



TESTIMONY

OF

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AT AMERICA’S LARGEST INSURANCE COMPANIES”

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Good afternoon,

Chair Beatty, Ranking Member Wagner, Chair Waters, Ranking Member McHenry, and Members of the Subcommittee, thank you for allowing me to testify today on behalf of the American Council of Life Insurers (ACLI).

My name is Kimberly Ross. I joined the ACLI in December 2020 after serving for over two decades on Capitol Hill, working in leadership roles in personal and Committee offices and most recently as Chief of Staff and Chief Counsel for Chair Beatty where I focused on housing, insurance, banking, and diversity, equity, and inclusion (DEI) issues. In addition to leading ACLI's federal advocacy on financial services, tax, retirement, and income security, I also head our DEI Forum and policy efforts associated with our Economic Empowerment and Racial Equity (EERE) initiative.

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States accounting for \$8.7 trillion in total assets and \$7.4 trillion invested in the U.S. economy. Our mission is financial security and protection for all families.

## **Making a difference with DEI**

Pursuing diversity, equity and inclusion (DEI) commitments is a top priority for ACLI and our member companies, who have demonstrated their leadership and focus on moving America forward with robust efforts for many years. Life insurance companies are uniquely positioned to help achieve DEI goals through the products we offer and the investments we make in the U.S. economy. Our products build financial certainty and can significantly enhance the transfer of intergenerational wealth. Our investments in underserved communities increase the promise of upward mobility for their residents. Our commitment to financial inclusion and digital modernization provides a gateway for all people to protect their family's financial future – no matter their background, gender, or economic status. Our association is leading by example and serving as a catalyst and resource for our members to advance their goals. ACLI's advocacy focuses on safeguarding and expanding access to financial information and tools that change lives and, in turn, change our society for the better.

During the last three years, the value of this industry in the lives of everyday Americans has been spotlighted by the tragedy of the pandemic. Between 2019 and 2020, death benefits paid by life insurers increased a record-breaking 15.4%. It was the biggest increase since the Influenza epidemic of 1918. On behalf of our member companies, I am proud to say that life insurers were there for families at the worst possible moment, keeping commitments, while also remaining financially strong for all policyholders. Life insurance is highly regulated by state insurance commissioners, and their risk-based capital ratio for the industry remained above 400%. Regulators typically act when a company's ratio falls below 200%. The steady force of the industry in the lives of families continued in 2021, as the pandemic continued to hit communities across the country. The increase in death benefits from 2020 to 2021 was 10.8%, and payments

made to people were more than \$100 billion last year. Staying financially strong in order to meet guarantees also enabled life insurers to continue to pay record claims, support jobs, infrastructure, and large and small employers nationwide with investments throughout the pandemic, with \$572 million daily on average invested into the U.S. economy.

Today, it is my privilege to share with you information on the collective efforts of our industry for DEI through ACLI. As has been discussed at many hearings before this Committee and consistently shown to be an empirical certainty, diversity is the right thing to do. Diverse enterprises outperform non-diverse firms, benefit from better decision making, higher quality work, more innovation and, in most instances, an increase in team satisfaction. ACLI knows that DEI is an essential component of how we ensure that every American has access to financial security for life. We share common cause with lawmakers and leaders seeking to enhance the social safety net with expanded access to opportunities for individuals, families, communities, and our nation.

The report the Committee completed for this hearing indicates there has been meaningful progress on the DEI front in our industry. I'd like to highlight just a few areas:

Over the period of 2017-2021, for both life and property and casualty insurance carriers:

- The average budget for diversity and inclusion increased 63%, \$3M in 2017 to nearly \$5 million in 2021. The increase is much higher in many cases, including with ACLI members included in the study.
- The percentage of women in the insurance workforce, 54%, is higher than the percentage of women in the US population, 50.5%. 92% of companies studied had at least 50% of their workforce comprised of women.

- In 2021, 12 companies leveraged women-owned asset managers for investment, increasing such usage by 33% from 2017. In 2021, 15 companies leveraged minority-owned asset managers for investment for an increase of 15% from 2017.
- On average, covered companies spent 2.7% of their overall budgets with minority-owned suppliers, totaling \$8.8M annually; 2.4% of budgets went to women-owned suppliers totaling \$7.8M.
- In 2021, 96% of companies studied published information on their DEI strategy and performance, an increase of over 20% from 2017 when 74% of companies reported DEI information.
- In 2017, 100% of insurance companies leveraged diverse organizations to increase recruitment of people of color and women. The percentage of companies leveraging this strategy remained high through 2021 despite the pandemic with 96% leveraging such strategies.
- As of 2021, the majority of companies studied (67%) have a supplier diversity policy, and of those companies 95% have a goal to provide business opportunities to minority-owned and women-owned businesses, as well as 95% for veteran-owned and LGBTQ-owned.
- Board diversity for the nation's largest insurance companies (28.5% for women, 22% for people of color) is consistent with – and for people of color better than – the performance of the nation's largest investment managers (28% for women, 17.5% for people of color) and bank holding companies (30% for women, 20% for people of color).

## **Economic Empowerment and Racial Equity Initiative (EERE)**

To mobilize the commitment made by ACLI members in 2020, ACLI launched its Economic Empowerment and Racial Equity initiative. It is the catalyst for programs and concrete actions that are making a positive difference.

The aim of the initiative is 1) expanding access to financial protection tools, 2) advancing diversity in companies and on boards, 3) supporting financial education to help close wealth gaps, and 4) expanding investments in underserved communities.

One example of a leadership initiative stemming from our EERE commitment is to modernize the producer licensing process. The focus is to remove any unnecessary barriers that inhibit qualified candidates from entering and staying in the industry. We know that nearly 1 in 3 Americans have been justice involved which often leaves them on the financial and employment sidelines. And we know that broadening the pool of potential producers who can overcome this hurdle is critical to expanding access and promoting fairness and opportunity. This is especially true for us since the purchase of insurance is based on a trust relationship. Most life insurance is still purchased through an agent. According to a 2022 LIMRA study, 91 percent of individual life insurance sales occur through an independent or affiliated agent.

As an industry primarily regulated by state insurance commissions, we are working through the National Association of Insurance Commissioners (NAIC), National Council of Insurance Legislators (NCOIL), and individual state commissioners and legislators in these areas:

- Greater uniformity and efficiency in background checks and waivers;
- More flexibility for applicants in pre-licensing education class requirements;
- Improved transparency in exam pass rate data to ensure fairness and accountability;

- Offering exams in additional languages to promote diversity in the industry;
- Giving applicants the option to take the producer exam online; and
- Expanding mentorship programs for new producers.

This initiative pivots off many technological efficiencies embraced during the pandemic and encourages broader application of effective updates being modeled in a variety of states to meet the diverse needs of consumers for family financial protection.

ACLI actively engages with the Race and Insurance Committee of the National Association of Insurance Commissioners (NAIC), and financial inclusion and equity is a top priority for meetings of the ACLI and NAIC executive committees.

### **Impact Investing in Affordable Housing**

Another outstanding example of the leadership driven by ACLI's EERE programming is an industry-specific initiative for closing the affordable housing gap. Chair Beatty, we know that home ownership is not just part of fulfilling the American Dream but also is a powerful step to sustainable financial security – and one of the surest ways (other than a life insurance death benefit) to pass wealth intergenerationally. We also know that home ownership rates for Black and Brown communities have lagged others at the same rate since passage of the Fair Housing Act in 1968.

This year, ACLI members joined together to launch 360 Community Capital, a nonprofit network that will pair the life insurance industry's long-term investment strategies with on-the-ground expertise from community partners who know what families and communities need to thrive. It is a force multiplier for an industry that already has \$6 billion in municipal affordable housing bonds to leverage.

Strengthening communities through affordable sustainable housing is one way that life insurers are doing what they're good at to do good. Home-secure families are families that can plan for the future – that is our industry's goal and our mission – and 360 Community Capital conveys our holistic approach to what communities and households need to thrive. “Community” invites the partnerships essential to this work, and “Capital” conveys the weight of the industry with the long-term financial investments we make in order to meet long-term commitments to policy holders. It is an honor to be at the witness table today with Dr. Leroy Nunery, who is the first independent board member for 360 Community Capital. His leadership and vision for equity and inclusion reflect the organization's commitment and purpose.

### **Committed to Financial Inclusion**

The financial education component of ACLI's EERE initiative is also underway. A Wharton study noted that one-third of financial inequality in the U.S. could be accounted for by improved financial education. Nearly 50 ACLI member companies support the efforts of local Junior Achievement chapters across the country. And several ACLI member companies were recognized this year with the U.S. President's Volunteer Service Award for their employees' time and efforts at local JA chapters throughout the nation. Junior Achievement USA provides valuable financial lessons to more than 2.5 million students from coast to coast. The Chairman and CEO of Voya Financial, an ACLI member, serves on JA's national board of directors, and numerous ACLI member companies donate funds to JA's national operations.

Globally, Junior Achievement Worldwide has been nominated for the 2022 Nobel Peace Prize for its work expanding economic opportunity for young people. Our support and partnership with this esteemed organization in the U.S. help empower more young people with the tools they need to develop and bolster their financial proficiency and entrepreneurial skills for a lifetime.



## **Building Diverse and Inclusive Workforces**

ACLI's initiative also fosters diverse and inclusive workforces in the insurance industry.

Actively recruiting and supporting a diverse workforce at every level helps to expand access to our array of financial products to many more communities and small businesses. To that end,

ACLI established a DEI Forum for our member company Chief Diversity Officers (CDOs).

ACLI's DEI Forum meets quarterly and culminates in an annual DEI Conference with APCIA (also on this panel) and the Life Insurance Council of New York (LICONY). This conference

brings together several hundred CDOs, regulators, CEOs and other leaders from our member companies. One area of work of the DEI Forum to highlight is the work to expand partnerships with Historically Black Colleges and Universities (HBCUs). Many of ACLI member companies support HBCUs with grants to build capability and capacity and actively recruit, hire, and work to retain HBCU graduates. ACLI member companies participate in the HBCU Challenge and HBCU job fairs. The industry supports an insurance focused curriculum at Howard University.

All together, these are essential building blocks to keeping the focus on diversifying our industry, including our producer and customer bases. They highlight the valuable contribution associations can make to DEI outcomes.

Finally, ACLI also [supports the Improving Corporate Governance Through Diversity Act](#),

H. R. 1277, introduced by Congressman Gregory Meeks (D-N.Y.), with a companion measure by Senator Bob Menendez (D-N.J.), to advance diversity and inclusion among corporate

leadership and noticed with this hearing. Representing a primarily state-regulated industry, ACLI also supported the NYDFS circular published in 2021. It parallels Meeks-Menendez for

transparency in reporting on boards and executive officers. Along these lines, ACLI has publicly recommended Meeks-Menendez as a model for states to follow.

## **Moving America Forward**

Chair Beatty and Ranking Member Wagner, as part of our mission to foster positive social change, ACLI is at work with our member companies to leverage our marketplace capabilities to accelerate economic empowerment in financially underserved communities, drive upward mobility for all Americans, and expand diversity in our industry.

With our collective and sustained efforts, we know we will continue to make progress and achieve substantial outcomes. Our ongoing commitment is deep and tangible girded by our 175 years of protecting families. We remain intentional to the DEI mission we have before us as we stay ahead of the ever-changing needs of families and America's economy.

Thank you again for the opportunity to testify.