



SB 534 – Ensuring Diversity in California’s Insurance Industry

SUMMARY

SB 534 extends the Insurance Supplier Diversity Survey, which expired on January 1, 2019, expands current definitions in the survey to include LGBT- and veteran-owned businesses; adds the Governing Board Diversity Survey; and codifies the Insurance Diversity Task Force.

BACKGROUND

California is the largest insurance market in the nation, with insurers collecting \$310 Billion in premiums annually, and the 4th largest market in the world. While all Californians – which includes a majority of minorities and diverse communities – are required by law to purchase many types of insurance, such as automobile, health, and workers’ compensation insurance, insurance companies have only scratched the surface when it comes to procuring goods and services from diverse businesses, or having governing boards that mirror the vast diversity of California.

Since 2011, the California Department of Insurance’s (CDI) Insurance Diversity Initiative (Initiative) has aimed to increase supplier and governing board diversity in the insurance industry. Through surveys administered by CDI to insurers since 2012, critical data has revealed important findings on diversity in the industry.

Supplier Diversity

Diverse small businesses are major engines of prosperity in communities of color and other historically underserved communities. California has enacted several laws to encourage major corporations to contract with these businesses, but one crucial element of this effort has lapsed.

In 2012, Assembly Bill 53 (Solorio) was enacted to codify the insurer supplier diversity survey and required each insurance company that collects more than \$100 million annually in premiums from Californians to biennially report on the company’s supplier diversity efforts.

Specifically, insurance companies and groups were required to report on procurement efforts from minority-, women-, and disabled-veteran-owned businesses. However, the provisions of AB 53 sunset on January 1, 2019.

The transparency achieved through AB 53 helped highlight the importance of diverse contracting within the insurance industry. As a result, California’s insurance procurement with diverse-owned businesses rose by 93% over a five-year period, from \$930 million in 2012 to \$1.8 billion in 2017.

Governing Board Diversity

Given California’s increasingly diverse population it is equally important to see the diversity of the state and consumers reflected on the boards of insurance companies.

Governing board members, as part of the highest decision-making entity of a company, have the power to impact critical decisions, policies, and practices made by their companies.

Research shows that boards are better equipped to make informed decisions and carry out their fiduciary and other duties when they have a diverse mix of board members from different backgrounds and experiences. Recent studies also indicate that companies with greater governing board diversity have stronger financial performance, and companies with greater gender diversity have fewer governance-related issues. Overall, board diversity contributes to improved competitiveness and talent management, greater access to capital, and better relations with stakeholders.

Diversifying insurer governing boards remain a challenge. In 2017, insurers across the state reported to CDI that nearly 80% of insurance company governing board seats were held by men and only 12% of board seats were held by persons of color. Of the nearly 2,400 board seats, only 14 members self-identified as LGBT. Out of 792 insurance companies, at least 13% reported zero



women and 35% reported zero persons of color on their governing boards.

Insurance Diversity Task Force

The Insurance Diversity Task Force is comprised of up to 15 members appointed by the Insurance Commissioner. Members represent insurance companies, experts in supplier and governing board diversity, and minority, women, disabled-veteran or veteran, and LGBT business enterprises.

The Task Force advises and provides recommendations to the Department of Insurance on how to meet the Initiative's goals to increase supplier and governing board diversity within the insurance industry.

SOLUTION

First, SB 534 extends the Insurance Supplier Diversity Survey to ensure procurement data from diverse suppliers continues to be collected.

Second, SB 534 expands current definitions in the survey to include diverse communities and categories that have historically been excluded.

Third, the bill adds the Governing Board Diversity Survey to help improve diversity at the highest levels of governance.

Lastly, SB 534 codifies the Insurance Diversity Task Force, aimed at helping the department meet its overall goal of increasing supplier and governing board diversity within the industry.

SUPPORT

Insurance Commissioner Ricardo Lara (Sponsor)
The Greenlining Institute
California Asian Pacific Chamber of Commerce

OPPOSITION

None on File

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