



escalent

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## Financial Services COVID-19 Market Research Perspectives

### *Ongoing coverage of COVID-19's impacts*

We find ourselves facing not only a global pandemic, but also a broad call for racial equity. Customers, clients and employees are watching and noting diversity and inclusion efforts. When it comes to diversity and inclusion, all of financial services—Escalent included—has imperative changes to make for the foreseeable future. We need to do better. Change is going to take sustained, hard work, but we must not shy away from progressing forward with something that cannot be accomplished all at once.

In this volume, we bring you perspectives from across the financial services space on the status and progress of diversity and inclusion efforts. We encourage you to do your part!

#### IN CASE YOU MISSED IT

- [Greenbook's COVID-19 Insights Leaders Roundtable Featuring Chris Barnes](#)
- [Restoring the Economy in the Wake of COVID-19](#)
- [Brace Yourself for a Slow Economic Recovery—What RIAs Need to Know](#)



## We've got you covered.

What to do:

- 1** Track and Be Vocal About Progress
- 2** Mentor and Be Mentored
- 3** Institutionalize More Actions Towards Equality

# Gender and Racial Disparities

*“Disruption has increased social and financial engagement, perhaps higher than any of us will ever again see in our lifetimes. Let’s find ways to use that to our advantage to make a difference. Let’s aim big, moving beyond just diversity to equality and fairness. Median household net worth of all white households is nearly 10 times that of Black American households.^ Data can tell us how we’re progressing and also more precisely what needs to change. Then we can move past the surface and to a foundation of financial security.”*

– Lindsey Dickman\*, SVP, Financial Services



## Measure Your Progress

*“You can’t manage what you don’t measure.” – Peter Drucker*

As researchers we know that if you want to discern whether the actions you take make a real difference, you have to identify the right key performance indicators (KPIs) and track them over time. Without measuring, it becomes supremely difficult to identify aspects that succeed or fall short, and/or to sustain focus and accountability for the long haul. Much of the financial services industry’s dialogue around gender and racial equality KPIs currently emphasizes metrics such as:

RECRUIT	ONBOARD	ADVANCE	RETAIN
<ul style="list-style-type: none"><li>• # who are likely to recommend you as a place to work</li><li>• % who withdraw from recruiting process</li><li>• # of successful applicants per sourcing channel</li></ul>	<ul style="list-style-type: none"><li>• # of new hires who feel welcome</li><li>• # who believe their pay is fair/equitable</li><li>• # of new hires who express trust in employer</li></ul>	<ul style="list-style-type: none"><li>• % who believe they have a defined path to a leadership role</li><li>• # who feel safe asking questions or making mistakes</li><li>• # who participate in mentorship programs</li></ul>	<p>By tenure:</p> <ul style="list-style-type: none"><li>• # who feel supported by their managers</li><li>• # who feel actively encouraged to stay</li><li>• # who feel respected/accepted for who they are</li></ul>

Source: FundFire and NYU Webinar

## Mentor and Be Mentored

Mentors and support networks exist to help address gender and racial disparities in financial services:

*“The obstacles women (including women of color) face that keep them from advancing to top-level positions often have their roots in a lack of mentorship and sponsorship both within their organizations and the industry. Isolation is a huge issue for women in male-dominated fields such as the retirement plan business.”*

– Women in Pensions Network



\* Lindsey Dickman is a proud member of WiPN

^ Source: Board of Governors of the Federal Reserve System, 2016 Survey of Consumer Finances.

# Racial Disparity in Wealth Management

*“Financial literacy and trust are major factors in the lack of engagement among minorities. While financial literacy education is more readily available than ever before, the absence of diversity within wealth management companies continues to be an engagement barrier. To eliminate racially-charged miscues and build trust, we need equal representation on both sides of the table.”*

– Hasan Elsadig, Senior Analyst, Financial Services



## Among Employees

Asset management firms have snapped up Chief Diversity Officers in recent years as awareness of stark demographic imbalances at their firms increases.

## Within Products

It has been claimed that the asset management field at large has only [1% of assets under management](#) managed by women and minority firms.

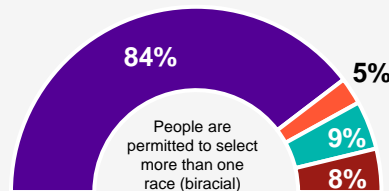
## Among Clients

The financial crisis has negatively and disproportionately impacted People of Color, women, younger people, small business owners and gig workers, according to [recent surveys](#).

An incredible 56% of Black Americans reported being worried about their financial future. Alongside this, more people are expecting to work longer than planned. This dim outlook will change the face of financial wellness initiatives and retirement planning.

## Demographic Imbalance in the Investment Industry

● White ● Asian  
● Black/AA ● Hispanic/Latinx



Source: US Bureau of Labor Statistics, Current Population Survey, 2019.

## Making Progress

With Black Lives Matter at the forefront of debates in SEC meetings, let's take a closer look at the [progress firms are making](#):

### EXEMPLARY ACTIONS BEING TAKEN

- Hosting discussions in the workplace
- Encouraging employees to share their own stories of inequality
- Establishing funds to tackle injustice
- Donating to NAACP and other organizations that promote racial equality
- Opening offices in Atlanta and other diverse cities
- Supporting hate crime bills
- Creating new roles, such as 'Global Head of Diversity'
- Supporting executives making statements, (i.e., social media), condemning racism, inequality and violence



Morgan Stanley



T.RowePrice



BLACKROCK

### ESCALENT PERSPECTIVES

*“Though I often think of ESG investing as related to the environment, it also covers inequities and should consider racial disparities. As we see ESG gaining more traction, we have to be careful that it could all too easily become just another buzzword. I look forward to playing a research role in helping companies remain intentional about what they stand for so that we do not miss out on the opportunity to see real change happen.”*

– Holly Kilbourn,  
Research Associate



# Racial Disparity in Banking

*“The World Bank’s definition of [financial inclusion](#) focuses on access, which is absolutely a major barrier to solving the racial disparity in banking. However, without meaningfully solving the trust barrier and truly treating Black and other minority customers equitably, fixing the access issue will only go part way.”*

– Loribeth McCann, SVP, Financial Services



## Access

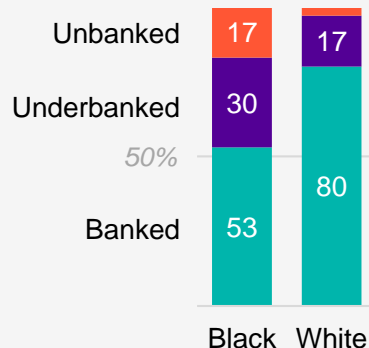
Minority communities continue to have significantly lower access to banks than White communities, with [one report](#) citing 41 banks per 100,000 in white neighborhoods vs. 27 per 100,000 in non-white neighborhoods. That same article acknowledges the skew toward higher fees and riskier products for minority customers.

## Trust

Beyond access and the wealth gap, trust\* is a complicated barrier to address, as we have seen in our own underbanked research. Beyond the legacy banking and lending practices that disenfranchised Black people throughout our history, a recent NYT article [‘Banking While Black’](#), highlights experiences of racial profiling in bank branches.

\*\*“Don’t trust banks” was the 2<sup>nd</sup> highest reason for not having a bank account in 2017 FDIC survey, behind not having enough money.

## Banked Rates



Source: 2017 FDIC

## Making Progress

Within days of George Floyd’s death, leaders across the spectrum of banks had issued [statements](#) internally and publicly expressing remorse and condemning racism. How that will translate to action remains unclear for many.

### WALKING THE WALK

**Bank of America** announced a \$1 billion, four-year commitment to providing more support to local communities with an emphasis on people and communities of color who were more greatly impacted by the pandemic.



**JPMorgan Chase** plans to contribute to “a more inclusive world for the Black community,” including hiring and mentoring Black students, advancing policies of racial justice, and improving homeownership accessibility.



**US Bankcorp** pledged \$116 million to address racial inequality.



### ESCALENT PERSPECTIVES

*“Banking has a huge impact on people’s livelihoods, from access to housing and transportation to helping you get your paycheck. Having easily accessible banking services is important to saving and building wealth, so addressing racial disparities within the banking sector can have a meaningful impact on reducing the wealth gap. I’m proud to be a part of a team that is highlighting such an important issue within the financial services industry.”*

– Laura Winebarger,  
Senior Analyst





# Racial Disparity in Insurance

*“The insurance industry has historically struggled to attract new graduates who are more often drawn to higher profile jobs at places like investment firms or tech start ups. That includes People of Color. But the underlying societal-good that insurance provides—helping communities recover from natural catastrophes for example—has an inherent appeal that resonates today.*

– Jeremy Bowler, SVP, Financial Services



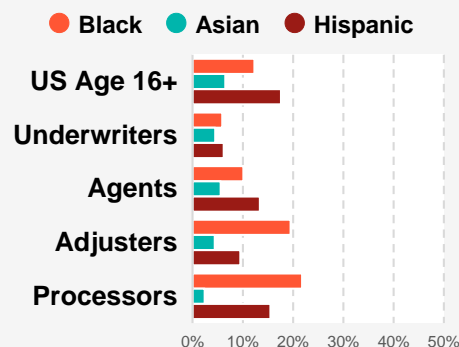
## Among Employees

Numerous carriers have made significant efforts to promote diversity and inclusion (D&I) within their ranks, but all acknowledge there is still much work to do. The events of the past six months have prompted CEOs from the likes of AIG, Allstate, Chubb, The Hartford and others to bring D&I to the forefront among strategic initiatives at their companies.

## Among Clients

Nearly eight in ten Black Americans have a goal to purchase life insurance, vs. six in ten US adults overall according to a survey released by NY Life this year; most often citing the combined benefits of risk mitigation and wealth transfer. After adjusting for factors such as income and education, a separate study found that Black Americans hold significantly more life insurance than whites as a result.

## Employed in Insurance



Source US Bureau of Labor Statistics, Current Population Survey, 2019.

## Making Progress



Objections have been raised to using credit data to set insurance rates, arguing it's a form of 'redlining' that unfairly punishes those who live in urban centers or belong to a racial minority. As a result, a number of states (CA, MA, and most recently MI) now ban the use of credit scoring in setting auto insurance rates. So, we see US insurers adopting the use of credit data (not credit score) to assess an individual's risk. The data are highly predictive, and very specific to each individual. However, the industry will have an uphill battle to convince consumers or regulators how these data are predictive of risk or why a shopper may get widely differing quotes from one carrier to the next.

## ESCALENT PERSPECTIVES

*“I’m thrilled to see more clients embracing and including specific race and sexual orientation questions in surveys—ensuring questions meet their standards on inclusivity or asking for our best practices. This feeds into reporting as well, as clients want more data cuts and key takeaways for marginalized groups. It’s a trend I anticipate the Black Lives Matter movement will accelerate. After all, we all drive. We all rent or own. We all need insurance—but that can and does look very different for people and we must continue the push for inclusivity in research for Black people and other minorities.”*

– Kerry Brind'Amour, Research Manager



# Racial Disparity in Health Insurance

*“Health insurance is the gateway to healthcare, plain and simple. For millions of uninsured People of Color, just accessing care is a major challenge, to say nothing of the quality of care. Add other health challenges to this mix (e.g., higher risk of chronic conditions, propensity to delay or go without care), and it’s clear why more work is needed to address disparities. This multifaceted problem requires an equally multifaceted solution.”*

– Elizabeth Wagner, Director, Health Insurance & Systems



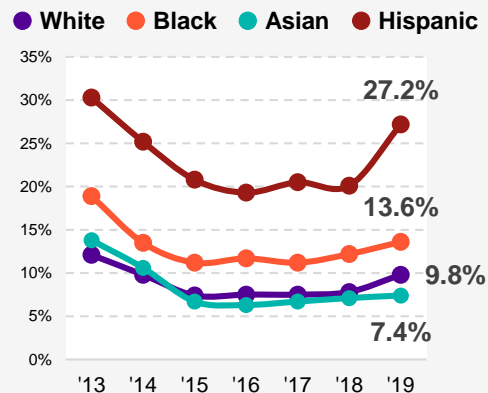
## Among Members

With the ACA’s core coverage provision (2014), uninsured rates actually fell among racial and ethnic groups, but the positive progress has stilled: about 15 million People of Color remain uninsured—that’s about half of the uninsured population. Many point to some states’ decision not to expand Medicaid as the leading cause of this.

## Among Employees

Regarding employment in the health insurance industry, People of Color are dramatically underrepresented and this is more pronounced in agency principals and senior leadership roles. Like many organizations in other sectors, ethnic minorities working in the industry report unconscious bias from white coworkers and managers and a dearth of mentorship from other employees of color.

## Uninsured by Race



Source: [Statista](#)

## Making Progress

Many payers now devote time and energy to researching and understanding social determinants of health in an effort to address health disparities specifically within their realm of control, such as coverage, costs, and care access points. Companies’ Diversity and Inclusion Councils help to promote cultural acceptance, create safe and inviting workplaces, and share learnings and best practices. Importantly, many of these councils recognize that the lack of ethnic representation in the sector stems from a lack of exposure to the industry in the first place. Several payers are addressing this by implementing innovative recruitment strategies.

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## ESCALENT PERSPECTIVES

*“With insurance coverage being one of the determinants of health outcomes, it is important to communicate about it well. In our work with policy-holders, we find that diversity, or lack of it, in photos within communication pieces is immediately noticed. Featured subjects can influence perceptions of the member experience—shaping individual attitudes around plan fit and suitability. Our work helps to keep this in the spotlight, and I’m happy to be a part of that.”*

– Sheila Lorenzo Johel, Analyst



# We've got you covered!

Our financial service research experts are committed to bringing you the data and insights you need to more effectively run your business. Let's continue our strategic partnership to keep research moving forward in a time when the financial services sector needs it more than ever.

*Meet just a few of our financial service research experts:*



## Talk to us.

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## About Escalent

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