



Excellence and diversity on insurance boards

**“Intentionality” is a driving force
for change**



An insurance company seeking to broaden its management and employee diversity profile stands little chance of success if its board is not populated with individuals from diverse populations.

That message was carried in the main current running through KPMG's recent "**Cascading Diversity in the Boardroom**" webcast, held virtually in September.

Webcast panelist Fabiola Cobarrubias, a board member of property and casualty insurer ProAssurance, said it succinctly:

"If an insurance organization is trying to make diversity a value within the business, the board needs to reflect that value ... and needs to work on it as deeply," as it asks management to become more diverse.

The webcast, presented by KPMG's Board Leadership Center (BLC) in coordination with KPMG's insurance practice and in partnership with the Insurance Diversity Initiative of the California Department of Insurance, was designed to articulate the role of an insurance company board in advancing diversity, along with equity and inclusion, within the board and throughout the management and workforce of the business.

The program included board members from three insurers; the director of the Insurance Diversity Initiative at the California Department of Insurance; Ed Chanda, KPMG's Insurance National Practice Leader; and Annalisa Barrett, senior advisor at the BLC.

The scope of the challenge for insurers is broad and deep. The task ahead was underscored by Chandara Phanachone, director of the Insurance Diversity Initiative of the California Department of Insurance, when she revealed her group's research findings on insurance boardroom diversity:

Among the public and private boards of 216 insurance companies doing business in California—representing 1,300 board seats—she said the group found that less than one in five board seats were held by women.

The goal of the Insurance Diversity Initiative, she added, "is to have insurers move beyond making statements of intentions, and get to the point where they act and produce measurable outcomes."

That kind of comment is being heard more frequently from myriad stakeholders, not only insurance regulators.

The emerging workforce—the cohort starting careers, in particular—has been very vocal in a desire to understand how insurance companies and other businesses intend to reflect the diverse population of the United States in their business ranks, whether staff, management, or board members.

At the same time, institutional investors, financial institution regulators, employees, customers, and others all have pushed diversity, equity, and inclusion matters higher on their agendas. And, there is no indication that the issue will become less important as time moves on.



'Intentional' actions promote diversity

Measurement, commitment, inclusion, culture change, and what was termed "intentionality," were central themes articulated by panelists during the hour-long discussion moderated by Barrett, from the BLC.

Along with Cobarrubias the panel included Andrea Redmond, who chairs the Nominating, Governance and Social Responsibility Committee of the Allstate Insurance board, and Gilbert Casellas, Chair of the Corporate Governance and Business Ethics Committee of the Prudential Financial, Inc. board.

"Having diversity in the boardroom can be the catalyst that comes down through the organization and sets the culture and the tone," Cobarrubias said.

Inculcating boards to embrace diversity "takes work, but it is necessary. It can't be viewed as something that is 'nice to do,'" Casellas reminded the audience. "Instead," he said, "it's something we have to get done," adding that "it should be self-evident" that boards make "better decisions" when they are diverse.

When seeking candidates representing populations that reflect the diversity of the company's customer base and target customers, he said it is important to remember that a board and management team "can have excellence and diversity at the same time."

Barrett noted that boards must be intentional in seeking diverse director candidates in order to prioritize demographic diversity alongside diversity of skill sets and experiences.

Intentionality also struck a chord with Redmond, who said, "it helps when (the board chair's) head and heart are in it and is committed." It would be a mistake, Redmond said, if directors who try to improve a board's diversity profile believe they would have "trade off" to achieve diversity. The example she used was that "you can get diversity and a financial expert" in the same person." It's not a matter of having one or the other.

"It is about being committed, focusing the specification (for the desired candidates), focusing the search firm, focusing other board members—anyone who is involved in the process. There needs to be agreement on the specificity about the skills, ability, and experience that we need this director to bring to the table. And, that the person needs to be diverse. That is how you get it done," she said.



Measurement and accountability

Getting it done also is dependent on creating accountability and consequences, panel member said. Having a diverse board sets an example throughout the organization: Management and the insurance company workforce will get the message if the insurer's board is not as diverse as the organization.

"How that gets done varies," Casellas said. Some organizations have installed "incentives and disincentives" in their compensation programs. Another tool is a performance scoring system that monitors an inclusion element.

Whatever tool is used, said Redmond, the board must be seen as a model when it comes to diversity, equity and inclusion.

Casellas said, "we leave it to management but we monitor it; we talk about it. So, in our case, we are talking about it at virtually every meeting. The discussion may not necessarily be about "which person is in the pipeline" to be hired or promoted, "but we talk about particular businesses and what they are doing."

A major indicator of management's diversity, Casellas said, often can be seen when a management team presents to the board. Directors will see who is in the boardroom briefing them, and "we see what that team looks like. When a team comes in to deliver a message to the board, and that team is less diverse than the board, the board gets that message very clearly. And the same holds true for a committee meetings."

Key takeaways

“You don’t have a choice,” was Casellas’ blunt reply when asked for final thoughts on the importance of board diversity. Pressures from the array of stakeholders continue to build, and there is some concern that too few insurers (and other businesses) are not moving fast enough to manage diversity challenges.

Cobarrubias said that the bottom line is that “there is a moral imperative to this work—not just a strategic one. And, so, it behooves us to try to achieve that north star. And, I would add: If you are not measuring what you are doing, and you are not disclosing it, you don’t know if you have a problem or not.”

In her closing remark Redmond struck a more optimistic (but still cautious) note: “We have a long way to go, but let’s celebrate our successes, too. We have come a long way.”

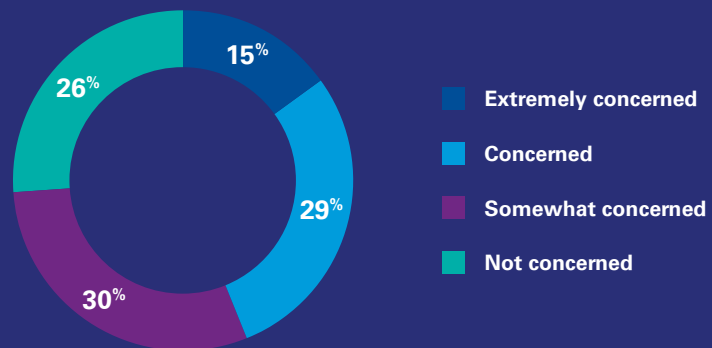
Click [here](#) to view the webcast replay.

Key insights from the KPMG 2021 Pulse Survey indicates that diversity is critical to companies’ future and more focus is needed on overall follow-through in this area.

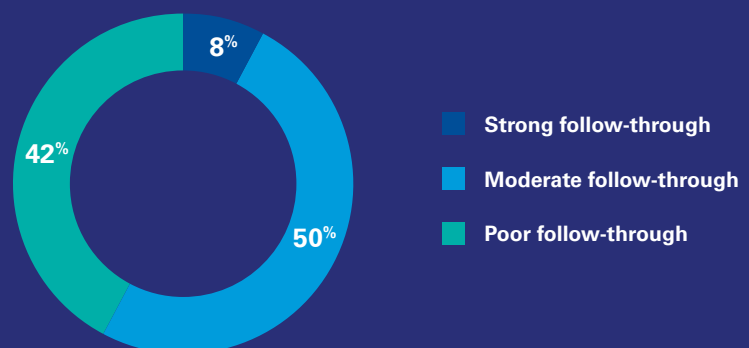
Diversity efforts stand across industries

2021 Pulse Survey

How concerned are you that a lack of diverse views in your boardroom hampers a fulsome discussion of the company’s future?



In your view how well has corporate America followed through on stated commitments to drive greater diversity and social equity?



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