



ADVANCING SUSTAINABILITY & INCLUSIVITY

OPINION: DIVERSITY, EQUITY & INCLUSION

All inclusive

International supervisors are increasingly focusing on DEI in the insurance sector



Helen Rowell

DEI champion, International Association of Insurance Supervisors (IAIS)

Deputy chair, Australian Prudential Regulation Authority (APRA)

The International Association of Insurance Supervisors (IAIS) has recently published a stocktake report on the many activities underway that aim to promote positive diversity, equity and inclusion (DEI) practices in the insurance sector. The IAIS has committed to deepening and strengthening its DEI focus following the addition of DEI as a strategic theme of the IAIS's work programme in late 2021. The IAIS has publicly recognised the centrality of DEI to the objectives of effective insurance supervision and a healthy and viable insurance sector.

So why is DEI so important? And how can insurance supervisors and the industry not only build on existing practices but gain momentum?

The importance of DEI for insurers

DEI is a critical component of a healthy organisational culture and sound business practices. When embedded, effective DEI can support a more resilient financial services sector by enhancing good governance and risk management and creating better outcomes for customers. DEI can also provide an insurer with strategic advantages. Insurers that are aided by diverse skill sets are better placed to find innovative solutions to existing and emerging challenges such as the accessibility and affordability of insurance products and services.

Advantages associated with strong DEI practices include:

- **Harm prevention through improved risk management and internal controls.** Embedded effectively, DEI should encourage constructive challenge within insurers' workplaces by providing an environment in which employees feel safe to speak up and share diverse viewpoints. This avoids "group think", improves an organisation's decision-making and risk-management capabilities, and reduces the likelihood that any misconduct becomes systemic or goes undetected. The flow-on advantage is greater mitigation against reputational and legal risks, as well as prevention of prudential and consumer harm.
- **Improved corporate governance and culture.** The promotion of positive DEI practices among insurers positively impacts corporate governance and culture. This, in turn, supports community expectations, which have progressed to include consideration of equality in the way employees are treated, customer outcomes are achieved, and products are designed and distributed. All of these contribute and support an organisation's social licence to operate and can facilitate greater innovation.
- **Overall employee wellbeing.** For the insurance sector to be considered an attractive workplace, sound DEI is a must and an integral part of successfully recruiting and retaining the best talent to help the industry remain fit for purpose and equipped for the future.



“Insurers that are aided by diverse skill sets are better placed to find innovative solutions to challenges such as the accessibility and affordability of insurance products and services.”

The IAIS’s DEI stocktake report

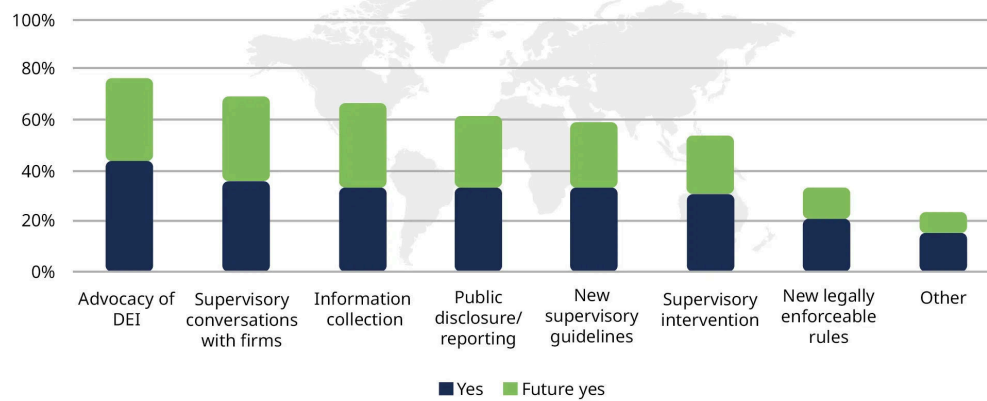
In 2022, the IAIS’s focus was to examine, globally, the work by insurance supervisors, international organisations and insurance industry players to promote progress on DEI within the insurance industry. It found:

- Just over half of surveyed insurance supervisors currently attribute a medium or high priority to the promotion of DEI within the insurers they regulate.
- Supervisors were in broad agreement that a key challenge to setting industry expectations in this area is the absence of standards and best-practice guidance or a regulatory framework for approaching DEI-related supervisory activities.
- While industry action quite often began unprompted by insurance supervisors, industry stakeholders said that supervisors have a key role to play to drive further action.
- The landscape of work by other international organisations reveals a growing recognition of the benefits of DEI, but points to the opportunity for the IAIS to make a valuable and leading contribution.

Whilst insurers are progressively implementing DEI initiatives, the stocktake report highlights that further work is needed to ensure effective monitoring and assessment mechanisms are in place to provide a feedback loop that encourages improvement and implementation of better practice.

Many supervisors report that their activities to promote DEI are at an early stage. The most common activities being taken, or planned for the near future, are shown in Figure 1.

Figure 1: Supervisory activities to promote DEI



Source: [IAIS Stocktake Report, December 2022](#)

The most frequently reported activity is advocating DEI through written and verbal communications. Second is asking insurers about DEI during supervisory examinations/interviews, for instance asking about:

- the local entity’s application of group-level DEI policies or strategies;
- DEI strategies as an indicator of an insurer’s culture;
- how senior leaders implement DEI; and,
- consideration of DEI in governance reviews related to board effectiveness and when making senior appointments.

Information collection and public disclosures are also amongst the more frequently reported actions. For those who reported these activities, many collect information on DEI and release aggregated statistics for industry benchmarking.

The stocktake also identified challenges for supervisors in progressing activities to promote DEI, as outlined in Figure 2, which provides a useful guide to areas for future IAIS focus.

Figure 2: Most common supervisory challenges



The Australian approach



* The potential for supervisors to be seen as hypocritical for focusing on DEI in the industry when their own practices are not as strong as they could be

Source: [IAIS Stocktake Report, December 2022](#)

Where to from here?

The IAIS stocktake report has deepened understanding of further IAIS work needed to support its members and support the promotion of DEI across the insurance sector. In 2023, the IAIS will focus on helping insurance supervisors further understand the benefits of DEI in the insurance industry, the connection between promoting DEI and their supervisory mandates, and the range of available supervisory practices to promote DEI.

One project will focus on the connection between DEI and an insurer’s governance, risk management and corporate culture, and the other on how DEI may encourage better customer outcomes, particularly for vulnerable or under-served customers. In addition, DEI will continue to be a strategic focus area for the IAIS, with interlinkage anticipated on a variety of other priority IAIS work, including on financial inclusion, fintech, climate risk and protection gaps.

Uplifting and embedding sound DEI practices will be a marathon, not a sprint. Through the sharing of experiences, ideas and better practices, the insurance sector is in an excellent position to take a leadership role in this area by demonstrating the importance of DEI for a positive financial services industry and enhanced consumer outcomes.



The Australian approach

The Australian Prudential Regulation Authority (APRA) has an ongoing objective to uplift governance, culture, remuneration and accountability in the entities it regulates. Aligned to this, APRA also recognises the importance of strong DEI practices for a resilient financial system.

APRA has previously spoken about DEI in connection with the composition of boards and the importance of having a range of professional and demographic backgrounds to facilitate better decision-making and stronger risk management. This year, APRA will consider how it might strengthen DEI practices across its regulated industries as part of its review of its governance prudential requirements.

