

Public consultation on DEI supervisory guidance – the governance, risk management and culture perspective

Survey response 1

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| Please provide your information: |
| Name: - Sophie Hulm E-mail address: - sophie@progresstogether.co.uk Name of jurisdiction: - UK Name of organisation: - Progress Together |
| Do you agree with your responses being made public on the IAIS website? |
| Yes |

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| General comments on the Application Paper |
| Progress Together welcomes the opportunity to respond to the International Association of Insurance Supervisors (IAIS) on their public consultation on supervising diversity, equity and inclusion. Progress Together is a not-for-profit membership body which focuses on boosting socio-economic diversity at senior levels within UK financial services. We were formed because of the Government-commissioned Socio-Economic Diversity Taskforce led by the City of London Corporation. Our peer-to-peer network is represented by 50 member organisations from across the UK financial services sectors – of which 9 are in insurance. We represent 32% of the UK's financial services sector. Our response focuses on elements of the application paper that relates to socio-economic diversity and we have chosen not to respond to all aspects of the paper. |

Comments by section

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| Comments on section 1 Introduction |
| We welcome the IAIS's acknowledgement that "local circumstances, particularly the legal, cultural and historical context, will influence how diversity, equity and inclusion (DEI) is considered." At Progress Together, we are working with our members to gather greater insights into how socio-economic diversity is understood and played out in workplace settings across the UK. However, many of our members (66% to be precise) also operate in global financial centres, with staff that represents a multitude of countries and ethnicities. |
| Comments on section 1.1 Context and objective |
| No comment. |

Comments on Box 1 Interpretation of the terms diversity, equity and inclusion in this paper

We welcome the IAIS's inclusion of socio-economic background in its definition of DEI. We firmly believe that socio-economic diversity is a vitally important part of the diversity agenda, and that it is an important "golden thread" that links through to many other identity characteristics. We take the view that the diversity agenda needs to acknowledge all intersecting characteristics in order to create a truly inclusive and equitable environment where every individual's unique experiences and identities are recognised and valued.

Having a range of socio-economic backgrounds at leadership level leads to:

- Being better placed to serve the needs of consumers
- Improved employee satisfaction and retention, leading to greater productivity
- Diversity of thought, leading to greater innovation
- Attracting top talent from the widest possible pool of candidates

Progress Together believes the foundation of our diversity agenda is data collection. Collecting socio-economic data is recommended by the Government-commissioned Socio-Economic Diversity taskforce, led by the City of London Corporation. The taskforce recommended that regulators mandate data collection and publicise data of workforce socio-economic background amongst regulated organisations – and it is a position that Progress Together have advocated for to the UK's regulators in its most recent consultation on DEI. 33% of ABI members are now collecting socio-economic background data, and it's growing each year.

We also welcome the IAIS's inclusion of "diversity of thought" in its definition of diversity, as evidence shows that greater diversity leads to better decision making and outcomes for firms, customers and investors. This is aligned with the UK financial services and the regulators' definition of diversity. Diversity of talent is acknowledged by the UK's Financial Conduct Authority (FCA) in its consultation paper as one of the factors underpinning the international competitiveness of the UK financial services sector aligned to its secondary objective. Both the FCA and the Prudential Regulation Authority (PRA) make clear in their consultation papers that diversity is needed to mitigate the risk of groupthink.

Further, we welcome the IAIS's inclusion of equity instead of equality in its definition of DEI. It is important to acknowledge the barriers and disadvantages that certain individuals may face because of their identity characteristics (either protected or invisible). In fact, evidence from the Bridge Group, in partnership with the PRA and FCA, shows that employees from working-class backgrounds progress 25% slower than peers, with no link to job performance. Furthermore, we own Shaping Our Economy report shows that socio-economic background has a greater impact on career progression than gender or ethnicity. Aside from the implications for competitiveness and innovation, this is inherently unfair. To address this issue, Progress Together works with our members to collect evidence on how certain interventions could help those from low socio-economic backgrounds to access resources and opportunities within the financial services sector.

Finally, we welcome IAIS's definition of inclusion in recalling a sense of belonging, as this mirrors the PRA's view that diversity and inclusion are important to governance and firm-wide culture. Progress Together also focusses on helping our members create psychological safety.

Comments on section 1.2 Related work by the IAIS

The IAIS may wish to consult other regulatory bodies on the evidence gaps in DEI research pertaining to the financial services sector. We would welcome the opportunity to partner with IAIS to conduct research – for instance, how greater socio-economic diversity could potentially help with adherence to the Consumer Duty.

Comments on section 1.3 Proportionality

Progress Together welcomes proportionality principle to give financial services firms the flexibility to adapt and tailor the recommendations for implementation. Our membership is diverse in terms of size, location and nature of the insurer in question – hence any recommendations cannot be a one-size-fits-all approach.

Comments on section 2 Why DEI within an insurer matters to ICPs 7, 8 and corporate culture

Whilst Progress Together welcomes the illustrative list of benefits for corporate governance, risk management, and corporate culture, it would be beneficial to highlight the literature and the research underlying the benefits claims – for instance, which sub-sector was the research conducted to show that DEI enhances corporate governance? It may read better to draw out the logic map that shows how increased DEI would lead to those benefits.

In relation to Paragraph 20, it may be beneficial to highlight the importance of psychological safety for employees in teams to realise the benefits of diversity.

In relation to Paragraph 23, it may be beneficial to highlight research that shows how DEI can lead to better business outcomes for insurers – and if possible, the quantifiable benefits of this as part of corporate’s business case in the insurance sector.

In relation to Paragraph 24, it may be beneficial to highlight the increased ESG regulatory demands on corporates – particularly disclosures and non-financial reporting. Though companies have ample experience in disclosing environmental metrics and targets (supported by regulatory guidance), the “S” in the ESG is now increasingly being brought to the fore – for instance, the Corporate Sustainability Reporting Directive has set an ambitious agenda for companies to set social targets and KPIs. The increased transparency will enable internal and external stakeholders to scrutinise insurers’ DEI agenda and commitments.

In relation to Paragraph 26, from Progress Together’s work on the DEI agenda, we have learned from our members that it takes concerted effort and focussed attention – particularly at senior levels – to shift the dial on DEI issues. Consequently, we do not agree with the characterisation that “excessive focus on DEI could create a culture where challenge is stymied by fears of not being perceived as politically correct.” Moreover, our members have differing experiences with setting financial incentives that are linked with reaching certain diversity metrics. We would welcome evidence to suggest that such linkage is ineffective in reaching DEI goals.

Comments on Box 2 What is groupthink and why does it matter to insurers?

Progress Together welcomes the definition of groupthink and the examples cited therewithin to illustrate the negative impacts. It may be beneficial to highlight other academic studies that are more recent and adapted to the insurance sector to further bolster this section’s argument.

Comments on section 3 What should a supervisor look out for?

Please refer to the specific section comments below.

Comments on section 3.1 Relevant matters to look at

In relation to paragraph 27, there is a discrepancy in how diversity is defined here versus Box 1’s definition. Moreover, demographic diversity can sometimes refer to simply ethnic / cultural diversity instead of other strands of diversity (e.g., neurodiversity). IAIS may wish to rephrase that category to encapsulate identity characteristics in all its breadth.

In relation to Paragraph 28, it may be beneficial to cite the specific strands of diversity that insurers should focus on – and collect the necessary data accordingly from their staff / Board members.

In relation to Paragraph 29, it may be beneficial to also cite the sense of belonging that employees feel in inclusive environments, and cite relevant research and frameworks that companies have put in place to measure belonging.

Comments on section 3.2 Warning signs an insurer might need to enhance its DEI efforts

Progress Together welcomes the list of potential warning signs for insurers’ attention. It may be helpful to include specific information / statistics relating to the insurance industry (if available) on DEI issues that are more prevalent within the sector. Progress Together’s 5-step plan includes data collection and evidence gathering as one of the cornerstones of our members’ journey towards achieving greater socio-economic diversity and inclusion. We are proud to state that 100% of our members are measuring and collecting data on socio-economic background. We encourage the IAIS to continue generating thought leadership and “what works” for the sector for best practice and knowledge sharing.

Comments on Box 3 What is DEI-washing?

Progress Together welcomes this explanation on DEI-washing, and in particular the challenges with inaccurate or misleading public disclosures of companies’ commitment and impact on DEI. We welcome guidance from the IAIS on social sustainability / DEI disclosures for the insurance industry.

Comments on Box 4 Indicators of positive action on DEI at an insurer

Progress Together welcomes these indicators of positive action, as many are aligned to our list of suggested interventions and actions that our members can take to drive forward the socio-economic diversity and inclusion agenda. However, the list can benefit from more specificity and evidence in understanding how different interventions may work across different identity characteristics (e.g., setting targets may be helpful for driving progress for some individuals).

Comments on section 4 What can a supervisor do in response?

As a membership body that covers over a third of the financial services sector in the UK, Progress Together welcomes the IAIS’s push towards industry-wide actions. It is through coordinated effort and knowledge-sharing across the sector that systemic changes can be realised.

Comments on section 4.1 Industry-wide approach

See comment for previous section.

Comments on section 4.1.1 Use of soft powers

Progress Together is a convening body, and is supportive of the recommendations set out in this section for partnerships with other suitable organisations to drive attention and focus on DEI.

Comments on section 4.1.2 Incorporating DEI themes into supervisory approaches

Progress Together is supportive of the recommendations in this section, particularly in incorporating DEI into supervisory approaches (e.g., governance, risk management, corporate culture). Within our 5-step plan to achieving socio-economic parity at the top, we ask all our members to assign clear accountability and responsibility via a senior sponsor / champion for this work. We encourage our members to set internal targets to test what works; for instance, 10% of our members have introduced targets for workplace diversity particularly relating to socio-economic background.

Comments on section 4.1.3 Develop requirements

Whilst Progress Together is generally in support of developing requirements for insurers via supervisory bodies, it may be beneficial to highlight interventions – backed by solid evidence – that would be best for advancing the agenda. For instance, there is mixed evidence on the efficacy of unconscious bias training. Our members have consistently asked for more guidance and evidence to support in making the case for interventions that work in advancing specific DEI causes (e.g., how to build a diverse talent pipeline). We welcome the suggestion for supervisory bodies to publish supplementary guidance should there be introduction of new requirements.

Comments on section 4.2 Insurer-specific engagement

No comment as it pertains to supervisors' remit.

Comments on section 4.2.1 Understanding an insurer's approach to DEI

No comment as it pertains to supervisors' remit.

Comments on section 4.2.2 Undertake review work to examine DEI related arrangements and plans

No comment as it pertains to supervisors' remit.

Comments on Box 5 Collecting and using data as part of a DEI strategy

Progress Together is in support of collecting and analysing data, as per our prior comments.

Comments on section 5 Conclusion

No comment.