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Diversity & Inclusion: a long and winding road

Good morning. I am thrilled to be here with you today.

When I first heard about the Bermuda Captive Conference embracing diversity and inclusion as a theme, it made sense to me. I don't need to tell this audience that organizations that utilize captives are generally ones that have the best risk management and excellent risk awareness. Put simply, they manage risk better, they manage themselves better and they produce superior results because of it.

There's a parallel with Diversity and inclusion. Organizations that embrace diversity and inclusion and actively focus on it are better managed, and they produce superior results because of it.

It may seem odd that a chief financial officer is going to talk to you about diversity and inclusion. The person you'd expect to see up here would be a head of human resources, or perhaps a head of culture. Of course, some companies actually have heads of diversity and inclusion.

While I'm CFO at Hamilton insurance Group, I'm also the executive lead on our company's diversity and inclusion initiative. By the way, to keep things simple, I'm going to use "D&I" as much as possible throughout my comments.

Hamilton put a stake in the ground about D&I almost immediately after it was formed: our former CEO Brian Duperreault delivered his "Where Are the Women?" speech right here at this very conference. That was in 2014.

At Hamilton, we've been vocal about gender equality and other aspects of inclusion, but we haven't had a formal structure to embed D&I in our corporate culture.

That's to be expected. We're a young company, building a multiplatform operation pretty much from scratch. We're lean, and most of us wear multiple hats. So, there are some aspects of running a company that have taken longer to formalize while we got our core functions up and running.

But the executive team at Hamilton, led by our new CEO Pina Albo, have agreed that as we come up on our fifth anniversary, this is the year to put a D&I strategy in place.

As I said earlier, I'm executive lead for D&I at Hamilton. Why? Well, we know that if something like D&I doesn't have support in the C-suite, it's doomed to fail. I also feel very strongly about the subject.

I'm supported in this initiative by Hamilton's Chief Communications & Culture Officer, Wendy Davis Johnson. D&I has clear implications for the type of culture a company wants to establish to remain relevant and competitive, so Wendy and I are working closely to make sure D&I becomes embedded in Hamilton's culture.

One of our initial actions has been to form a D&I Forum, comprised of a cross-section of our employees supported by our HR and Communications teams.

The Forum's first task is to develop a D&I Strategy. It's been gratifying to witness the collaboration and passion of the team and fascinating to hear their various insights.

My talk today is going to look at how D&I contributes to a company's bottom line, why it's so hard to get an effective strategy in place and why we all need to do much more. But first I'd like to tell you a bit about my own experiences with D&I.

My father, Fred Reiss, set up the first captive operations in Bermuda in the 1960s, and he moved the family to Bermuda in the early 1970s when I was a wee toddler. He was from a working-class background in Cleveland, Ohio and my mother had been a flight attendant. So, on arrival we weren't affluent, and we were expats.

My father was, to a large extent, not welcomed by the business community here. The economy in Bermuda was dominated by the local white minority – racism and segregation were prevalent, and the environment was anything but inclusive. There were, of course, some exceptions - dynamic and forward-thinking individuals - but **collectively** the business community here was inward and very much a protectionist boys-club.

Now, bear in mind that my father was a white male whose ideas brought prosperity to the island. If he was shunned, can you imagine what it was like to be a woman or a person of colour in such an environment!

My father's success in developing the captive industry in Bermuda created the platform for growth of the broader insurance and reinsurance industry here, and Bermuda soon attracted world class leaders - people like Brian Duperreault, Audette Exel and Don Kramer. These men and women had a big impact and the climate here began to change very much for the better. Unfortunately, the shameful legacy of the past, its patriarchy and the economic disparity it fostered remain unresolved today. There's work to be done.

As a child, I was blissfully unaware of what my father had to overcome. As you know, Fred Reiss was credited with coining the term "captive" and he was very successful. So, I grew up in privilege and comfort. I entered the workforce in 1993 and immediately fit in.

My father died that year, but his legacy is a wonderful asset for me. Doors were opened to me just because of who my dad was, and incredibly, only seven years after graduating from college, I was made a Partner at a Big 4 accounting firm.

Now that's incredibly fast. I like to think that **eventually** I earned the right to that partnership, but I know that only a white male with inherited connections could have been recognized so quickly.

I've spoken about my home in Bermuda, but these issues are not unique to Bermuda. I have two young children and so I worry about their futures. I believe we need a far greater sense of urgency in resolving issues of fairness and equality of opportunity. As my children, and your children, grow and enter adulthood, the environment needs to be far more diverse and entirely inclusive – in other words, far healthier.

So – this is a subject I care deeply about.

Earlier, I mentioned Brian Duperreault's *Where Are the Women?* speech. I had a look at it as I was putting my thoughts together for my talk today. I was struck by how similar the themes are, and – unfortunately - how little has changed.

Let me give you some examples.

Brian noted that in 2012, a Forbes columnist described the C-suites and Boardrooms of a typical corporation as “male, pale and stale.”

Here we are in 2018 – and that’s still an accurate description of most corporate Boardrooms and management teams, particularly in the insurance industry.

A quick check of the Boards of Directors of some major insurance and reinsurance companies in Bermuda shows that women are still in the distinct minority. Persons of colour are virtually non-existent.

But it’s not just in Bermuda. You’d find the same lack of diversity in the Boardrooms of corporate America. Take a look at Boards of the managing agencies at Lloyd’s and it’s the same story.

Another example:

A study reported a couple of weeks ago in The New York Times noted that the number of women leading Fortune 500 companies declined 25% from last year. And this is from a base of only 32 women.

Here’s another example:

EY has a Countdown Clock that estimates the time until the world reaches gender parity. For those of you who were here on Monday, on one of the panels Laurie Forkas, from Marsh McLennan, mentioned this clock.

When EY launched the clock at Davos in 2015, the estimate was 80 years. As Laurie mentioned on Monday, it's now 217 years. By the way, as I was preparing this speech, it slipped a year.

One more example, just to really drive home my point:

In recent years, Lloyd's of London has emerged as a thought leader in D&I and are working on a five-year D&I plan. Each year, they produce a report called Inclusion@Lloyd's. Their most recent update notes that there's been "a significant drop in respondents who feel they have achieved a positive D&I culture in their organization."

So – not only are we not making much progress, in some cases we're actually losing ground.

There's a lot of time and effort being invested in this area so we have to ask why this is happening. If establishing diverse, inclusive companies is the right thing to do and makes good business sense, why haven't we done a better job at mirroring the diversity of our communities in our workforces?

There's more than enough financial incentive to get this done. McKinsey just recently updated their seminal report on D&I. It adds to the litany of proof that companies who embed D&I in their business are more profitable.

For their latest report, McKinsey expanded the number of companies they surveyed to over one thousand, in 12 countries and in multiple industries, including insurance. I'll quote directly from the report:

There is a statistically significant correlation between a more diverse leadership team and financial performance.

*Companies in the top quartile for gender diversity on executive teams were **21%** more likely to outperform on profitability and **27%** more likely to have superior value creation.*

*Companies in the top quartile for ethnic and cultural diversity on executive teams were **33%** more likely to outperform on profitability and **27%** more likely to have superior value creation.*

*Conversely, companies in the bottom quartile for both gender and ethnic/cultural diversity were **29%** less likely to achieve above-average profitability than were all other companies in the McKinsey data set. Not only were they not leading, they were lagging behind.*

I'm pretty sure everyone here could quote reports similar to this one – although if you haven't read McKinsey's, I highly recommend it. It's called **Delivering Through Diversity**.

Enough studies have been done over the last decade to prove the wisdom of implementing strategies that lead to more diverse and inclusive work environments. And still - the rate of change can only be described as glacial.

Again – we have to ask why.

Well, I'm going to risk stating the obvious - This is a devilishly complex issue. It's not a "one and done", tick the box exercise. That's why I've titled this speech (with apologies to the Beatles), *a long and winding road*.

Let me use race in Bermuda as an example.

As I explained earlier, Bermuda has struggled with race relations for decades. Attitudes have changed for the better. But the economic disparity, and the unfairness of how that disparity arose, remains largely unresolved.

When I was a teenager, my friends and I did a lot of fishing. We became friends with a young black commercial fisherman. His name is Wyman, and he came offshore with us all the time.

Wyman lived in Flatts Village and when my friends and I arrived at the dock, he would always smile and say “Greetings, white hopes.”

You get to know someone quite well when you spend days together bobbing around in the ocean. Wyman would listen to our banter about our lives and aspirations, and he would say “You white hopes have **all** the hope. Black hope has no hope.” We knew what he was saying, but as a white teenager in the 1980’s, in truth, I didn’t properly understand it.

I understand it now.

Since that era, I believe we’ve made tremendous progress in eliminating out-right discrimination, but that’s not enough.

I’ll state the obvious again: Every Bermudian, regardless of colour, should have an equal chance at a good job with good pay as well as an equal chance at promotion to the C-suite. Everyone should have the same **hope**.

But as I said earlier, the number of persons of colour in our C-suites and Boardrooms is miniscule compared to the demographics of our local population. And, as with the broader issue of D&I, the reasons are complex.

One reason – perhaps the *main* reason - is the type of education that Bermudians have access to. More white Bermudians attend private schools than black. This experience opens doors to colleges and universities in a way that isn't offered to students in public schools.

It's that "old boys' network" at work. We need to figure out how to provide better visibility and access to those who have not been born into privilege.

Please understand I'm **not** advocating for a private school education; I'm just explaining one of the traditional factors that has fed into a process that can't be described as inclusive.

Another reason for the lack of representation of black Bermudians in our industry is its relatively insular nature. **How** you hear about a job too often depends on **who** you know. Our recruiting policies have often been driven by using a word of mouth process rather than one that would invite a broader range of applicants.

And the Bermuda industry, and the captive industry generally, has relatively few entry-level positions. We aren't a labour-intensive market. Many of the positions we hire for are mid to senior level management.

Now don't get me wrong. Our industry has made real progress in improving the way we reach out to the community. Hamilton is a founding member of the Insurance Careers Movement, which has been established to educate young people about the opportunities that insurance offers and to spread the word that we want a more diverse and inclusive workforce.

Organizations like the Bermuda Insurance Institute and the Bermuda Foundation for Insurance Studies, which are both well represented at this year's conference, as well as trade associations like ABIR, ABIC and BIMA are working hard to make the Bermuda industry, and the captive industry, more welcoming and accessible for any minority who wants to pursue a career in insurance and reinsurance.

The point I'm making is that the reason there aren't more Black Bermudians in our industry, particularly at senior levels, is much more complicated than outright discrimination. It's the legacy of white supremacy, slavery, and how this legacy continues to permeate our institutions despite the monumental shift in attitudes and intentions.

[pause]

Each of the many other aspects of diversity are impacted by factors that are just as complex.

At Hamilton, we have an illustration for the many facets of diversity. It's an iceberg, with the visible features of diversity - like race, age, gender and physical - above the water line. That accounts for about 10% of the iceberg.

The other 90% represents features that generally aren't visible. This includes sexual orientation, social background, marital status, education and thinking styles. Also, I should note that many disabilities (physical and mental) are not visible.

At Hamilton, when we talk about a diverse, inclusive work environment, we're talking about creating spaces where *any* employee feels comfortable. We often use the phrase "bringing your whole self" to work to describe what type of office we want.

We live and work in a multigenerational, increasingly diverse, hyper-connected world. "Bringing your whole self" means not worrying that your differences are going to affect how you're treated and what opportunities you're offered.

I've given you examples of where progress seems to be losing ground rather than gaining.

But - all is not lost.

There's evidence that whatever backsliding or stalling might be occurring is because we're much more informed about what authentic diversity and inclusion looks and feels like. We have more data, more experience and, as a result, more insight.

For example, Lloyd's feels the decrease in the perception of positive D&I cultures is because there's a better understanding of what constitutes inclusiveness. As Lloyd's put it in their update: "Companies are aiming higher."

Companies are not only gathering more data; they're gathering data that reflects the many aspects of diversity that I mentioned earlier.

Even with the restrictions imposed by data privacy laws, a growing number of companies are working with their employees to track data on gender, age, nationality, marital status and ethnicity. A smaller number are tracking disability, religion and sexual orientation. Some capture employees' status regarding care giving.

Everyone who's serious about D&I agrees that good data are critical, and that you need a baseline if you're going to set goals and measure progress.

[pause]

So, let's assume there's general agreement that more and more companies are gathering demographic information about their employees, and that there's real learning taking place as a result. What else is at play in hindering our progress towards inclusion?

Let's look at bias.

The New York Times article I quoted earlier quashed some of the old arguments about why women don't progress to the C-Suite. A few years ago, it was felt that women didn't look for stretch assignments and didn't advocate for themselves. They were too passive and didn't emulate the male colleagues in being assertive.

It's now felt that unconscious bias plays a huge role in determining a woman's path to success. That bias affects perceptions of women as leaders and women as working mothers.

Faced with invisible hurdles – how do you fight a bias that's unconscious? - women opt out, and research indicates this is usually when they're in a middle management position. As a result, there are fewer and fewer women coming up through the ranks, and fewer and fewer women in the succession pipeline.

And what type of role a woman holds impacts her career. Is her position revenue generating or does she work in a cost centre? It's the money-making positions that tend to lead to promotions in the C-suite.

According to the annual **Women in the Workplace** study by Lean In and McKinsey, only **22%** of senior vice presidents are women. Of that number, only one fifth are in revenue-generating roles. And women in those positions are **18%** less likely to be promoted than their male colleagues.

Bias is really quite insidious. I remember taking a course in unconscious bias when I worked at EY. I entered the training feeling quite confident in my open-minded, fair approach to how I interacted with my colleagues. I left realizing that I carried biases that I was unaware of.

[pause]

I've been doing a lot of reading about this subject, and everything I've read indicates that there are some specific actions a company can take to create a strategy for diversity and inclusion that has a fighting chance at success.

Some or all of this may sound familiar for any of you who've been involved in D&I at your company. But I think it's worth noting the basics.

The first is to realize you can't tackle the whole issue all at once.

Start by gathering data. Decide what makes the most sense for your company and your business strategy.

Decide what areas you want to focus on. Is it gender parity? A more balanced ethnicity? If you're doing business in more than one jurisdiction, local considerations will impact where you'd like to make a difference.

One of the first recommendations from Hamilton's D&I Forum was to expand the data sets that we collect beyond age, gender and position. Once we have a better sense of the makeup of our workforce, we can make some specific decisions about the goals we want to set.

Companies also feel there's real value in core D&I education as well as unconscious bias training. We're about to roll out company-wide training at Hamilton, led by Christie Hunter Arscott.

I'm sure many of you in this room know Christie. For those of you who don't, Christie is a Bermudian who's established a global practice as a gender and generations strategist. She's been supporting our D&I initiative for the last few months and has been an extremely valuable resource.

I personally recommend having a knowledgeable resource if you're just starting a D&I initiative. There's been so much work done in this area that there's no point reinventing the wheel. Perhaps more importantly, you want to take advantage of the lessons learned by others. There are many pitfalls and unintended consequences of various seemingly good ideas. Christie has been a big help to us as we navigate the challenges.

Recruitment is another key factor in building a diverse and inclusive workplace.

Something as simple as the language in a job advertisement can include wording that implies a bias. The head of talent at one of the global insurers has noted that adjectives like "energetic" or "active" can deter applicants with a physical challenge. She also notes that job ads often default to typically "macho" language in describing what's expected in a particular role.

Making sure you've attracted a diverse candidate pool is also key. Don't accept that you can't find a broad range of applicants. Have a look at where you're recruiting and see if you're defaulting to the same talent pools.

Once employees are hired, their introduction to the company has to be more than “you sit here; there’s your phone; sign this form.” New recruits should understand the mission of the company, what the organization stands for, and how they contribute to its success. There should be a process for checking in on how a new employee is doing. Lots of companies set up buddy systems to make sure an employee’s entry is a smooth one.

Do these steps sound like no brainers to you? The fact is – most companies don’t do what I just described. They don’t identify D&I goals, gather the necessary data, check their recruitment policies and practices, insist on diverse applicant pools, or train the managers interviewing candidates.

I think one of the greatest learnings from the research that’s been done and the experience of others involved in D&I is that authentically inclusive organizations demand careful planning, attention to detail and a recognition that it takes time – often a long time – to change behaviour.

The process requires a diligence just like any other business-critical aspect of running a company in today’s world.

It’s a marathon, not a sprint. The road is long; and perhaps the operative word is winding.

To make this point, I'd like to refer to an article I read last month in The Washington Post. I'm really serious when I say I've been reading a lot about this subject.

The article was about Starbucks and so I'm delighted that Derreck Kayongo made reference to the matter yesterday.

I assume that you have heard about this incident, which occurred at a Starbucks outlet in Philadelphia. Two black men were arrested after refusing to leave. They had told a Starbucks manager they were waiting for a business colleague – which they were – and the manager called the police. I think it's safe to say that if the men had been white, this isn't the action the manager would have taken.

Derreck noted yesterday that "Not understanding Diversity" cost Starbucks dearly.

Derreck's right, but The Post article listed all that Starbucks had been doing for several years to address issues of racism. CEO Howard Schultz, who seems likely to go into politics when he leaves Starbucks at the end of this month, was disturbed by the racial tension escalating in America. In 2014, he started holding town hall meetings with his employees.

You might remember Starbucks' attempt to generate dialogue about race when baristas wrote on customers' coffee cups. I think everyone now agrees that was probably a ham-handed way to address the issue.

But I don't think anyone questions that Starbucks has been focused on the greater good since its inception. Its mission is "to inspire and nurture the human spirit one person, one cup and one neighborhood at a time."

Here's the first value listed on Starbucks' website:

- Creating a culture of warmth and belonging, where everyone is welcome

If ever there was a company founded on principles that should lead to a diverse and inclusive workplace, Starbucks is it.

And Howard Schultz' vision has substance. He saw offering full health benefits to part-time workers as good for them and great for his company.

After the incident in Philadelphia, Schultz pledged to shut down every Starbucks store in the US so that all 175,000 employees could participate in unconscious and racial bias training. He did just that on May 29.

Now clearly, this one event isn't going to resolve issues of racial or other bias.

Schultz himself stressed that this is just another step towards making sure all clients, as well as all employees, feel welcome. As he put it: "This was a moment of leadership, as well as an admission that we had a systemic issue ourselves that we needed to address."

[pause]

So, I believe we're at an inflection point. Attitudes have changed for the better, but, as I've explained, the current rate of progress is not good enough.

More and more organizations are realizing that they must work harder at D&I and, frankly, be much more fearless in changing the status quo.

In Bermuda we have a labour government in power – they want to bridge the inequality gap - the people of Bermuda increasingly demand it. The redistribution of wealth, usually through taxation, is part of what any government does.

But our government is in a tough spot. We need foreign investment more than ever and wealth is more mobile than ever.

The smaller a jurisdiction is, the more difficult it is to balance revenue collection and social policy with the need to attract and retain wealth and investment in the country.

The answer is that we in the private sector need to lead. We control vast swathes of wealth creation, and, more crucially, we control who gets the best opportunities. I believe that more and more CEOs, like Howard Schultz, recognize this.

It seems that Howard Schultz has perhaps decided that he has done all he can in his current role to embed D&I in the United States through the corporate sector and is now perhaps ready to serve in the public sector to pursue his mission.

For those of us remaining in the private sector, if we don't vastly improve and get it right, then governments here and in other countries will ultimately have to step in and do it for us. If that happens, I can assure you, we will deeply regret our failings.

Derreck Kayongo spoke yesterday about a "Yuck Factor". He used that term in a slightly different context, but deep-rooted biases and customs are hindering our progress – perhaps these are **our** "Yuck Factor" and we need to clean it up.

So - the road to diversity and inclusion isn't straight and it isn't short.

But like every other challenge we face in building profitable, sustainable companies in the 21st century, making sure that our companies reflect the hopes and dreams of the people we hire has to be one of the most important and meaningful challenges we face.

And there's that word again. "Hope." We all need it, right?

Thank you.