

Alerts

NY DFS Announces Insurers Diversity Efforts Will be Reviewed in Examination Process

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Insights for Insurers

The New York State Department of Financial Services (DFS) recently issued [Insurance Circular Letter No. 5](#) outlining its expectation that NY-regulated insurers make the diversity of their leadership a business priority and a key element of their corporate governance. Questions related to diversity-related efforts will be integrated into DFS' insurer examination process starting in 2022.

The guidance recognizes existing insurance industry DEI efforts and cites to research and data that shows DEI is good for companies' bottom lines, including increased profitability, broader customer base, more innovation, better risk management, larger talent pool and more satisfied employees. The guidance also describes growing pressure from investors and other financial groups and governments on DEI commitments, disclosures and results.

To "move beyond words and good intention to actions and real change" DFS expects NY-regulated insurers to make diverse leadership a business priority and a key element of their governance, and states that insurers should also:

- focus on their pipeline of future diverse leaders
- focus on the diversity of their insurance producers and third-party providers
- monitor and proactively address the disproportionate impact of the pandemic on women and people of color, which could significantly set back efforts to increase leadership and workforce diversity
- treat diversity like other strategic business priorities, including communicating its importance to all stakeholders, explaining how it will be achieved, setting goals and measuring progress toward those goals

DFS will collect and publish data relating to the diversity of corporate boards and management in order to provide transparency, identify areas for improvement, set goals and measure progress. As a first step, DFS will begin collecting data in summer 2021 from NY-regulated insurers with more than \$100M in annual NY premiums, relating to the gender, racial and ethnic composition of their boards and management as of 12/31/2019 and 12/31/2020, including board tenure and key board and management roles. DFS will publish the results in Fall 2021 on an aggregate basis based on the type of insurer and other relevant factors.

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