

# How one woman redefined insurance as she was being told it wasn't possible

Redefining insurance meant Pamela Davis had to ignore everyone who told her it couldn't be done.

BY LORI WIDMER

For women in corporate America in the 1980s, it was all about trying to fit into a workforce that comprised mostly of men. For women in insurance, the effort was even more pronounced. A conservative, male-dominant industry, insurance was missing executive-level female professionals, let alone female entrepreneurs.

None of that stopped **Pamela Davis** from starting her own insurance company.

Davis is the founder and CEO of Nonprofits Insurance Alliance (NIA), a brand encompassing three insurers that provide 501(c)(3) organizations with a stable source of insurance that is specific to the nonprofit sector. Interestingly, all NIA insurers are themselves nonprofits. Beyond insurance, NIA provides assistance to help nonprofits develop and implement loss control and risk management programs, operates a loan fund for its California members, and provides many services that help nonprofits run their operations.

Since its inception, NIA has grown from a California-based assemblage of nonprofits helping each other self-insure to a multi-million dollar alliance of 20,000 nonprofits from 32 states and the District of Columbia. The organization welcomed its 20,000th member in December 2019.

All this from a CEO who, at the time of her company's founding, had never been in the insurance business.

## Defining an issue

It started with a thesis. In the mid-1980s, Davis, who was a graduate student at the Goldman School of Public Policy at UC Berkeley, was helping a friend out with some nonprofit work. That's when she learned of the problem nonprofits were having in getting insurance coverage, a serious issue in California that was causing many nonprofits to close their doors.

Intrigued, Davis decided to make the issue her master's thesis. Titled "Nonprofit Organizations and Liability Insurance: Problems, Options, and Prospects," her thesis detailed the problem: A liability insurance crisis had insurance companies cutting



Photo: NIA

Pamela Davis, founder of the Nonprofits Insurance Alliance, in its future home at 300 Panetta Ave in Santa Cruz.

loose business that wasn't highly profitable. If nonprofits were able to buy insurance, which many were not, they were seeing up to 200% increases in premiums.

Davis's thesis did more than outline the problem — it presented the solution. Davis proposed that nonprofits could join forces and create their own self-funded insurance pool. By combining their risks, and their premium dollars, into the same account, nonprofits could become their own insurance company and stay in business.

Yet not everyone was impressed. "When I first handed in the draft of my thesis, my professor said, 'This

isn't the way insurance works,'" Davis says.

Likewise, there was pushback on her findings on why the crisis happened at all. "I concluded in my research that the insurance industry had made some bad underwriting decisions. Yet they were all sugar-coating it, saying the laws had changed and the liability had changed. The litigation environment changed, and that's what did it. They had to get rid of business, so they looked at what they were insuring and dropped the small premium and hard-to-quantify businesses, including colleges, universities, and nonprofits," she explains.

### **Redefining an industry**

Despite the skepticism, Davis believed in her research. In 1989, she turned that research into NIA, starting with navigating the regulatory environment. Davis was facing what appeared to be high minimums required to establish an insurance pool. Nonprofits in the state might not have the funding to even form a risk pool.

Turns out, Davis had some help from a little-known law that allowed nonprofits to pool their resources. The California Corporations Code, Chapter 5005.1, granted the ability for corporations to self-insure their interests and that they needed just \$250,000 to establish their insurance pool.

"I called that the 'enough rope to hang ourselves' law. But we determined to use the law and hold ourselves to a higher standard." Davis

eventually raised \$1.6M, of which \$1.3M was reserved for capital in the event that it was needed to pay claims in excess of reserves. None of it could be used for operations. "That was one of the most difficult parts; I was down to about \$40K on the day we started."

NIA was born in 1989 in Santa Cruz, California. Yet the challenges weren't over.

On the first day of business, the Loma Prieta earthquake occurred, centered in Santa Cruz. "We hadn't even gotten in yet. The furniture and computers had just been delivered," Davis shares.

The doors were closed almost before they were open. Still, Davis had employees and bills to pay. Many buildings in her neighborhood were damaged, but fortunately, her building, while without power and water, sustained no damage. However, getting utilities back was going to be a three-month wait, she was told.

She spent the next three days trying to get the lights on again. And then she hit on an idea. She approached a nearby utility crew, which was under pressure by other businesses to restore power, and told them her plan. "I explained that if they could find a way to get us power, I could lease my extra floor space to all the businesses around me."

In three days, the power was back, and neighboring businesses took advantage of Davis's offer. Within a few days, Davis had rented every inch

of her unused space. "That sub-rent enabled us to make payroll."

### **Finding footing in a male industry**

Even though she was clearly capable of overcoming challenges, Davis had her detractors: "I had a reinsurance broker I worked with tell me shortly after I started 'You won't make it a year.'"

How prevalent was the sexism? "I've been at events with hundreds of CEOs, and I was the only woman. The speaker said, 'Welcome CEOs and Pamela. I don't think that kind of thinking is nefarious, but I do think it's destructive.'"

Yet amid all the pushback and roadblocks, she's changed perceptions. "A wife of another broker came up to me and said 'You've really changed my husband's view of women in the insurance industry,'" she says. "He never believed a woman could run an insurance company. I would say that's a wonderful compliment, but it's kind of a sad commentary."

Her advice for women pursuing their passions: "You must believe in yourself and the cause you're working for. For me, the mission and the ability to have an impact on others' lives was what got me up day after day.

"I tell other women don't try to figure out the male-dominated system and be good at it. Be good at who You are. Lead the way you want to lead."

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