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Aspiration versus achievement – board diversity statements and gender pay disparities in the UK insurance sector

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Overview

Part 1: Gender Pay Gap, 2017-Present

Part 2: Board diversity policies

2a: What boards ask for

2b: What they get

Q&A



Learning objectives

- Understand the gender pay gap in the UK insurance (“UKI”) sector
- Understand (at a high level) what board diversity policies in UKI ask for
- Understand what boards in UKI end up with (gender composition)

- Time split: 1/3 Part 1, 2/3 Part 2



Part 1

Gender Pay Gap (“GPG”) in UK Insurance, 2017 - Present

Some background

- GPG reporting done by employers
- Usually signed off by CEO, CFO or HRD
- Reporting done for the previous financial year, ie Apr 2023 – Apr 2024 data submitted (in theory!) by 31st of March 2024
- Some employers report late but unclear if they are fined
- All employers with > 250 staff must report
- Many smaller firms report voluntarily
- Separate GPG report required for every legal entity
- Applies to England
- NOT the same as Office of National Statistics (ONS) surveys based on Annual Survey of Hours and Earnings (“ASHE”)

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GPG data

- Publicly accessible (<https://gender-pay-gap.service.gov.uk/viewing/download>)
 - Gov't website allows comparison; or
 - You can download the raw data
- This presentation will cover the last 7 years' worth of submissions
- Standard dataset has 27 columns
- Format unchanged since the beginning (same columns)
- Enriched for our analysis, typically with categorical data

Download gender pay gap data

These files are in a CSV (Comma Separated Values) format that can be read by any spreadsheet program or word processor. They are not formatted for printing.

► [About CSV data](#)

[Reporting year 2023-24 \(1.05MB CSV file\)](#)

[Reporting year 2022-23 \(4.07MB CSV file\)](#)

[Reporting year 2021-22 \(3.95MB CSV file\)](#)

[Reporting year 2020-21 \(4MB CSV file\)](#)

[Reporting year 2019-20 \(2.71MB CSV file\)](#)

[Reporting year 2018-19 \(4.12MB CSV file\)](#)

[Reporting year 2017-18 \(4.07MB CSV file\)](#)

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Challenges & Curation

- SIC (Standard Industrial Classification) codes not consistent
- Not all insurers have “insurance” in their legal entity name
- Legal entities change names across years (M&A, rebrands etc)
- We use “CompanyNumber”
- 95-120 legal entities for each year (varies with market entry and exit etc)
- Judgement process
 - Who to take out
 - Who to include
 - Eg: should consultancies with BOTH pensions and investment arms be included if they have an insurance consulting unit? What if they have a broker as well?

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Pay and bonus metrics available

- **Mean Pay Gap:** Averages all base salaries (“hourly”)
 - Highlights overall disparities; sensitive to outliers (eg CEO)
- **Median Pay Gap:** Compares the middle earners, again base salaries aka “hourly”
 - Provides a typical pay difference unaffected by the extremes
- **Mean Bonus Gap:**
- **Median Bonus Gap**
- **Male Bonus Percent:** Percentage of male employees paid a bonus
- **Female Bonus Percent:** Percentage of female employees paid a bonus

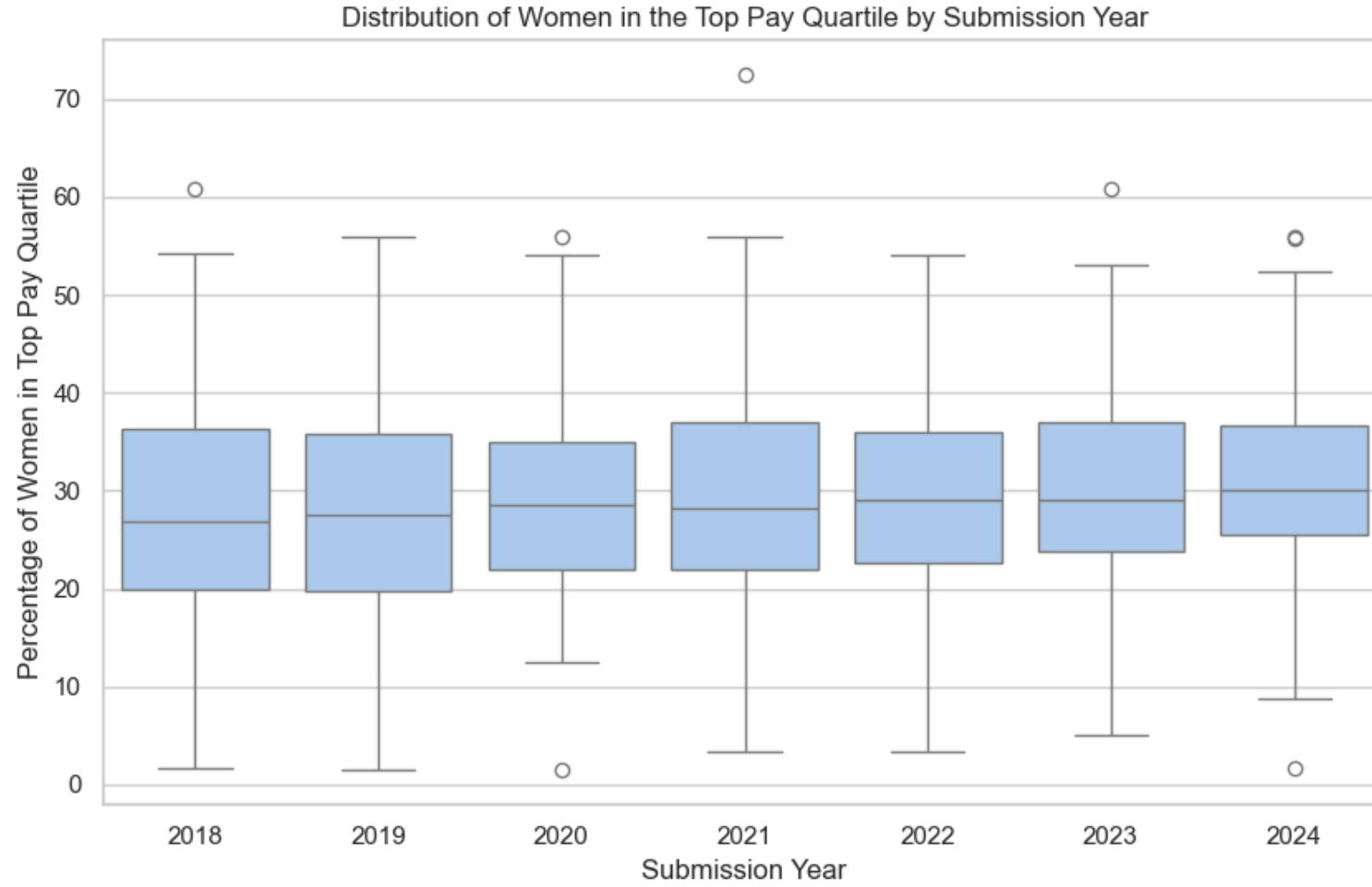
- NB: negative = women’s [mean/median] [pay/bonus] is higher

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Female share of top quartile

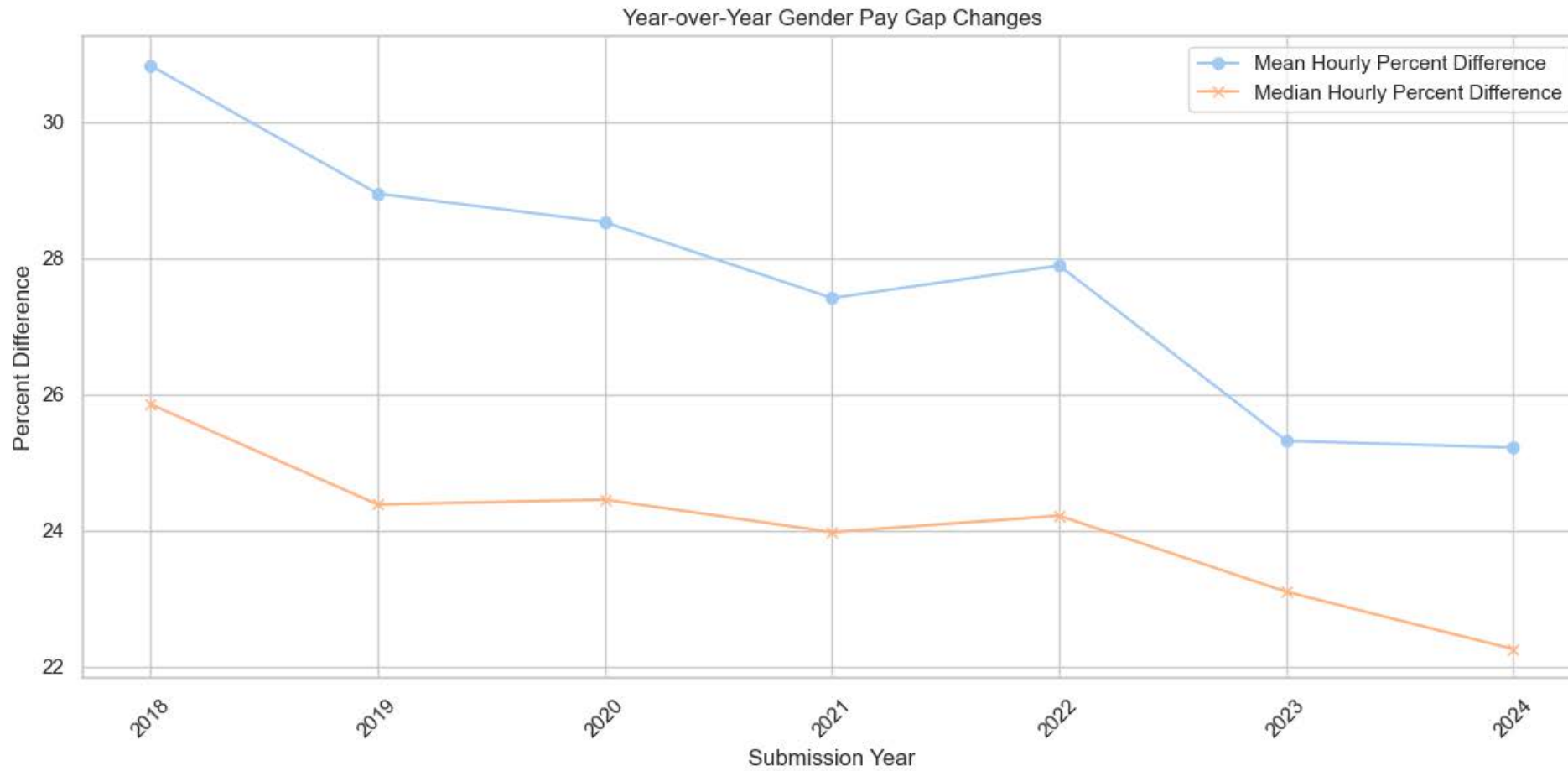


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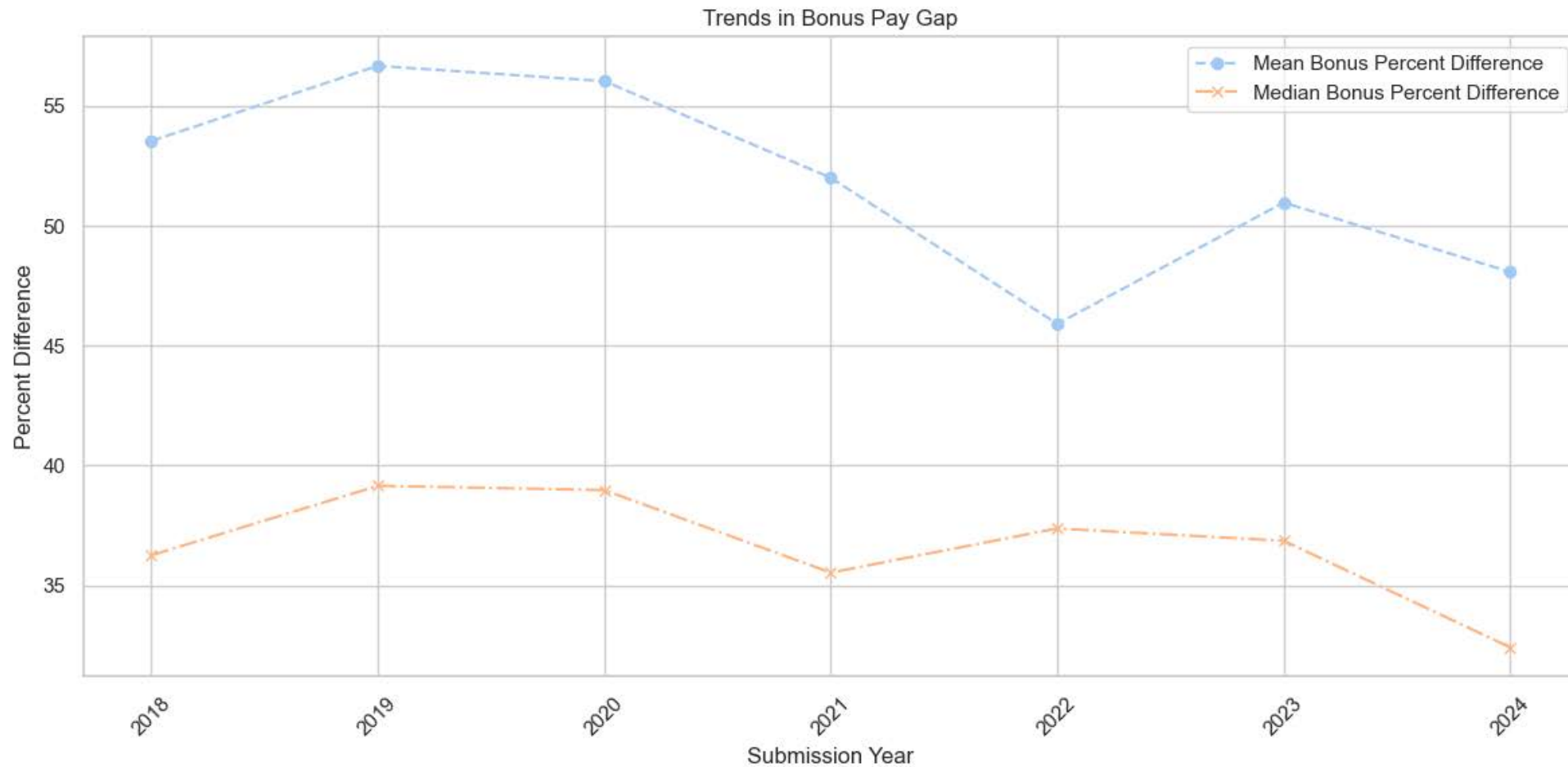


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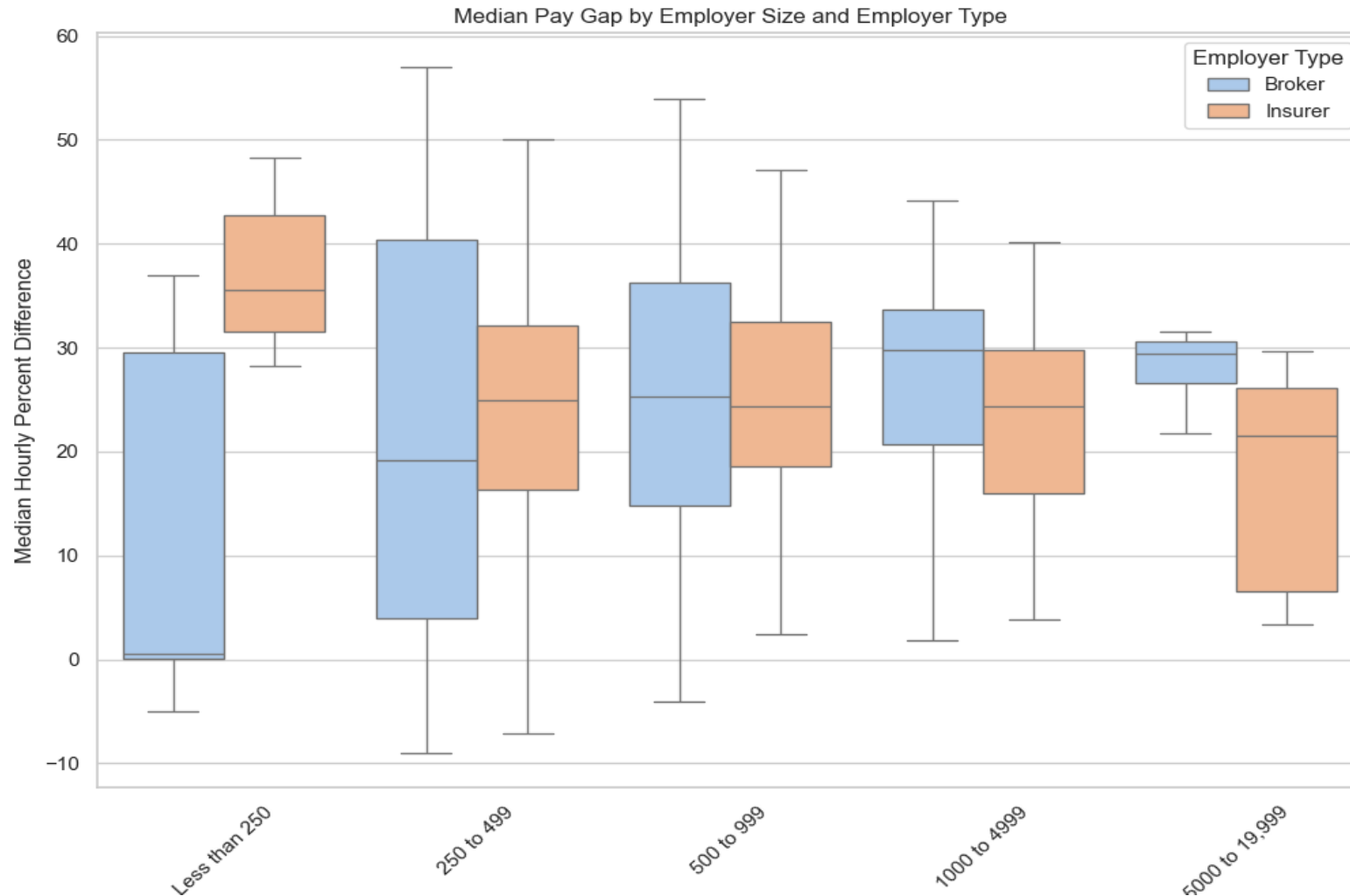
YoY Pay Gap



YoY Bonus Gap

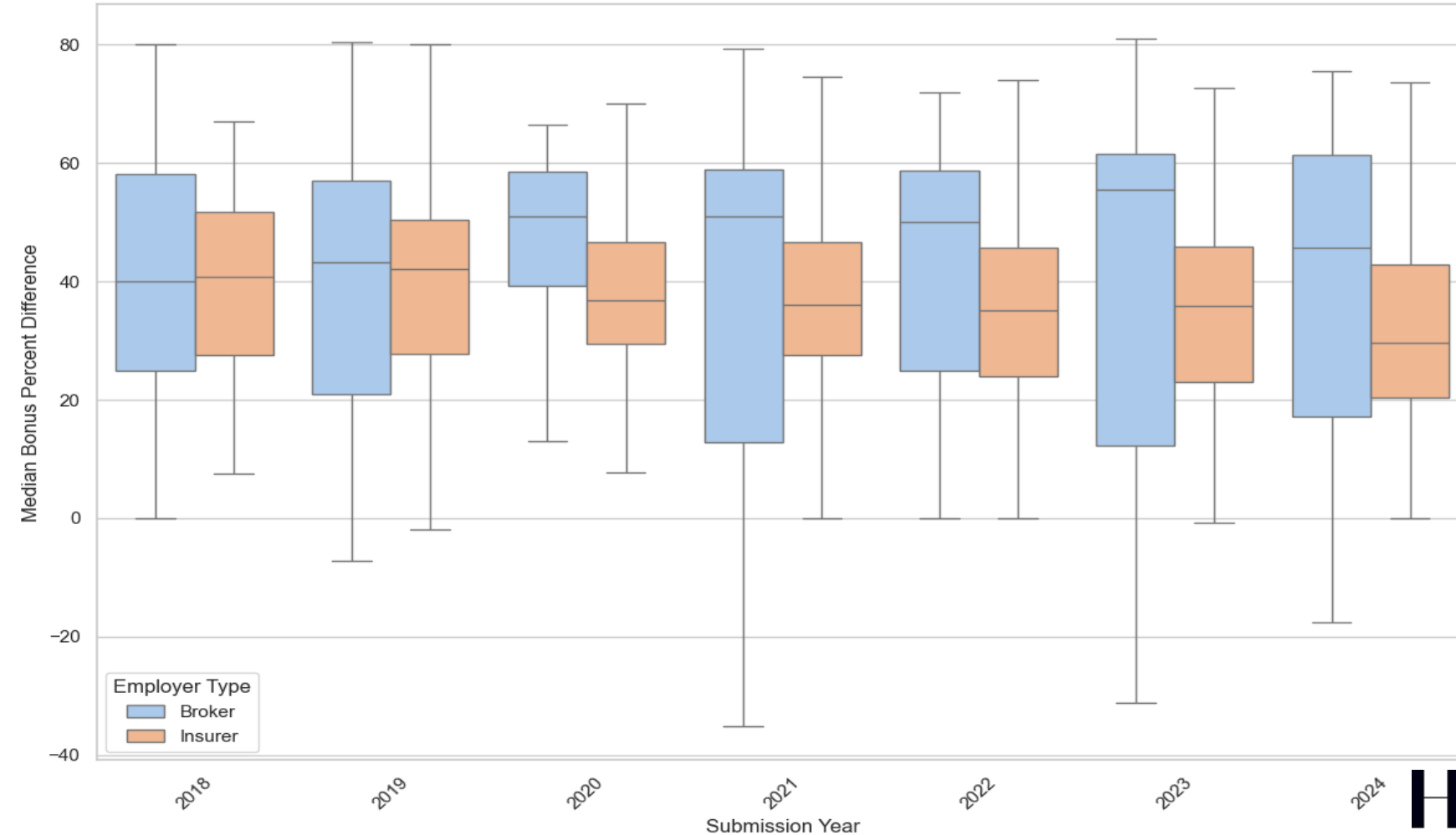


Gender (base) pay gap



Bonus gap still very large

Median Bonus Percent Difference over Time by Employer Type



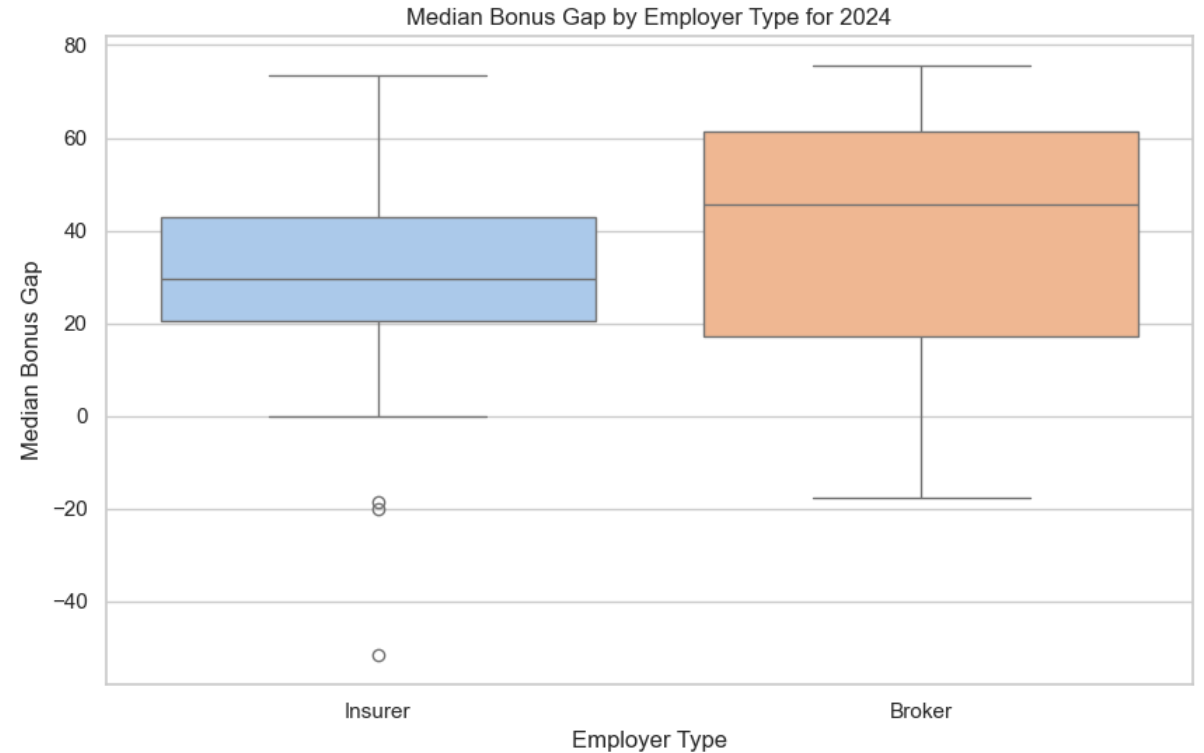
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Part 1 Recap

- GPG has narrowed in recent years, but slowly
- Brokers appear to have more dispersion
 - Pay (ie base pay) gap
 - Bonus gap even larger
- Much more analysis can be done
- Lloyd's
 - Publishes its own culture survey ([link](#))
 - GPG much higher – 35% as of Mar 2023 (37% as of Mar 2022)
 - The gender bonus gap is higher at 59% on average across the market, an improvement of 2pp





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Part 2

Aims and Outcomes of Board Diversity Statements

03 May 2024



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Part 2a

Board Diversity Statements

03 May 2024

Why do it?

- Aim to understand what boards ask for
- Important to understand what boards actually ask for, as opposed to what people think they ask for
- Board diversity statements are only part of the picture
- Do boards follow their own guidelines?
- All are documents, so we need qualitative analysis techniques
- Aim to find out:
 - How many have a specific board diversity statement
 - When was it last updated
 - How do they define diversity
 - Do they have numeric targets
 - Tie-breaker criteria

Methodology

- Aim to read and understand board diversity statements
 - Step 1: Collect a “universe” of legal entities
 - Step 2: Find board diversity statement
 - Step 3: Analyse and report
-
- In theory, easy to collect
 - In practice, much harder

Insurer universe

- Technically, every authorised insurer is listed on the BoE website ([link](#))
- Doesn't include Lloyd's; and
- Many of the legal entities are:
 - In run-off
 - Special entities, eg protected cell companies (PCCs)
 - Obscure (eg UK MGA acting as the official insurance agent of a government of a Central Asian country)
- My preferred measure is to look at
 - List of [Lloyd's managing agencies](#) (56)
 - List of "[ordinary](#)" IUA members (76) [IUA = International Underwriting Association]
 - List of [ABI members](#) (222) [ABI = Association of British Insurers]
 - Some overlap, eg 25 IUA members also have Lloyd's legal entity

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Collecting (1)

- Early March 2024, FOI to BoE to ask for every board diversity statement they have
- FOI rejected as it would “take too much time”
- Subsequent FOI April 2024, for Lloyd’s Managing Agencies only (“We don’t have anything”)
- Advantage: “Official”

- Alternative is to manually search company websites, eg Google:
 - “ABC insurance co ltd board diversity statement”
 - “DEF insurance co ltd board diversity statement” etc
- Time consuming and yields partial results
- But open to anyone and results are instant

Collecting (1) cont'd



Freedom of Information
to me ▾

15 Apr 2024, 17:35 (16 hours ago) ☆ 😊 ↶ ⋮

Our ref: FOI11219

Dear Mr Stefan

Freedom of Information: Right to know request

Thank you for your email of 13 March 2024, in which you asked:

I would like to request to see the board diversity policy for every Lloyds managing agency. At present I believe there are 56 such entities. Where a firm has not supplied you with their board diversity policy, I would like this clearly indicated. Please include the legal entity name and FRN for all entries.

We have processed your email in line with the provisions of the Freedom of Information Act 2000 (FOIA) and our response is below.

We can confirm that we do not hold the information you have requested. This is because a firm's board diversity policy does not form part of our usual firm reporting requirements, neither has this policy been requested by the FCA.

While we do not hold the information requested, we would however like to explain that Consultation Paper [CP23/20](#) includes proposals for reporting on D&I data. **We are not proposing firms should submit their D&I policies to us (please note we refer to these as D&I strategies in the CP) instead, we are proposing that firms publish these themselves.** For details of the specific proposal please see paragraphs 5.13 to 5.14 on page 13 of the CP.

Your right to complain under FOIA

If you are unhappy with this response, you have the right to request an internal review. To do so, please contact us within 40 working days of the date of this response at FreedomofInformationAppeals@fca.org.uk.

Collecting (2)

- Virtually “listed” insurers have a UK-specific board diversity statement
- Outside of the “listed” group:
 - Some have a specific GLOBAL board diversity statement, but not a UK-specific one
 - Most just have a general diversity statement that might include a reference to the board
 - Some had a governance document that included a statement on diversity
 - Some state that they have “no specific board diversity statement”
 - Some state nothing whatsoever
 - One had two policies, from 2018 and 2020
 - A couple claim “it’s available on request” but never responded to my request
 - A few special cases, eg a banking group that has an insurance arm

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Initial Findings

- At time of writing, 70 board diversity statements collected
- All these pertained to the UK as much as possible
- Several edge cases (eg the insurance entity of a breakdown cover company etc etc)
- We were very accommodating about what passed for a board diversity statement
- C 400 entities -> 1 in 6 have a board diversity statement

How do they define diversity?

- 58 out of the 70 (~ 82%) explicitly defined diversity
- For each company, we listed all their definitions verbatim and compiled a table
 - Eg: Company A: “business experience, skills, knowledge, qualifications, geography, and ethnicity.”

Item	Appearances	Percentage
“gender”	47 out 58	81%
“age”	37 out 58	63%
“experience”	33 out 58	57%
“sexual orientation”	24 out 58	41%
“ethnicity” or “ethnic”	31 out 58	53%
“social” or “socio”	14 out 58	24%
“skills”	29 out 58	50%
“race”	23 out 58	40%
“race” or “ethnic*”	47 out 58	81%

Do they have numeric targets?

- 50 out 70 did NOT have any target (or “aspiration”, “aim” etc)
- 20 out 70 did have targets (~28%)
 - Of those 20, 9 (ie just under half) had an explicit target year (2022 – 2026)
- For the firms that did commit to a target year, a typical target included one or more of the following:
 - at least 40% of women representation and at least 40% of men representation
 - one senior position held by a woman (Chair, Chief Executive Officer, Chief Financial Officer, SID)
 - one member from an ethnic minority background
- For many Lloyd’s managing agencies, the ambition usually stated as
 - 20% women on boards in the “short term”
 - 35% women on boards in the “medium term”

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Do they have tie-breaker/preference rules?

- Only one of the 70 statements provided a selection criterion in the event of a tie:

“Where there is more than one candidate for an appointment with the required skills and experience, priority will be given to the candidate who, if appointed, will enhance the diversity of the Board.”

- Two other firms requested a “diverse slate” of candidates:
 - One wanted a diverse slate if more than 3 people on shortlist
 - Another wanted 40% of shortlist to be diverse candidates
- Vast majority stated “candidates will be hired on merit with due consideration for diversity”

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Part 2a Recap

- Absence of evidence is not evidence of absence (lots of firms could have board diversity statements, just not public)
- Of the publicly-available sample, we examined 70 (~ 15% of authorized firms)
- Most (~82%) defined “diversity” explicitly
 - Vast majority included age, gender and race/ethnicity
 - Majority included experience (or “business experience”)
 - Nearly half included sexual orientation
 - Less than a quarter included social/socio-economic background
- Only one firm explicitly included a tie-breaker
- Only two firms explicitly requested “diverse” candidates in shortlists
- Less than a third had explicit targets
- Even fewer had explicit targets within a specific time frame



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Part 2b

Board diversity outcomes

Measuring female share on boards

SMF Function	Mr	Mrs
SMF1	219	18
SMF2	186	33
SMF3	378	77
SMF4	164	22

Based on BoE Fol request #10494

- Focus on gender as measure of diversity
- No gender data held by BoE
- Ask for salutation instead
- Latest Fol from Aug 2023
- Mrs, Miss, Ms -> female
- Dr, Blanks / NA -> ?
- Full list of SMF roles available [online](#)
- For boards: SMF10-15

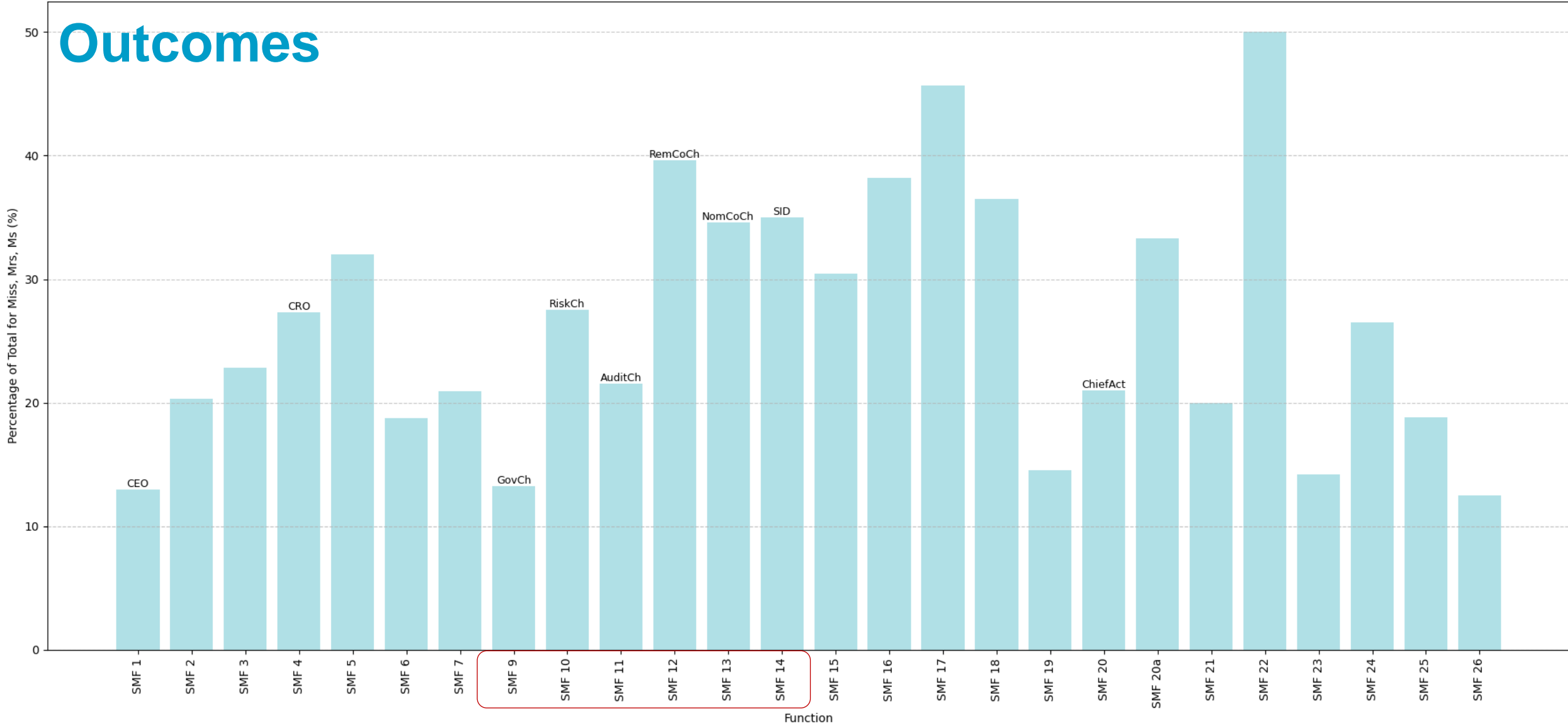
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Percentage of Total Insurance Sector SMF Appointments held by Women (Miss, Mrs, Ms) as of Mar 2024 by Function

Outcomes



Another FOI

Freedom of Information

to me, Freedom ▾

Our Ref: FOI11213

Dear Mr Stefan,

Freedom of Information: Right to know request

Thank you for your email of 13 March 2024, in which you asked as follows:

'I would like to have a tabulated summary of salutations (eg Mr, Mrs etc) for all SMF applications for UK listed insurers for the last 12 months.

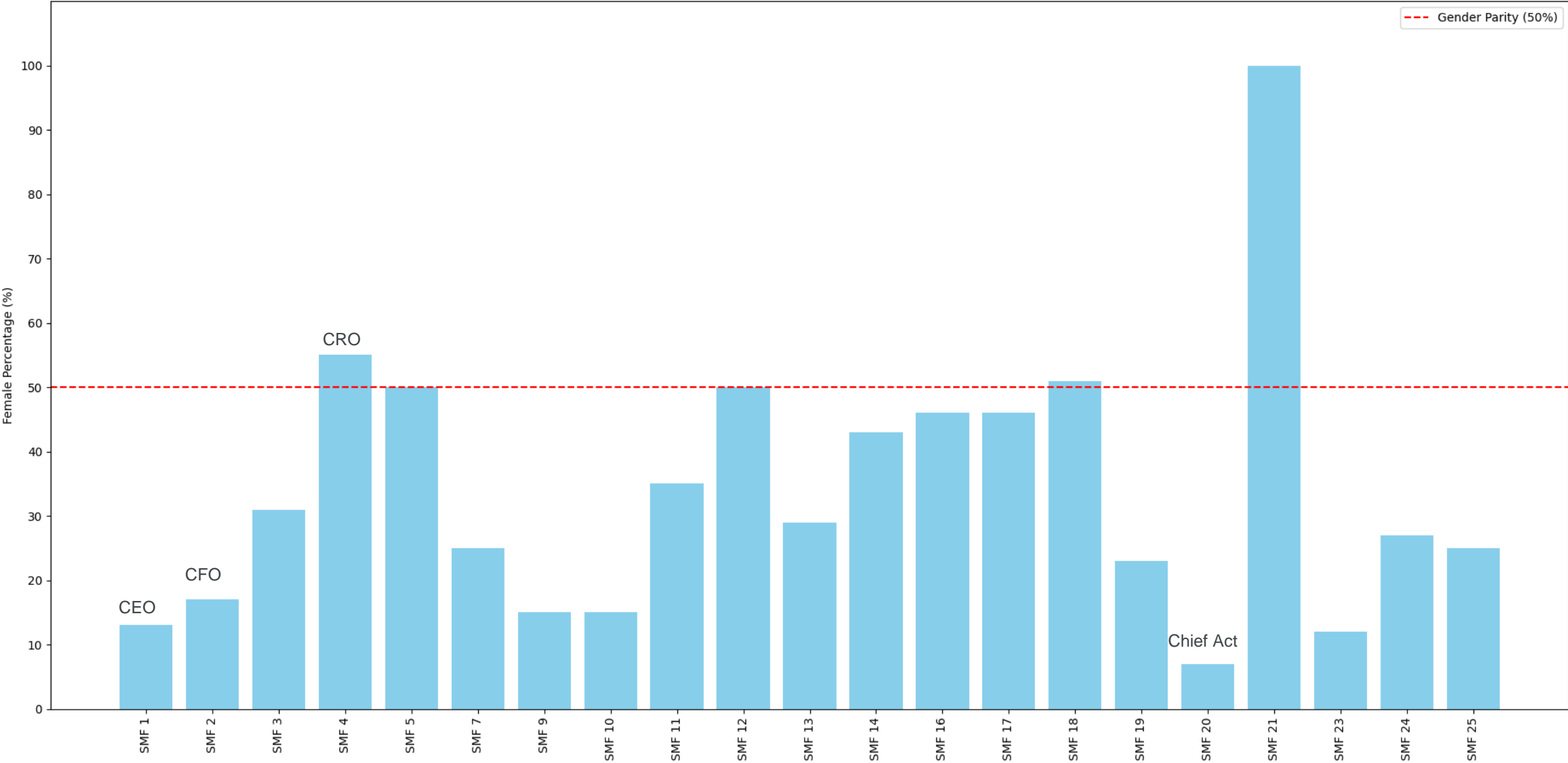
Please note that this differs from my previous FOI (#10494) in that in this request, I am asking for the table pertaining to NEW SMF applications only submitted in the last 12 months. By UK insurer, I mean an insurer authorised to operate in the UK by the PRA. Please include both approved and rejected applications in separate tables.'

Approved	Rejected
629 (429 M, 200 F)	2 (2M, 0 F)
32% F	0% F
Note: Miss, Ms, Mrs = F, rest M	



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Female Percentage by SMF Role in UK Insurance, appointments for 12 months to Apr 2024



International comparisons

- Difficult to obtain diversity statistics for insurers
- Often get lumped in with “financial services”
- Easiest comparator is Ireland (language etc)
- Future research on other countries subject to interest
- We can compare UK figures to other major countries (Ireland, USA) but not like for like
 - UK figures are for all insurers
 - Irish figures reported are for NEW PCF (PCF = pre-approval control function) roles only
 - US House of Representatives conducted an investigation on D&I for 27 of the largest P&C and life insurers
 - Report and webcast available online
 - Virtually none of the 27 insurers had a board diversity policy in place

Case study - Ireland

Table 5 | Board Level Roles by Sector and Gender 2023 (2022)



- CBI publishes demographics of PCF applicants (latest report [here](#))
- PCF = pre-approval control function
- 2023: 29% of PCF board applications for insurers were female (32% in 2022)

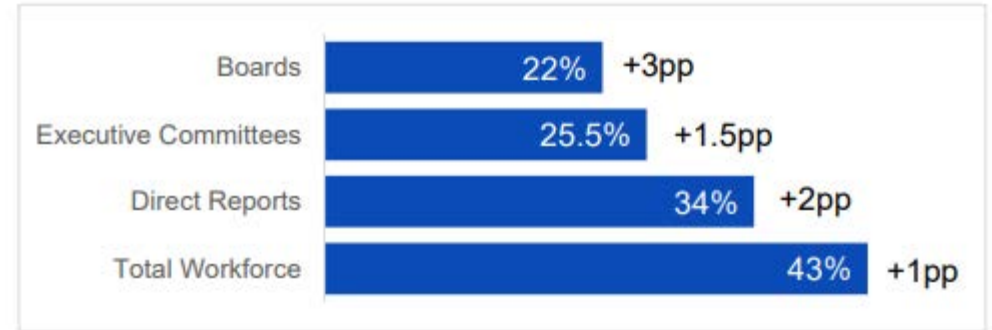
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Part 2b Recap

- Percentage of women on boards still under 30%
- Some firms have made great progress
 - Larger / composite / listed insurers
 - Some Lloyd's managing agencies (24 out of 56 have met the 35% women in leadership target, although women on boards lower
- (Chart from Lloyd's.com; also see Lloyd's culture survey [results](#))



Conclusions

- GPG: improvement since 2017
- Main driver is low share of women in top quartile of pay roles
- Bonus gap much larger than base (“hourly”) gap
- Share of women in senior roles improving slowly
- Board diversity statements are not actually that common
- Huge range in how detailed they are (1 para to 5 pages)
- Variety of ways diversity is defined
- Further research needed to make international comparisons

Contact for private questions



- Always happy to discuss any of the issues here privately
- LinkedIn: <https://www.linkedin.com/in/michaelstefan/>
- Mob: + 44 7960509854
- Email: Michael.Stefan@hanoversearch.com

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Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

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