

California Requires Large Insurers to Report Board Diversity, Spending with Diverse Businesses

By Michael R. Hatcher

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Meet the Authors



Michael R. Hatcher

Principal
(703) 483-8328
Michael.Hatcher@jacksonlewis.com

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Corporate Diversity Counseling

A new California law requires large insurers to report on the demographics of their governing boards and the amounts they spend with businesses owned by minorities, women, LGBT individuals, veterans, and disabled veterans. Under the new law, [Senate Bill 534](#) (SB 534), reporting will be required on a biennial basis beginning on July 1, 2020.

SB 534 permanently replaces and expands on the required disclosures under a previous law that expired on January 1, 2019.

Covered Insurers

The statute applies to each admitted insurer with California premiums of at least \$100 million.

Governing Board Demographic Disclosures

Covered insurers must report:

1. Demographic makeup of their governing board; and
2. Company goals regarding board diversity, including outreach and communications strategies to diversify its board.

All board members must be given an opportunity to participate in a survey for purposes of collecting the demographic information and reporting to the insurance commissioner.

Disclosure of the information by individual board members must be voluntary, and the company may not provide any incentive for disclosure by board members.

Disclosure of Spending with Minority, Women, LGBT, Veteran, or Disabled Veteran-Owned Businesses

Covered insurers must disclose:

1. Supplier Diversity Policy Statement;
2. Outreach and communications to businesses in each of the five specified categories to encourage them to become suppliers;
3. Dollar value of procurements from businesses in each of the five specified categories with a headquarters address in California, with each category aggregated separately;
4. Dollar value of procurements from businesses in each of the five specified categories with at least a majority of their workforce in California, with each category aggregated separately; and
5. Total procurement contract dollars awarded.

In each instance, the disclosure is required to the extent that information is readily accessible.

Penalties

No penalty is specified in SB 534 for failure to report Board demographics.

The statute provides a civil penalty not to exceed \$5,000 for failure to report spending with the five specified groups by the due date, and not to exceed \$10,000 for willful failures to report. Failing to report within 30 days of written notice from the insurance commissioner that the insurer has failed to report will be considered willful.

Public Disclosure

By November 1 of each reporting year, the insurance commissioner will post on its website:

1. The aggregate demographics of the governing boards for all companies that submitted information. The commissioner will not disclose the demographics of any individual board member or the board demographics of any company; and
2. The contents of each admitted insurers' reported information on minority, women, LGBT, veteran, or disabled veteran-owned business procurement.

In other words, a company's board demographics will not be publicly posted, but its diversity spending will be.

Insurance Diversity Task Force

SB 534 also requires the insurance commissioner to establish and appoint an Insurance Industry Diversity Task Force to advise the commissioner on best methods to increase procurement with diverse suppliers and to increase diversity on governing boards within the insurance industry.

Next Steps

Covered insurers should prepare now in order to be able to provide the required reports. Among other things, insurers should:

1. Review or create a Board Diversity Policy Statement;
2. Review or create a Supplier Diversity Policy Statement;
3. Review or create a Supplier Diversity program;
4. Review and revise, as necessary, procurement contracts to require contractors to report on their qualification as minority, women, LGBT, veteran, or disabled veteran-owned businesses;
5. Review and revise, as necessary, procurement records systems to accumulate the required data for reporting; and
6. Schedule a review next spring, well in advance of the July 1st deadline, to develop the company's submission.

Jackson Lewis attorneys are available to answer questions about the new law and help insurers comply with its requirements.

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