

DEPARTMENT OF INSURANCE

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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. **Shultz – 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**
 - ii. **Guzman – Improve survey so that it may:**
 1. Be of benefit to CA & insurance industry, and
 2. Allow them to maintain independent review
 - iii. **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.0 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.
- ee. **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**