

California Department of Insurance Insurance Diversity Initiative



2016 Report

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EXECUTIVE SUMMARY

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

This year, Insurance Commissioner Dave Jones led a multistate effort to increase the diversity of suppliers and governing board members 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 jurisdictions – 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:

- Increased insurance industry procurement from California diverse businesses by \$586 million dollars, an increase of approximately 63% in 3 years;
- Administered first-in-the-nation surveys on supplier diversity and governing board diversity in the insurance industry, surveying California's top 200 insurers that represent 47% of the national market;
- Expanded the program into a multistate initiative with five partner states to examine supplier and governing board diversity within the nation's insurance industry;
- Established the nation's first ever Annual Insurance Diversity Summit;
- Facilitated business matchmaking at the Annual Summit, providing a forum for diverse business owners and insurance representatives to network and create new business partnerships; and
- Awarded industry leaders and diversity advocates for their achievements in moving diversity forward within the insurance industry.

Initiative goals are accomplished by focusing on transparency. Specifically, 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 has not occurred before. California 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, and has seen great progress. Now a multistate initiative, the hope is that these same opportunities – and successes – are presented to diverse suppliers across the nation.

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 act of administering surveys to insurers about their efforts in diversity and then posting the 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 between 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 promising way to 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 insurers to respond to a survey on supplier diversity. In 2012, Assembly Bill 53 was signed into law. The bill requires all insurance companies that collect \$100 million or more in California written premiums to report on their procurement efforts with California's diverse businesses.

Since 2013, the California Department of Insurance has administered annual surveys on supplier diversity and governing board diversity to the state's top insurers, and has worked closely with the industry to see a 100% response rate each year.

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
- 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) Advocate / Representative
 - (1) Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE) Advocate / Representative
 - (1) Diverse Business Owner Representative
 - (1) Supplier Diversity Advocate / Expert
 - (1) Governing Board Diversity Advocate / Expert

- 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 Representatives

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) Advocates / Representatives

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) Advocates / Representatives

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 Advocates / Experts

Craig Holden – *Partner & Chair, National Commercial Litigation Practice and Vice-Chair, 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 Advocates / Experts

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 a forum for representatives from the state's top insurers and California's diverse business owners to network and establish new partnerships. Each year, the Summit attracts approximately 200 attendees, including representatives from 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 industry and their diversity efforts; and most recently, how to create successful business partnerships within the insurance industry.

In addition, in response to stakeholder feedback, the Summits have also featured breakout sessions to focus on stakeholder needs. 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.

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 in one-on-one meetings. The insurance representatives meet only with those diverse businesses that offer goods or services for which the insurer is currently seeking. The end goal is to increase contract opportunities for California's diverse suppliers with the insurance companies represented at the Summit.

The locations of the summits rotate strategically between Northern and Southern California to give stakeholders statewide the opportunity to attend an event. Past Summits have been held in the following locations:

- 1st Annual: Los Angeles (October 9, 2012)
- 2nd Annual: Sacramento (November 1, 2013)
- 3rd Annual: Los Angeles (December 8, 2014)
- 4th Annual: Sacramento (November 4, 2015)
- *Upcoming – 5th Annual: Los Angeles (December 7, 2016)*

Finally, each Summit has featured a public release of that year's survey data and results.

Surveys

Transparency is the foundation of the Insurance Diversity Initiative, and the factor to which progress towards the program mission can be attributed. Specifically, the Department 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 California surveys (2011-2015) were sent to all insurers that collect \$100 million or more in California written premiums. In 2016, all insurers that met the Multistate Insurance

Diversity Survey threshold - \$300 million or more in written premiums nationally – were sent the survey in May 2016.

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.

SURVEY RESULTS

Supplier Diversity: Highlights from the 2013 & 2015 Surveys

- 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)**
 - California 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)
 - California Diverse Spend with MBEs 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)
 - California 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
 - Between 2013 and 2015:
 - Diverse spend with California diverse suppliers increased
 - Number of insurance companies conducting outreach to diverse businesses increased
 - Number of insurance companies tracking spend with diverse businesses increased

Governing Board Diversity: Highlights from the 2014 Survey

- Over 200 companies surveyed
 - Total number of board members: 1,153
 - Average members per insurance company / group: 10
 - Gender
 - Only 19% of board members identify as women; compared to 81% who identify as men
 - **21 companies have 0 women** on their governing boards
 - 155 men, 0 women
 - Ethnicity
 - Only 13% of board members identify as ethnic persons; compared to 83% who identify as Caucasian
 - 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
 - 1 board member identifies as a disabled veteran
 - 4 board members publicly identify as LGBT

MULTISTATE INSURANCE DIVERSITY SURVEY

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

In addition to California, insurance commissioners from the District of Columbia, Minnesota, New York, Oregon, and Washington are also now collecting data to determine to what extent insurers are procuring goods and services from minority, women, disabled veteran, and LGBT owned businesses in their respective states.

The new national Multistate Insurance Diversity Survey will also collect and make public information about the diversity of insurers' governing boards and procurement from and contracts with diverse suppliers in all six participating jurisdictions and nationwide. The threshold to report in response to the 2016 MIDS is all insurers that collect \$300 million or more in written premiums nationally, and any company that has participated in the California diversity surveys previously. Over 600 companies across the country met this threshold, representing over 70% of the national insurance industry market. A joint notification letter from the six insurance commissioners was sent to the insurance companies that met the threshold on May 2, 2016.

In addition, national diversity and chamber organizations are actively supporting the national effort. 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 supporting these efforts by connecting the partner states with their local chapters and acting as resources and experts as needed.

MIDS is being administered via the new MIDS Portal, an online system that allows insurance companies to complete and submit the survey online. The Portal was developed and is housed by California's Department of Insurance in an effort to streamline the survey process and alleviate additional impact and burden on the insurers required to report. Insurers that met the threshold respond to only one survey from the six insurance commissioners and do so via one online portal.

The survey was released to insurers on June 1; submissions are due on September 1; and the data will be released publicly via the MIDS 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 supplier diversity and governing board diversity.

Since 2011, Insurance Diversity Initiative staff has been inspired by the progress witnessed since the program's inception. Anecdotes have been shared with staff by insurers, diverse businesses, and stakeholders alike, revealing small yet exciting steps forward. And now, due to the quantitative data collected from the annual surveys, one can also see firsthand the progress made within the insurance industry. This progress can be seen both by the increases in dollars and contracts with diverse businesses, as well as the programmatic developments aimed to strengthen companies' supplier diversity efforts.

As noted, over the years, many stories have been shared that indicate movement 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 nation's top insurance companies and their supplier diversity leaders are meeting with one another to learn best practices. Diverse business owners are sharing stories of new contracts with insurance companies, as well as of increased networks within the diverse business community as they partner to win new contracts. Advocacy organizations are also hosting insurance diversity workshops for their members, both insurers and diverse businesses, for the first time.

The data from the surveys also sheds light on the progress the industry has made since 2011. For instance, it is exciting to note that diverse spend has increased 63% with California diverse suppliers, as one compares the procurement data provided by insurers in 2013 to the data collected in 2015. It is also exciting to see that more insurers are purposefully and strategically building programs to establish and strengthen efforts around supplier diversity.

It is important to note that, while progress should be applauded and recognized, that the increases in diverse spend can still be attributed to only a handful of companies. There is much room for opportunity and growth and that, in partnership with the Task Force and stakeholders, the Department will provide the resources necessary to support industry efforts to move forward and continue to see progress.

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 nation's insurance industry. 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.