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New York Regulator to Collect, Publish Insurer Diversity Data to Promote Transparency

By Elizabeth Blossfield (<https://www.insurancejournal.com/author/elizabeth-blossfield/>) | March 16, 2021



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The New York State Department of Financial Services (DFS) is calling on its regulated insurers to prioritize diversity of leadership and says it will begin collecting and publishing diversity data from insurers this year to promote transparency.

These new actions were spelled out in a circular letter DFS issued today (https://www.dfs.ny.gov/industry_guidance/circular_letters/cl2021_05) to New York-regulated insurers and come amid a push by the department to promote diversity, equity and inclusion (DEI) within the state's insurance industry.

"While the insurance industry's public statements of support for diversity and DEI initiatives are important and necessary, our challenge is to move beyond words and good intentions to actions and real change," DFS Superintendent Linda Lacewell said in the letter.

The announcement came following the first day of the second annual DEI Conference, co-hosted by the American Council of Life Insurers (ACLI), the American Property Casualty Insurance Association (APCIA) and the Life Insurance Council of New York (LICONY). Lacewell said in remarks during the conference that DFS is in the process of building a separate office of diversity and inclusion in order to further its efforts in this area.

"It's imperative that we look at diversity and inclusion across the board," she said. "It will help us recover from the pandemic, it will help us repair our economy, and it will help us innovate our way into the future."

In today's letter, DFS outlined its expectation that insurers make diversity of their boards and senior management a business priority and key element of their corporate governance, advising insurance companies to treat diversity like other strategic priorities for their businesses. This includes through communicating its importance to all stakeholders, explaining how it will be achieved, setting goals and measuring progress, the letter explained.

DFS said it will begin collecting data from New York domestic and foreign insurers with more than \$100 million in annual New York premiums related to the gender, racial and ethnic composition of their boards and management as of December 31, 2019, and 2020. This will include information about board tenure and key board and senior management roles. The data will be collected in the summer of 2021 and published on an aggregate basis in the fall.

The department added that it will begin including questions relating to an insurer's diversity efforts in its examination process starting in 2022. Lacewell stated in the circular letter that making collected diversity data public will allow insurance companies to assess where they stand compared to their peers and raise the bar for the industry.

"Transparency is a powerful catalyst for change," she said in the letter.

The letter also encouraged insurance companies to monitor and address how the pandemic is affecting women and people of color in the U.S. workforce and whether this could set back efforts to increase diversity of leadership.

"Diversity is critically important," Lacewell said during the DEI Conference. "What we have learned is how sparse, unfortunately, diversity is in positions of power in corporate America and in the financial services industry, and unfortunately, in insurance itself."

Indeed, DFS said its latest actions are the culmination of research and informal conversations with insurers, trade groups and diversity experts over the past year and reflect the input of the committee of New York State's Council on Women and Girls formed in 2019 to improve the representation of women, including women of color, in financial services.

In its letter, DFS points to a July 2020 McKinsey report, Transforming the Talent Model in the Insurance Industry, which found that while people of color made up approximately 24% of the insurance industry's entry-level workforce in 2017, only 8% made it to the c-suite.

Similarly, women accounted for 57% of the industry's entry-level workforce, but only 18% made it to the c-suite and only 1% of those c-suite executives were women of color. By contrast, people of color and women represent approximately 24% and 51% of the U.S. population, respectively, according to the McKinsey report.

With this in mind, DFS is encouraging insurers to not only prioritize diversity of boards and management, but also establish a diverse pipeline of future leaders.

"Leaders are made, not born, and it takes a long time to groom candidates for the c-suite," Lacewell said in the letter. "Recruiting, training and retaining high potential individuals reflecting a diversity of experiences and backgrounds, including as a result of their race, ethnicity or gender, is critical for organizations committed to increasing diversity at the top."

This latest move by DFS builds on the department's existing oversight of the corporate governance of New York-regulated insurers and follows in the National Association of Insurance Commissioners' (NAIC) footsteps after NAIC adopted its Corporate Governance Annual Disclosure Model Act and Regulation in 2014. Both the Model Act and the corresponding New York regulation require insurers to disclose, among other things, whether they have a diversity policy and how it functions.

"Increasing the diversity of the leadership and workforce of insurers is a business and corporate governance imperative that will make the insurance industry stronger and more resilient," Lacewell said in the letter. "We commend the companies that have already taken meaningful steps to promote diversity within their ranks, and we look forward to supporting others just getting started."

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