



Statement of

Baird Webel

Specialist in Financial Economics

Before

Committee on Financial Services
Subcommittee on Diversity and Inclusion
U.S. House of Representatives

Hearing on

**“A Review of Diversity and Inclusion at America’s Largest
Insurance Companies”**

September 20, 2022

Congressional Research Service

7-5700

www.crs.gov

Madam Chairwoman, Ranking Member, and Members of the subcommittee, thank you for the opportunity to testify before you today. My name is Baird Webel. I am a Specialist in Financial Economics at the Congressional Research Service (CRS) focusing on nonhealth insurance issues. CRS's role is to provide objective, nonpartisan research and analysis to Congress. CRS takes no position on the desirability of any specific policy or policy outcome. Any arguments presented in my written and oral testimony are for the purposes of informing Congress, not to advocate for a particular policy outcome.

My testimony today will begin with a brief introduction and overview of statistics on the diversity and inclusion in insurance employment and conclude with some observations on the legislation announced as a subject of today's hearing.

Employment Diversity in Insurance and Overall Labor Markets

The private sector employs roughly 125 million people, with the U.S. Bureau of Labor Statistics (BLS) collecting a wide variety of statistics about the labor market. According to BLS, approximately 2.8 million people were employed in the insurance industry in 2021.¹ Average annual insurance industry earnings are an estimated \$76,840 compared to estimated average total private earnings of \$55,397.² Sub-industries included in the BLS data include insurance carriers (\$82,655) and insurance agencies, brokerages, and related services (\$69,499).³

BLS statistics also include breakdowns by racial and ethnic groups as well as by gender.⁴ For 2021, those statistics for the insurance industry included 58.9% women, 77.9% White, 13.2% Black or African America, 6.4% Asian, and 11.8% Hispanic or Latino, as shown below in **Figure 1**. **Figure 1** also portrays the same categories for the overall "financial activities" category⁵ (52.1% women, 78.4% White, 11.3% Black or African American, 7.5% Asian, and 12.6% Hispanic or Latino) and the total U.S. working population (47.0% women, 77.5% White, 12.3% Black or African American, 6.6% Asian, and 18.0% Hispanic or Latino). It should be noted that there is some overlap among racial and ethnic categories, so it would not be expected that they sum to 100%.

¹ BLS, "Current Employment Statistics (CES)," at <https://www.bls.gov/ces/data/>.

² CRS calculation using BLS CES data. Average annual earnings were calculated by multiplying the average weekly earnings in 2021 by 52 weeks.

³ BLS, CES. CES industry data is available by North American Industry Classification System (NAICS) code. The categories used include insurance carriers and related activities (NAICS code 524), insurance carriers (NAICS code 5241), and insurance agencies, brokerages, and related services (NAICS code 5242).

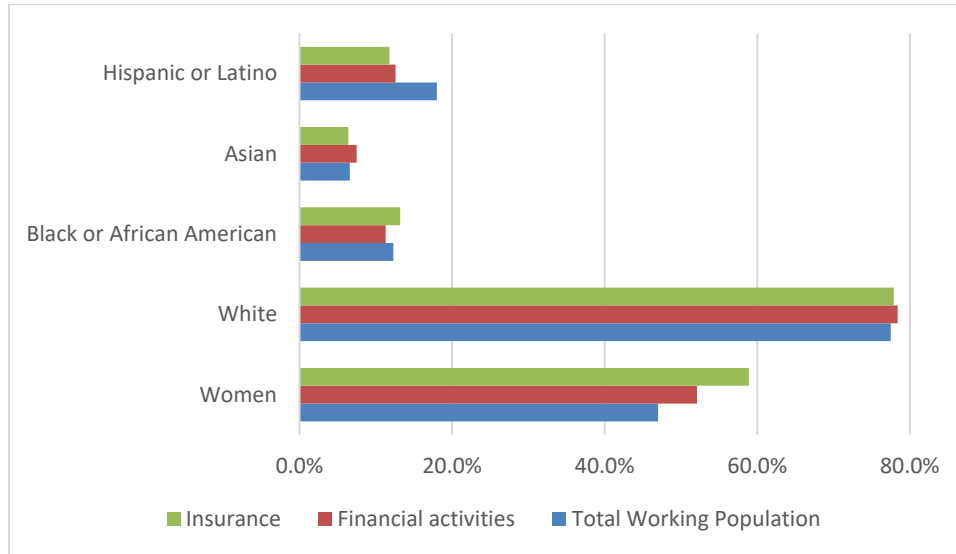
⁴ BLS, "18. Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity," at <https://www.bls.gov/cps/cpsaat18.htm>.

⁵ The financial activities category includes banking, securities, non-bank credit, real estate, and leasing services.

2021

Figure 1. Insurance Industry Gender, Race and Ethnicity

2021

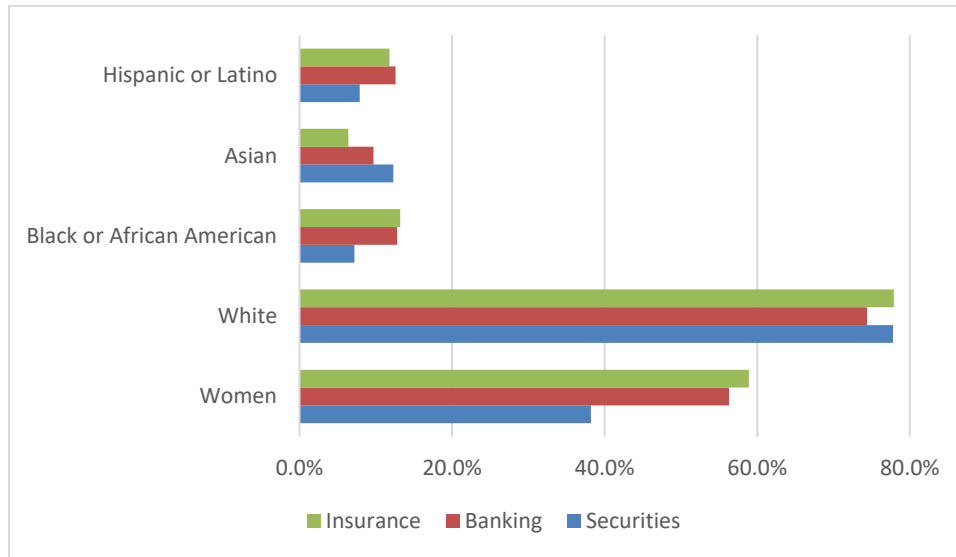


Source: BLS, <https://www.bls.gov/cps/cpsaat18.htm>.

Notes: Exact BLS series are “Insurance and related activities,” “Financial activities,” and “Total, 16 years and over.” Race and ethnic group categories do overlap and would not be expected to sum to 100%.

The financial activities category can be broken down further, including into banking and securities industries, which roughly parallel the committees’ previous surveys of the largest banks and securities firms. **Figure 2** portrays the comparison of these three industries, while **Table 1** combines the data from **Figures 1** and **2** and adds additional financial services occupational categories.

Figure 2. Insurance, Banking, and Securities Gender, Race, and Ethnicity
2021



Source: BLS, <https://www.bls.gov/cps/cpsaat18.htm>.

Notes: Exact BLS series are “Insurance and related activities,” “Banking and related activities,” and “Securities, commodities, funds, trusts, and other financial investments.” Race and ethnic group categories do overlap and would not be expected to sum to 100%.

Table 1. Financial Industry Gender, Race, and Ethnicity
2021

Industry	Women	White	Black or African American	Asian	Hispanic or Latino
Insurance	58.9%	77.9%	13.2%	6.4%	11.8%
Banking	56.3%	74.4%	12.8%	9.7%	12.6%
Securities	38.2%	77.8%	7.2%	12.3%	7.9%
Credit Unions	69.8%	77.9%	13.6%	5.5%	10.7%
Non-bank Lenders	49.3%	75.9%	10.7%	10.1%	13.2%
Financial Activities	52.1%	78.4%	11.3%	7.5%	12.6%
Total Working Population	47.0%	77.5%	12.3%	6.6%	18.0%

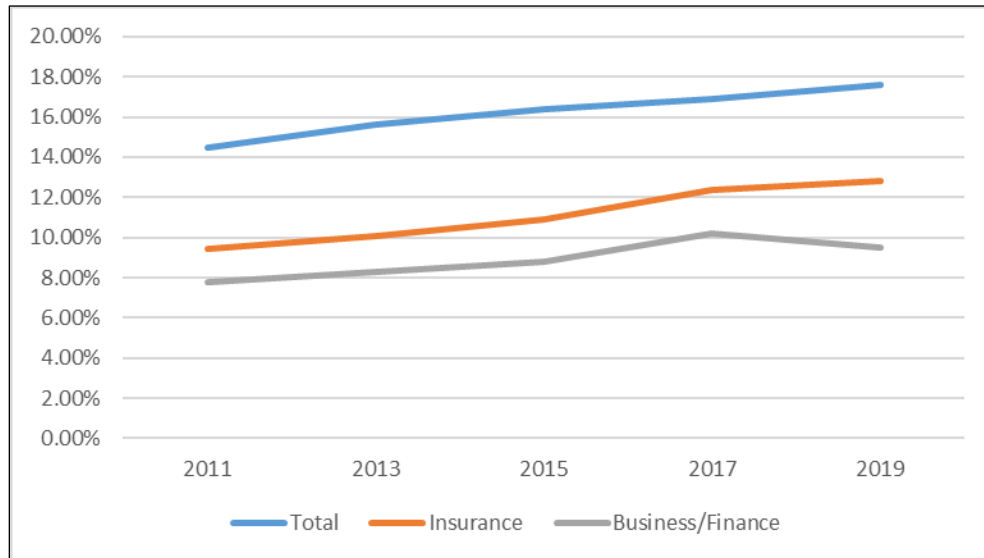
Source: BLS, <https://www.bls.gov/cps/cpsaat18.htm>.

Notes: Exact BLS series are “Insurance and related activities,” “Banking and related activities,” and “Securities, commodities, funds, trusts, and other financial investments,” “Savings institutions, including credit unions,” “Nondepository credit and related activities,” “Financial activities,” and “Total, 16 years and over.” The financial activities category includes real estate, and leasing services in addition to the industries detailed in the table. Race and ethnic group categories do overlap and would not be expected to sum to 100%.

2011-2019

Similar data are available for approximately the last decade. For this time period, however, BLS did not break out the insurance industry as a separate category.⁶ In order to generate the following presentation of 2011-2019 data, CRS utilized individual occupation categories that are specific to insurance⁷ to generate the “Insurance” category data and the individual figures below compare this composite category to the BLS-created “Business and Financial Operations Occupations” category for gender, race and ethnicity.

Figure 3. Insurance Occupations Diversity over Time: Hispanic or Latino
2011-2019



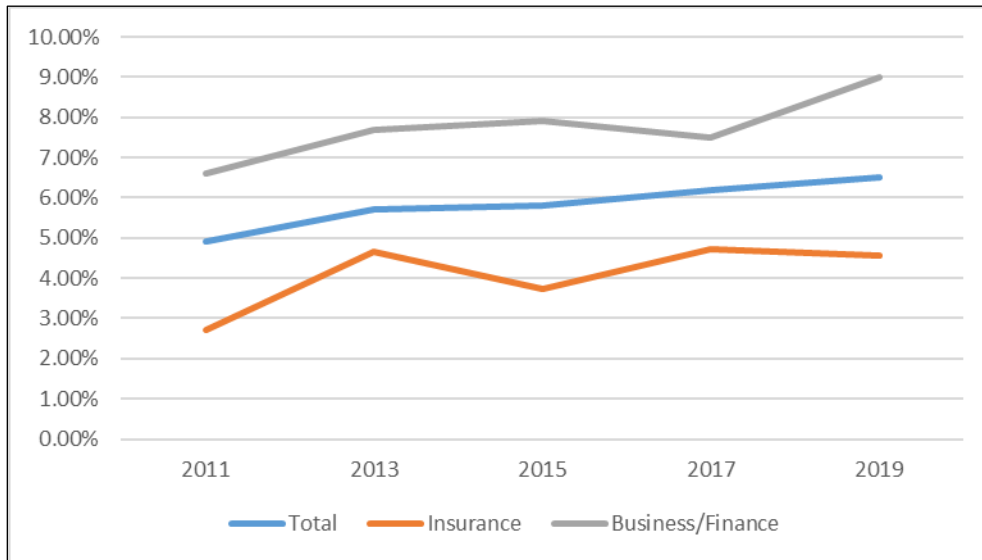
Source: CRS using data from BLS.

Notes: The “Insurance” figure is a composite of the BLS occupation categories of Claims Adjusters, Appraisers, Examiners, and Investigators; Actuaries; Insurance Sales Agents; and Insurance Claims and Policy Processing Clerks. “Business/Finance” is the BLS category Business and Financial Operations Occupations. “Total” is the BLS category “Total, 16 years and over.”

⁶ BLS also did not publish data on “White” prior to 2017, so this category is omitted.

⁷ CRS utilized Claims Adjusters, Appraisers, Examiners, and Investigators; Actuaries; Insurance Sales Agents; and Insurance Claims and Policy Processing Clerks. Each individual year’s BLS data can be found at <https://www.bls.gov/cps/aa2011/cpsaat11.htm>, <https://www.bls.gov/cps/aa2013/cpsaat11.htm>, <https://www.bls.gov/cps/aa2015/cpsaat11.htm>, <https://www.bls.gov/cps/aa2017/cpsaat11.htm>, and <https://www.bls.gov/cps/aa2019/cpsaat11.htm>.

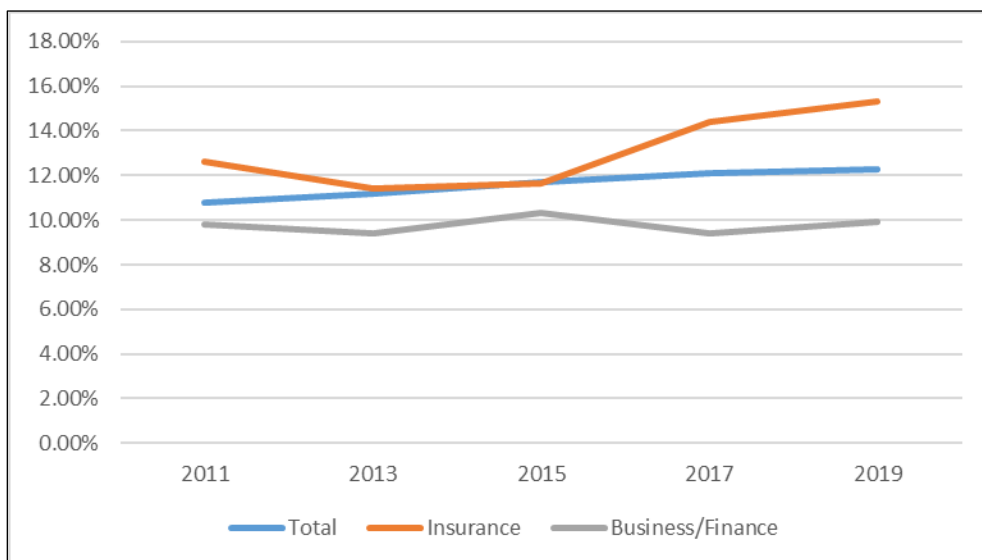
Figure 4. Insurance Occupations Diversity over Time: Asian
2011-2019



Source: CRS using data from BLS.

Notes: The “Insurance” figure is a composite of the BLS occupation categories of Claims Adjusters, Appraisers, Examiners, and Investigators; Actuaries; Insurance Sales Agents; and Insurance Claims and Policy Processing Clerks. “Business/Finance” is the BLS category Business and Financial Operations Occupations. “Total” is the BLS category “Total, 16 years and over.”

Figure 5. Insurance Occupations Diversity Over Time: Black or African American
2011-2019

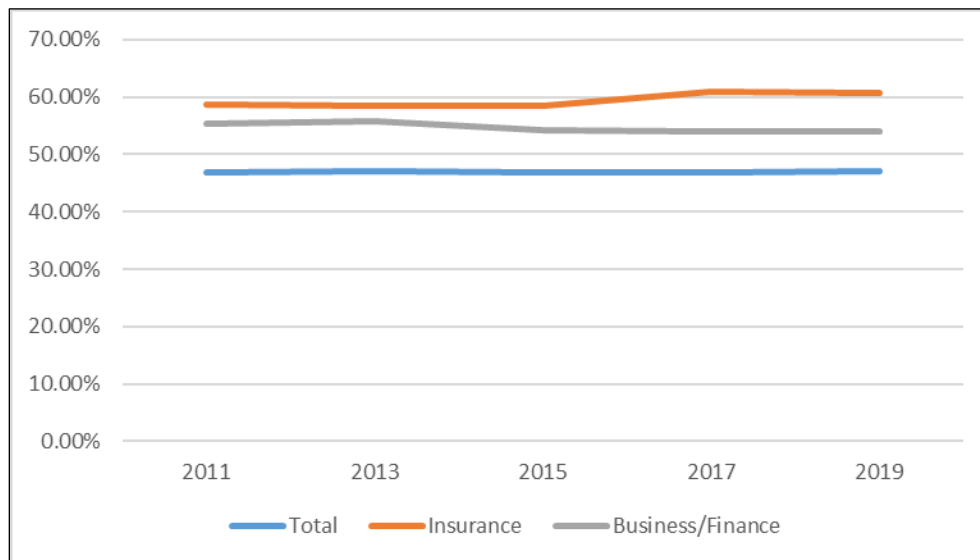


Source: CRS using data from BLS.

Notes: The “Insurance” figure is a composite of the BLS occupation categories of Claims Adjusters, Appraisers, Examiners, and Investigators; Actuaries; Insurance Sales Agents; and Insurance Claims and Policy Processing Clerks.

“Business/Finance” is the BLS category Business and Financial Operations Occupations. “Total” is the BLS category “Total, 16 years and over.”

Figure 6. Insurance Occupations Diversity Over Time: Women
2011-2019



Source: CRS using data from BLS.

Notes: The “Insurance” figure is a composite of the BLS occupation categories of Claims Adjusters, Appraisers, Examiners, and Investigators; Actuaries; Insurance Sales Agents; and Insurance Claims and Policy Processing Clerks. “Business/Finance” is the BLS category Business and Financial Operations Occupations. “Total” is the BLS category “Total, 16 years and over.”

Observations

On average, the BLS data show that the insurance industry pays a higher wage than overall economy-wide average in the country. Its workforce has a higher percentage of women and Blacks and African Americans than the general working population, but a lower percentage of Asian Americans and Hispanics or Latinos. Compared to the banking and securities industries, the comparison is similarly mixed. It appears that the diversity in the insurance industry has been increasing over time, which is consistent with anecdotal evidence that the industry is putting particular focus on hiring and employment of a more diverse workforce.⁸ These overall data, however, lack detail to make more specific conclusions. In comparison with the committee’s survey and report,⁹ particularly lacking are more granular detail as to the gender, racial and ethnic diversity within the hierarchy of the companies. This does not enable an analysis of the diversity in leadership or executive positions. Further, the data do not break out data large insurance companies relative to smaller companies.

⁸ For example, CRS examination of the websites and 2021 SEC 10-4 annual filings for the 27 large insurers surveyed by the committee found specific sections focused on diversity and inclusion, although there was variation in the lengths of the sections and detail among insurers.

⁹ House Committee on Financial Services, *Diversity and Inclusion: Holding America’s Largest Insurance Companies Accountable*, September 16, 2022, at https://financialservices.house.gov/uploadedfiles/d.i_insurance_report_092022.pdf.

Insurance Regulation and Proposed Legislation

Congress endorsed the state-based insurance system in the 1945 McCarran-Ferguson Act.¹⁰ Although later acts, such as the 2002 Terrorism Risk Insurance Act¹¹ and 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act¹² (Dodd-Frank) increased the federal presence, insurance regulation remains primarily the purview of the states, particularly in nonhealth insurance. This relative lack of a federal regulatory apparatus can pose some complications when Congress seeks to exercise authority over the insurance industry. For example, Dodd-Frank specifically created an Office of Minority and Women Inclusion (OMWI) within a variety of federal entities overseeing the financial services industry.¹³ The directors of these offices are charged with, among other tasks, “assessing the diversity policies and practices of entities regulated by the agency”¹⁴ Among the enumerated federal agencies, however, none of them would be considered to generally regulate insurers. The only current federal oversight of insurers is of holding companies with insurance operations which fall under the Federal Reserve¹⁵ and this is a relatively small number of companies.¹⁶

The draft Minority and Women Inclusion in Insurance Act¹⁷ would require the Department of the Treasury’s Federal Insurance Office (FIO) to survey insurers and report to Congress on diversity in the insurance industry. The state insurance regulators are to be consulted in this study. Somewhat similarly, the draft Diversify Insurers’ Workforce Study Act¹⁸ would direct FIO to study and report to Congress on recruitment, retention and attrition in the insurance industry and best practices in this area.

¹⁰ 15 U.S.C. §§1011-1015.

¹¹ P.L. 107-297.

¹² P.L. 111-203.

¹³ P.L. 111-203, Section 342; codified at 12 U.S.C. §5452. The statute lists the following agencies: Department of the Treasury; Federal Deposit Insurance Corporation; Federal Housing Finance Agency; Federal Reserve, including the board and the individual banks; National Credit Union Administration; Office of the Comptroller of the Currency; Securities and Exchange Commission; and Consumer Financial Protection Bureau. See 12 U.S.C. §5452(g)(1).

¹⁴ 12 U.S.C. §5452(b)(2)(C).

¹⁵ Holding companies with both depository and insurer subsidiaries are overseen by the Federal Reserve, a framework that dates back to the Gramm-Leach-Bliley Act (P.L. 106-102, GLBA). GLBA allowed for holding companies with thrift subsidiaries to be overseen by the Office of Thrift Supervision, but Dodd-Frank consolidated this authority under the Federal Reserve. The Federal Reserve may also oversee insurance companies designated for such oversight by the Financial Stability Oversight Council, but no companies are currently so designated.

¹⁶ S&P Global Market Intelligence identifies only six holding companies “significantly engaged in insurance activities” who also own banks engaged in broad banking activities, with another 11 insurers owning limited-purpose banks. See Tim Zawacki, “Some insurer-owned banks show outsized growth as rising interest rates await,” *S&P Global Market Intelligence*, February 16, 2002, at <https://www.capitaliq.spglobal.com/web/client?auth=inherit#news/article?id=68817996>.

¹⁷ Available at <https://democrats-financialservices.house.gov/UploadedFiles/BILLS-117pih-MinorityandWomenInclusioninInsuranceAct.pdf>.

¹⁸ Available at <https://democrats-financialservices.house.gov/UploadedFiles/BILLS-117pih-MinorityandWomenInclusioninInsuranceAct.pdf>.

Another bill addressed in this hearing, H.R. 2123, the Diversity and Inclusion Data Accountability and Transparency Act, would add another mandate to the various OMWIs. Specifically, the bill directs that each OMWI director “shall require entities with 100 employees or greater regulated by the applicable agency” to provide information required to carry out the director’s duties. As mentioned above, the relatively few insurers who fall under federal oversight are overseen by the Federal Reserve. The Federal Reserve OMWI has indicated that it has sent requests to as many as 1,475 institutions in a given year requesting self-assessments on diversity and inclusion. These surveys have been conducted since 2017 and the highest response rate to date has been under 13%.¹⁹ In 2021, 136 out of 1,178 institutions responded. The Federal Reserve OMWI identifies responding institutions by charter type (e.g., bank holding company or savings and loan holding company) at the holding company level, but not by business type at the subsidiary level. Thus, one cannot identify to what degree the insurers overseen by the Federal Reserve are, or are not, responding to the Federal Reserve OMWI’s requests.

The other two bills addressed in the hearing, H.R. 1277, the Improving Corporate Governance Through Diversity Act of 2021, and the draft Diverse Investment Advisers Act both would approach diversity in insurers not through the insurance regulatory system, but through federal securities laws.²⁰ Federal securities laws affect far more insurers than direct federal regulation, so this approach arguably would have a greater impact on the insurance industry. Many insurers, however, are set up as mutual insurers and do not issue public stock, thus reducing to some degree the impact of federal securities laws. Even mutual insurers, however, may issue public debt securities and be impacted through these approaches.

¹⁹ CRS calculation using the individual annual reports of the Federal Reserve Office of Minority and Women Inclusion from 2017-2021, available at <https://www.federalreserve.gov/publications/minority-women-inclusion.htm>.

²⁰ Available at <https://democrats-financialservices.house.gov/UploadedFiles/BILLS-117pih-TheDiverseInvestmentAdvisersAct.pdf>.