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## **Building Diverse Teams and Cultures in the Workplace**

### **I. Importance of Diversity in the Insurance, Risk Management, and Insurance Defense Industry**

The phrase “diversity and inclusion” has become a mainstay of modern American society. In the context of the workplace, it connotes the need to incorporate and promote more women, racial and ethnic minorities, and other types of diverse backgrounds into the corporate culture. In recent years, the push for diversity and inclusion in the workplace has become so prevalent that a fatigue with the concept or backlash has developed as many feel it is no longer needed as the world has already changed to accommodate a more diverse workforce. However, it is undeniable that diversity is no longer a box-checking exercise, but is critical driver of growth. This program intends to reinforce the continued need for diversity efforts, and to provide concrete systems methods to developing and retaining a more inclusive team.

There are several compelling reasons why the insurance and risk management industry needs to promote diversity within its culture. Chief among these reasons is that diversity is a social good and a moral responsibility. Research has also made a strong business case for diversity and redefined diversity as a business imperative. Diversity is correlated with increased profitability. Research from McKinsey and Company shows that companies in the top quartile for racial and ethnic diversity in leadership positions are 32% more likely to outperform their peers on profitability.

COVID-19 and the challenges of the past year have exposed that innovation is no longer option—it is required to remain competitive and relevant. Building a diverse team is a strong tool to help companies survive and thrive in difficult and changing times. For example, Boston Consulting Group looked into “innovation revenue”, which it defines as revenue from new products or services. It found that innovation revenue was 19% higher in companies with above-average diversity in leadership. Diversity at a human and organizational level moves carriers and firms from a risk management mind set to a resilience mindset.

And of course, diversity and inclusion are essential to meet the needs of the insurance industry’s consumer base, which is itself diverse. This includes offering insurance/defense products and services that meet the needs of a heterogenous population. Diverse organizations help to build trust relationships with diverse sets of consumers.

Ultimately, diverse insurance carriers and defense firms that are better able to attract and retain talent, enhance employee satisfaction, and drive better decision making, all of which contributes to a better competitive advantage and growth. Given this, making diversity a priority is a critical component of long-term strategic development.

## **II. Multiple Backgrounds and Experiences Fall Under the Umbrella of Diversity**

It is important that carriers and law firms implement a wholistic view of diversity when building their teams. The term “diversity” captures a wide variety of backgrounds, experiences, and personal characteristics.

An insurance industry EXL white paper on diversity in the insurance industry identified five “vectors” of diversity: social diversity, cognitive diversity, digital diversity, geographic diversity, and supplier diversity.<sup>1</sup> Social diversity encompasses people of different racial and ethnic backgrounds, different genders, LGBTQIA persons, and a range of age and experience. Cognitive diversity includes different sets of ideologies, business styles, and academic backgrounds. Digital diversity refers to the combination of human and computer technology in developing solutions and providing services. This can include training employees to better implement and utilize digital solutions, as well as developing the appropriate suite of digital tools to enhance human skill. Geographic diversity consists of the physical location of a firm or carrier’s workforce. Finally, supplier diversity in sourcing and supply chain operations minimizes disruptions, outages, and failures.

Not only does diversity require that hiring and retention of people from diverse backgrounds, it also requires that they are employed at all levels in the insurance company or defense firm. As the above tables illustrate, there are significantly more women than men employed in the insurance industry. Nonetheless, the large majority of senior leadership and management positions are filled by men. Moreover, the percentage of white employees in insurance companies, TPAs, and law firms is more highly concentrated in upper-level positions. In developing a diverse team, attention must be paid to the positions that are being filled as well as the people filling those positions.

## **III. Diversity and Inclusion Are Different—And Both are Required for a Successful Team**

While the terms diversity and inclusion are often used interchangeably, they refer to different concepts. Diversity refers to the composition of your workforces such as gender, ethnicity, age, socioeconomic status, disability, and the other categories discussed above. Inclusion is a measure of culture that enables diversity to thrive and refers to how much everyone’s contributions are valued. It requires all individuals to be supported in doing their best work and to be afforded equal opportunities to advance. Companies and firms need to focus on bringing in diverse employees and including their voices and perspectives in the corporate culture in order to maximize the benefits that diverse individuals bring to the table.

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<sup>1</sup> Raghavi Jaggi, Mohit Manchanda, and Prakhar Agrawal, Redefining Diversity for Growth and Resilience in Insurance, EXL Service, Inc. (Aug. 6, 2020).

#### IV. Current Status of Diversity in the Insurance Industry

Despite the plethora of studies, research, and diversity initiatives, the insurance and insurance defense industry still struggle with translating these messages to their workforce. A 2019 article published by the American Bar Association describes the insurance industry as one of the least diverse sectors of the United States' economy.<sup>2</sup> The following tables present a snapshot of diversity in the insurance industry from data published in 2016:

Position	Publicly Traded Insurance Cos.		Mutual Insurance Companies	
	Male	Female	Male	Female
Executive Management	74%	26%	74%	26%
Senior Leadership	67%	33%	67%	33%
Manager	48%	52%	48%	52%
Professional	42%	58%	42%	58%
Trainee	47%	53%	47%	53%
Administrative	14%	86%	14%	86%
<b>Total Employees</b>	<b>41%</b>	<b>59%</b>	<b>41%</b>	<b>59%</b>

Position	Publicly Traded Insurance Companies				
	White	Black	Asian	Hispanic	Other
Executive Management	90%	2%	1%	1%	0%
Senior Leadership	91%	3%	3%	2%	1%
Manager	91%	2%	4%	4%	1%
Professional	83%	5%	6%	5%	1%
Trainee	80%	6%	6%	6%	2%
Administrative	72%	10%	13%	3%	2%
<b>Total Employees</b>	<b>83%</b>	<b>5%</b>	<b>7%</b>	<b>4%</b>	<b>1%</b>

#### V. Systems, Methods, and Tools to Build Diverse Teams

The above statistics suggest that more diversity is needed in the insurance and defense industries. Many carriers have heeded this call and implemented formal diversity and inclusion programs. The programs recognize and give form to the understanding that building a diverse team requires sustained and systematic efforts over time. A workforce does not become diverse after one or two meetings or networking events, but relies on continuous efforts over time.

Diversity and inclusion initiatives will look different from insurance company to insurance company or defense firm to defense firm. It is important that each organization develops a program that works with the entity's business, size, customer base, and other needs

<sup>2</sup> Terrance J. Evans, An Analysis of Diversity and Inclusion in the Insurance Industry, American Bar Association (Dec. 9, 2019).

in order to maintain long-term success. While each program will be unique, there are four key areas that should be considered in building a diverse team<sup>3</sup>:

1. Creating an internal environment and culture that values and fosters diversity;
2. Building a company brand and/or reputation that is committed to supporting and promoting diversity, and considering it in making decisions;
3. Building a talented and qualified pipeline of diverse professionals; and
4. Retaining, promoting, and developing diverse professionals.

Here are some key strategies, considerations, and recommendations on creating sustained and successful diversity and inclusion initiatives:

**A. Creating an Internal Environment and Culture that Values and Fosters Diversity**

- Building a successful diversity and inclusion initiative depends entirely on visible and active support from the very top of the organization. CEOs, partners, and managers must support and be involved in diversity and inclusion initiatives.
- Create a task force or diversity committee to develop and implement diversity and inclusion programs. The task force or committee should meet at regular intervals to discuss past efforts, evaluate their outcome and effectiveness, and generate ideas for future efforts. The benefits of a committee or task force is that it ensures diversity and inclusion efforts are ongoing, as opposed to a one-time meeting or sporadic efforts. Diversity and inclusion must be an ongoing effort that is integrated into the company or firm culture.
- Educate leadership and employees about unconscious bias. Unconscious bias is the implicit associations harbored in our self-conscious that cause us to have feelings and attitudes about other people based on characteristics such as race, ethnicity, gender, age, perceived sexual orientation, and appearance. These associations develop over a lifetime through exposure to direct and indirect messaging. Training on unconscious bias is particularly important as many people become defensive and reject that they could be implicitly biased against anyone. However, our unconscious bias leads us to develop blind spots that stifle creativity and growth. In unconscious bias training, facilitators generally explain how these biases work, showing examples of how people can make snap judgments about others based on their race, age, gender, or other identity. This group recommends that employees take Harvard's implicit bias test as a starting point to recognizing implicit bias: <https://implicit.harvard.edu/implicit/>

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<sup>3</sup> Mark Roellig and Marc Walters, How to Build Diversity and Inclusion in the Corporate Legal Team, (2011).

- Document your team’s processes, norms, and codes so that they are easily accessible to all team members and expectations are shared.

**B. Building a Company Brand and/or Reputation That is Committed to Supporting and Promoting Diversity and Considering It in Making Decisions**

- Create strategic partnerships that emphasize and value diversity. At least one insurance carrier has developed a diverse supplier program in which it places emphasis on working with minority, women, veteran, LGBTQ, and disabled-owned businesses.
- Sponsor diversity and inclusion events, conferences, and networking opportunities with national and industry diversity groups, such as the National Gay and Lesbian Chamber of Commerce, Women’s Business Enterprise National Council, U.S. Department of Veteran’s Affairs, and others.
- For carriers, focus on adding firms with more diversity in partner to counsel panels.

**C. Building a Talented and Qualified Pipeline of Diverse Professionals**

- Improving the pipeline also means getting involved in the effort of creating more qualified diverse candidates. Advertise all jobs in an open, public forum to reach a bigger talent pool.
- Promote job and internship opportunities to professional groups that focus on diversity, such as the diversity committee of the local bar association or a law school diversity group.
- Build partnerships with educational institutions, such as HBCUs and undergraduate programs that reach younger people who may have never considered the insurance industry as a career.
- Implementing a diverse hiring panel is just as important as the diversity of the talent pool.
- Demystify the job or internship by using clear and explicit descriptions of the duties and expectations of the position. Take care not to use insider terms or acronyms that are not recognizable to the general public.
- Focus on a candidate’s potential and ability to learn and thrive, rather than background and accomplishments to date.

**D. Retaining, Promoting, and Developing Diverse Professionals**

- Diversity and inclusion efforts must continue well beyond the initial hiring stage in order to generate long term culture changes. Deloitte’s 2018 Millennial Survey found that 69% of millennials in diverse organizations say they will stay longer than five years, compared with 27% of millennials in organizations that are not considered diverse.

- For new hires, it is important that they start off strong in the right direction. With respect to onboarding, focus on learning rather than speed or results.
- Establish a mentorship program. A mentoring culture is a culture that nurtures deeper working relationships and values the development of all employees. When employees have a place where they can focus on their own development, take risks, explore possibilities, gain exposure to senior leaders who get to know them, and understand that differences are not just seen but also valued, they can feel understood and appreciated and know that they are an integral part of the organization. A mentor provides guidance to develop a diverse employee's performance and provide. Mentors can also increase exposure by presenting new possibilities, opening doors, and introducing mentees to people and opportunities. Additionally, a mentor can help create cultural competency by introducing the employee to the specific company culture and help the employee to navigate it.IV
- Larger companies and firms can create diversity organizations or affinity groups within their organization. Smaller firms or companies can encourage employees to join outside diversity or affinity organizations.
- Promote for higher level positions from diverse internal candidates.
- Provide opportunities for continued learning and training.
- Conduct exit interviews to learn why diverse employees leave and try to fix the issue when possible.
- Recognize and appreciate the talents, skill sets, and abilities of diverse employees. Employees that feel appreciated are more likely to contribute and care about a company's success, and stay with the company longer.
- Create opportunities for talent from across positions and departments to collaborate.