



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

December 28, 2020

Vanessa Countryman
Secretary, U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

RE: SUPPORT – File No. SR-NASDAQ-2020-081, Proposed Ruling to Advance Board Diversity

Dear Secretary Countryman,

I appreciate the opportunity to comment in **SUPPORT** of **File No. SR-NASDAQ-2020-081** -- NASDAQ's proposed rule to advance board diversity and greater transparency. NASDAQ's wide-reaching proposal would magnify the critical importance for listed companies to provide greater disclosure of its board demographics in an effort to diversify corporate leadership among the highest levels of corporate America.

The racial justice movement that continues across our nation shines a light on the immediate and critical need to create and advance equitable and inclusive opportunities for leaders from historically underrepresented communities into the boardrooms of corporate America. As California's Insurance Commissioner, I am the chief regulator of the nation's largest insurance market where insurance companies collect \$310 billion annually in premiums. The California Department of Insurance (Department) maintains an unwavering commitment to inclusion, diversity, and equity, and I believe that NASDAQ's proposed ruling has far-reaching positive implications for the nation and world. Within my Department is the [Insurance Diversity Initiative](#), a high priority program whose purpose is to implement policies and outreach efforts to further diversify the governing boards and supplier diversity programming efforts of insurance companies.

Along with an enduring social justice movement, our nation is grappling with a global health pandemic. Our collective experiences over the past year emphasize the value of more thoughtful responses to COVID-19, a crisis which reflects the increasingly complex, interconnected nature of business today. These types of crises won't get any easier. The communities we serve expect us to use every possible tool, including the full scope of diversity and inclusion of the very people that sit in decision-making seats.¹ In this period of heightened uncertainty, more than ever before, it is time for businesses to focus on promoting diversity and fostering inclusion in order to give more opportunities to all for everyone to succeed.

In November 2020, my Department released results from the California Insurance Diversity Survey that unveiled some disconcerting disparities in the boardrooms across 260 insurance companies (comprising 90% of the total market share). In 2019, among at least 1,300 board seats surveyed, nearly 80% were occupied by Caucasians, and 70% identified as men. Meanwhile, less than 1% of board members publicly identified as LGBT and those from historically underrepresented communities continue to remain disproportionately low; namely, African Americans, Asians/Pacific Islanders, Hispanics/Latinos, and American Indians comprised only 6.5%, 4.4%, 3.4%, and 0%, of board seats, respectively. This is not only jarring, but it's also not representative of our nation's diversity.

¹ Why Leadership Diversity Matters in Handling Crises Like COVID-19. (n.d.). Wharton School of Business. <https://knowledge.wharton.upenn.edu/article/why-leadership-diversity-matters-in-handling-crises-like-covid-19/>

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California's recent landmark board diversity laws continue to make inroads for increasing representation of women -- SB 826 (Jackson and Atkins, Chapter 954, Statutes of 2018) -- and broaden diversity even more for people from underrepresented communities -- AB 979 (Holden, Chiu, C. Garcia, Chapter 316, Statutes of 2020) -- on boards. An analysis compiled since the [board gender diversity law](#) shows that, of the 511 newly appointed public board seats subject to this recently chaptered measure, white women account for 77.9%, followed by Asian women at 11.5%, African American women at 5.3%, and Latina at 3.3%.² The disproportionate underrepresentation of diverse board directors underscores the significance of NASDAQ's proposal to proactively address the underlying structural inequities embedded in corporate America.

To thrive, diversity must exist in the boardroom, and the U.S. Securities and Exchange Commission is positioned to take the lead in this significant endeavor. I believe that building corporate boards that are reflective of the diverse population of this country is meaningful and necessary. However, California, and a handful of other states, cannot do this alone. We must work together and create equitable opportunities in the boardroom, especially for board leaders from communities that have been historically left out across the country. There is no better time than now. Now is our moment.

For these reasons, I respectfully share my **SUPPORT** of **File No. SR-NASDAQ-2020-081**. Please contact me or Michael Martinez, Senior Deputy Commissioner and Legislative Director, at [REDACTED] if you have any questions.

Thank you for your thoughtful consideration on this important proposal.

Sincerely,



RICARDO LARA
Insurance Commissioner

cc: The Honorable Chris Holden, AB 979 joint author
The Honorable David Chiu, AB 979 joint author
The Honorable Cristina Garcia, Chair, California Women's Caucus and AB 979 joint author
The Honorable Toni Atkins, Senate President Pro Tempore and SB 826 joint author
The Honorable María Elena Durazo, Chair, California Latino Legislative Caucus
The Honorable Shirley N. Weber, Ph.D., Chair, California Legislative Black Caucus
The Honorable Richard Pan, M.D., Chair, California Asian and Pacific Islander Legislative Caucus
The Honorable Evan Low, Chair, California LGBTQ Caucus
Adena T. Friedman, President and CEO, U.S. Nasdaq

² Latino Corporate Directors Association. (n.d.). California Company Boards [Press release].
https://latinocorporatedirectors.org/ca_public_company_boards.php