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October 27–29

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THE IMPACT OF RECENT SOCIAL MOVEMENTS ON DIVERSITY AND INCLUSION INITIATIVES

October 28, 2020

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Speaker



Christopher Brammer

Vice President, Lemme Insurance a division of EPIC

Chris is an industry veteran and has spent the past 23 years providing brokerage and risk management solutions to Law Firms and CPA Firms across the states. He focuses on C-Suite related coverages, including professional liability, employment practices liability, management liability and cyber liability.



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Speaker



Kelly Geary

Managing Principal, EPIC Insurance

Kelly Geary is a Managing Principal with EPIC Insurance Brokers and Consultants based in the New York City area. She serves as the *National Practice Leader – Executive and Cyber Risk* as well as Coverage Counsel & Claims Leader for Lemme, a division EPIC.



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Speaker



Kathleen Haggerty, Esq.
General Counsel, PBMAres, LLP

Kathleen Haggerty is General Counsel and the head of Risk Management at PBMAres, LLP. Her responsibilities at PBMAres include advising executive management on matters related to corporate compliance, mergers and acquisitions, employment law, and other risk matters affecting the firm. Prior to joining PBMAres, Ms. Haggerty worked in civil litigation, assisting businesses in aspects related to corporate compliance and litigation.



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Agenda

Topic	Minutes
Radical Social Change	10
Diversity and Inclusion	10
Liability and Risk Transfer	10
Best Practices	20
Q&A	10



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Objectives

By the end of this course, you will be able to:

- Participants will have a greater understanding of when BLM and MeToo social movements began and how they impact firms today.
- Participants will have a greater understanding how increased focus on ESG responsibilities and the rise of Certified B Corps and Benefit Corps is impacting firms today.
- Participants will understand the practical impact of the major social movements on diversity and inclusion initiatives within the accounting industry.
- Participants will understand the connection between the social movements and liability risk as well as insurance risk transfer.



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RADICAL SOCIAL CHANGE

Social Movements, ESG Responsibilities and the Rise of Benefit and B Corps

*“A social movement that only moves people is merely a **revolt**. A movement that changes both people and institutions is a **revolution**.”*

- Martin Luther King Jr.



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Recent social movements



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#MeToo Movement

- ✓ Movement against *sexual abuse and sexual harassment* where people publicize allegations of sex crimes committed by powerful and/or prominent men.
- ✓ Movement for liberation and equality.
- ✓ The phrase "Me Too" initially used in **2006** on social media platform Myspace, by sexual harassment survivor and activist Tarana Burke.



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#Black Lives Matter Movement

- ✓ Political and social movement advocating *against police violence towards black people as well as for various other policy changes* considered to be related to black liberation and equality.
- ✓ Movement began in **July 2013**, with the use of the *hashtag #BlackLivesMatter* on social media after the acquittal of George Zimmerman from shooting death of Trayvon Martin.



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Demand for corporate social responsibility

- ✓ Millennials and Gen Z – heightened awareness
- ✓ Millennials: **50%** of workforce (2020)
- ✓ Gen Z: **24%** of workforce (2020)
- ✓ Millennials are “*prepared to **make personal sacrifices** to make an impact on issues they care about...[including] **taking a pay cut to work for a responsible company.**”*



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Business in 21st century: purpose **over** profit

- ✓ Maximize **Profits** vs. Maximize Value for **Society**
- ✓ ESG – Environmental, Social, Governance



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Corporate social responsibility in action – focus on ESG

- **Netflix, Amazon, Verizon** use their platforms to speak out in **solidarity**, and made **donations** to organizations focused on combating racial injustice.



NETFLIX

- **Panera Bread** – First national restaurant company to label “climate-friendly” foods
“Cool Food Meals”



verizon✓



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Rise of Benefit Corps and B Corps

- Public Benefit Corp or “**Benefit Corp**”
 - A *corporation* that is **legally permitted** to consider impact on social and environmental issues to be *equally* important as impact on shareholders’ financial interests.
 - Benefit Corp legislation in **36 states**; pending in 5 other states.
 - Must add language to Charter and Articles of Incorporation requiring shareholders to consider non-financial interests
 - No tax benefits.
- Certified Benefit Corp or “**B Corp**”
 - **Certification** by non-profit B Lab; verified to exceed the threshold for *positive impact on the environment and society*.
 - Only available to “for-profit” organizations + annual fee between \$500-\$50,000.

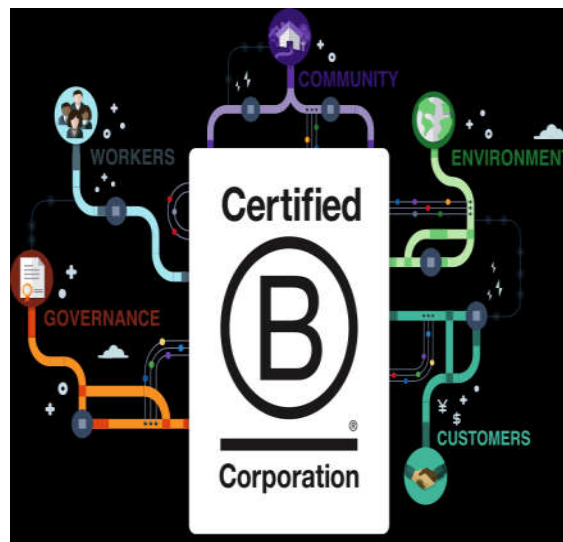


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Certified B Corps

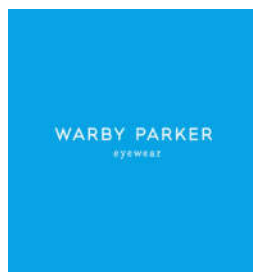
- **2007:**
 - First round of B Corp certifications.
- **2020:**
 - 3,564 Companies
 - 150 Industries
 - 74 Countries



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Certified B Corps



Lemonade



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Accounting Services B Corps



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DIVERSITY AND INCLUSION

Benefits and Impact of Diversity and Inclusion:
Internal and External Perspectives

The life of privilege



<https://www.youtube.com/watch?v=kyl4EJhq47A>

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Diversity and inclusion

Diversity

- ✓ Any dimension used to differentiate groups and people from one another.
- ✓ Diversity in Workplace includes: **respecting and appreciating what makes employees different** in terms of age, gender, ethnicity, religion, disability, sexual orientation, education, and national origin

Inclusion

- ✓ Organizational efforts to make employees of all **backgrounds feel welcomed, and equally treated.**
- ✓ The process of inclusion focuses on **making people feel valued** and important for company's success.



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Benefits of diversity and inclusion

- ✓ Better **Financial** Performance
- ✓ More Innovative/Creative
 - Bring different perspectives to a problem
- ✓ Reputation Enhanced/**Competitive** Advantage
- ✓ Attract/Retain **Talent**
- ✓ Employee/**Client** Loyalty



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Attract/retain **talent** – internal perspective

Millennials and Gen Z: Crucial for firms to *attract and retain* a diverse talent pool of accountants from both generations, including the traditionally *underrepresented minorities* who will represent a *growing proportion* of the workforce.

- ✓ Focus on **Purpose** over Profit
- ✓ Want to make a **difference**
- ✓ They **care** about Diversity and Inclusion



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Attract/retain **clients** – external perspective

Millennials and Gen Z as CLIENTS!

- ✓ Millennials are moving into positions of **power**; Gen Z's are not far behind.
- ✓ They are **decision** makers
- ✓ They hold the **purse** strings
- ✓ They **care** about Diversity and Inclusion



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LIABILITY AND RISK TRANSFER


Impact of Diversity and Inclusion Initiatives on Liability and Insurance Risk Transfer

Challenger disaster: January 28, 1986


- Despite the concerns of frontline engineers who predicted a “***catastrophe of the highest order***” and requested to delay the launch, management at NASA decided to move forward.
- The ***Challenger failure was rooted in a deeper cultural failure within NASA, plagued by flawed decision-making, faulty communication, and a lack of internal checks and balances.***
- Plenty of people knew about the problem and chose to **do nothing or were rebuffed by the organization’s inertia** when they tried.
- 7 people **died**



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Boeing 737 Max crashes

- Two fatal crashes in Indonesia and Ethiopia, caused the deaths of **346 people**
- Investigation revealed a "culture of concealment" at Boeing was partially at fault.



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Liability risk/diversity and inclusion

▪ Diversity and Inclusion as Risk Management Tool

- ✓ Employers with **diverse** workforces are *less likely to be hit with discrimination and shareholder lawsuits* and they are in a better position to defend against such suits
- ✓ Recent wave of lawsuits seeking to hold directors and officers of major companies accountable for *alleged failures to uphold their commitment to diversity* → failure to enforce compliance with anti-discrimination laws,

▪ New Laws in CA – Board Diversity

- ✓ 2018 Board Diversity Law – Gender (following MeToo)
- ✓ 2020 Board Diversity Law – Underrepresented (following BLM); \$100,000 fine for violation



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Liability risk/diversity and inclusion

▪ Diversity and Inclusion **Creating** Liability Risk

- ✓ Increase in **awareness**, increase in discrimination lawsuits
 - Current environment → increase in frequency and settlement values
- ✓ Mistakes in **implementing** Diversity and Inclusion initiatives
- ✓ Providing **advice** to Clients on Diversity and Inclusion
- ✓ Being **inconsistent** about **commitment** to Diversity and Inclusion



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Insurance risk transfer

- Insurance **Policies** to Consider:
 - ✓ Employment Practice Liability
 - ✓ Management Liability/D&O
 - ✓ Errors and Omissions
- Insurers **Experience**
 - ✓ Increased Claim Frequency and Severity post-social movement
- Impact on Insurance **Market**
 - ✓ Enhanced Underwriting: Additional Underwriting **Questions**
 - ✓ Increased premium/retention
 - ✓ Coverage Restrictions?



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Insurance risk transfer

Enhanced Underwriting

With greater awareness surrounding civil right movements such as 'Black Lives Matter', has the insured?

- ✓ Acknowledged this movement and identified any areas of improvement?
- ✓ Reviewed the companies policy towards workplace discrimination, with particular focus on racism and whether the dress codes forbid engaging in any political discourse?
- ✓ Promoted/made available resources/materials and diversity programs to broaden the workforce's knowledge on these issues?
- ✓ Continued focus on having a diverse workforce in place, as well as ensuring equal opportunities are available for employees of BAME background?
- ✓ Provided any additional means of support for employees whose well-being has been affected by these issues?



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BEST PRACTICES

Best Practices – Diversity and Inclusion

Best practices/take aways

Internal Perspective

- ✓ Change **Behavior** not Thinking
- ✓ Consult with **Experts**
- ✓ Conduct **Training**
- ✓ Create a **Culture** of Diversity and Inclusion
- ✓ Be cautious about becoming an **advisor**

External Perspective

- ✓ Be aware of evolving client values.
- ✓ Are your service teams diverse?
- ✓ Are you focused on ESG efforts?
- ✓ Firm website
- ✓ Community presence
- ✓ Social Media



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