

# California Department of Insurance Insurance Diversity Task Force



2013 Report to the Insurance Commissioner

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## LETTER FROM THE CHAIR

*May 10, 2013*

California is home to a \$123 billion insurance industry. The Golden State is also known for and proud of its diverse population, as well as its robust and ever-growing diverse business economy. In an effort to establish and encourage a strong partnership between these entities – the state's insurance industry and diverse businesses – Insurance Commissioner Dave Jones established the first ever Insurance Diversity Task Force of the California Department of Insurance. The mission set forth for the Task Force was to consider and make recommendations about diversity issues in the insurance industry. On behalf of the Task Force, we are proud to present the *2013 Report to the Insurance Commissioner* to fulfill this obligation.

In a growing trend within the financial services industry, the Commissioner and Task Force recognize the amazing potential and opportunity to address issues of diversity within the insurance industry. Specifically, these efforts are meant to encourage diversity amongst insurer governing boards and increased procurement from diverse suppliers. As seen in other industries, this relationship has been a win – win – win for all parties involved, the insurer, the diverse business, the consumer.

To the insurer, increasing procurement from diverse suppliers can result in more competition for bids and thus decreased costs to the company, as well as enhanced quality, creativity and innovation within those bids. To California's minority-, women- and disabled-veteran owned businesses (MWDVBEs), this represents an open door to a once seemingly impenetrable market and thus increased business opportunities. To California, and especially its communities of color, this translates to a stronger economy and more job opportunities (as small businesses account for the largest percentage of new jobs), as well as a new pipeline and connection to a sector of the financial services industry that does not currently exist for the state's diverse communities.

Under the leadership of Insurance Commissioner Jones, we are eager to continue to address the important and necessary issue of diversity within the insurance industry and excited to set the stage for similar work in other states across the nation.

The *2013 Report to the Insurance Commissioner* includes the formation of and information about the Insurance Diversity Task Force; a summary of the activities we have completed to date (including analysis of the Department's 2011 Voluntary Data Call to insurers and the first ever Insurance Diversity Summit); Assembly Bill 53, which mandates insurer reporting on supplier diversity efforts; and finally, recommendations from the Task Force on how to encourage diversity in California's insurance industry.

Sincerely,

*Melinda Guzman, Chair*  
Insurance Diversity Task Force, California Department of Insurance

## 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.

### Task Force Members

Insurance Diversity Task Force Members were appointed by Commissioner Jones in January 2012. Members of the Task Force include:

**Melinda Guzman (Task Force Chair)** is the sole shareholder of Melinda Guzman Professional Corporation, a certified Woman and Hispanic owned law firm. She serves as Director of the Federal Home Loan Bank of San Francisco where she is Chair of the bank's Governance Committee. She is also a member of the National Association of Corporate Directors, General Counsel to the California Hispanic Chambers of Commerce, Trustee Emeritus of the California State University Board of Trustees, and former General Counsel of the United States Hispanic Chamber of Commerce. Guzman has over 25 years of experience representing insurance companies and insureds in coverage, defense and bad faith matters.

**Cecil Autry** is Associate Vice President and Regional Counsel for Nationwide Insurance Group. Nationwide has received various awards for its commitment to diversity and inclusion, including the 2011 Diversity Initiative Achievement Award by the National Association of Women and Minority Owned Law Firms, 40 Best Companies for Diversity in 2011 by Black Enterprise, and Top Companies for Diversity and Inclusion in 2011 by Uptown Professional.

**John Casas** is President and majority owner of JT2 Integrated Resources, the nation's largest Hispanic-owned third party administrator (TPA), handling workers' compensation and liability claims programs for California's self-insured public and private entities. He is a long-standing member of the boards of directors for the California Hispanic Chambers of Commerce, the Spanish-Speaking Unity Council and the Oakland Work Investment Board.

**David A. Castillo** is President and CEO of The Gray Casualty & Surety Company, a national surety providing support to standard and specialty markets. He oversees Gray's national expansion and has been instrumental in creating bond programs for the City & County of San Francisco and the City of Oakland. Castillo is recognized as the first Hispanic President & CEO of a surety company.

**Sam Kang** is General Counsel for the Greenlining Institute, a national policy, organizing and leadership institute working for racial and economic justice. He oversees Greenlining's legal advocacy and has led several successful campaigns impacting state and national policy. Kang was

previously a Coro Fellow and has been recognized as one of the top young Korean American leaders by the Network of Korean American Leaders.

**Michael G. Keeley** is the President of MGK Risk and Insurance, a certified minority business enterprise. He has worked for 32 years as an insurance industry professional in both carrier executive and broker capacities. Keeley was a founding member of the Black Insurance Professional Associations in Sacramento and Los Angeles, and currently serves as Chairman of the Board of Directors of the Black Chamber of Commerce, Member of SMUD Community Advisory Partners, and Board Member of the Greater Sacramento Urban League and the Insurance Education Foundation.

**Phyllis Marshall** serves as Counsel for the law firm of Manatt, Phelps & Phillips, LLP. She has more than 15 years of experience lobbying the California State Legislature and advocating for clients before Executive Branch agencies and other government offices and commissions. Marshall provides pro bono legal services to the California Black Chamber of Commerce and Women Escaping a Violent Environment (WEAVE).

**Robert H. Mulz** is the founder and current owner of Video Electronics in San Diego and Chairman of The Elite SDVOB Network, a nonprofit national organization of service disabled veteran owned businesses. He retired from the United States Navy as a Master Chief (E9) after 27 years of service.

**Scott Syphax** is the President and CEO of The Nehemiah Companies, a Sacramento-based social enterprise and development corporation. He leads the development team of Township 9 - a 3,000 unit master-planned, smart-growth community in downtown Sacramento. Syphax serves as Vice Chairman of the Federal Home Loan Bank of San Francisco and as a Board Director for Norcal Mutual Insurance Company.

## **SUMMARY OF ACTIVITIES**

### 2011 Voluntary Data Call to Insurers & Findings

In 2011, Insurance Commissioner Dave Jones requested that insurance companies participate in a voluntary survey (data call) to assess insurer diversity practices. All admitted insurers that collected more than \$100 million in premiums from California were asked to complete the data call.

#### *Results*

- 203 Surveys were sent out and 58 companies/groups responded (29% response rate)
- 31 Insurers reported having a supplier diversity policy (53% of respondents)
- 29 Insurers reported having a supplier diversity program (50% of respondents)

#### *Diversity on Insurance Company Boards*

Questions regarding governing board diversity were also included in the Voluntary Data Call. Of the 58 companies who responded,

- 44 Reported having a woman on the governing board.
- 24 Reported having Latino representation on the governing board.
- 26 Reported having African American representation on the governing board.
- 7 Reported having Asian/Pacific Islander representation on the governing board.
- 0 Reported having Native American and Disabled Veteran representation on the governing board.

*Results of the 2011 Voluntary Data Call are provided in Appendix A*

### Insurance Diversity Summit

The Department of Insurance and the Insurance Diversity Task Force hosted a first-in-the-nation Insurance Diversity Summit on October 9, 2012 at the California Science Center in Los Angeles, California.

The Summit was designed to discuss and explore the issues of diversity within California's insurance industry with stakeholders from all sectors. Specifically, the Task Force brought the state's top insurers and diverse businesses together to provide a forum to discuss the importance of diversity in the insurance industry, best practices, how to overcome challenges faced by diverse suppliers, governing board diversity and Assembly Bill 53.

The event hosted over 200 attendees, including 62 individuals representing the insurance industry and 168 individuals representing diverse businesses across the state.

The Summit agenda included a keynote speech from Bernard Tyson, President and Chief Operating Officer of Kaiser Permanente and four distinct panels. These included:

#### *Panel 1 – Assembly Bill 53 Implementation*

Moderator: Nettie Hoge, CDI Chief Deputy

Assembly Member Jose Solorio

Senator Curren Price

Stacie Olivares-Castain, CDI COIN Managing Director

Orson Aguilar, Greenlining Institute

*Panel 2 – Best Practices*

Moderator: Michael Keeley, MGK Risk and Insurance Services Incorporated  
Ramon Jones, Regional Vice President, Nationwide Insurance Company  
Margaret Klinsport, Director Supplier Diversity Initiative, Allstate Insurance  
David Matzinger, Supplier Diversity Manager, State Farm Insurance  
Leonard McLaughlin, President, AON Cornerstone Innovative Solutions

*Panel 3 – Challenges Faced by Diverse Suppliers*

Moderator: Melanie Shelby, Gray, Greer, Shelby & Vaughn LLC  
Emery Harlan, Chairman, NAMWOLF  
John Casas, President, JT2 Integrated Resources  
Monika Mantilla, President and CEO, Altura Capital

*Panel 4 – Governing Board Diversity*

Moderator: Scott Syphax, The Nehemiah Companies  
Janice Hester-Amey, Portfolio Manager, Corporate Governance Unit, CalSTRS  
Diane Miller, Northern CA Chapter Chair, Natl. Association of Corporate Directors  
Luis Nogales, Founder and Managing Director, Nogales Investors

*A detailed Summary of the Insurance Diversity Summit is provided as Appendix B*

## **ASSEMBLY BILL 53 (SOLORIO, 2011)**

On September 12, 2011, Governor Brown signed into law Assembly Bill 53, authored by Assemblymember Jose Solorio and co-authored by Senator Curren Price. Insurance Commissioner Dave Jones supported the measure and the Insurance Diversity Task Force provided advice and guidance during the legislative process.

AB 53, chaptered as California Insurance Code Section 927, now requires that each insurance company that collects \$100 million or more in California premiums report on the company's procurement efforts from minority-, women-, and disabled veteran-owned businesses.

The report will include the insurer's supplier diversity policy statement, outreach and communication strategies to diverse business enterprises, and procurements from diverse businesses. The first report is due July 1, 2013 and updates are required biennially.

The Department of Insurance and Insurance Diversity Task Force worked closely with insurers, industry representatives and stakeholders to create the first Insurer Supplier Diversity Data Call. Drafts of the data call were sent out for review for feedback, suggestions and insight on how best to collect the report information, and a conference call with reviewers was held by the Department of Insurance to discuss issues and concerns.

## **RECOMMENDATIONS TO THE INSURANCE COMMISSIONER**

### ***Highlight Companies Committed to Diversity Efforts***

- Publicly commend companies committed to diversity efforts, including companies that have had diversity programs in place and companies that recently began diversity programs.
- Share best practices, programs and policies of companies that have had established diversity programs.

### ***Host an Annual Event to Encourage Diversity Efforts***

- The annual event should increase awareness of and encourage a commitment to diversity efforts, provide insurance companies with the tools and resources needed to strengthen diversity efforts, and advise diverse businesses on best practices to engage with insurance companies and develop competitive bids.

### ***Increase Focus and Awareness on Governing Board Diversity***

- Encourage insurance companies to diversify governing boards.
- Provide resources and guides to insurance companies to help increase efforts to diversify governing boards.
- Build strong partnerships with CalPERS and CalSTRS to learn from the agencies' work on governing board diversity.

### ***Continue the CDI Insurance Diversity Task Force***

- Continue the Task Force, especially to guide and advise the Department of Insurance on implementation of Assembly Bill 53.

## CONCLUSION

On behalf of the Insurance Diversity Task Force, we are honored to serve Insurance Commissioner Dave Jones in this capacity and proud to explore and lead efforts around this important issue. California is home to a robust insurance industry and we believe that this can lead to significant and meaningful changes to California's economy and the state's insurers, diverse businesses, consumers and communities of color alike. One of the state's greatest strength is its diversity and it is imperative to recognize and utilize this strength in the context of our financial services industries as well.

It is our hope that the *2013 Report to the Insurance Commissioner* serves as a resource for others interested in diversity issues within the insurance industry; a tool for organizations and stakeholders engaged and dedicated to diversity issues; and insight for California's insurance industry and its diverse businesses on how we can continue to work together to strengthen the economy through these efforts. Most importantly, we hope the recommendations set forth in the report serve to help guide the California Department of Insurance and Insurance Commissioner in their efforts to encourage issues of diversity within the insurance industry.

Finally, we would like to give special thanks to Insurance Commissioner Dave Jones and the staff of the California Department of Insurance for their hard work, commitment, energy and enthusiasm towards this initiative and for their support of the Insurance Diversity Task Force.

**Chris Shultz**, Deputy Commissioner, Community Programs  
**Melanie Ramil**, Chief, External Affairs, Community Programs  
**Stacie Olivares-Castain**, Managing Director, COIN  
**Tony Mar**, Investment Officer I, COIN  
**Sukh Randhawa**, Investment Officer II, COIN  
**Roxane Herrera**, Investment Officer I, COIN  
**Anna Gragg**, Investment Officer II, COIN  
**Durriya Syed**, Community Programs Coordinator, Community Programs

Thank you for the work you do and thank you for the opportunity to serve the Insurance Commissioner and State of California.

## **Appendix**

Appendix A: Results of the 2011 Voluntary Data Call

Appendix B: Summary of the Insurance Diversity Summit

# Insurance Diversity Data Call Results

NAIC/Group Number	Company/Group Name	Does your company have a Diversity Statement	Of those how many are:						Has your company received any awards in the past 3 years	Philanthropic Contributions	Does your company have a Supplier Diversity Program (Or do you plan to initiate on in the next 12 months)	What certifications does your company accept:					
			Size of Governing Board	Women	Latino	African American	Asian	Native American				Disabled Veterans	National Minority Supplier Diversity Council	Women's Business Enterprise National Council	National Gay and Lesbian Chamber of Commerce	California Public Utilities Commission	California Department of General Services, Small Business
41	Primerica Life Insurance Company	Yes	11	2	2				No	\$ 875,000	No						
111	Liberty Mutual Group								Yes	\$ -	Yes						
140	Nationwide Insurance Group	Yes	17	3		2			Yes	\$ 25,000,000	Yes	X	X	X	X	X	X
176	State Farm Mutual Automobile Insurance Company	Yes	13	3	1	1			Yes	\$ 60,000,000	Yes	X	X	X	X	X	X
200	USAA Group	Yes	16	3	1	2			Yes	\$ 13,100,000	No						
229	ING North America	No	1	1					Yes	\$ 8,000,000	Yes	X	X	X		X	X
306	CUNA Mutual Group/CUNA Mutual Insurance Society & CUMIS Insurance Society Inc.	No	12	2		1	1		No	\$ 1	No						
565	Unum Group	No	11	2		1			No	\$ 6,700,000	Yes	X	X	X	X	X	X
671	Anthem Blue Cross Life and Health Insurance Company	Yes	11	5	1	1			Yes	\$ 26,500,000	Yes	X	X	X	X	X	X
3322	NORCAL Mutual Insurance Company	Yes	1	5		1	1		No	\$ 241,852	No						
3703	Tower Group, Inc.	No	8						No	\$ 183,000	No						
10111	American Bankers Insurance Company of Florida	No	12	2	1	1			No	\$ 5,002,453	No						
10683	Wawanesa General Insurance Company	No	1	2					No	\$ 73,000	No						
11711	Access General Insurance Company	Yes	8	1					No	\$ -	No						
12904	Tokio Marine Management, Inc., U.S. Manager for Tokio Marine & Nichido Fire Insurance Co., Ltd.	Yes	1				5		No	\$ 47,824	No						
15539	AAA Northern California, Nevada & Utah Insurance Exchange	Yes	11	3	1	1			Yes	\$ 526,000	Yes	X	X	X	X	X	X
19232	The Allstate Insurance Company	Yes	11	3		1			Yes	\$ 18,000,000	Yes	X	X	X	X	X	X
19682	Hartford Fire Insurance Company	Yes	9	1		1			Yes	\$ 5,200,000	Yes	X	X	X			
21873	Fireman's Fund Insurance Company	Yes	6						No	\$ 962,000	No						
30210	Esurance Property and Casualty Insurance Company	Yes	7	1					Yes	\$ 282,362	No						
34495	The Doctors Company An Interinsurance Exchange	No	14	2					No	\$ 145,847	No						

37850	Pacific Specialty Insurance Company	No	5	1					No	\$ -	No						
41642	Forethought Life Insurance Company	No	5	2					No	\$ -	No						
42978	American Security Insurance Company	No	12	2	1	1			No	\$ 5,002,453	No						
51020	NATIONAL TITLE INSURANCE OF NEW YORK, INC	Yes	9	3					No	\$ -	Yes	X	X	X	X	X	X
60054	Aetna Life Insurance Company	Yes	13	4	1	1			Yes	\$ 15,600,000	Yes	X	X	X	X	X	X
60275	American Bankers Life Assurance Company of Florida	No	12	2	1	1			No	\$ 5,002,453	No						
61271	Principal Life Insurance Company	Yes	11	4		1	1		Yes	\$ 8,750,000	Yes	X	X		X		
61557	Blue Shield of California Life & Health Insurance Company	Yes		3	2		3		No	\$ 30,900,000	Yes	X	X	X	X	X	X
61689	Aviva Life and Annuity Company	Yes	9	3					Yes	\$ 1,182,000	No						
62944	AXA Equitable Life Insurance Company	Yes	15	2	1	1			Yes	\$ 5,075,000	Yes	X	X	X			
65080	John Alden Life Insurance Company	No	12	2	1	1			No	\$ 5,002,453	No						
65935	Massachusetts Mutual Life Insurance Company	No	13	3	2	1			Yes	\$ 6,730,884	Plan to Initiate	X	X	X	X		X
66141	Health Net Life Insurance Company	Yes	5	2					No	\$ 2,500,000	Yes						
67466	Pacific Life Insurance Company	Yes	11	3	1		1		No	\$ 925,000	No						
67989	American Memorial Life Insurance Company	No	12	2	1	1			No	\$ 5,002,453	No						
68241	Prudential Insurance Company of America (see clarification notes document)	Yes	14	3	1	2	1		Yes	\$ 22,500,000	Yes	X	X	X	X		
68322	Great-West Life & Annuity Insurance Company	No							No	\$ 1,000,000	No						
69019	Standard Insurance Company	Yes	11	3	1				Yes	\$ 2,600,000	No						
69345	Teachers Insurance & Annuity Association of America (TIAA-CREF)	Yes	3	11	1	5			Yes	\$ 1,220,807	Yes	X	X	X			
69477	Time Insurance Company	No	12	2	1	1			No	\$ 5,002,453	No						
69663	USAA Life Insurance Company	Yes	5	1	1				Yes	\$ 13,100,000	No						
70408	Union Security Life Insurance Company	No	12	2	1	1			No	\$ 5,002,453	No						
71854	AAA Life Insurance Company	No	13						No	\$ 16,500	No						
90611	Allianz Life Insurance Company of North America	Yes	5						No	\$ 1,600,000	No						
Total Contributions										\$ 314,554,248							

**California Department of Insurance  
2012 Insurance Diversity Summit  
October 9, 2012  
California Science Center, Los Angeles CA**

**Summary of Summit Program  
Compiled by CDI Staff**

**KEYNOTE – Bernard J. Tyson, President and COO, Kaiser Permanente**

**Platform for Transformational Change**

- Be clear about your strategy
- Create a cause, as people energize around a cause
- Change the language, change the way people talk about your cause
- Change the system and processes to align to the change and effort you want to drive

**Real Life Case Study of Kaiser Supplier Diversity**

- Diverse Kaiser DNA
  - Kaiser diversity from leadership/directors to workforce.
    - A diverse Kaiser treats a diverse population
  - Measure quality of care by ethnic group (invested approximately \$4 billion in electronic medical records)

**Kaiser's Commitment and Observations**

- In 2011, Kaiser Permanente leadership agreed to set a goal for our organization to achieve \$1 billion of spend with diverse suppliers over the next five years.
- Big purchasers have resources, smaller businesses lack this; allow small businesses to have more direct access to decision makers
- Create new policies for better payment cycles for small businesses.
- Some small businesses had great value propositions but did not know how to work through Request For Proposal (RFP) process
- Small business representatives need to be prepared to present their service/product

**Why does Supply Diversity Matter?**

- Business Proposition and Value Propositions
  - Business Proposition: Hiring people from a minority community is putting money back into the community, and once they get that money they look to Kaiser for their health care coverage
  - Value proposition: Most new jobs being created are from small businesses. When we look at job creation and innovation and the ability to make and facilitate change, we are in fact, feeding directly into the entire economy.

## **PANEL 1 – Assembly Bill 53 Implementation Toolkit**

### **Orson Aguilar, Executive Director, Greenlining Institute**

- Convincing America that diversity is its strength and convincing Corporate America that practicing diversity makes good business sense
  - 19 years ago, minorities made up about 19% and now about 50% of US population
  - By 2025 – 75% of CA under 18 will be of color
- Why should companies care?
  - Companies should reflect their customer base
  - Diversity increases competition – innovation and creativity
  - Diversity is simply the right thing to do, exclusion is a poor business practice

### **Assembly Member Jose Solorio**

- Responsibility: Large insurance companies have responsibility to California; small businesses owners have the responsibility to supply products and services to make own business case
- Opportunity: Finding a way to compete for business
- Community: Many large insurance companies take money out of CA; AB 53 puts money into CA

### **Senator Curren Price**

- Chair, Senate Select Committee on Procurement
  - Permitted us to take a look at how state does business. How can the state more effectively plug into the business communities?
  - Financial services
    - Series of public forums with input from the two largest pension firms CalPERS and CalSTRS – hearings informed what became Senate Bill 294 signed last year (requires that they create a 5 year plan on how to expand use of minority professionals)
- Area of High Speed Rail - Make sure there is a 30% contract hiring goal for small businesses
- PUC - Utilities stepping up to plate and increasing spend to \$7 billion to minority businesses

### **Stacie Olivares-Castain, COIN Managing Director, CA Department of Insurance**

- Diversity Data Call: What are insurance companies already doing?
  - 2010 data of insurance companies with \$100 million in premiums: 200 total
  - 30% of companies responded; of the 30% (approximately 58 companies), 31 have a supplier diversity statement, some sort of commitment

## **PANEL 2 – Best Practices**

### **Ramon Jones, Regional Vice President, Nationwide Insurance Company**

- Business Case for Supplier Diversity
  - Census reports and voter patterns
  - Business and team needs to reflect what is available in the market
  - Diversity is a strategic advantage
- Nationwide's Diversity and Inclusion Council initiated in the company happened at the direction of CEO

- Associate Groups - 18 groups across the company that reflect different minority groups
  - Groups encouraged to meet within the company and give company feedback
  - Appointment of a Chief Diversity Officer

**Margaret Klinsport, Director Supplier Diversity Initiative, Allstate Insurance**

- Since 2003, Allstate spent \$1.5 billion in diverse business and now plan to do better
- Ended 2011 with 5.9% of supplier spend going to diverse suppliers
- Launched a mentoring program; suppliers go through a rigorous application process
- In-House Supplier Diversity Event at Allstate
- Active with local diversity organizations to make connections with diverse suppliers

**David Matzinger, Supplier Diversity Manager, State Farm Insurance**

- Foster Diverse Supplier Base
  - Sponsor organizations such as Northwest Minority Business Development Council, Women's Business Enterprise for certifying vendors, participate in matching sessions
- Educate associates: understand direction, training for new employees and new procurement specialists; also include that in their performance review
- Increase visibility within communities

**Leonard McLaughlin, President, AON Cornerstone Innovative Solutions**

- Be proactive, not reactive
  - Profit Center: We find the best, certified minority business and we create a strategic alliance or a joint venture. This gives MBEs access they never had before and MBEs give AON access to a market that we never had before
  - Cornerstone Division
    - Goal: increase revenue for minority businesses
    - Staff is fully compensated based on how much our MBEs are making
  - AON business growth over 500% over the last 30 months

**Q & A:**

**Q: *What is the first step as far as doing business with your company? What if you get to a roadblock?***

**A:** Use company websites, take advantage of diversity events. When you do make a contact, be well-prepared; know how your service and product fits into the company.

**Q: *How do we understand the supply chain of an insurance company?***

**A:** Respective supplier diversity leaders are obligated to share exactly how this value chain works. Suppliers and leaders are prepared to show what that process looks like and how they use vendors.

**Q: *What recommendations do you have for other insurance companies to start with supplier diversity?***

**A:** Measure what you've got – really taking a look at where you are today and look at major spend areas and find the potential. A company needs to have a supportive statement from the top.

**Q: *Investment Management: Can you share how you have integrated, including diverse investment management firms to your supplier diversity efforts?***

**A: McLaughlin** - We work with over 6-7 investment management companies and we are always looking for additional ones. **Jones** - Just like any other area, we need to make sure that it represents diversity.

**Q: Ethnic newspapers and media are on the periphery of things. How do you see the ethnic media and working closely with this media?**

**A:** Getting your foot into the door is important. Persistence is key, but you have to be in the right place at the right time with the right item.

### **PANEL 3 – Challenges Faced By Diverse Suppliers**

#### **Emery Harlan, Chairman, National Association of Minority & Women Owned Law Firms**

- Increasing diversity in the workplace: there is too much reliance on temporary service. They have too much weight given to them when it comes to determining whether a firm is diverse. This distorts the numbers and is not a true reflection of the economic picture.
- Have a variety of opportunities to provide services in insurance firms: assets management, financial services and even services related to real estate.

#### **John Casas, President, JT2 Integrated Resources**

- Not enough minority-owned TPAs (Third Party Administrators) being contracted with
- Minority owned TPAs could be used in the following instances:
  - Some carriers have California claims but no California presence. These claims could be handled by MBEs until there is a sufficient amount of claims to justify a presence
  - Consulting services could be used to determine what percentage of claims may need special (non-standard) treatment. This would help clear out older claims with higher liabilities

#### **Monika Mantilla, President and CEO, Altura Capital**

- The Hispanic market is one of the largest growing markets in the US
- There is an issue of absence of capital in emerging small business communities
- An example of undercapitalization of Hispanic businesses: 44,000 Hispanic business owned businesses that make over a million dollars were studied by the Department of Commerce. It was determined that they had revenue of \$230 billion and they employed 1.2 million employees. If they had parity of capital it was determined that these 44,000 business should be making \$1.4 trillion and employing 5-6 million people

#### **Robert Mulz, Chairman, The Elite SDVOB Network**

- What is wrong with America today? It is the economy
- 18-24 year old returning veterans have an unemployment rate of 37%
- Disabled veterans have an unemployment rate of 57%

### **PANEL 4 – Governing Board Diversity**

#### **Janice Hester-Amy, Portfolio Manager, Corporate Governance Unit, CalSTRS**

- CALSTRS and CALPERS are major shareholders in 3,000 American companies. Have a majority ownership of 97% of companies that are publically traded

- Our numbers indicate that companies with diverse governing boards are more profitable

**Diane Miller, Northern CA Chapter Chair, National Association of Corporate Directors**

- Four elements of diversity: age, work experience, ethnic background and gender
- California is among the least diverse in terms of corporate governing
- Collectively made decisions tend to be more risky/extreme; need more viewpoints represented
- *Things that would help board diversity:* Board term limits, Ongoing education requirements, Candidates must be selected from outside the “C-Suite,” study Diverse Director Database “3D”

**Luis Nogales, Founder and Managing Director, Nogales Investors**

- In order to get on to a board, someone who is already on the board must be your champion; common to ask people who are already on boards to be on new boards. Creates a very small group of people to select from that does not include a large amount of minorities.
- If your company relies on positioning your brand and it is regulated you will benefit from having a diverse board

**Q & A:**

**Q: *There was a study conducted that indicated that you need three or more minorities on a board in order to influence decision making. Is this true?***

**A: *Nogales*** - Not one person can change important things. But it is possible that through passionate efforts they may be able to convince other board members to their side on an issue. Diversity is not a top three issue for most boards right now.

**Q: *How would you recommend minorities get on to these boards?***

**A: *Nogales*** - You have to be senior level with some type of expertise, such as finance, IT or marketing (if the company is focused on retail). Find a champion and network