

The Business Case for Diversity at the CPCU Society

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I. Introduction

The CPCU Society created a Diversity Task Force in 2001, naming Ivan Bullock, a Vice President of Operations at State Farm Insurance Company, as the Chairperson. The Task Force itself was the epitome of diversity, with male, female, and all racial and other groups all well represented. The Task Force was charged with “recommend[ing] ways to increase minority and gender participation at the local and national levels of the CPCU Society by creating a positive and environment for participation.” The Task Force’s recommendations, of course, had to be consistent with the Society’s strategic plan goals of increasing visibility of the CPCU designation and providing educational programs to members to position them for success.

The Task Force was quite successfully. Its accomplishments, in large part, were due to the cooperative, collaborative, eyes forward approach of the Task Force membership and their understanding that diversity recognizes our global society and serves to help guarantee the Society’s continued success in the future.

In 2003, the CPCU Society revised its mission statement to include diversity and created the Diversity Plan Development Task Force. In October 2004, the Society’s Board of Governors approved a motion to create a standing committee to increase diversity within the Society’s membership. A year later, the Board of Governors approved the formation of the Society’s first new standing committee, the Diversity Committee. The change in the bylaws, which created this new committee, was overwhelmingly approved by the general membership.

At this juncture, the Diversity Committee believes it is appropriate to reiterate the importance of diversity to the Society and its members. This paper discusses one aspect of the importance of diversity, addressing the question of whether a *business case* can be made for the CPCU Society’s pursuit of greater diversity.

An initial step in evaluating whether a business case for diversity can be made is defining the meaning of *diversity*. Professor Cedric Herring of the Department of Sociology at the University of Illinois at Chicago and the Institute of Government and Public Affairs at the University of Illinois provided a useful definition of the term *diversity* in his August 2006 paper titled *Does Diversity Pay?: Racial Composition of Firms and the Business Case for Diversity* (referred to hereinafter as “*Does Diversity Pay?*”).¹ Defining *diversity*, Professor Herring wrote:

For some people, the term *diversity* provokes intense emotional reactions because it brings to mind such politically charged ideas as *affirmative action* or *quotas*; yet, at its base the term merely refers to variety. Diversity is an all-inclusive term that extends beyond race and gender and incorporates people in many different classifications. It includes age, . . . sexual preferences, . . . and a myriad of other personal, demographic, and organizational characteristics. Generally speaking, the term *workforce diversity*

refers to policies and practices that seek to include people within a workforce who are considered to be, in some way, different from those in the predominant group.²

People who believe that a business case for diversity can be made often assert that increased diversity in an organization leads to improved organizational performance because it opens an organization to talented people from new groups and because diverse groups bring different knowledge, talents, and community contacts to an organization, which allows the organization to draw upon a wider range of ideas, opportunities, and concepts. Among other things, diversity proponents also often claim that the participation of diverse members improves organizations' decision making because it causes organizations to consider their assumptions more carefully before deciding upon a course of action.

Critics of the "business case for diversity" theory and some others who have not yet come to a conclusion on the issue are not convinced that greater diversity leads to an increased exchange of ideas and the claimed benefits. Moreover, they sometimes are concerned that the emphasis on increased diversity may lead to conflict, less organizational cohesiveness, and the granting of special privileges to some groups.

Numerous factors impact the business case determination. This paper demonstrates that, with respect to business considerations, the long-term value of, and respect for, the CPCU professional designation and the Society can be maintained and will be enhanced by continuing to promote diversity within the Society and support it outside the Society.³

II. Although Few Studies Have Used Real Data from Actual Businesses to Test the "Business Case for Diversity" Theory, the Results of Three Studies Conducted By Scholars from Prestigious Universities Are Consistent with the Theory

With regard to hard evidence, a consensus appears to exist among scholars and others who are knowledgeable about the "business case for diversity" issue that few studies have used quantitative data and objective performance measures from real organizations to evaluate whether a diverse workforce or diverse organization membership results in improved organizational performance or financial results.⁴ The lack of a large body of empirical analyses makes it more difficult to answer the business case question with respect to a given organization.

A. A Harvard Business School Study

One study that used real data and analyzed an organization's actual operations was conducted by two Harvard Business School professors. They analyzed the operations of 450 branches of a commercial bank in the northeast United States.⁵ Based on the study, Professors Robin Ely and David Thomas concluded that, merely bringing a diverse group of people together did not necessarily lead to improved organizational performance, but that improved performance did result "when [diverse] work groups chose to learn from members' different experiences rather than ignore them or suppress them."⁶

B. The Herring Study

In his aforementioned paper, *Does Diversity Pay?*, Professor Herring reported on a more detailed analysis used actual data from the 1996-1997 National Organizations Survey. The survey was comprised of data from 1,001 organizations from a random sample of 15 million organizations in Dun & Bradstreet's Information Services database. The survey included a wealth of information about these businesses' operations.

Professor Herring's paper is based on data from 251 for-profit businesses that provided information about the racial makeup of their employees, their sales revenue, their number of customers, their market share and their profitability. The businesses were divided into three groups according to the degree of the diversity of their workforces: low, medium, and high.

The study involved thorough statistical analyses of these and other relevant factors, all of which are explained in detail in the paper, and considered whether more racial workforce diversity results in businesses' having:

- Greater sales revenue;
- More customers;
- Larger market share; and/or
- Higher profitability in comparison to its competitors.

Professor Herring found that the results of his study were consistent with the proposition that more racial workforce diversity results in a business organization's having greater sales revenue, more customers, larger market share, and higher profitability in comparison to its competitors. He, consequently, concluded that "[t]here is now *tangible evidence* that there is a positive relationship between the racial diversity of firms and their business functioning."⁷

C. A Wharton Business School Study

Near the time that Dr. Herring's 2006 report was published, a team of researchers – Diversity Analysis Research Team (DART) -- concluded a five-year study at an ivy league university concerning whether greater diversity may lead to conflict.⁸ The researchers, which included academics and a small group of external professionals, collected and used hard data on diversity management and its effect on performance.

Based on their five-year study, DART found that work groups whose members have different levels of education and work experience perform well if group members engage in constructive debates because such communications improve the groups' performance. The researchers also found that work teams whose members share similar values and goals are less likely to have conflicts concerning the tasks to be undertaken, the manner in which tasks are to be performed, and team members relationships with one another. DART, however, also found that work groups that were chosen primarily for demographic diversity were more likely to have relationship conflicts.

Based on these and other findings, DART concluded that, among other things, demographic diversity alone is not sufficient to ensure innovation and improved group performance. The researchers concluded that, to increase the likelihood of increased performance, group members also should have diverse levels of education and diverse work experiences and similar values and goals.

With respect to diversity's effect on organizational performance, DART concluded that diversity can improve an organization's bottom line if diversity is well managed. DART advised that, to achieve the benefits of diversity, an organization's leaders should develop team goals and values, identify ways to reach these goals, maintain open communication channels to facilitate constructive debates by team members, and select group members who will work well in this type of environment.

D. A Business Case Can Be Made for Diversity

DART's conclusions and those drawn by Professor Herring and the two Harvard Business School professors are not determinative and may be disputed by others who are skeptical about the claimed business benefits of increased diversity. However, despite the arguments that skeptics may make, these three studies support the proposition that a "business case for diversity" can be made. As discussed below, beyond these complex studies, less sophisticated evidence also supports the conclusion that diversity is good for business.

III. Everyday Observations Suggest That Market Pressure in Diverse Communities Leads to Expectations that Organizations in Their Communities Will Be Inclusive

Most of the metropolitan areas in the United States are diverse, as that term is defined in Professor Herring's report. Minority groups in these areas regularly see people who look like them in the businesses that serve them. This phenomenon extends from bank tellers to branch managers, from short-order cooks to chefs, and from nurses' assistants to doctors. In general, people in these communities have come to expect inclusion.

In these communities, a good example of the business value of diversity is the diverse group of people seen on the local evening news programs. Without conducting a scientific study, one can see from everyday observations that the local evening news anchors, reporters, weather forecasters, and sportscasters in these communities typically include members of the predominant minority groups in their areas and may include members of these communities' less numerous minority groups. Thus, in addition to the typical names that we hear on six o'clock news shows in most cities across America, in Miami, it is not unusual for the names of local television news people to sound like Nuñez and DuBois; in San Francisco, Okazaki and Zhang; in Detroit, Hourani and Igbunugo; in Minneapolis, Vang and Jaworski; in San Antonio, Castillo and Tapia; in Boston, Gatti and Marinho; and in New York, Chicago, and Los Angeles, all of these and more.

Why all of this diversity? The reason is as obvious in the television industry as it is anywhere else in our society — market demand, which the television industry tells us it measures through television ratings. Television news producers have learned over time that communities

want to watch local newscasts that include people that reflect some, if not all, of the diversity of their communities.

Competition between local evening news programs also supports the proposition that talent is an essential component when making a business case for diversity. In each of the referenced communities, it is likely that each of the three or four major local television stations has a diverse group of evening newscasters. However, generally the same station's news program tops the television ratings each week with another station's news program relatively close behind and with the other one or two stations' programs lagging far back. This strongly suggests that merely mixing people of different stripes together does not result automatically in a successful enterprise. It indicates that the talent level of the people in the mix also is an important factor when it comes to achieving success in diverse and competitive communities. Another important factor, as indicated by the previously-discussed Harvard Business School and Wharton Business School studies, seems to be a willingness of the members of the diverse groups to work together cooperatively, expressing and learning from their differences. Without this quality, common sense suggests that discord and conflict may result.

Another example of the importance of market demand in making a business case for diversity is the "dial 1 for English or dial 2 for Spanish" phenomenon that has swept across most of the country during the last thirty or more years. Because Spanish-speaking people have long been the fastest growing minority group in the United States (and now are the largest minority group), many companies market their products and services in Spanish, as well as in English, despite complaints from some quarters about this practice. Classic examples are banks and airlines. Many companies in these industries have done so because they realize that they can increase their revenue significantly by reaching out to Spanish-speaking people in the United States. Some other companies in for-profit and non-profit organizations have other motivations, such as providing information in several languages because it allows them to disseminate their message to a wider audience and better serve their communities or constituents. Even here, such actions are responses to particular markets' demands or needs.

IV. Many Major Corporations Have Implemented Supplier Diversity Programs that Reflect Their Belief that a Business Can Be Made for Diversity

In addition to seeking to increase the diversity within their workforces, a large number of Fortune 500 companies are encouraging their suppliers to increase the diversity of their suppliers' workforces. Two of the clearest examples of these efforts are the 1999 pledge titled *Diversity in the Workplace: A Statement of Principle* (referred to hereinafter as the "*Statement of Principle*") and the more recent 2004 pledge titled *A Call to Action - Diversity in the Legal Profession* (referred to hereinafter as "*A Call to Action*").

In 1999, more than 400 Chief Legal Officers of Fortune 500 companies signed the *Statement of Principle*, which Charles R. Morgan, then Chief Legal Officer for BellSouth Corporation, developed as a reaction to the lack of diversity at law firms that provided legal services to their companies. Although it is not a commonly known fact among the general public, such law firms employed a very small percentage of minority attorneys (by any definition of the term *minority*) and invited a far smaller percentage of these attorneys to become partners

in the firms.⁹ To begin to address this situation, these companies confirmed their commitment to increased diversity, stating:

As the Chief Legal Officers of the [listed] companies . . . we wish to express to the law firms which represent us our strong commitment to the goal of diversity in the workplace. Our companies conduct business throughout the United States and around the world, and we value highly the perspectives and varied experiences which are found only in a diverse workplace. Our companies recognize that diversity makes for a broader, richer environment which produces more creative thinking and solutions. Thus, we believe that promoting diversity is essential to the success of our respective businesses. It is also the right thing to do.

We expect the law firms which represent our companies to work actively to promote diversity within their workplace. In making our respective decisions concerning selection of outside counsel, we will give significant weight to a firm's commitment and progress in this area.¹⁰

The *Statement of Principle* was an historic first step by large corporations to attempt to affect the lack of diversity at the law firms providing legal services to them. Among other things, it led to an effort by these corporations to track the demographics of the attorneys that law firms assigned to work on their matters. Over the next five years, these metrics revealed that the demographics at most of these firms, unfortunately, had not changed significantly for most minority groups -- white females being the underrepresented group that experienced the most progress -- at either the associate-attorney (i.e., employee) or partner levels.

Because many corporations concluded in 2004 that objective measurements showed that “the collective efforts and gains of law firms in diversity have reached a disappointing plateau,” Rick Palmore, the Chief Legal Counsel of Sara Lee, Inc. and a board member of the Association of Corporate Counsel, authored *A Call to Action*, which states, in pertinent part:

As Chief Legal Officers, we hereby reaffirm our commitment to diversity in the legal profession. Our action is based on the need to enhance opportunity in the legal profession and our recognition that the legal and business interests of our clients require legal representation that reflects the diversity of our employees, customers and the communities where we do business.

* * *

To that end, in addition to our abiding commitment to diversity in our own departments, we pledge that we will make decisions regarding which law firms represent our companies based in significant part on the diversity performance of the firms. . . . We

further intend to end or limit our relationships with firms whose performance consistently evidences a lack of meaningful interest in being diverse.¹¹

Both the *Statement of Principle* and *A Call to Action* reflect the belief of numerous leading corporations that diversity is important and that it has an impact on business performance. *A Call to Action* also demonstrates that many of these corporations want to associate with organizations committed to having a diverse workforce or membership and are prepared to limit their association with organizations that do not value and promote diversity. Among the signatories to *A Call to Action* were the Chief Legal Officers of: New York Life Insurance Company; Aon Corporation; DuPont Company; The Dow Chemical Company; Merck & Co., Inc.; Abbott Laboratories, Shell Oil Company; Intel Corporation, PepsiAmericas, Inc., and DelMonte Foods.

V. Major Companies in the Insurance Industry Are Among the Corporations That Have Declared Their Support for Greater Diversity in the Industry

Like their counterparts in other industries in the United States, some major companies in the insurance industry have declared their commitment to diversifying their workforces and are taking actions in that direction. These companies include the Chubb Group of Insurance Companies; Aon Corporation; American International Group, Inc. (AIG), State Farm Insurance Company, and Allstate Insurance Company. They are promoting diversity because, among other things, they believe that a business case for diversity can be made or already has been made.

A. The Chubb Group of Insurance Companies Believes a Business Case for Diversity Can Be Made

The Chubb Group of Insurance Companies began its formal diversity initiatives in 1996, with the establishment of a Chief Diversity Officer position and, as a result, it has substantial experience in this area. Chubb has focused on diversity because it has long believed that having a diverse workforce is good for business.

Chubb defines diversity very broadly to mean people who have different perspectives, which includes, among other perspectives, people of different races, genders, ages, physical abilities, and sexual orientations, and people from different geographic areas and different departments within the company.

Chubb believes that the competitiveness in the insurance industry requires Chubb to recruit and retain the most talented workers available. To accomplish this goal, Chubb believes that it must recruit from the widest available talent pools. It believes that diversity leads to innovative thinking and the development of innovative products that would not occur if Chubb restricted its employee recruitment to a homogenous group.

These beliefs are reflected on Chubb's website, which contains a webpage dedicated to the *Business Case for Diversity*. On it, the company observes:

Those who perceive diversity as exclusively a moral imperative or societal goal are missing the larger point. Workforce diversity

needs to be viewed as a competitive advantage and a business opportunity. That's why Chubb makes diversity a business priority and strives to achieve a fully inclusive diverse workforce.¹²

Chubb attributes much of the success of its diversity initiatives to strong support from senior management and its Board of Directors, which includes Karen Hastie Williams, the daughter of Judge William Henry Hastie, the former Dean of Howard University Law School, a civil rights attorney, the first African-American federal district judge and the first African-American federal appellate court judge in the United States. The strong support of senior management and its Board of Directors is demonstrated by Chubb's positioning of a Chief Diversity Officer who, as a senior vice president, is a direct report to the CEO. The board's active involvement in Chubb's diversity efforts includes receiving an annual report from its Chief Diversity Officer and participating in events directed at Chubb's diverse employees.

Chubb promotes diversity through various strategies. One strategy focuses on developing the professional skills and experiences of the members of the diverse groups that it employs so that they will be qualified to fill high-level positions when openings exist. Chubb uses employee resource groups to identify potential barriers to diverse employees' advancement within the company and to develop strategies for overcoming those barriers. These groups hold leadership conferences focused on providing skill-building sessions and networking opportunities.

In conjunction with this talent management strategy, Chubb's Chief Diversity Officer also monitors company metrics to identify progress, trends and gaps within the major business units. This allows Chubb to develop specific strategies to increase the diversity in its less diverse departments, often by simply providing diverse slates of qualified candidates for key positions..

Another Chubb diversity strategy focuses on marketing to diverse consumers. In one instance, Chubb initiated an effort to determine how its west coast agents could appeal to Asian-Americans consumers in a respectful manner. In another case, a marketing program was created to target gay or lesbian consumers. Yet another initiative marketed directors & officers insurance products to the Women Presidents' Organization. As part of these efforts, Chubb's relevant employee resource groups were engaged to provide input and insights. The success of such initiatives supports Chubb's belief that its diversity efforts are good for its business.

In addition to these and other diversity initiatives that Chubb has undertaken, Chubb promotes diversity in the insurance industry by participating in industry conferences hosted by organizations such as PLUS and RIMS and spreading the word about why diversity in the workplace and marketing to diverse customers are good for business in addition to being the right thing to do.

In recent years, several organizations that monitor corporations' diversity efforts have recognized the quality of Chubb's commitment in this area. Catalyst, Inc. gave Chubb an award in 2006 for its efforts in recruiting, developing, and advancing women.¹³ Diversity, Inc. included Chubb on its list of the top 50 companies in the management and planning of diversity efforts in 2000, 2001, 2002, 2003, and 2005. Also, since 2005 Chubb has scored 100% on the Human Right's Campaign's Corporate Equality Index for providing a safe and equitable workplace for gay, lesbian, bisexual, and transgender professionals.

B. AON Believes That Having a Diverse Workforce Is Essential to the Success of Its Global Business

Aon Corporation began to focus on a formal strategy for increasing diversity in 2000. Aon's efforts evolved over the years, and, in 2004, its CEO, Gregory Case, named Corbette Doyle the company's Global Chief Diversity Officer, a position in which she reports directly to the CEO and Aon's Board of Directors. Aon's CEO and its board actively support the company's diversity efforts, which is something that Aon believes is critical to the success of its diversity strategy. Of Aon's fourteen board members, three are people of color -- one Asian, one Latino, and one African-American.

Aon defines diversity broadly. However, because Aon is a global company, its operable definition of diversity may vary somewhat from country to country with the variation being dependent on the laws of the country at issue. In the United States, Aon's definition of diversity includes, but is not necessarily limited to, race, gender, cultural heritage, orientation, and physical ability.

Aon believes that a diverse workforce at all levels of the company and throughout its global organization is crucial to the success of its business. The company foresees an impending shortage of workers worldwide over the next 20 years. The company also recognizes that, in the United States, its clients are becoming more diverse. In order to succeed under these circumstances, Aon believes that it must continue to recruit and develop the most talented workers. To do so, Aon understands that it must have its doors open to talented people from all backgrounds because to do otherwise would limit its access to workers who can help Aon maintain its competitiveness in the insurance brokerage industry.

Therefore, from a diversity standpoint, the principal question at Aon is how can the company help its workers be more successful. Aon's answer is that it will ensure that each of its departments has the high-quality employees that each department needs to succeed by recruiting top talent from a talent pool that is not limited by race, gender, cultural heritage, orientation, or physical ability and by developing those employees' skills and promoting them accordingly.

Aon has taken numerous steps to accomplish its diversity goals. A central step was the creation of eight business networking groups: African-American; Asian & Pacific Islander; Latino; Age Related; Working Parents; Gay, Lesbian, Bi-Sexual & Transgendered; People with Disabilities; and Women. Each group's goal is to support Aon's four-part diversity strategy, which Aon describes on its website as:

- Talent Supply and Development – supporting Aon's campus recruiting efforts and job fairs; assisting with mentoring, sponsoring and identification of talent; assisting with attracting, retaining and developing talent; and succession planning.
- Cultural Competence – assisting Aon in developing a more inclusive approach and mindset; communicating with senior leadership to encourage different ideas and perspectives and to promote culture coaching.

- Strengthening the Business – helping to identify strategic sourcing opportunities for diverse suppliers and supporting diversity initiatives throughout each business unit.
- Connecting with the Community – helping Aon build community relationships that create a welcoming and inclusive environment for Aon and its constituencies; participate in diverse community service activities to increase cultural awareness; play a role in community events and initiatives to enhance Aon’s corporate image and reputation; provide social sponsorship of newly hired employees to create a sense of belonging at Aon.¹⁴

In connection with these business networking groups, Aon created a Global Diversity Advisory Group, a Global Women’s Development Group, and, in the United States, a Minority Advisory Board, all of which set strategy and provide advocacy for their groups.

With respect to supplier diversity, diverse companies can visit Aon’s website to find out what the qualifications are to register to be a potential Aon diversity program supplier, and they can register online if they meet the qualifications. Aon checks the list when it makes purchases and tracks the percentage of purchases made from these businesses. The percentage has increased over time.

Aon believes that one successful aspect of Aon’s supplier diversity strategy is its management of its professional services vendors. Aon’s legal department, for example, tracks how much business the company does with minority- and women-owned law firms and how many hours minority and female attorneys at majority-owned firms are working on Aon matters. Similarly, it requires its accounting firm to give Aon a report of how many minorities and women are servicing Aon.

Aon also encourages its vendors to focus on diversity. This further reflects Aon’s belief that a company with a diverse workforce provides higher quality services and products than do companies that exclude particular groups from their workforces.

In addition to its other diversity efforts, Aon sponsors certain programs, such as the Howard University Cap 21 program, that develop the business skills of diverse students. Aon also participates in insurance industry conferences where it promotes diversity in the insurance industry.

These and Aon’s other diversity efforts evidence the value that the company places on having a diverse workforce, and its commitment to doing what it takes to attract, develop, and retain talented workers whoever they may be. Since 2004, Aon has received numerous awards in recognition of its diversity efforts. They include awards from the Minority Corporate Counsel Association, the National Society of Hispanic MBAs, the International Association of Black Actuaries, and the National Association of African Americans in Human Resources.

C. AIG Believes the Benefits of a Diverse Workforce Far Outweigh Its Costs

AIG began its formal diversity program in January 2007 at which time it named Terri Austin as its first Chief Diversity Officer — a position in which she reports to one of AIG’s

highest-level executives, AIG's Executive Vice President and Chief Financial Officer. AIG's CEO, Martin J. Sullivan, participated in planning the company's diversity program and chose to build the program into the structure of the company. In addition, AIG created an executive steering committee composed of senior executives to develop strategic initiatives related to diversity. The committee meets regularly, and each member supports the program within his or her business group.

Like Chubb, AIG defines diversity very broadly. In the United States, in addition to including, race, gender, national origin, religion, and sexual orientation, AIG's definition of diversity includes diversity of thought, background, and other distinguishing factors. Like Aon, however, AIG is a global company. It has more than 100,000 employees in 130 jurisdictions. Therefore, its definition of diversity may vary somewhat from country to country based on variations in the laws governing the countries in which it does business.

On its website, AIG shares its definition of diversity:

At AIG, diversity means the highest standards of inclusiveness and a culture that embraces differences. Diversity is about respecting and valuing these differences. AIG is committed to creating an environment where all employees can realize their fullest potential and where AIG will continue to flourish with the opportunity that diversity offers.¹⁵

The goals of AIG's diversity program are to increase diversity in five areas: its employees, products, services, clients and vendors. AIG has researched diversity best practices and is implementing them to achieve these goals.

AIG believes that its diversity initiatives will benefit the company by broadening its market, increasing revenues, aligning its formal diversity practices with those of its clients, and demonstrating to its employees and others that AIG values and supports diversity. AIG believes that these benefits far outweigh the costs of the initiatives, which include the cost of recruitment, talent promotion, sponsorships and other related activities. AIG believes that organizations that have not begun to think about diversity are missing an opportunity.

AIG's support has helped the Society acknowledge its commitment to diversity. Specifically, AIG has done so by sponsoring the Society's Diversity Reception at the Society's Annual Meeting in 2006 and 2007. AIG plans to continue its support of the Society's diversity efforts in the future.

In recognition of AIG's diversity efforts, in 2007, New York Mayor Bloomberg gave AIG the Title I Americans with Disabilities Act Employment Award, and *Black Professionals* magazine named AIG one of the Top 100 Companies for Diversity in Corporate America. In 2006, AIG received the Commitment to Excellence Award from Abilities Inc. and the National Business and Disability Council for AIG's ongoing commitment to employing individuals with disabilities.

AIG's diversity initiatives and those of Chubb and Aon demonstrate that some companies in the insurance industry are responding to the same demographic and attitudinal changes in the

United States that have affected other industries. These changes necessarily will affect the CPCU Society because the vast majority of its members work for, or provide services to, companies in the insurance industry.

VI. The CPCU Designation and the CPCU Society Would Be Even More Respected and Valued If the Society Increasingly Promotes Diversity Inside and Outside of the Society

As previously mentioned, it appears that most people living in diverse communities believe that it is normal for employers to have diverse workforces and for membership organizations to have diverse members. Through their public statements and actions, many Fortune 500 companies, including some in the insurance industry, acknowledge that America's population is becoming more diverse everyday and that they need a diverse workforce to serve that population. Moreover, companies that have global businesses, such as Aon and AIG, understand that diversity is essential in the global marketplace. Such companies need diverse employees and service providers to market their good and services to customers outside the United States.¹⁶

In this environment, the CPCU Society must examine itself to determine what it must do to continue its success. The CPCU Shared Strategic Vision Task Force, which was composed of members of the CPCU Society and the American Institute for CPCU (AICPCU), studied the CPCU Society's current characteristics and issued a draft report in June 2007. The draft report indicates that: (1) the Society has an aging population, with the vast majority of its member being in their 40s and 50s; (2) the number of new designees is decreasing, as is the number of CPCU examinations taken; and (3) more than 30 percent of CPCUs have let their membership in the Society lapse.

The Task Force's draft report concludes that, among other things, the CPCU Society needs to increase its membership and attract a younger and more diverse group of insurance professionals. The report's Draft Strategy #1 articulates part of this goal, stating that the CPCU Society and the AICPCU should work to "increase the number of industry professionals that take the first CPCU exam by 10 percent each year" Draft Strategy #3 builds on this statement by stating that the CPCU Society and the AICPCU should "assist the industry to attract a stream of diverse, new talent through CPCU-focused programs to improve the image of the industry as an employer of choice."

Although the draft report does not address the issue, the latest available CPCU Society statistics indicate that 96 percent of CPCUs are white, 2 percent are African-American, 1 percent are Asian/Pacific Islander, and 1 percent belong to other racial groups.¹⁷ In comparison, the latest available EEOC reports state that racial minorities make up 16 percent of insurance professionals (i.e., those with no supervisory role) and 11 percent of officials and managers. Although the insurance industries' percentage of minority employees is low, the industry is significantly more diverse than the CPCU Society is.

To achieve the Task Force's goals, the CPCU Society must increase the number of white insurance professionals who become CPCUs and must attract a substantially larger number of insurance professionals from diverse demographic groups than now is the case. Reaching out to a more diverse group of insurance professionals will benefit the Society by:

- Making the Society more attractive to people in those groups and to insurance industry organizations that promote diversity;
- Increasing its membership;
- Expanding the talent pool from which CPCUs are developed; and
- Opening up the Society to new ideas and opportunities.

Thus, it clearly is in the Society's best interests to increasingly promote diversity within the Society and support it outside the Society. To do otherwise would put the Society at odds with the direction in which the consumers of its members' services – the insurance industry – and its potential future members – insurance professionals, students, and other members of the public – are moving, as well as with the sentiments of most current CPCUs who are members of diverse groups and many who are not.

The potential results of a misstep include the loss of these critical constituents' respect for the Society and its members, decreased demand from the insurance industry for the services of CPCUs, decreased participation at the local and national levels of the CPCU Society by current CPCUs who are members of diverse groups, and a continued decrease in the annual number of new designees and applicants. Such results would significantly devalue the CPCU designation.

The Society must not overlook the fact that insurance industry members and other insurance-related associations likely are monitoring, and will continue to, monitor the Society's diversity efforts to determine the Society's direction on this issue. Consequently, if the Society fails to increase its efforts to promote diversity within the Society, it is unlikely that the Society's inaction will escape public scrutiny and disfavor.

On the other hand, if the Society promotes diversity within the Society and supports it outside the Society, it will be in line with the mission of many of the leading companies in the insurance industry, the direction of the general public, and the hopes of many CPCUs. The way to help the Society achieve its goals of maintaining the CPCU designation as the most recognized, valued, and respected professional designation in the property and casualty insurance industry is for the Society to follow the path laid down by Chubb, Aon and AIG and a growing number of other organizations – promote diversity, recognizing and appreciating its tangible and intangible benefits.

VII. The Society's Diversity Committee Has Identified Specific Actions That the Society Should Take to Increase Its Promotion of Diversity Inside and Outside of the Society

Given that the Diversity Committee understands that a business case can be made for increasing the diversity within the Society, the Committee recommended that the Society add a fifth strategy to the Society's Strategic Plan which was accepted by the Board of Governors:

Promote diversity by further developing the Society's understanding of underrepresented groups by increasing the number of CPCU Society members from those groups, thus

facilitating the Society's ability to draw upon and benefit from a wider range of ideas, opportunities and concepts.

The Diversity Committee believes that implementing this strategy will create a more inclusive Society and will engage current members and attract new designees. To begin implementing it, the Committee developed an initial action plan designed to, among other things, inform Society members and the insurance industry about the Society's diversity efforts, provide guidance to local chapters and leaders about how they can promote diversity, and build alliances with insurance industry-related organizations that share the Society's belief in the benefits of diversity.

With respect to informing Society members and the insurance industry about the Society's diversity efforts, the Committee will continue to maintain the Committee webpage and will post diversity-related content written or solicited by Committee and other Society members and by prominent individuals and organizations that promote diversity. The Committee also will work with the Society's national leadership to schedule periodic meetings between the Society's leaders and the Chief Diversity Officers and other prominent executives of companies in the insurance industry to familiarize them about the Society's diversity efforts and identify areas in which the Society and they can work together to promote diversity within their ranks. In addition, the Committee will continue to host and obtain a sponsor for the Diversity Reception at the Society's Annual Meeting.

Regarding guidance to local chapters and leaders about how they can promote diversity, the Diversity Committee has developed a preliminary "Diversity Toolbox," which suggests actions that local chapters and leaders can take to encourage members of diverse groups to participate more actively in chapter affairs, to attract additional members from these groups, and identify future chapter and national leaders. For example, the toolbox will include suggested outlines of diversity programming that local chapters can present to their members, lists of potential speakers for chapter functions addressing diversity-related issues, and suggested outlines of insurance-related presentations that chapter members may want to present to diverse student groups at local colleges and universities or to diverse trade associations that have an interest in insurance-related topics.

Finally, with reference to building alliances with insurance industry-related organizations that share the Society's belief in the benefits of diversity, the Committee, among other things, will post the website addresses of relevant insurance industry-related organizations, such as the National African-American Insurance Association, on its webpage and encourage local chapters to contact such organizations in their area to spread the word about the Society's interest in diversity and in promoting excellence in all aspects of the insurance profession. An ultimate goal of the Diversity Committee's alliance with numerous diverse insurance organizations is to host a Diversity Conference under the auspices of the CPCU Society.

The Diversity Committee believes that these initial actions, although modest, will have a significant effect on the Society's image as an inclusive organization of insurance professionals who have exceptional knowledgeable about the insurance industry and unquestionable integrity. The Committee is dedicated to refining its recommendations over time and building upon them

in order to achieve its mission, which, at its root, is to strengthen the Society and the CPCU designation.

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¹ Cedric Herring, *Does Diversity Pay?: Racial Composition of Firms and the Business Case for Diversity*, 4 (Uni. of Illinois at Chicago and the Institute of Gov't and Public Affairs at the Uni. of Illinois August 2006), available at <http://www.diversityinc.org/ssi/pdf/DoesDiversityPay0806.pdf>.

² *Id.*

³ As all CPCU Society members understand, ethical behavior is a core value of the Society and is one factor that sets the Society apart from many other business-related organizations. This paper, however, deliberately does not address ethical issues because its purpose is to assess whether a case can be made for promoting diversity within the Society based solely on business considerations.

⁴ *Does Diversity Pay?* at 7; Thomas A. Kochan, Katerina Bezrukova, Robin Ely, Susan Jackson, Aparna Joshi, Karen Jehn, Jonathan Leonard, David Levine, & David Thomas, *The Effects of Diversity on Business Performance: Report of the Diversity Research Network*, Human Resource Management Journal, 2, 6 (Spring 2003), available at http://mitsloan.mit.edu/iwer/pdf/diversity_report.pdf.

⁵ Martha Lagace, *Racial Diversity Pays Off*, Harvard Business School (June 21, 2004) (describing study conducted by Professors Robin Ely and David Thomas), available at <http://hbswk.hbs.edu/cgi-bin/print>.

⁶ *Id.*

⁷ Herring, *Does Diversity Pay?* at 25 (emphasis added).

⁸ Pamela Tudor, Katerina Bezrukova & Robert Holland, Sr., Diversity Analysis Research Team, *Value Creation Through Diversity*, The Wharton School, University of Pennsylvania (2007), available from Pamela Tudor at Pamela@theperformancebuilders.com or from Katerina Bezrukova at Bezrukov@wharton.upenn.edu.

⁹ "In 2006, minorities account[ed] for 5.01% of partners in the nation's major law firms, and women account[ed] for 17.90% of the partners in these firms. In 2005, the figures were 4.63% and 17.29%, respectively. The total change since 1993 . . . has been only marginal. At that time, minorities accounted for 2.55% of partners and women accounted for 12.27% of partners. Looking at all lawyers represented, minorities [in 2006 made] up just over 10% of lawyers at these firms, women [made] up just under one-third of lawyers at these same firms" NALP, *Partnership at Law Firms Elusive for Minority Women -- Overall, Women and Minorities Continue to Make Small Gains* (Nov. 6, 2006), available at <http://www.nalp.org>.

¹⁰ Association of Corporate Counsel (formerly American Corporate Counsel Association), *Diversity in the Workplace: A Statement of Principle* (1999), available at <http://www.acc.com/gcadvocate/diversitystmt.html>.

¹¹ Minority Corporate Counsel Association, *A Call to Action - Diversity in the Legal Profession* (2004), available at <http://www.mcca.com/index.cfm?fuseaction=page.viewpage&pageid=803>; see also Minority Corporate Counsel Association, *A Call to Action* (2007), available at <http://www.clocalltoaction.com> (provides a current list of signatories to *A Call to Action*).

¹² Chubb’s business case section on its website discusses many of the issues addressed in this paper: defining diversity; the implications of the expanding diversity of the customer base in the United States; and the benefits gained from drawing upon unique knowledge that some members of diverse groups have. Chubb notes that, not only the faces of its customers are changing, but also the faces of its “claimants, producers, employees, and suppliers.”

¹³ Catalyst, Inc. is a leading nonprofit corporate membership research and advisory organization working globally with businesses and the professions to build inclusive environments and expand opportunities for women and business. Catalyst, *About Catalyst* (2008), available at <http://www.catalystwomen.org>.

¹⁴ Aon, About Aon U.S., Diversity & Inclusion, Commitment & Strategy, *Strategy* (2008), available at <http://www.aon.com>.

¹⁵ American International Group, Inc., Corporate Information, *Diversity* (2008), available at <http://www.aig.com>.

¹⁶ See, e.g., McKinsey & Co., *Women Matter* (2007) (a study that confirms the gender gap at the board and top management levels in European companies and that concludes that the companies in which women are most strongly represented at those levels perform best); European Commission, Directorate-General of Employment, Social Affairs and Equal Opportunities, *The Business Case for Diversity: Good Practices in the Workplace* (September 2005).

¹⁷ Women constitute 34 percent of CPCUs.

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