

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

September 20, 2022

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: September 20, 2022, Subcommittee on Diversity and Inclusion Hearing entitled, “A Review of Diversity and Inclusion at America’s Largest Insurance Companies”

The Subcommittee on Diversity and Inclusion will hold a hearing entitled, “A Review of Diversity and Inclusion at America’s Largest Insurance Companies” on Tuesday, September 20, 2022, at 2:00 pm E.T. in room 2128 of the Rayburn House Office Building and on Cisco Webex. There will be one panel with the following witnesses:

- **Eloiza Domingo**, Chief Diversity Officer and Vice President, Human Resources, The Allstate Corporation
- **Dr. Leroy D. Nunery II**, President, Evolution Advisors LLC
- **Chlora Lindley-Myers**, Director, Missouri Department of Commerce and Insurance
- **Kimberly Ross**, Senior Vice President, Federal Relations, American Council of Life Insurers (ACLI)
- **Baird Webel**, Specialist in Financial Economics, Congressional Research Service

**Additional witnesses may be announced.*

Background

This hearing will review the findings and recommendations of a report prepared by the Majority staff of the Committee on Financial Services entitled, “Diversity and Inclusion: Holding America’s Largest Insurance Companies Accountable.” Primarily regulated by states,¹ property and casualty (P&C) and life insurance firms help protect households in the face of various hardships and tragedies, from petty theft to major natural disasters and even the loss of loved ones. P&C insurance helps to protect an individual’s property, including homes, cars, and businesses, and life insurance covers the risk of the death of a policyholder, as well as provides annuities or long-term investments to help protect a policyholder from outliving their income. To do so, insurance companies collect premiums from consumers and invest those premiums to pay out claims when policyholders have insured losses. Collectively, the insurance industry possesses over \$5.8 trillion in assets.² Insurance companies often make long-term investments in important sectors of the economy, including education, infrastructure, housing and real estate, farming, and businesses across the country,³ ultimately helping to finance critical projects that help communities thrive.⁴

Property and casualty (P&C) and life insurance firms are prevalent in the lives of nearly every adult in the U.S. While no one is required to have a bank account or make investments, it is often a requirement to obtain certain types of insurance. For example, almost all states require consumers to obtain car insurance in order to register and drive a car; mortgage holders require borrowers to maintain

¹ Insurance companies generally must comply with federal anti-discrimination laws, including under the Fair Housing Act of 1968.

²U.S. Chamber of Commerce, [The Role of Insurance Investments in the U.S. Economy](#), Center for Capital Investments (Winter 2019).

³ *Ibid.*

⁴ *Ibid.*

homeowners insurance; many landlords require renters' insurance, and federal law requires those who own homes in federally designated high-risk flood zones and have federally backed mortgages to have flood insurance.⁵ The insurance industry also plays a critical role when national emergencies arise; for example, insurers provide business interruption coverage that includes acts of terror, the availability of which is backed by the federal Terrorism Risk Insurance Program that was established in the aftermath of the 9/11 terrorist attacks. Given the reach and importance insurance companies have on all communities and people across the country, the extent to which such companies prioritize diversity and inclusion can have wide reaching impacts.

Committee Staff Report on Insurance

To review the diversity within the P&C and life insurance industries, Chairwoman Maxine Waters and Diversity and Inclusion Subcommittee Chair Joyce Beatty sent a letter to the 27 largest insurance groups, as determined by premiums written. The letter requested diversity data for 5 years, from 2017 to 2021, including demographic data on its board, staff, and executive leadership. In an expansion of diversity information previously collected by the Committee (e.g., race, ethnicity, gender), the survey sent to insurance companies asked about LGBTQ+ and disability diversity at multiple levels. The letter also requested information on procurement, internal policies and practices meant to support greater diversity and inclusion, and challenges in pursuing diversity and inclusion in this industry. Topics included in the request were the following:

1. Workforce Diversity
2. Executive Leadership Diversity
3. CEO Diversity
4. Board Diversity
5. Supplier Diversity
6. Investments of Assets
7. Practices to Support Diversity and Inclusion

Report Findings

The key findings from Committee Staff are as follows:

Workforce Diversity

- Among America's largest insurance companies, there was little change in racial, ethnic, and gender representation among employees over the five years queried (2017-2021).
- In 2021, the largest insurance companies had a lower percentage of employees of color (30.5%) compared to the largest banks (42%) and the largest investment firms (40.6%).

⁵ Community Impact, [MAP: With FEMA's new risk rating in effect, see how Houston-area community flood insurance premiums change](#), (Apr. 7, 2022).

- Just 4% of employees at insurance companies identified as having a disability in 2021, compared to almost 25% of adults in the United States who are living with a disability.
- Women had a higher representation of employment in lower-levels roles, with 77.2% of administrative support employees identifying as women and 22.8% identifying as men.

Executive Leadership Diversity

- Among companies surveyed, people of color were underrepresented in 2021 in executive-level positions, with an average of 16.2% of executives identifying as people of color.
- Among companies surveyed, women were underrepresented in 2021 in executive-level positions, with an average of 33.5% of executives identifying as women.
- The CEOs at the largest insurance firms were overwhelmingly White men (88.9%) in 2021. Specifically, 25 of 27 (92.5%) of the largest insurance companies were led by men, and 26 out of 27 (96.2%) of the largest insurance companies were led by people who identify as White. Racial and gender CEO representation has remained unchanged since 2017.

Board Diversity

- The Committee found that board diversity at the nation's largest insurance companies was similar to board diversity at the nation's largest investment firms and banks surveyed and covered in prior Committee reports: women comprised 28.5% of insurance boards, 28% of investment firm boards, and 30% of bank boards, and people of color comprised 22.3% of insurance boards, 17.5% of investment firm boards, and 20% of bank boards.

Supplier Diversity

- The average amount of money spent with diverse suppliers at surveyed insurance companies was 2.7% with minority-owned suppliers, 2.4% with women-owned suppliers, and 1.2% with minority- and women-owned suppliers as a percent of overall procurement spend.

Investments of Assets

- Twenty-seven companies invested in outside funds, and 22 companies (81.5%) stated that they invested in funds that maintain ESG disclosures. This is an increase from 2017, when only 13 companies (48.1%) invested in funds that maintained ESG disclosures.
- Twelve companies (44.4%) stated that they invest with women-owned asset managers, and 15 companies (55.6%) stated that they invested with minority-owned asset managers. These are increases from 2017, when nine companies (33.3%) invested with women-owned asset managers, and 13 companies (48.1%) invested with minority-owned asset managers.

Practices to Support Diversity and Inclusion

- For 2021, the budget allocated to diversity and inclusion for insurance companies on average was \$5.3 million (0.24% of the surveyed companies' average total budget) which increased from an average of \$3.2 million (0.13% of the surveyed companies' average total budget) in 2017.
- In 2021, 79% of insurance companies did not have a reporting structure in which the lead diversity officer reported to the company's CEO or President. Forty-seven percent (47%) of companies indicated a structure in which the diversity officer reported to the lead Human Resources Officer;

32% reported to a senior executive (e.g., Chief Administrative Officer, Global Head of Talent, etc.); and only 21% reported to the CEO or President.

- For 2020, 89% of companies indicated that they released a public statement in response to the murder of George Floyd and/or other instances of racial injustice during Summer 2020; 91% of these statements made commitments to advancing racial equity.
- Most companies (83%) made racial equity commitments related to implementing or continuing diversity and inclusion practices and policies; 16% committed to increasing workforce diversity; and only 0.04% committed to increasing board diversity and supplier diversity.

Recommendations

Workforce Diversity Recommendations:

Findings related to workforce diversity demonstrated that the insurance companies that responded to this data inquiry had some level of diversity in the workforce as a whole, but diversity decreased within the company at higher positions, i.e., insurance professionals, executive leadership, and board membership.

- Insurance companies should collect disaggregated data regularly on the workforce, and executive and board diversity, as well as conduct regular audits on pay and racial equity to better understand their current workforce, and why employees of color and women are not moving up the pipeline. This data should be made publicly available.
- Insurance companies should partner with historically Black colleges and universities (HBCUs), minority-serving institutions (MSIs), and community colleges to build talent pipelines into these organizations.
- Insurance companies should create training academies that educate less-senior employees on job opportunities and match graduates with mentors and sponsors to support their career growth.
- Insurance companies should develop workforce diversity goals that are made public and shared with state regulators who can track progress against these goals.

Board and Executive Leadership Diversity Recommendations:

Findings related to board and executive leadership demonstrated an underrepresentation of people of color and women at the highest levels of insurers.

- Insurance companies should consider at least one diverse candidate for all executive positions and board positions when there are openings. Diverse candidates may include someone with a disability, identify as LGBTQ+, identify as a woman, and/or are a person of color.
- Insurance companies should consider their board membership criteria and selection committee construction to reduce bias in the interview, selection, and appointment process.

Supplier Diversity Recommendations:

Findings related to supplier diversity indicated that, on average, insurers are spending less than 10% of their annual procurement spend with minority- and/or women-owned firms. While there is growing engagement in ESG fund investments, few insurers use diverse asset managers to manage their investments.

- Insurance companies should consider diverse suppliers whenever a procurement takes place, including when contracting for asset managers.

Diversity and Inclusion Practices and Policies Recommendations:

Findings related to diversity and inclusion practices and policies indicated that, though all insurance companies have a diversity and inclusion statement and policy, these policies are not always related to outcomes such as diversity in the workforce and procurement. It is imperative that diversity and inclusion is integrated throughout the entire business function.

- Insurance companies should include pay ranges in job descriptions to promote transparency and pay equity.
- Insurance companies should routinely evaluate existing diversity and inclusion programs to ensure their effectiveness.
- Insurance Companies should have a lead diversity officer who can inform strategic discussions across the C-suite; these leaders should report directly to the CEO.
- All staff performance reviews should include diversity, equity, and inclusion evaluations.

Legislation

- **H.R.____, “The Diverse Investment Advisers Act” (Rep. Beatty).** This discussion draft would require companies that register and are registered with SEC to consider at least one diverse asset manager when contracting out for asset management services and report to the SEC on the extent to which they use diverse asset managers.
- **H.R.____, “Minority and Women Inclusion in Insurance Act”.** This discussion draft would require the Federal Insurance Office to annually ask insurers about their supplier and workforce diversity performance and to publish this data in conjunction with the OMWI, and in partnership with State regulators.
- **H.R.____, “Diversify Insurers’ Workforce Study Act”.** This discussion draft requires that the Federal Insurance Office complete a study exploring rates of attrition and retention within the insurance industry. The study will also include best practices for reducing attrition and improving retention and promotion.
- **H.R. 2123, Diversity and Inclusion Data Accountability and Transparency Act (D&I DATA Act) (Rep. Beatty).** This bill would make reporting requirements under Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 mandatory. Under the legislation, regulated entities, including insurance companies would be required to disclose their diversity data, policies, and practices to their respective regulators.
- **H.R. 1277: Improving Corporate Governance Through Diversity Act of 2021 (Rep. Meeks).** This bill would require public companies including insurance companies to annually disclose the voluntarily, self-identified gender, race, ethnicity and veteran status of their board directors, nominees, and senior executive officers. Among other requirements, the SEC OMWI would publish best practices for compliance with diversity disclosures.