

ACLI PRESIDENT & CEO SUSAN NEELY

**NAIC SPECIAL COMMITTEE ON RACE AND INSURANCE
WORKSTREAM ONE: INSURANCE INDUSTRY DIVERSITY & INCLUSION**

Wednesday, November 18, 2020

Good afternoon and thank you, Superintendent Cioppa and Executive Deputy Superintendent To for the opportunity to continue our conversation regarding diversity and inclusion within the insurance industry.

ACLI wholeheartedly agrees with the NAIC that now is the time to do more than just discuss this important societal issue. Like you, we are acting on a plan to accelerate the *transformational change* we all agree is necessary to bridge racial and socioeconomic divides in our country.

I have chosen the words “transformational change” because they were used so eloquently by NAIC CEO Mike Considine in an article he penned recently titled “Embracing the Transformative Journey”. He writes about the events that led the NAIC to establish the Special Committee on Race and Insurance, and the journey ahead of us to embrace our individual and organizational responsibilities to promote equality, diversity and social justice.

And in a recent conversation I had with Executive Deputy Superintendent To, she aptly noted that the type of meaningful and lasting change we all seek will come about only if the public and private sectors commit themselves to transformational ideas for advancing diversity and inclusion.

We applaud the vision of NAIC President Ray Farmer to establish a separate, inward looking Workstream devoted to diversity and inclusion at the NAIC and within the ranks of state insurance departments. It clearly demonstrates we have a shared purpose and can learn from each other on our transformative and collaborative journey. We are all in this together.

The life insurance industry is motivated to lean in on these issues because we know we can make an extraordinary difference in outcomes for so many individuals and families. Financial protection and savings vehicles have a proven ability to substantially improve the well-being of households nationwide. Our role in advancing equity through diversity and inclusion is both tangible and fundamental.

In my August remarks to the NAIC I provided an overview of ACLI’s comprehensive, holistic approach to advancing economic empowerment and racial equity. In my allotted time today, I will focus on enhancing diversity and inclusion in the insurance sector, which is the subject of this

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

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 94 percent of industry assets in the United States.

group's charge. I call your attention to the one-page handout your received in advance of today's public hearing.

Events in 2020 brought the need for racial equity and justice in sharp focus, but diversity and inclusion has been an emerging priority for our industry for some time. Shortly after I joined ACLI in the fall of 2018, we surveyed ACLI members to better understand the progress being made in the life insurance sector to promote diversity and inclusion within the workforce. Companies representing 53 percent of industry assets participated.

The survey found that, on an industry-weighted basis, virtually all companies have devoted significant resources to create a diverse and inclusive environment for people of color, LGBTQ individuals, people with disabilities, veterans, women and other traditionally underrepresented groups.

- o 98 percent of companies actively recruit employees from traditionally underrepresented communities.
- o 97 percent not only have company-supported resource groups from these communities, but also allow employees to participate in these groups as part of their regular job responsibilities.
- o 95 percent regularly assess their progress in achieving diversity and inclusion.
- o 94 percent have policies affirming a commitment to diversity and inclusion.
- o 92 percent have an employee whose primary responsibility is diversity and inclusion.

These are important measurements, but as I've said, the societal challenge is clear and we have mobilized to address it.

Last month, we announced that 100 percent of ACLI's Board of Directors had signed on to the CEO Action on Diversity & Inclusion pledge, which commits CEOs to several concrete steps toward building more diverse and inclusive workplaces. Our current Board Chairman, Ted Mathas of New York Life, was one of the founding members of the CEO Action pledge.

The 31 companies on the ACLI Board alone represent 86 percent of ACLI member company assets, totaling more than \$4 trillion. Additionally, a growing number of member life insurer CEOs not on the Board have also signed the pledge.

This multi-faceted pledge sets in motion processes for organizations to follow that promote a better understanding of the needs of diverse employees from all underrepresented groups, including Blacks, Latinos, Asians, Native Americans, LGBTQ individuals, people with disabilities, veterans and women.

Specifically, CEO signatories commit their organizations to four goals:

- o Make their workplaces trusting places to have complex, and sometimes difficult, conversations about diversity and inclusion;
- o Implement and expand unconscious bias training;
- o Share best practices so that organizations can continue to evolve and enhance their diversity and inclusion programs;
- o Create and share strategic diversity and inclusion plans with their board of directors.

Just as important as these four goals is a commitment to create an accountability system to track progress and catalog effective programs and measurement practices.

I am struck by how closely the commitments in the CEO Action pledge align with three themes that emerged from the Insurance Diversity Summit hosted last week by California Insurance Commissioner Ricardo Lara – ***conversation, commitment and continuity of action***. Thank you, Commissioner, for convening this important discussion.

Commissioner Lara emphasized the need for leaders to create safe and open spaces for employees to have difficult **conversations** about racial injustice – one of the four goals of the CEO Action pledge.

- At ACLI we began that courageous conversation with our staff in the days following the death of George Floyd before our very eyes on national television. I know first-hand how intensely powerful these conversations can be.
- Unconscious bias training is an equally powerful way to help us recognize our vulnerabilities and speak honestly without fear of criticism.

One of the four **commitments** made in the CEO Action on Diversity and Inclusion pledge is creating and sharing strategic inclusion and diversity plans with boards of directors. CEOs and their boards can play a significant role in developing, implementing and evaluating concrete, strategic action plans to prioritize diversity and inclusion in the organization.

The **conversation** has begun and the **commitment** is there. But words are not enough. Now, **continuity of action** must become the focus of our work. As Commissioner Lara pointed out during the Summit, to make change we must be intentional and follow through with action, not just this year but next year and in the years beyond.

There are a number of approaches the NAIC can consider for helping to facilitate **continuity of action** on diversity and inclusion in the insurance sector. Each has potential advantages and we look forward to working with this group to explore the most efficient and effective means of doing so.

For example, Congressman Meeks of New York has introduced legislation requiring public corporations to disclose annually to the SEC, based on voluntary self-identification, the racial, ethnic, gender and veteran composition of the corporation's board, nominees for the board and executive officers. The bill also requires disclosure of whether the board has adopted any policy, plan or strategy to promote diversity among these underrepresented groups.

- The Meeks bill passed the House last November and is pending consideration in the Senate. It enjoys bipartisan support and earlier this year a broad private sector coalition including the U.S. Chamber of Commerce signed a letter encouraging the Senate to pass the bill. It could very well move in the next Congress.

Congresswoman Joyce Beatty of Ohio chairs the House Financial Services Subcommittee on Diversity, Equity and Inclusion. In her remarks to the ACLI Board recently she encouraged our industry to drive opportunities for meaningful advancement of underrepresented groups. She also applauded the industry's focus on economic empowerment and racial equity. In her dialogue with

our industry, the Congresswoman has told us she's not looking for quotas. Rather, she's looking for purposeful action to create diversity and inclusion in leadership roles and senior staff.

And the NAIC Corporate Governance Annual Disclosure Model Regulation, which by our count 43 states have adopted in some form, requires insurers to disclose whether a Board diversity policy is in place and if so, how it functions.

- This allows the insurer and its lead regulator to have a conversation annually regarding ongoing efforts to diversify board leadership.
- Challenges to board diversity may include the type of corporate structure, size of the corporation and its geographic location.
- As remote participation in Board meetings becomes more commonplace due to the restrictions wrought by the pandemic, some natural and logistical barriers to board diversity may be dissipating.

Many of the panelist questions relate to the experience of individual companies and organizations in attracting, recruiting, retaining and promoting people of color and historically underrepresented groups. We have circulated these questions to our member company Chief Diversity Officers and plan to follow up in writing with some additional information you may find useful.

I would like to commend the NAIC for choosing to make diversity and inclusion a priority. Our members fully appreciate the significance of this important time in history. We have an opportunity to address racial inequities with the kind of purpose and resolve not seen in a half century.

To use Mike Consedine's words, "Are we there yet?" He acknowledges that we won't be "there" in a week, a month, or even a year. But it's the process of transformation itself that is probably the most important part of the journey.