversity Survey Research – Naveen Habib
      i. Research team progress
      ii. California Research Bureau
      iii. USC Price School of Public Policy
   b. AB 53 – Legislative Amendments – Chris Shultz
      i. Schultz – AB 53 Update
         a. Comments from insurers regarding data suggests language is not proper and difficult to track
         b. HQ address in CA – a data element that is captured and should be added into bill language
      2. Omnibus Bill – changes to the existing law
      i. Guzman – Improve survey so that it may:
         1. Be of benefit to CA & insurance industry, and
         2. Allow them to maintain independent review
      ii. Michael Gunning – PIFC:
         a. Melanie Ramil talked to Margaret Klinsport
         b. Language By Allstate + insurers was better
         2. What CDI has may be limiting as CA headquartered companies are few
         a. Automate some of this procedure
         3. See why language is worded this way – those with employees here lose out if not headquartered here
      iv. Terrell Gamble – Million in DC & only 10,000 in CA then that’s still piecing out
v. Guzman – Idea of creating business enterprises in CA
vi. Michael Keeley – Are we talking payroll or contracts?
vii. Shultz – Do they really want to parcel out each contract and % out the CA business?
viii. Gunning - Magic Johnson has headquarters in Illinois but does a lot of business in CA. Some companies prefer it one way but again this is new; experts like Allstate have good points- we should account for it
ix. Regina Wilson – Allstate’s done it well but they are talking national companies, how do they get credit for local business contracts?
x. Bob Mulz – Audit report by Senator Hueso
  1. Reporting procedure: 3 major companies/agencies
  2. One company reported with a $20 million spend within the state when actual spend was only $1 million → which was a reporting problem
xi. Shultz – Definition of diverse vendors
  1. HQ in CA /or physical presence/office/body in CA
xii. Syphax – What is it the industry’s thought or justification?
xiii. Gunning – National companies headquartered in other states with business in CA. For example, a business owner in DC who is a minority vendor in CA – offices & employees are here in CA. Question is, does he count under the current statute?
xiv. Syphax – Depends, does it meet the spirit of the law?
xv. Danielle Mulvey – Certified MWDVBE must reside and headquarter in CA, if other diverse organizations had the same rule it would be best
xvi. Halesworth – I am a vendor for auto insurance. Only a small Canadian company asked about me. Allstate and others should survey in CA & not split hairs
xvii. Gamble – Create a CA vendor company list – contracting with them counts as CA contract /spend
xviii. Guzman – There are legal liability challenges with that idea but good comment
xix. Ingrid Merriwether – Subcontracting is all about this; insurers should make subcontracting arrangements with CA vendors. Certification criteria already exists, don’t reinvent the wheel
xx. Billups – There is an economic development Task Force to identify vendors in Cincinnati, Ohio, which is all about the accounting process. Our mission here is to create economic power & inclusion for our tax payers
xxi. Syphax – Can we harmonize what we are doing with other aspects of state government?
c. 2015 ISD survey
  i. Habib – Overview & preparation for 2015
  ii. Ramil – Been in constant communications with insurers and stakeholders about language and updates; please call / email for information

III. Governing Board Diversity – Chair Melinda Guzman
  a. Guzman – Insurance Commissioner Dave Jones made the announcement regarding the Governing Board Diversity Survey at the Summit last year; as we are aware many policies & procedures start at the top, this is an additional way to survey the status of Diversity within the insurance industry
b. Ramil – This survey will be a follow-up to the 2011 voluntary survey; but this one will be mandatory

c. Gunning – Mandatory? It’s voluntary

d. Shultz – No, it’s mandatory, happy to take this conversation offline

e. Ted Angelo – But we have not seen any statutory reference in feedback emails; I’ve told my folks it’s voluntary

f. Shultz – Happy to take it offline, we’d be surprised if insurance companies didn’t want to share information regarding their boards

g. Ramil – Happy to take emails/written comments on the survey; the timeline is of course available on our website as well

h. Shultz – We heard our survey too may not have accurately captured public governing boards in 2011; public vs. insurance holding companies

i. Syphax – Sub companies continue to operate as entities. But board of directors are made up of management

j. Patty – Do you have to define what a governing board is?

k. Shultz – We’ve asked a series of questions. 5 in the first set and then asked the same questions of the governing board

l. Guzman – I don’t like the term “ethnic minorities” – let’s just have the categories

m. Syphax – While this is good overview of governing board issues, I would love to see it go further:

   i. Question 4 & below are good questions but granularity that would be more helpful, such as referencing recent studies of women on governing boards

   ii. It needs to go into enough detail to tie presence to causation of outcomes

   iii. Address committees:

      1. Over past 5 years the directors of X governing board have covered/chaired following committees

      2. Have served as an officer of the company

      3. Have served on an executive committee

      4. Please identify diverse criteria each meets

iv. My experience: muscularity and results in this area are tied to short term management goals of CEO.

   1. Does corporation have explicit diversity goals?

   2. Talent development, succession, diversity goals?

v. Incentives need to be in alignment. People do what they have explicit objectives to do

n. Keeley – From an anecdotal standpoint – look at PUC’s best practices: ones with best results have those incentives and results tied to their executives

o. David Castillo – The question is how far down are we going in this committee to gather this information? I don’t know, but I concur with Scott & Michael, if this Task Force will be effective, we need to do this. I commend Scott

p. Cecil Autry – Not a bad idea, get data & evaluate it

q. Guzman – Do you have any concerns as legal counsel?

r. Cecil – Will have to see it and provide comments

s. Guzman – Tie this to metrics to CEO + incentives. Commissioner’s offices may have sensitivity asking such questions publicly

t. Gunning – Will have comments after I chat with Chris offline

u. Guzman – Specific set of question asked is this a mandatory or voluntary data call? Please add comment for public record

v. Shultz – Might not be an enumerated specific mandate
w. Syphax – Nor specific denial. None of this information is impossible to define. All this information is accessible through individual research. Collecting this information is just a good way to present it.
x. Castillo – What’s the difference? We aren’t asking for specific numbers, these are just yes / no questions. What’s the hesitation?
y. Gunning – The bill didn’t include governing boards.
z. Guzman – The Insurance Commissioner is only allowed to ask only for AB 53?

aa. Gunning – He can ask for what he wants – it’s all voluntary. AB 53 mandates reports. He sent out a data call before and companies chose to reply.
bb. Guzman – How much authority should you (Gunning) leverage the Commissioner? The question is just who the carrier is? Perhaps we can meet outside to gather more support?

cc. Angelo – Numerous provisions have data call authority and some are very specific. I sense hostility: this Task Force was created to start watching AB 53. It’s (AB 53) new and the expectations seem to climb immediately.

dd. Guzman – Some of your clients and companies are already engaged in this dialogue & work. Talk to your carriers, some are already doing this work; members of the Task Force don’t have any hostility towards the insurance industry; we are trying to create better economics for CA. No hostility from the Insurance Commissioner either; he’s been much more moderate on issues than the Task Force would’ve liked him to be.

e. Castillo – Task Force was created and is evolving; where do we want the Task Force to go? We are learning as the industry is learning. Remember this Task Force is also brand new.

ff. Shultz – One path is to do this survey. We already have all this information listed. But then we’ll have to attach to individual people these characteristics apply to.

gg. Guzman – Let’s be honest. We don’t expect to hear there are 10 Scott Syphax’s on a board of 20. We just want to understand the reality. There’s no hostility here.

hh. Gunning – Chris, so I should tell my guys this is a mandatory survey?

ii. Shultz – Yes and the Commissioner can’t imagine the insurers wouldn’t report on their governing board diversity.

jj. Syphax – Formally ask the commissioner to go further than what is on the purple paper. We are only 60% there; want to see if the linkage is there. And on the literature on this topic suggests linkage.

kk. Guzman – Board Diversity workshop – a luncheon / panel presentation with NACD/WCD/CalPERS

   i. Topics & speakers on this issue of governing boards – few hours of deep discussion on this issue.

IV. Events – Chair Melinda Guzman

   a. Task Force Report & Public Hearing

   b. 3rd Annual Summit

      i. Ramil – Might be adding on a matchmaking session to this year’s Summit

   c. Billups – Nielsen coming to CA market

   d. Victor Ansley – Matchmaking session – call Victor SF

   e. Feliciano – CSAA Northern CA – Supplier Diversity Financial Services Symposium – May 9th

      i. Invited attendees: Allstate, Firemans, SCIF, Farmers

      ii. See invite, there’ll be some matchmaking
f. Sal Peinado – Event limited to financial services/ focus on one category. Momentum going within industry itself

g. Guzman – Examples for vendors you’re looking for

h. Peinado – Money managers, private equity, investment bankers

i. Mulvey – DVBE Alliance webinar – intro/ overview of our membership – Blue Shield & CSAA will participate

V. 1st Quarter Recap – Melanie Ramil

a. NAWBO–CA

b. Minority Corporation Counsel Association.

c. Ramil / Habib – Diversity Meetings

i. Betty Jo Toccoli

ii. Betsy B-C

iii. Victor Ansley (MBDA – USDC)

iv. MBE Magazine

v. Collect success stories

VI. 3rd Quarter Meeting Date – Naveen Habib

a. Wednesday, July 16, 2014 | 10 AM – 12 PM | CDI Sacramento

VII. Public comment

a. Mulz – Martha Daniels of Elite Network received Presidential Award for being one of the top 10 business owners in Orange County in April

VIII. Adjourn – Chair Melinda Guzman