

Draft Application Paper on supervising diversity, equity and inclusion: the governance, risk management and culture perspective

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1 Introduction

1.1 Context and objective

1. The IAIS underpinned the importance of diversity, equity and inclusion (DEI) by adopting DEI, in September 2021, as one of its key strategic themes under the IAIS Strategic Plan 2020-2024. It supported this step by publishing [a statement in November 2021](#) explaining the importance of DEI considerations in insurance supervision.
2. In December 2022, the IAIS published a [Stocktake on diversity, equity, and inclusion in the insurance sector report](#) detailing the actions IAIS member supervisors, other international organisations and the insurance industry are taking to advance DEI in the global insurance sector. The stocktake was a first step to inform further IAIS work to promote DEI in insurers' governance and conduct of business. This was followed by a member-only document released in October 2023 exploring how the IAIS sees DEI as relevant to insurers' governance, risk management and corporate culture, and therefore the link to supervisory objectives.
3. The IAIS' Governance Working Group kept the momentum on this topic by preparing this application paper focused on the potential implications to insurers' governance, risk management and corporate culture if they lack a commitment to DEI and the actions supervisors can take in response, whether industry-wide or insurer-specific. It is intended to complement ongoing work by the IAIS' Market Conduct Working Group which focuses on DEI considerations in conduct of business (per ICP 19) to secure fair treatment of diverse consumers, meaning those who may have specific needs, be under-served, or be experiencing vulnerability.
4. This application paper highlights the significance of DEI in the context of ICPs 7, 8 and corporate culture¹ and illustrates practical considerations for supervisors who are examining the state of an insurer's DEI strategies. It sets out suggested focus areas when considering DEI in the context of governance, risk management and corporate culture—recognising the universal importance of these to conduct and prudential supervisors—and flags potential warning signs indicative of the need for increased engagement on the topic of DEI by an insurer. The application paper builds on the identification of these warning signs by recommending actions that a supervisor can take when encountering these warning signs, ranging from soft approaches (eg suasion) to more prescriptive interventions (eg developing requirements) at sector-wide and firm-specific level. It also confirms how supervisors can lead by example and encourage progress on DEI by themselves striving to improve DEI within their own organisations and adopting some transparency in the process.
5. The application paper is structured as follows:
 - Section 2 explains what is meant by DEI and why it is relevant in the context of an insurer's corporate governance, risk management and corporate culture, flagging at a high level some of the risks that may arise in an insurer due to a lack of DEI.
 - Section 3 highlights relevant matters that supervisors should look for and provides a non-exhaustive list of possible warning signs that an insurer might need to work on its DEI.

¹ While ICPs 7 and 8 address corporate culture, the concept of corporate culture covered in this paper is more expansive than only the corporate governance and risk management aspects under ICPs 7 and 8.

- Section 4 proposes potential steps that a supervisor can take either industry-wide or insurer-specific in response to identifying concerns regarding DEI, ranging from soft powers to more formal interventions.
6. The IAIS acknowledges that local circumstances, particularly the legal, cultural and historical context, will influence how DEI is considered and the actions taken by supervisors and insurers themselves, to enhance DEI within the sector. This application paper should therefore be read with this context in mind throughout.

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

The IAIS does not seek to define 'DEI', recognising the particular importance local legal and cultural context can play in determining what is the 'right' DEI approach for an insurer. The IAIS uses the following interpretation of the terms 'diversity', 'equity' and 'inclusion' based on the practices to date of different IAIS supervisory authorities, which may be helpful for supervisors to consider:

Diversity: A reflection of the differences between people within an organisation or wider society. This includes different perspectives, abilities, knowledge, attitudes, skills, experience, ways of thinking and demographic characteristics. Demographic characteristics may include, but are not limited to, characteristics such as age, disability, ethnicity, gender, national origin, religion and sexual orientation, as well as cultural, educational and/or socio-economic background. Different ways of thinking may include, but are not limited to, different ways of reasoning, processing information, making decisions, problem solving, learning, creating and innovating. The notion that the differences between people can lead them to think differently from one another and therefore have varying perspectives to contribute to an organisation is sometimes called 'diversity of thought' or 'cognitive diversity'.

Equity: Seeking to achieve fairness for all through allocating resources and opportunities in a way that recognises the different circumstances and needs of different groups of people, particularly where there is evidence of disadvantage amongst certain groups. Equity is different from equality: equality offers the same resources and opportunities to everyone, while equity helps remove the barriers that some people may face in accessing resources and opportunities.

Inclusion: When all people in an organisation, regardless of their differences, feel a sense of belonging and feel unimpeded by barriers (both physical and non-physical barriers) such that they are enabled to fully participate in and contribute to the organisation. This includes a culture in which a mix of people, at all levels of seniority, feel empowered to speak up and express their views because they feel confident that their views will be heard and that it is extremely unlikely they will suffer negative repercussions for challenging the prevailing views.

1.2 Related work by the IAIS

7. The [2022 stocktake report](#) (referenced in paragraph 2 above) is a key related publication by the IAIS. Participating supervisors attributed varying priority levels to taking supervisory action to promote DEI with just over half viewing it as a medium or high priority. There was broad agreement that a key challenge is the absence of an agreed standard, best practice guidance or a regulatory framework for approaching DEI-related supervisory activities.
8. While targeted focus on DEI has grown over recent years, the importance of having diverse

perspectives is not a new concept. As will be illustrated throughout this application paper, identification and mitigation of barriers to promoting DEI with an insurer are important in advancing effective corporate governance (ICP 7) and risk management (ICP8).²

9. The Principle Statement of ICP 7 is: ***'The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognises and protects the interests of policyholders.'*** Some relevant key elements relating to the role of DEI in supporting good corporate governance include:
- Being able to effectively set and oversee the insurer's corporate culture, business objectives and strategies (ICP 7.2).
 - Having an appropriate number and mix of individuals on the Board (ICP 7.3).
 - Having appropriate internal governance practices and procedures to promote efficient, objective and independent judgement and decision-making by the Board (ICP 7.3).
 - Individual members of the Board must exercise independent judgment and objectivity in their decision-making, taking due account of the interests of the insurer and policyholders (ICP 7.4)
 - Obligation on Senior Management to promote sound risk management, compliance and fair treatment of customers (ICP 7.10).
10. Also relevant is the guidance under ICP 7 (at ICP 7.3.9) that, amongst other measures, objectivity in decision-making is promoted by Board members providing constructive and robust challenge of proposals and decisions and avoiding groupthink (see Box 2 for further information on groupthink).
11. With respect to risk management, the Principle Statement of ICP 8 is: ***'The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.'*** While this involves many facets, DEI considerations can be particularly relevant in the following aspects, which will be elaborated on further in the application paper:
- The risk management system should take into account all reasonably foreseeable and relevant material risks to which the insurer is exposed, both at the insurer and the individual business unit levels. This includes current and emerging risks. (ICP 8.1.5)
 - The Board should approve the authority and responsibilities of each control function to allow each control function to have the authority and independence necessary to be effective. (ICP 8.3.6).
12. In addition to the ICPs and the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), a range of IAIS supporting materials address issues interlinked with aspects of DEI:
- The [Application paper on the Composition and the Role of the Board \(2018\)](#) highlighted that board diversity in its broadest sense can be an essential driver of the board's effectiveness by creating a breadth of perspectives amongst members and breaking

² IAIS Members are also referred to [Member only document: The relevance of diversity, equity and inclusion to governance, risk management and corporate culture](#) (on the Members Extranet, accessed with log-in).

down a tendency towards groupthink. While the application paper focused on the diversity of competencies, such as knowledge and expertise, it recognised that diversity can be considered in the context of various other characteristics, such as gender, race and ethnicity, as well as skills, backgrounds, personalities, opinions and experiences.

- The [Application paper on Proactive Supervision of Corporate Governance \(2019\)](#) focused on insurance supervisors rather than insurers and recognised the necessity of creating a culture that values the diversity of thought to enable supervisors to supervise more effectively and proactively.
- In the context of customer-facing issues that risk detracting from DEI values, the [Issues Paper on Big Data Analytics in Insurance \(2020\)](#) elaborated on potential challenges and risks including algorithmic discrimination, bias and exclusion linked to the use of, or reliance on, Artificial Intelligence and Machine Learning.
- The [Issues Paper on Insurer Culture \(2021\)](#) explored the role of insurer culture, which informed decisions, behaviours and practices across an insurer's business, as a critical intersection point for managing prudential and conduct risks. The Issues Paper identified that insurers' approaches to DEI issues likely influence their overall culture, and vice versa.
- In November 2021, the IAIS published a [Statement on the importance of DEI considerations in insurance supervision](#). In that Statement, the IAIS committed to deepening and strengthening its work on DEI and to supporting insurance supervisors' and the insurance sector's efforts to further consider and take actions on DEI issues. The IAIS also committed to taking action to further build DEI into its own internal governance and processes as a global membership association.

13. This application paper builds on the existing IAIS material to bring a more holistic view of how an insurer's approach to DEI can manifest itself in practices and outcomes, and sets out the steps supervisors could take in response to address potential and realised risks.

1.3 Proportionality

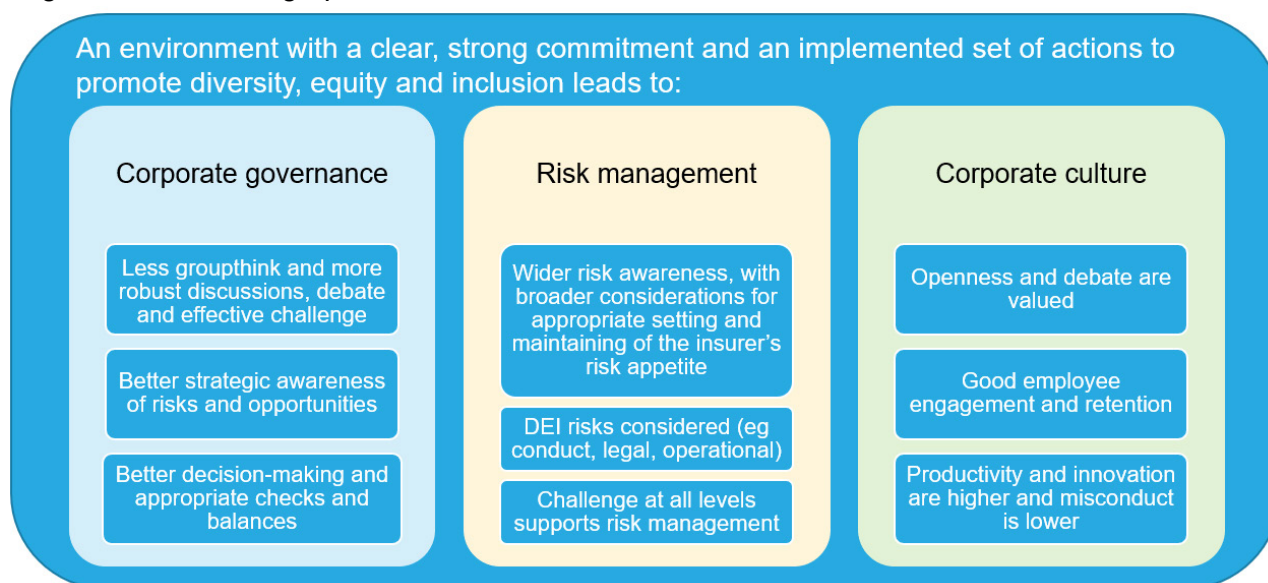
14. This application paper should be read in the context of the proportionality principle, as described in the Introduction to the ICPs: "Supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards."³ The guidance, illustrations, recommendations or examples of good practice provided in this application paper do not supersede this overarching proportionality principle. Where appropriate, this application paper offers practical examples of how the proportionality principle could be applied.
15. Supervisory action related to DEI will likely be informed by the legal remit of the supervisor, the broader legal and cultural context of the jurisdiction, and the size, location and nature of the insurer in question.

³ "Implementation - Proportionality allows ICPs to be translated into a jurisdiction's supervisory framework in a manner appropriate to its legal structure, market conditions and consumers. Application - proportionality allows the supervisor to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole. A proportionate application involves using a variety of supervisory techniques and practices that are tailored to the insurer to achieve the outcomes of the ICPs. Such techniques and practices should not go beyond what is necessary in order to achieve their purpose."

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

16. Worldwide there is growing awareness of the relevance of advancing diversity, equity, and inclusion within organisations, and likewise the topic has gained prominence in the global insurance sector. The IAIS holds the view that a focus on improving and sustaining DEI will help insurers build positive corporate cultures within the insurer that better support sound prudential and consumer outcomes.
17. Positives derived from sound DEI practices emanate from:
- **Diversity** which brings broader perspectives.
 - **Equity** which helps to achieve diversity and inclusion by acknowledging structural and systemic disadvantages and creating opportunities that aim to overcome them.
 - **Inclusion** which activates the benefits of diversity by helping broader perspectives be heard. Inclusion also supports attracting and retaining diverse talent.⁴
18. For insurance supervisors DEI is relevant to several risk areas, and from the institutional perspective truly embedding DEI can positively impact the insurer's corporate governance, risk management and corporate culture.

Figure 1: Illustrative graphical table that lists benefits of DEI



19. Diversity brings broader perspectives to **corporate governance** which can reduce groupthink, widen understanding of strategic risks and opportunities, and lead to better decisions. A group of people from different backgrounds and experiences are more likely to be able to pinpoint a broader range of risks and opportunities as they consider business objectives and strategies. It also encourages constructive debate, the development of new/different thinking and more

⁴ Please also refer to Box 1: Interpretation of the terms diversity, equity and inclusion in this paper.

creative strategies and solutions. Inclusion is particularly important to ensure that people feel comfortable to contribute to the conversation, including when their view is different from that of the majority, and to feel that their view will be heard and considered. This facilitates effective challenge of prevailing ideas and supports efficient, objective and independent judgement and decision-making.

20. With respect to **risk management**, diversity can lead to a more complete understanding of all reasonably foreseeable and relevant material risks. A diverse collection of people working together is more likely to consider a broad scope of risks (current and emerging), than if the people were all similar. Additionally, inclusion improves the likelihood of important risk management information and perspectives being brought forward, and then being duly considered. It is especially crucial that the people working in risk management and control functions are not afraid to raise difficult issues and share difficult messages with their seniors. Inclusive leaders who are open to challenge are more likely to be open to hearing such messages and feel safer to raise these issues with their seniors in turn. In this way, reporting of risks can be appropriately escalated throughout the organisation with appropriate employee safety procedures in place. This can potentially help avert risk management and control failures.⁵
21. In both of the above-described contexts, equity helps a broader range of people to be there (achieving more diversity) and to access the opportunities (achieving more inclusion). For instance, equitable approaches to recruitment and promotion would involve mitigating biases, creating dedicated intake opportunities, supporting people to successfully 'grow into' roles (with extra training, coaching or other support) and having policies that support people to participate in the work environment notwithstanding their unique circumstances (eg flexible working policies, reasonable adjustments to assist people with disabilities).
22. DEI helps to create a **corporate culture** that recognises, values and adjusts for differences and emphasises contributions, participation and opportunity. This can lead to:
 - Greater reinforcement of norms for responsible and ethical behaviour all the way through the organisation, including all the way into the conduct of front-line employees with customers.
 - More efficient consideration of differences of opinion, leading to better decision-making by having a corporate culture that values debate and constructive challenge.
 - Earlier sight of potential problems/crystallising risks by having a corporate culture that encourages openness, leading to employees that are not afraid to raise issues or admit honest mistakes.
 - Less likelihood of systemic misconduct or misconduct that goes undetected for a long time. When there is diversity of thought, it is more likely that misconduct will be noticed and/or identified as being misconduct (eg rather than just "the way things are done around here") and then reported.
 - A culture that values and supports fairness and employee wellbeing, which is likely to lead to better employee retention and productivity, and to reduce employee misconduct.
 - Better outcomes for employee retention, performance and conduct. For instance, by considering how events (especially crisis events such as the Covid-19 pandemic) affect

⁵ The Application paper on Supervision of Control Functions (2021) also addressed the importance of key persons in control functions raising concerns, and of the board and senior management appropriately discussing and addressing those concerns (see pages 14-15).

individual employees differently and disadvantage some more than others, then adjusting for this in organisational policies and working practices.

- A corporate culture that appreciates differences in values and convictions, which can smooth interactions, leading to better handling of tasks and situations, and a greater respect for understanding, accepting and tolerating varying opinions.

23. Additionally, increasing the diversity in the insurer's workforce and leadership so that it better reflects the community served by that insurer enables it to better understand the customer base and therefore better design and deliver products. As a result, DEI can also lead to better business outcomes by improving the insurer's ability to sustainably provide products that meet consumer needs and that customers see as providing value.

24. The lack of DEI in an insurer may result in various risks, including:

- **Safety and soundness risk**

The insurer's overall safety and soundness could be at risk because of suboptimal business practices, poor decision-making, weak internal challenge, or a lack of innovation. A lack of diverse perspectives, particularly in risk roles and amongst key decision makers, can result in an incomplete assessment of the full range of risks an insurer is or may become exposed to.

- **Competition risk**

The insurer's business strategy may be less competitive in comparison to its peers, or its product offering may be less attractive in the market because of, for example:

- An inappropriately targeted range of products or services through overlooked opportunities by not having wide enough perspectives in the organisation, or these perspectives not being sufficiently included; or
- Being slow to innovate and improve quality because of missing out on the increased learning ability and continuous improvement that comes from employees at all levels being encouraged and feeling safe to speak up and raise issues.

- **Misconduct risk**

The insurer may experience a higher degree of employee misconduct. When DEI is poor, groupthink is more likely, increasing the risk of inappropriate conduct occurring and perpetuating, especially systemic misconduct. The risks of employee misconduct are also heightened when employees feel discriminated against, disenfranchised, or excluded in the workplace and its culture.

- **Reputational risk**

The insurer's reputation may be damaged if future employees, consumers, and investors, amongst others, see a lack of appropriate care taken by the insurer toward DEI. This could manifest through the insurer's approach to Environmental, Social, and Governance (ESG) factors (including DEI) which can be a key component to a company's public image and business potential. Investors may consider how a company manages ESG risks as an important factor in their investment decision-making.⁶ Public opinion may expect insurers to focus more on advancing societal issues including human capital management elements like DEI, hiring practices and fair pay.

⁶ <https://www.pwc.com/gx/en/corporate-reporting/assets/pwc-global-investor-survey-2021.pdf>

- **Talent risk**

The insurer may be less likely to attract, and retain, the best talent in a competitive labour market because DEI policies are important in the employee value proposition to many people. Recruitment processes may be too narrow and biases may mean that high-quality talented applicants are overlooked and not selected.

- **Legal and regulatory risk**

The insurer may face a risk of regulatory sanctions, prosecution, or litigation for engaging in discriminatory or inappropriate practices or allowing them to occur within its work environment. Greater awareness of DEI and active steps to promote its embedding within institutions can help reduce occurrence of such practices.

25. These risks can adversely impact an insurer's reputation, competitiveness and broader long-term viability. By contrast, a strong and active commitment to DEI can be considered one of the drivers of effective corporate governance and risk management, and of a positive corporate culture which supports sound and successful business, benefiting insurers and customers alike. Accordingly, it is important for insurance supervisors to be able to recognise when an insurer lacks focus on DEI.
26. Notwithstanding the benefits of DEI explained above, it is important that insurers maintain a balanced approach to assimilating DEI. There is a risk that over-emphasising DEI or going about it ineffectively could be detrimental to corporate governance and risk management and culture outcomes. For example, excessive focus on DEI could create a culture where challenge is stymied by fears of not being perceived as politically correct. In such instances the benefits of constructive challenge would be lost. Another example is if there is a box-ticking approach to DEI, without genuine commitment to sustainable improvements. The risk of a box-ticking culture may be exacerbated by financial incentives linked to reaching certain quantitative diversity metrics. Instead, it is more effective to link DEI non-financial performance metrics for variable remuneration to the delivery of a diversity and inclusion strategy more generally.

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

The theory of groupthink was introduced by psychologist Irving L. Janis. It can be defined as “a mode of thinking that people engage in when they are involved in a cohesive in-group, when the members’ striving for unanimity overrides their motivation to realistically appraise alternative courses of action”.⁷ Janis studied how groupthink can be a factor in bad decision-making through studying well-known incidents such as the Cuban missile crisis.⁸

Although some later work is critical of Janis’s theories, the concept has nevertheless become a widely accepted lens through which to consider organisational decision-making. Analysts have named it as a contributing factor in “the Challenger and Columbia space shuttle disasters [...] the failures of companies such as Enron and Worldcom, decisions relating to the second Iraq war,

⁷ Janis, I.L. (1982) *Groupthink: Psychological studies of policy decisions and fiascos*. Boston: Houghton Mifflin, p. 9.

⁸ Janis, I.L. (1972) *Victims of groupthink*. Boston: Houghton Mifflin.

and the [... 2008] financial crisis.”⁹ The International Monetary Fund’s (IMF) Independent Evaluation Office cited groupthink as a factor that contributed to the IMF not warning its member countries about the build-up of risks that culminated in the financial crisis.¹⁰

In the insurance sector specifically, groupthink has been cited as a factor in the failure of AIG during the financial crisis. In this case, a dominant CEO had handpicked board members who were unable to constructively challenge his business decisions or set appropriate risk appetites. This ultimately contributed to significant financial misconduct in addition to risk management failures.¹¹

International standard setting bodies, including the IAIS, commonly reference groupthink as one barrier to sound prudential and conduct outcomes at financial firms.¹²

How can DEI reduce groupthink?

Janis (1982) outlined some potential structural faults within an organisation which can contribute to groupthink. These include, amongst others:

- Lack of impartial leadership; and
- Homogeneity of members’ social background and ideology.

Therefore, one way to mitigate groupthink and its detrimental effect on decision-making is to consider ways of reducing the structural factors within an organisation which can lead to groupthink. DEI can help reduce homogeneity in social background and ideology, and via inclusion can also help create an institutional culture in which leaders invite constructive challenge. This can then help ensure that alternative courses of action are sufficiently appraised during decision-making, therefore reducing the likelihood of adverse risk incidents.

3 What should a supervisor look out for?

3.1 Relevant matters to look at

27. Diversity in insurers usually means three things: (i) demographic diversity, (ii) diversity of experience and (iii) diversity of thought (also called cognitive diversity).¹³ In relation to demographic diversity, personal data on diversity characteristics needs to be handled sensitively and, in some cases, cannot be collected at all (eg for legal reasons). Regarding diversity of experience and diversity of thought, they are particularly challenging to measure, but all are relevant for sound decision-making. A combination of demographic diversity and diversity of skills

⁹ Bénabou, R. (April 2013) ‘Groupthink: Collective Delusions in Organizations and Markets’. *The Review of Economic Studies* 80(2), p. 430.

¹⁰ Collins, C. and Loungani, P. (2023) [Independent Evaluation at the IMF: The Second Decade](#), Independent Evaluation Office of the International Monetary Fund, p. 86.

¹¹ Cass Business School (2021) ‘Roads to ruin: A study of major risk events’ p.6.

¹² See for example: IAIS (November 2018) [‘Application paper on the Composition and Role of the Board’](#), Financial Stability Board [‘Strengthening Governance Frameworks to Mitigate Misconduct Risk: A toolkit for Firms and Supervisors’](#). Blinco, S. et al (March 2020) [‘Bank Boards – a review of post-crisis regulatory approaches’](#), Financial Stability Institute/Bank for International Settlements.

¹³ Please also refer to Box 1: Interpretation of the terms diversity, equity and inclusion in this paper.

and experience are likely to foster greater diversity of thought in firms and help reduce groupthink.

28. Notwithstanding these challenges, diverse representation (ie the presence of diversity amongst the people working for the insurer) can be a worthwhile initial focus area for a supervisor to examine, where possible. Supervisors may focus first on whether there is diverse representation at the board and senior management level with a view to assessing potential risk of groupthink where key decisions are made. In addition, supervisors may look for diverse representation at other levels of the insurer (including, for example, amongst members of nomination/selection committees) and at how well diverse representation is supported by recruitment and promotion processes.
29. Equity and inclusion, often reflected through acts, behaviour and attitudes, can be harder to measure. Insurers can assess equity by analysing and monitoring the employee lifecycle such as recruitment and promotion practices and outcomes. Inclusion can be measured by insurers undertaking employee surveys and monitoring outcomes of those surveys. Supervisors can look at whether an insurer is paying attention to DEI by assessing whether these types of initiatives are in place.
30. A lack of attention to equity and inclusion can not only cause direct adverse implications for the quality of governance and risk management, but can also be a barrier to the benefits of diversity coming to fruition. Furthermore, a focus on inclusive practices that promote challenge and debate may be particularly pertinent to those insurers where achieving a diverse workforce may be challenging due to, for example, the location of the business (eg where offices are located outside of major cities). Supervisors may wish to engage with insurers on how they promote equity and inclusion given the aforementioned risks.
31. Some insurers may be reluctant to focus on DEI and may have blind spots for the need for change and/or continuous improvement. Supervisors may wish to understand an insurer's rationale for this further, and whether an insurer's stance on DEI is in itself being driven by groupthink.
32. The next section elaborates on the warning signs supervisors can look for; conversely Box 3 at the end of the section provides an overview of indicators of positive DEI action by an insurer.

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

33. Certain circumstances or behaviours can be warning signs indicative of the need for increased engagement on the topic of DEI by that insurer. A warning sign, especially on its own, may not conclusively be due to problems with DEI but warning signs merit further enquiry. Some may be easily correctable, while others may be indicative of deeper issues. Observing multiple warning signs reveals an even higher likelihood of DEI-related issues at the insurer.
34. Two sets of warning signs are presented below. The first relates to concerns that would be observable when examining governance, risk management and corporate culture at an insurer—which all insurance supervisors do—and they are concerns which may in fact be rooted in DEI issues. Therefore this set of warning signs illustrates how DEI issues within an insurer could be causing impacts that raise supervisory concerns, and is relevant to all supervisors. The second set is warning signs that the DEI initiatives being implemented by an insurer involve shortcomings or problems which may actually make them ineffective in driving real change. This second set of warning signs is relevant for supervisors who already (or are preparing to or are considering to)

examine the DEI actions being taken by insurers. Supervisors may observe one, or other, or both kinds of warning signs at a given insurer.

35. Governance, risk management, and corporate culture warning signs that may arise when there is a lack of DEI:

- **Lack of challenge in board discussions and key decision-making processes**

This could be observed in board meeting minutes which reveal that some members, including the Chair, are dominating board discussions, or the Chair does not invite sufficient input from all participants in board meetings. It can also be detected by supervisors observing board meetings to see the group dynamics of the board and how comfortable board members are to contribute and challenge, and the extent to which members' views are considered and included. Recognising that the presence of supervisors may in some cases change the board's behaviour during a meeting, holding interviews with individual directors can provide additional insights into regular practices. A lack of challenge and robustness in board discussions can mean that diverse experiences and perspectives are not being contributed and hence decisions being taken are not as robustly debated and they may be impacted by groupthink.

- **Resistance to change**

A corporate culture that is resistant to change can be indicative of groupthink and of a lack of psychological safety, as they both limit people's ability to see the merit in different ways of doing things and to feel empowered to try new approaches or take suitable risks.

- **Lack of open communication between levels**

The absence of open channels to express concerns or provide feedback about specific issues may lead to problems not being addressed in the insurer. The lack of transparent communication also means that senior management may miss crucial insights and perspectives from lower levels, which could lead to decisions that inadvertently disadvantage certain groups or segments, or identified concerns not being addressed. This deficiency could be observed by the investigation of incidents revealing that issues, identified risks, and misconduct were known to some but were not appropriately escalated to senior management, or to the board. This may point to a culture where differences of opinion are not respected by the people in senior management or on the board, and where employees feel targeted or discriminated against for speaking up. It may also be an indication of a 'good news' culture in an insurer, where the raising of negative issues is not welcomed or rewarded.

- **Breaches that persist for a long time**

Misconduct, compliance, or Key Performance Indicator (KPI) breaches that continue for a long time can be indicative of groupthink within an organisation. When the people working in an organisation are all similar to each other and different perspectives and opinions are not encouraged, there is a higher risk that misconduct, compliance or KPI breaches can become normalised as "the way things are done around here" and are allowed to persist without being recognised as wrong.

- **Insufficient consideration to views of control functions**

This could be observed by the roll out of new initiatives before the proper risk management processes are implemented, or by the reporting of risks being paid insufficient attention. It

can be indicative of different perspectives and different skill sets not being respected within an organisation and can be a sign of a poor risk culture within an insurer.

- **High employee attrition levels and/or retention challenges**

The pace of employee turnover can be a result of negative organisational dynamics due to DEI factors. Where there is a lack of DEI, employees may feel disenfranchised or it may have a negative impact on employee satisfaction and erode trust amongst employees, ultimately resulting in individuals leaving employment. In addition, where an insurer is not attracting or retaining staff from particular groups, and they are leaving at disproportionate rates as compared to other groups, this may indicate a lack of inclusion in the culture of the insurer. Where there is high turnover at senior levels this can be an even more acute indication. Exit interviews may be a useful tool to determine whether the root cause of the turnover is DEI related, for instance by revealing a lack of embedment of inclusion in the culture of the insurer.

- **High or long-term vacancy rates and poor recruitment outcomes**

An insurer may struggle to recruit talent if it has a reputation for not having a diverse workforce or being inclusive. Where recruitment practices do not account for the importance of DEI in the workforce, this may result in poor recruitment outcomes that do not deliver the desired change.

- **Outcomes of employment tribunals/discrimination cases in favour of employees, and against the insurer**

These outcomes can be indicative of unfair labour practices through indirect or direct discrimination within the insurer that needs to be remedied.

36. Warning signs highlighting shortcomings or problems with the embedding of DEI¹⁴:

- **Disparaging or dismissive attitude to promoting DEI**

A lack of appropriate leadership, positive tone from the top and role modelling on the importance of DEI. This may include dismissive attitudes or unsympathetic messaging on DEI matters displayed by the board or senior management.

- **Lack of DEI efforts in an insurer to drive change**

The absence of a clear strategy or policy on DEI, no consideration of the lack of DEI as a risk, and/or no conviction that progress on DEI is worth pursuing. Also, an unwillingness to design and implement more equitable processes that depart from the status quo.

- **Unclear accountability**

Lacking, or unclear accountability at all levels of the organisation, or accountability only at the executive level. Without a proper framework providing clear accountability and measurement and evaluation, challenges will arise in effectively embedding DEI initiatives.

- **Limited or stagnant diversity metrics**

No monitoring of diversity or inclusion metrics (where legally permissible for the insurer to be doing so), or limited change over prolonged periods of time. Lack of appropriate diversity metrics could be a warning sign, or where there are diversity metrics in place but evidence

¹⁴ Conversely, Box 4 provides an overview of indicators of positive DEI action by an insurer.

of little or no improvement in diversity outcomes over time signalling a lack of progress in embedding DEI practices.

- **Insufficient attention given to inclusive attitudes and behaviour**

Focusing solely on diversity metrics without giving due consideration to the importance of inclusive practices. Action to improve DEI needs to focus not only on increasing the presence of diversity, but also on fostering better inclusion so that the benefits of that increased diversity can be activated.

- **All talk and no substance (see also Box 3 on ‘What is DEI-washing?’)**

Taking an unambitious, “box-ticking” view of DEI. The insurer should be focused on the practical application of DEI to achieve genuine enhancements, instead of taking a tick-box approach. Inability to demonstrate the application of DEI commitments and lack of purposeful follow-through on DEI pledges can be a telling warning sign, as can public disclosures that do not realistically reflect the situation.

- **Lack of an informed DEI strategy**

The absence of a clear understanding of the current state, the desired DEI target state and an approach to regularly measure progress towards that state, including effective feedback loops. Without sufficient data and insights, the insurer cannot determine its current position relative to its target state and the effectiveness of its DEI strategy. It also exacerbates the risk of introducing new DEI initiatives without reflecting on whether the existing structures, processes and systems contribute to poor DEI practices and how to correct those.

- **Poor internal communication on DEI**

Inadequate internal communication reinforcing the commitment to DEI and driving awareness of the initiatives and progress. This can result in a lack of engagement by staff and middle management, and the perception that any DEI-related change is deemed a low priority for management and the organisation.

- **Limited employee feedback channels**

Absence of confidential routes for staff to express their views or raise concerns, including for issues related to poor DEI practices, without fear of repercussion. Confidential communication routes can include engagement surveys or secure whistleblowing channels. A lack of opportunities for employees to provide honest feedback and to report their personal experiences indicates a lack of genuine commitment to understanding the employees’ experience of inclusion (or exclusion, as the case may be) and can indicate wider cultural issues within an insurer.

- **Absence of a holistic approach**

An overreliance on bottom-up initiatives like staff networks or allyship groups, without an institution-wide strategy and/or dedicated resource. Although important, networks should not be relied on to create systemic change in isolation, in particular where the staff are not sufficiently resourced to do so outside of their day job.

- **Focusing on increasing diverse representation only at the senior leadership level**

Diversity at all levels of the insurer is important to drive long term change. Focusing on diversity also in junior and middle management creates a better pipeline of talent coming up through the organisation.

Box 3: What is DEI-washing?

In some jurisdictions the term 'DEI-washing' (reminiscent of the more familiar term greenwashing) is becoming increasingly common and is used to describe the situation in which diversity, equity, and inclusion is pursued in a superficial or symbolic manner. Like greenwashing, DEI-washing is used to refer to organisations that prioritise messages over meaningful policies and tracking of progress on DEI initiatives. These organisations may be consciously only adopting superficial mechanisms to create the appearance of diversity without taking genuine, committed action to address real inequalities.

Several research studies¹⁵ have shown that a number of companies actively promote their commitment to diversity, equity and inclusion in their public communications, but in reality, their recruitment practices or corporate culture are not representative of reality in the workplace.

Concerning the insurance sector, a real diversity of talent and realities in the workforce can lead to a much more comprehensive product offering that is far more tailored to consumers' needs. Conversely, DEI-washing can lead to poorly defined insurance needs, leaving the consumer without suitable product options.

Subsequently, this can cause problems regarding ESG ratings. Companies can exaggerate their commitment to DEI, causing inflated ESG ratings and increased ownership by ESG focused investors. This may create legal and regulatory risk for such a company, as they may face a risk of regulatory sanctions, prosecution or litigation for engaging in inaccurate or misleading disclosures.

37. It is worth noting that some insurers may be making a concerted effort in promoting DEI internally, recognising the benefits it can bring. Indeed, there are many voluntary initiatives across jurisdictions that aim to promote particular aspects of DEI, and multiple insurers have taken unilateral action or as part of such initiatives with a view of driving progress and making lasting change. Examples of positive actions are provided in Box 4. While not an exhaustive list, and noting that DEI practices continue to evolve, these indicators may be helpful for supervisors when considering the state of play with respect to DEI amongst insurers.

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

Supervisors can look for these indicators of positive DEI action at an insurer:

Enablers

- Active engagement specifically on DEI by boards, senior managers and evident throughout the insurer (including clear DEI strategy, objectives, targets and communications).
- Existence of a strong DEI framework (including policies, procedures and governance structures).
- Adequate budget and resources to support the insurer's DEI activities.

¹⁵ [Diversity Washing by Andrew Baker, David F. Larcker, Charles McClure, Durgesh Saraph, Edward M. Watts :: SSRN](#)

- Engagement with stakeholders, companies within an insurance group, peer organisations (maybe via trade groups, professional organisations and specialist DEI advisors etc) to leverage the expertise, experiences and perspectives of others.

Tools

- Provision of training and education to staff, at all levels.
- Linkages to other initiatives (eg culture, risk culture, accountability frameworks, succession planning and recruitment).
- Existence of employee focus groups to promote the insurer's DEI activities and initiatives.
- Use of remuneration to drive good DEI outcomes (eg incentives, performance targets and consequence management).
- Clear accountabilities set (eg prescribed responsibilities, scorecards and job descriptions).
- Existence of secure mechanisms of whistleblowing channels.

Evidence

- Positive feedback/results from staff surveys and questionnaires (including topics such as culture, behaviours, freedom to contribute and remedial action to address issues).
- Talent surveys and evidence of opportunities and rotations being given to those from diverse backgrounds (who may not have so benefited in the past).
- Positive quantitative and qualitative data results.
- Benchmarking with external organisations and published results.
- Customer feedback.

Controls and reporting

- Independent oversight monitoring and input (eg using internal audit, risk management and compliance).
- Comprehensive, meaningful, and honest data gathering and reporting.

4 What can a supervisor do in response?

38. Supervisors have a number of ways to address DEI issues identified at an insurer, with the nature of the response varying depending on the severity of the issue, the viability of the insurer and its impact across the sector. The first section sets out potential industry-wide actions, then the second section builds on this focusing on more targeted actions a supervisor may take with individual insurers where one or more of the aforementioned warning signs have been identified. The potential actions available to supervisors as set out in this section must be considered in the jurisdictional context of the supervisor, bearing in mind the powers and mandate of a supervisor to undertake any such action.

4.1 Industry-wide approach

39. Similar to other aspects of governance, risk management and corporate culture, some DEI challenges may be common across the insurance sector, and so an industry-wide approach may be warranted. This may particularly be the case where poor DEI practices are culminating in adverse outcomes that already are, or are likely to, negatively impact the safety and soundness of insurers. In addition, a sector-wide approach may be appropriate where systemic issues have been observed and public action can help drive greater attention to DEI across the board.

40. Supervisors have a range of options from using soft powers, to incorporating DEI into their supervisory approach, through to using formal powers to create new requirements. Implementing a combination of responses is likely to have the greatest positive impact. The actions taken by a supervisor will depend on what is possible under their supervisory remit and statutory objectives, as well as their strategic priorities. Irrespective of which route is taken, consideration of proportionality is needed when developing industry-wide responses. The location and size of the insurer are two factors that can be impactful, as well as the importance of local cultures and context.
41. If supervisors feel unable to take any DEI-specific action they can nonetheless contribute positively to the promotion of DEI more broadly within insurers, such as through whistleblower programs and other protections. The ability for truthful accounts of lived experiences to be raised is an important way that exclusion and mistreatment can be brought to light and acted upon. Supervisors can also strengthen cooperation with other authorities that have the mandate to promote DEI, such as equality and anti-discrimination bodies.
42. Supervisors can also have a positive influence industry-wide in encouraging progress on DEI by striving to improve DEI within their own organisations and adopting some transparency in the process. In this way they can serve as role models leading by example. All supervisors have the potential to do this, including those unable to take DEI-specific action with insurers.

4.1.1 Use of soft powers

43. As a starting point, the use of softer powers by the supervisor can open the dialogue on the role of DEI in supporting good governance, risk management and corporate culture in insurers. Delivering speeches, publishing articles and being transparent about the supervisory body's own objectives, actions and progress in driving change can encourage dialogue. Supervisors may also consider suasion techniques (eg Dear CEO/Chair letters), voluntary initiatives (such as public commitments and disclosures by insurers of their DEI approach and achievements), and engaging in informal conversations that encourage progress. In turn, supervisors may review existing disclosures and/or other available material (including from other sectors, where appropriate), to inform these conversations.
44. Recognising that progressing diverse representation and embedding more inclusive practices is a learning curve for all institutions, supervisors may consider using their convening powers to work together with industry on identifying challenges and sharing learnings and steps to overcome these (eg via roundtables, organising mentoring schemes, etc). This may be particularly helpful where common challenges exist, including in creating a diverse pool of candidates for both insurers and supervisors alike, as well as identifying and working through barriers certain groups of individuals may face once within the workforce (eg flexible working). Partnering with other suitable organisations to drive attention/progress on DEI (eg peer supervisors, government or similar agencies, professional bodies etc) can also support a broader approach that provides diversity of thought and experience, including from other sectors.

4.1.2 Incorporating DEI themes into supervisory approaches

45. Consideration of DEI can be integrated into existing supervisory practices, in particular to form part of general supervisory approaches related to governance, risk management and corporate culture. For example, when supervising governance, supervisors may be able to learn about insurers' approaches to DEI by assessing board and senior management composition, including how diversity of views in decision making is welcomed and constructive challenge is received. Closer consideration can also be given to insurers' approaches to succession planning,

recruitment practices and training, as well as their understanding of the impact of DEI in objective setting, product and service development and strategy.

46. DEI warning indicators relating to compliance and KPI breaches, whistleblowing, escalation of issues and consideration of control function concerns may all be identified as part of supervision of risk management and risk culture. Supervision of behavioural and cultural risk may also help identify and address DEI concerns, including in relation to lack of challenge, misconduct, communication and speaking up.
47. In addition, particular supervisory programmes could be broadened/deepened to include DEI considerations. For example, individual accountability and remuneration supervision can also assess the extent to which DEI is reflected in senior individuals' statements of responsibilities and in the remuneration scorecards of key decision makers, to help drive accountability and consequence management. Accountability for DEI should be clear with the ability to measure and monitor progress towards a target state.
48. Where supervisors have less insight into DEI through regular supervision, they may consider conducting a thematic industry wide study (or selecting certain insurers), including through surveys and document reviews. This can be broad or adopt a focus on one or more of a range of DEI-relevant topics, such as levels of speaking up, psychological safety, recruitment policies and practices etc. Using the information collected, supervisors may subsequently report publicly on the DEI progress of the insurance sector, describing examples of good practice for insurers to consider.

4.1.3 Develop requirements

49. In addition to the above, and particularly where issues and risks are persisting, supervisors may want to take more formal action to help drive meaningful change. This may take the form of supervisory expectations, standards, rules or similar and could be mandatory or followed on a 'comply or explain' basis – depending on the powers, approach, and policy rationale of the supervisor. The requirements may differ according to the size of the insurer.
50. Supervisors could require insurers to:
 - Develop and maintain DEI strategies and/or internal policies.
 - Set targets for demographic representation and/or improved inclusion metrics.
 - Allocate senior responsibility within the insurer for DEI, perhaps connecting it to performance objectives and remuneration.
 - Implement training on DEI (for example unconscious bias training, or training on hiring practices).¹⁶
 - Implement measures to gather employee perspectives/insights on the state of DEI within the insurer.
 - Collect and report to the supervisor, several types of data:
 - on employee demographics.

¹⁶ The goal of unconscious bias training is to help individuals understand and recognise their own unconscious and implicit biases and suggest behaviours to mitigate those preconceptions. Training with respect to hiring and recruitment practices can help support hiring managers and employees in Human Resources to understand how their biases may affect how they view and assess candidates and help them make more inclusive hiring decisions.

- on employee inclusion.
 - other insurer data with DEI indicators (eg board interactions, recruitment, retention, promotion, attrition, policies & practices, performance management, remuneration practices, and internal communications).
 - Publicly disclose information on their data and/or approaches related to DEI.
 - Undertake targeted remedial action.
51. Box 5 sets out how insurers and supervisors collecting and using diversity data can support the embedding of DEI into insurers' strategies and day-to-day operations.
52. To supplement the introduction of new requirements, publishing further supervisory guidance may be helpful in supporting the industry's understanding and may include benchmarks and examples of practices.
53. Relevant laws of the jurisdiction (including any legal restrictions), existing standards and codes, and the mandate and objectives of the supervisor, as well as whether other relevant supervisory and policy frameworks already exist, will all be relevant to whether and how new expectations and/or requirements can be introduced.

4.2 Insurer-specific engagement

54. Irrespective of whether a supervisor chooses to take sector-wide action, engagement with individual insurers on DEI in a more targeted way may be pursued. Responses may range from a preliminary discussion with the insurer to verify the actual implementation of what is provided for in the insurer's policies and practices (section 4.2.1) to a more detailed review and analysis of the insurer's approach to DEI and the outcomes thereof (section 4.2.2).
55. As a result of insurer-specific engagement, a formal intervention might result if the supervisor finds serious concerns and if such intervention is available within the parameters of the supervisor's mandate and powers. Such formal interventions could include private warnings, public disclosure of non-compliance, fines etc according to the egregiousness of the misconduct or breaches.

4.2.1 Understanding an insurer's approach to DEI

56. Generally, the starting point for a supervisor when warning signs on DEI are encountered would be to undertake an analysis of the insurer's approach to DEI, including engaging with the insurer on the indicators identified. In such instances exploratory discussions can be undertaken to understand how DEI is reflected in its business strategy, what the current status of DEI is, and its intention and aspirations in this regard.
57. A valuable starting point may be targeted engagement with the board on their role in setting organisational values of the insurer and effectively setting and overseeing the insurer's corporate culture, business objectives and strategies. Such engagement with the board can include understanding how the board gains comfort that DEI strategies are being implemented and that the benefits thereof are being cascaded throughout the organisation.
58. Consideration can also be given to incorporating discussions on DEI into the supervisory approach more generally with that insurer (eg via regular engagement, governance reviews, approvals, etc). Discussions could include the insurer's commitments, objectives, monitoring, resources, priorities and budgets in relation to DEI, as well as potential challenges, obstacles, or restrictions it may face. Consideration can be given to verify whether the insurer's commitment

to DEI is limited to compliance with applicable standards or goes beyond it (eg by joining DEI related projects of external parties or with international standards and recognised initiatives).

59. On the human resources side, remuneration, training, benefits and career opportunities should be similar and accessible to all employees with equivalent skills and work experience, and supervisors may be able to enquire on this during regular engagement and on-site inspections. A strong code of conduct, an internal DEI strategy and a whistleblowing policy can be implemented to build a strong corporate culture and a safe and healthy work environment – all of which could be assessed through document review and interviews.
60. In detail, the supervisor could engage on whether the insurer has:
- A process to identify relevant issues linked to DEI.
 - Internal DEI management methods which may include also having brought on appropriate specialist expertise.
 - Group policies and procedures.
 - Investor or stakeholder influence in relation to its approach to DEI.
 - Quantitative information to enhance its DEI actions.
 - Measurement of inputs and outcomes.
 - The appropriateness of the prioritisation given to DEI at the board level, in senior management and in the organisation as a whole.

4.2.2 Undertake review work to examine DEI related arrangements and plans

61. In addition to engaging with the insurer, the supervisor may consider undertaking a targeted review of the insurer's approach to DEI. Certain aspects of DEI may be difficult to identify and monitor from document review alone, in particular where these are non-measurable and relate to actions and norms within an insurer. A targeted review could be linked to quantitative and qualitative assessments and include evidence-based engagements to explore and verify the design and effectiveness of DEI initiatives.
62. In the case of a desk-based assessment, a targeted review might include examining:
- **DEI-related policies and documents:** data providing insight into current status of DEI and projects with metrics including leading and lagging indicators and dashboards; training materials, job adverts, role descriptors and recruitment policies (for the entire employee lifecycle, not only on entry to the insurer).
 - **Tone from the top messages:** the organisation's objectives, mission statements, internal communications including DEI content on insurer intranet, senior leadership sponsorship and messaging of DEI initiatives.
 - **Board and senior level engagement:** reporting to inform the board and senior management of DEI progress, board papers and minutes, and the oversight and monitoring at board level, senior management level, and by the 1st, 2nd, and 3rd lines of defence.
 - **Accountability:** board and senior management scorecards and accountability statements. Details of allocation of key responsibilities amongst board members, senior management, and staff.
 - **Culture assessments:** culture or risk culture reviews, surveys and questionnaires (the details and results thereof, and actions taken by the insurer in response thereto),

compliance and internal audit reports, benchmarking (locally and internationally) within the insurer and by comparison to peer organisations.

- **Employee resource/affinity groups:** groups representing different employee demographics may provide additional context around intrinsic and emerging challenges, complementing top-down communications and formal policies/guidelines, revealing DEI reality within the insurer.
- **DEI at the board level:** board skills matrix, board performance and evaluation reports and succession plan, reporting and escalation procedures to senior management and the board.

63. In addition to information produced by the insurer, a supervisor may further choose to review available external sources of information such as public disclosures on DEI (eg reports and accounts, disclosures on the insurer's website, and other published data), awards and prizes, independent peer review, survey results, audits or measurement systems, external performance evaluations, benchmarking, stakeholder feedback and complaint management systems.
64. While the design of DEI policies may be possible to assess from desk-based reviews, their effectiveness may be harder to evaluate based on written material alone. To that end incorporating DEI concerns, questions, and considerations into business-as-usual supervisory engagement such as on-site visits, observation of board and senior management meetings and structured meetings or interviews can help provide further insights to assess whether policy and practice align. If looking into DEI specifically, supervisors may consider the use of focus groups and 'year on year' reviews or engagements to track progress/developments.
65. In addition, supervisors may undertake their own enquiries or investigations with insurers to understand their arrangements. These could include a focus on known issues or incidents arising by conducting a root cause analysis to determine if the underlying causes of DEI issues have been identified and that steps have been taken to address them effectively and to prevent future occurrences.
66. Supervisors may also consider how DEI is managed at group level to ensure that individual insurance legal entities within the group do not overly rely on group-level DEI policies and procedures without adapting them to appropriately reflect their own specificities. Such specificities may include the current DEI state within that individual insurance legal entity and, more broadly, may reflect the jurisdictional DEI priorities and approaches of where it is located.
67. In all cases, it is important for supervisors to ensure DEI is not treated as a box ticking exercise, and that the board and senior management treat it with sufficient consideration. When DEI considerations are fully embedded in all aspects of the insurer, they can positively contribute to governance, risk management and culture and generally how the insurer carries out its business, thereby helping reduce risks to supervisory objectives.

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

With any change strategy, it is useful to have a well-informed understanding of the current state from which to identify problems and opportunities, design initiatives and then measure progress. Gathering and using data that give insight into the presence or not of diversity and the degree of inclusion or exclusion within an insurer, in jurisdictions where it is legal and culturally acceptable,

can therefore be a powerful component of insurer-initiated DEI actions and action by the supervisor.

Insurers' use of data:

If an insurer is collecting data, it should be then using the data to inform its DEI strategy in accordance with the following steps:

- Collecting data on the state of diversity, equity and inclusion within the insurer.
- Analysing and interpreting the data to reveal insights (ie by comparison of data with local societal demographics, societal norms and expectations, by comparison with peers – where peer data is available)
- Informed by the data insights, setting a strategy with clear objectives and ways of measuring future progress and then implementing that strategy.
- After implementation of the strategy, review its progress over time by collecting and analysing data to measure progress reveal whether the initiatives are proving successful in achieving the strategic goals.

Thus, the steps repeat to form a cycle of data collection and analysis > strategy formation > implementation > data collection for assessment, etc.

Data can be used to examine diversity, equity, and inclusion:

- Diversity – In some jurisdictions, insurers are legally permitted to collect demographic data on their employees though employees are not required to respond. Insurers can use this data to build an understanding of how various demographic groups are represented within the insurer, including at different levels and roles within the insurer. This would help them understand if they were sufficiently diverse considering their local context, including sufficiently diverse at different levels and in different role types.
- Equity – Insurers can collect data on the outcomes being achieved by equitable initiatives they have introduced such as mentorship programs, targeted recruitment programs and blind recruitment processes (where gender and name are removed from applications) to test whether they are contributing to more diversity and enhanced inclusion. Data can also be interrogated to test whether there are distinctions in salary progression, awarding of bonuses, allocating development opportunities and career progression on the basis of gender or other diversity characteristics.
- Inclusion – Insurers can also gather data on inclusion via voluntary, anonymous employee surveys designed to gather data such as whether employees feel a sense of trust, belonging and psychological safety at their workplace.

The data can then be analysed, for example, in the following ways:

- Insurers that can collect both demographic and inclusion data and analyse the two alongside one another to try and establish if there are concerns in relation to equity within the insurer. For example, do people from a particular demographic group feel lower levels of psychological safety in the insurer?
- Insurers with demographic data can cross-reference this with data on employee promotions and attrition. They can also look at intersectionality ie are employees with more

than one characteristic from a disadvantaged group experiencing disadvantage or exclusion at the insurer?

- Insurers can look at demographic data with reference to representation at different levels within an insurer (eg are people from a disadvantaged demographic group represented at lower levels of an insurer but not at senior levels?).
- Insurers that cannot collect demographic data but can collect inclusion data can consider if they are receiving lower than expected results in any area. For example, do people in the insurer feel they can speak up and challenge the prevailing views and that if they do, they will be listened to? If the survey revealed that the majority don't feel this way, the insurer can consider how to improve this metric.

Supervisors' use of data:

Supervisors, by receiving reporting of an insurer's DEI data, and/or by receiving information about the insurers' approach to collecting and informing itself on the analysis of that data, will be able to form an assessment of the robustness of the insurers' strategic approach to DEI. The supervisor will also be able to identify outliers, for instance, where inclusion measures are especially low or where there is especially low diverse representation at an insurer compared with its peers and this can help achieve traction with the insurers' board on the need for change.

Additionally, there is a useful role for the insurance supervisor in collecting from insurers the data that they have to enable public reporting by the supervisor on DEI within the insurance sector (most likely in aggregate) to promote transparency, motivate progress and facilitate insurers' ability to compare themselves against peers.

Where DEI data collection is not an option:

Where a supervisor cannot require insurers to collect and disclose DEI related data due to limitations in the supervisory mandate, jurisdictional context or in the absence of legislative power, the supervisor can instead examine how the insurers' policies, practices and culture support increasing diversity within the insurer and creating inclusive environments. Consideration can particularly be given to recruitment and promotion, senior level buy-in and accountability for DEI and policies that make the work environment psychologically safe. Further examples are set out in Section 4 of this paper.

5 Conclusion

68. Embedding DEI in an insurer is anticipated to positively impact its corporate governance, risk management and corporate culture. For this reason it bears a direct correlation to supervisory objectives.
69. That said, DEI needs to be considered within the jurisdictional and cultural context of a particular supervisor, acknowledging legislative restrictions that may exist and recognising that diversity focus can vary from one jurisdiction to another.
70. Understanding the benefits of DEI and being able to identify warning signs of a lack of DEI is critical in helping supervisors identify and address the implications on the corporate governance, risk management and corporate culture of an insurer. This could mitigate the potential for widespread misconduct, groupthink and inappropriate decision making and reduce financial and consumer harm, thereby supporting positive outcomes related to the insurer's safety and soundness, the interests of its policyholders and other stakeholders.