

INSURANCE IN BLACK AND WHITE

STUDY OF AFRICAN-AMERICAN CAREERS IDENTIFIES DIVERSITY SOLUTIONS

The insurance industry faces dual challenges in continuing to achieve growth and building its talent pool. In the people-driven business of insurance, these challenges are interrelated. For the industry to thrive, it must retain and develop diverse talent, and it must strengthen its relationships with communities of customers. A group in particular need of these efforts is African-Americans. With this in mind, Marsh and the National African-American Insurance Association (NAAIA) have collaborated on an extensive study, "The Journey of African-American Insurance Professionals: Past and Present."

Among the highlights of this study, presented in this special report, are that the industry struggles to attract and retain African-American talent. The study also identified areas where the industry can take action to solve those problems.

Why focus on these issues now? Inspiring this study was voluminous feedback from black employees, amid a politically divisive climate in the United States. In the past two years, the topics of gender equality and harassment have attracted increasing scrutiny and commentary from the public and business leaders, and employees noted that racial issues have not received similar attention.

In the context of the industry's looming talent shortage, focusing on the African-American experience is an important step in building a stronger, more diverse insurance industry. Numerous studies have shown a lack of diversity, in gender and race, in executive leadership generally. Although the insurance industry is not unique in being largely homogeneous in its senior management ranks, other industries are striving to improve their own diversity. Other industries' actions will

accelerate competition for diverse talent and increase pressure on the insurance industry to do similarly as a business partner. "The Journey of African-American Insurance Professionals" is intended to help the insurance industry avoid the consequences a lack of diversity can bring to business growth.

Focusing on the African-American experience is an important step in building a stronger, more diverse insurance industry.

Marsh and NAAIA are grateful for the groundbreaking work of the study's author, Dr. Leroy D. Nunery II, founder and principal of PlusUltré LLC. The quantitative analysis reflects data from a large number of survey respondents, representing many years of career experience in insurance. As the findings discussed on the following pages show, with regard to African-American employees and customers, the insurance industry has a clear opportunity.

OBSTACLES TO ENTRY

Quantitatively, African-Americans are underrepresented at nearly all levels of the insurance industry, regardless of organization — insurance and reinsurance companies, agencies and brokerage firms, and allied organizations such as law firms.

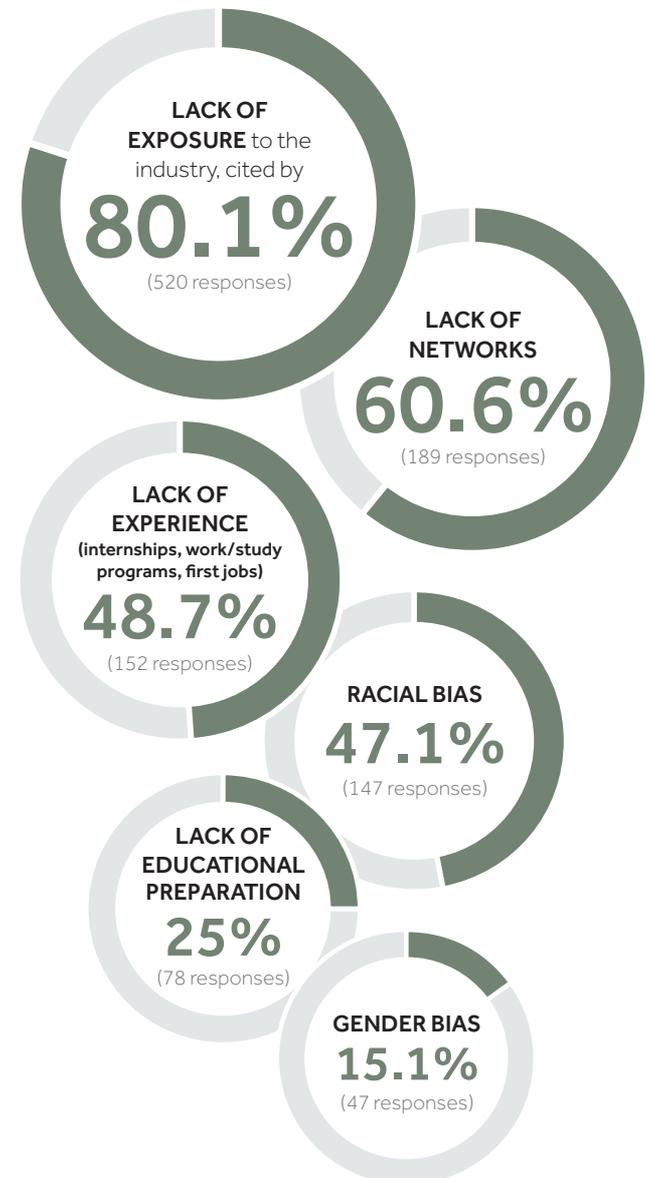
Bureau of Labor Statistics data show that African-Americans represent a small fraction of the total workforce of insurance carriers and related organizations. According to the BLS, in 2017, 12.6% of insurance industry employees were African-American. By comparison, 78.6% of employees were white, 10.3% were Hispanic or Latino, and 6.6% were Asian.¹ Among insurance agencies, 3% of principals or senior managers in 2016 were African-American, according to a biennial study by the Independent Insurance Agents and Brokers of America.²

African-American professionals participating in the Marsh/NAAIA study overwhelmingly expressed willingness to recommend the insurance industry to others — 94% said they would encourage others to enter the industry. Participants' overall satisfaction with careers in the industry is high, and they generally agree that insurance offers rewarding and well-paying careers. Why, then, is the insurance industry not attracting and retaining more African-American professionals?

Racial differences are commonly perceived as a major reason for underrepresentation in corporate settings, and participants in the Marsh/NAAIA study indicated that racial bias does exist. But other, non-racial barriers are encountered more often. The primary obstacles to African-Americans entering the insurance industry cited most were:

¹ "Labor Force Statistics from the Current Population Survey," Bureau of Labor Statistics, 2017 <https://www.bls.gov/cps/cpsaat18.htm>

² 2016 Agency Universe Study, Independent Insurance Agents and Brokers of America Inc. <https://www.independentagent.com/Resources/Research/AgencyUniverseStudy/agency-universe.aspx>

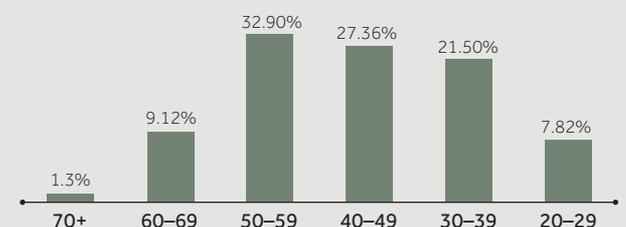


AWARENESS

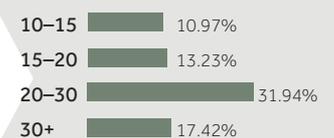
INSIDE THE STUDY

"The Journey of African-American Insurance Professionals: Past and Present" gathered in-depth primary data through more than **300 online surveys, interviews with 25 experienced professionals and seven focus groups**. Researchers collected data between July 2017 and February 2018. Notably, 50% of survey respondents requested to be contacted for follow-up discussions, which suggests a strong interest in the topic of African-Americans in insurance. In addition, the study applied secondary sources, such as other research, reports and presentations relating to African-Americans in insurance, diversity and inclusion, and gender and racial equity in corporate America.

AGES OF SURVEY PARTICIPANTS



YEARS OF EXPERIENCE IN THE INSURANCE INDUSTRY



The primary obstacles of lack of exposure to insurance, lack of networks and lack of experience in insurance roles appear to be related. They stem from, and perpetuate, the industry's lack of visibility among African-Americans. These barriers also suggest that conversations between African-American insurance professionals and potential entrants to the industry are not occurring.

Consider the example of a recent African-American college graduate who is looking at his or her career options. With few or no contacts in the insurance industry, very few African-Americans visible in leadership roles, and having no prior exposure to insurance industry jobs, the likelihood of that graduate seeking employment in the insurance industry is low indeed.

Study participants suggested several reasons for the insurance industry's lack of visibility in recruiting on college and university campuses:

- Insurance organizations seek graduates with insurance and/or risk management coursework.
- Risk management and insurance are not taught at most colleges and universities.
- Very few, if any, insurance industry organizations target historically black institutions.
- Insurance professionals tend to hire or promote friends.

Regardless of the underlying reasons, a lack of visibility and connection to the African-American community will continue to adversely affect the industry's business.

BUSINESS CONSEQUENCES

The consequences of these obstacles by African-Americans are far reaching and restrict the industry in several areas, including:

TALENT ACQUISITION. Fewer candidates of color will enter industries where they do not perceive an opportunity to build their careers.

TALENT DEVELOPMENT. The industry's lack of visibility and exposure combine to create an insidious problem. Insurance organizations may attract African-American talent, but they will struggle to cultivate, nurture and promote that talent — keeping African-Americans from being visible.

INNOVATION. Lack of diversity has been shown in other research to limit organizational innovation and development of better products and services. In a competitive marketplace, the insurance industry cannot afford to decelerate or reduce innovation.

GROWTH IN TARGET MARKETS. Minority communities and minority-owned businesses are increasing in size. To serve a more diverse customer base and boost market share, the insurance industry will need to become more diverse itself.



ACTIONS THE INDUSTRY CAN TAKE

The Marsh/NAAIA study participants offered ideas for actions the insurance industry can take to address the scarcity of African-American employee in their ranks. For instance, senior executive leadership can take a more active role in drawing African-American talent to the firms. Executives should not only talk about increasing diversity, but they should do more themselves to reach out to diverse talent.

“Usually, the top of the house (senior management) says all the right things, but it doesn't get practiced at the middle management level. Often, it's the middle management level that puts up the greatest barrier to entry through racial and gender bias.”

Similarly, organizations can promote middle managers' advocacy of African-American talent development. As one study participant said: “Rarely do I encounter overt racism. Most of the time it's people's implied biases that hold African-Americans, females, and people of color back. Usually, the top of the house (senior management) says all the right things, but it doesn't get practiced at the middle management level. Often, it's the middle management level that puts up the greatest barrier to entry through racial and gender bias.”

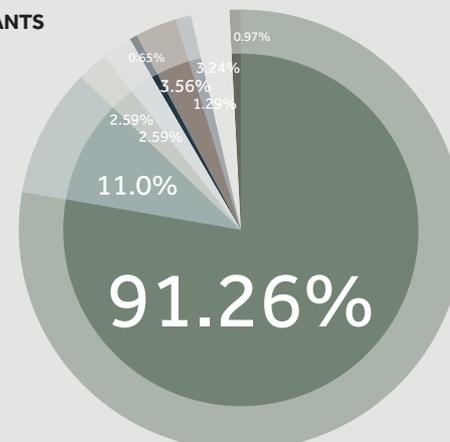
Companies can create opportunities for lateral as well as vertical movement, to enhance the career experience of African-American talent. Organizations should insist on accountability for diversity efforts. Another area where insurance industry companies can improve is being intentional about mentoring and coaching.

TITLE CATEGORIES

TITLE CATEGORIES	NUMBER	PERCENTAGE
Administrator/Asst.	17	5.50%
Analyst	32	10.36%
Asst. VP/2nd VP	32	10.36%
Broker/Underwriter	41	13.27%
Director	27	8.74%
Manager	66	21.36%
Managing Director	5	1.62%
President/CEO/EVP	18	5.83%
Senior VP Level	31	10.03%
Vice President	29	9.39%
Uncategorized	3	0.97%
Agency Owner	8	2.59%

RACE AND ETHNICITY OF SURVEY PARTICIPANTS

African-American/Black	91.26%
Caribbean-American/Caribbean	11.0%
Latino-American/Hispanic	2.59%
White-American/European American	2.59%
Middle-Eastern American	0.65%
Native-American	3.56%
Asian-American	1.29%
Multi-racial/Mixed Race	3.24%
Other	0.97%
Native Hawaiians or Other Pacific Islander	0%



OVERCOMING HURDLES

One of the key findings of “The Journey of African-American Insurance Professionals: Past and Present” is that various obstacles exist inside the insurance industry. These obstacles prevent the industry from attracting, retaining and nurturing more African-American talent.

“When I see an African-American in the C-suite or at a senior-level position within an organization, I wonder, ‘Who did they know?’...Apparently, it is all about your relationships and not necessarily how hard you work in your professional role.”

Understanding these obstacles and hurdles, as the survey respondents explained, is a first step in addressing recruitment and retention issues and unlocking the business benefits of greater diversity at all levels of the industry.

A principal problem that study participants cited is difficulty in acculturation, in which African-Americans and others struggle to “fit in.” The ability of employees to navigate an organization’s culture can mean the difference between success and failure, and career advancement or plateauing. Survey respondents and focus group members provided insights into the acculturation difficulties they have experienced. These include:

- Racism, favoritism and nepotism limiting access to opportunities.
- Being judged differently.
- Missing signals unique to the organizational culture.

Quotes from participants and secondary research in the study illustrate these factors.

One respondent wrote about encountering favoritism: “When I see an African American in the C-suite or at a senior-level position within an organization, I wonder, ‘Who did they know?’... Apparently, it is all about your relationships and not necessarily how hard you work in your professional role.”

Another suggested that individuals can overcome bias: “African-Americans are judged differently and therefore have fewer opportunities for mistakes. We cannot, however, use this as an excuse not to be excellent. We are descendants of the survivors of the middle passage. We must show our next generations that failures can be the breeding ground toward success and delays are usually still to our benefit, if we are in pursuit of something great and never quit.”

According to “Cracking the Corporate Code: The Revealing Success Stories of 32 African-American Executives,” by Price M. Cobbs and Judith L. Turnock: “One thing is certain: The more ambivalent you feel about the organization and your place in it, the harder it is to receive the correct signals.”

Inability to fit into the cultures of insurance industry organizations raises hurdles to opportunity and advancement. Access to leadership assignments, executive training and senior executive roles is limited for those who misunderstand the organizational culture. Similarly, access to mentorship and sponsorship programs also is limited. Study participants said African-American insurance professionals tend to have fewer chances to take on new responsibilities and fewer opportunities to fail, undermining their ability to advance.

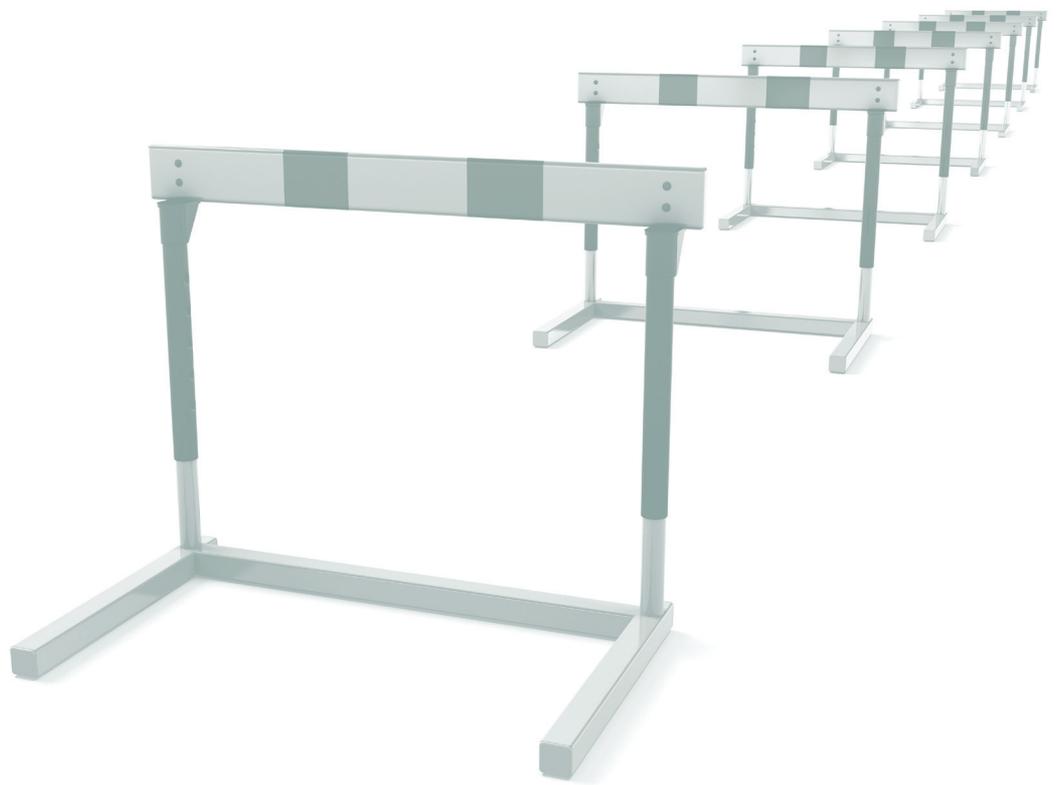
SMALLER MARGIN FOR MISTAKES OR FAILURES

Survey respondents were asked, “In your opinion, are African-American professionals allowed fewer opportunities to fail or make mistakes?”

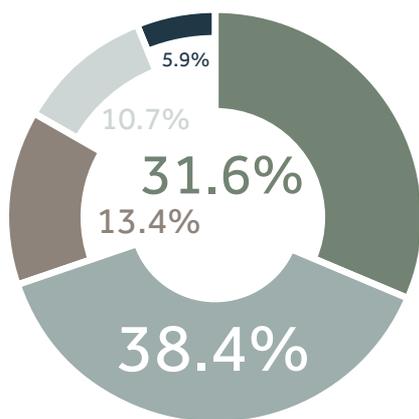
	Female	Male
Strongly agree	48.3%	53.0%
Somewhat agree	51.7%	47.0%
Neither agree nor disagree	0%	0%
Somewhat disagree	0%	0%
Strongly disagree	0%	0%

Total responses: 174 women, 134 men (97% of all survey responses)





GREATER OBSTACLES THAN OTHER MINORITIES



■ Strongly agree	31.6%
■ Somewhat agree	38.4%
■ Neither agree nor disagree	13.4%
■ Somewhat disagree	10.7%
■ Strongly disagree	5.9%

Study participants stated that racism and bias exist in the insurance industry, at times overtly, but most of the time, these factors are not conscious. Nevertheless, an overwhelming majority of participants said African-Americans face greater obstacles than other minority groups.

The career hurdles and obstacles within the industry have both near-term and longer-term impacts, including that the industry:

- Fails to retain diverse talent.
- Struggles to reach the talent pool due to turnover.
- Loses the business benefits of diverse perspectives.

RECOMMENDATIONS TO ACCELERATE PROGRESS

Participants in the study made several recommendations for insurance organizations. The fundamentals are senior executive commitment, conversations about the business benefits of diversity, and support for employee resources groups. Building on these fundamentals are steps that can accelerate organizations' progress toward diversity. These steps include:

- **Strategic, integrated diversity and inclusion.** Organizations must understand and plan for the demand/supply imbalance. Companies also must identify, cultivate and develop talent to become more competitive.
- **Decisive action by senior leadership.** Study participants suggested that senior insurance leaders need commitment and engagement to enhance diversity. Senior management needs to be proactive, not reactive, when it comes to hiring and professional development. Participants added that mutual accountability for meeting diversity goals is necessary.
- **Intentional coaching, mentoring and sponsorship.** Mentoring was perceived as advantageous by nearly every study participant, regardless of job title. Yet only 37.6% had an active mentoring relationship; 62.4% had no current mentors. Sponsorship is defined as a higher level of professional relationship between an employee and a senior executive. As one participant put it, "Sponsorship by a senior executive or seasoned professional greatly increases the probability of an individual, especially an African-American or person of color, being given broader responsibilities and promoted to senior ranks."
- **Encourage employee resources groups (ERGs).** Participants advised organizations to conduct listening and learning tours with employees and to create ERGs that bring employees together to address real concerns. ERGs should be proactive, not reactive, entities where individuals can express themselves and obtain training to acquire technical and interpersonal skills.

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ACKNOWLEDGEMENT

ACCESS + EXECUTIVE COMMITMENT

- CEO, president commit to diversity
- Provide better access and exposure
- Support advocacy throughout organization

OPEN CONVERSATION ON RACE

- Real conversation needed
- Ask why organization is not more diverse
- How do societal issues influence workplace?

CORPORATE CULTURE

- Level playing field for measuring performance
- Leverage employee resource groups
- Be more welcoming
- Appreciate difficulties minorities experience

CONCRETE ACTIONS INSURERS CAN TAKE

PIPELINE DEVELOPMENT

- Build & support long-term pipeline
- Recruit for diversity
- Mandate diverse candidate slates
- Diversify traditional training programs

EDUCATION + BUILDING AWARENESS

- Create programs to give experience to outsiders
- Offer introductions and training for opportunities
- Structure programs targeted to industry

TALENT/PROFESSIONAL DEVELOPMENT

- Close gaps through early career programs
- Allow lateral and vertical movement
- Give more chances to succeed and fail
- Establish volunteer mentoring programs
- Encourage coaching by senior managers

SELECTED STARTING POINTS STUDY PARTICIPANTS PROPOSED

THE INDUSTRY'S FUTURE

A compelling question the insurance industry faces regarding diversity is “What does the future look like?” As “The Journey of African-American Insurance Professionals: Past and Present” reveals, the industry must acknowledge its challenges and ultimately take action to address them.

The study identified hurdles and obstacles to attaining diversity in the insurance industry. These include difficulty in acculturation, limited access to opportunities for leadership, paucity of mentorships and sponsorships, and unconscious bias. Overcoming these issues will require time, energy, and sustained focus on the part of industry executives and managers.

How long will it take the insurance industry to achieve racial and ethnic diversity that reflects the customer base the industry serves? This is a question with no easy answer. If little effort is made, it will take a long time indeed.

For example, on the global gender pay gap, the World Economic Forum estimates it will take 217 years for women to achieve pay equal to that of men.¹ Shortening the time to gender pay parity requires a multilateral solution, with accelerated changes in both the public and private sectors. It is reasonable to conclude that racial parity cannot be attained without a similar solution and ongoing discussion, accompanied by concrete actions.

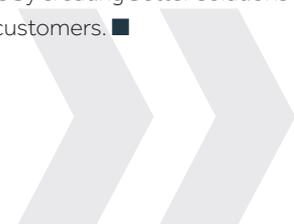
¹ “Women will wait 217 years for pay gap to close, WEF says,” The Guardian, Nov. 1, 2017; <https://www.theguardian.com/society/2017/nov/01/gender-pay-gap-217-years-to-close-world-economic-forum>

RECOMMENDED ACTIONS FOR INDIVIDUALS

Study participants acknowledged that both the insurance industry and individuals can take action to clear the cultural hurdles. In addition to the concrete actions that companies can take, individual employees should:

- **Practice self-advocacy.** This can take the form of self-directed career management, asking oneself whether he or she is bringing value to the organization and demonstrating that value.
- **Seek mentorships/sponsorships.** Survey respondents said sponsorship or mentorship was the most important way for African-Americans to propel their careers, cited by more than 73%; other ways were leadership development, 36.5%; on-the-job training, 10.6%; and joining a professional organization or club, 6.2%.
- **Excel in your role.** Participants advised individuals to fortify their technical proficiencies, seek exposure and enhance their professional networks.
- **Participate in ERGs and professional associations such as NAAIA.**

The insurance industry has different paths and possibilities for its future. Building stronger, more diverse and inclusive organizational cultures, will be an important step in attracting and retaining talent. It also will go a long way toward helping the insurance industry build its business by creating better solutions and delivering better service to its customers. ■





To learn more about the Marsh/NAAIA study, “The Journey of African-American Insurance Professionals: Past and Present,” and Marsh’s commitment to diversity and inclusion, visit [marsh.com](https://www.marsh.com) or contact:

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