Commentary

Gender Diversity: Women Still Under-Represented at Senior Levels in the UK Insurance Sector

Morningstar DBRS
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Key Highlights

- Only 7% of CEOs in the UK insurance industry are women, suggesting an under-representation of women at the executive level.
- Lack of diversity among insurance executives could hinder company performance and reputation, which could ultimately adversely affect credit ratings.
- A more balanced representation of women in management positions would improve the sector's reputation and help close the overall existing pay gap.

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Overview

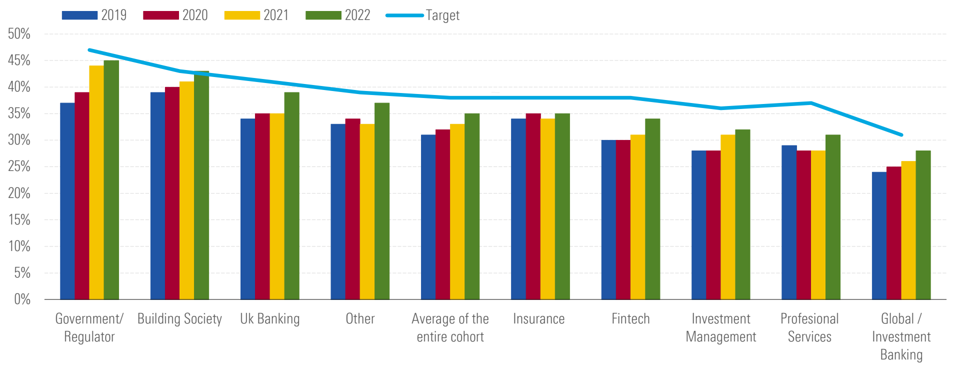
In the insurance sector, similar to other industries, female talent has historically been under-represented in management positions. As a result, governmental institutions and insurance companies have put in place several initiatives, such as the UK Women in Insurance Awards, that aim at promoting gender equality in the workplace. However, the results to date still fall short of the goals the insurance industry originally set. Despite an overall increase in the percentage of women insurance companies hire at entry level, the female-to-male ratio remains relatively low as positions become more senior. Among other implications in terms of access to talent, the lower representation of female leaders might have an adverse impact on insurance companies' financial performance and public perception.

This commentary analyzes the gender gap at the management level in the UK insurance industry, the root causes behind this problem, and some of the most prominent policies and initiatives established in response. In our view, promoting gender diversity for executive positions would help improve the insurance sector´s reputation and franchise strength. We also think that an environment that supports greater work-life balance would help in the recruitment, retention, and promotion of women in the insurance sector.

Women in Management Positions Within the UK Financial Sector

Over the last four years, there has been a positive trend in the representation of women in senior positions across all sectors of the financial services industry, as shown in Exhibit 1. However, female participation in management positions in the UK insurance sector seems to have stagnated at around 35% since 2019, while most other financial sectors have managed to improve the presence of women in senior positions by four to eight percentage points during the same period.

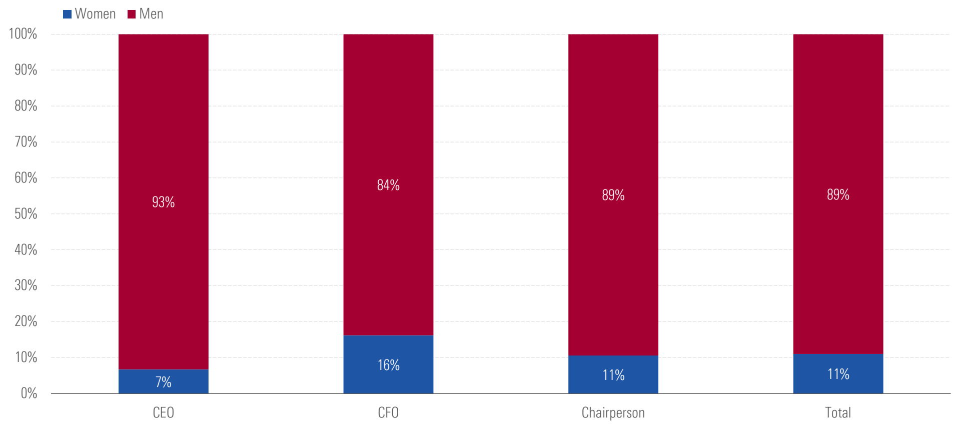
Exhibit 1 Percentage of Women in Management Positions in the UK Financial Sector



Sources: The Women in Finance Charter (WIFC) and Morningstar DBRS.

According to a recent study by global employment lawyers, GQ Littler[1] (Exhibit 2), only 29 out of 431 CEOs in the UK insurance sector are women, 7% of the total. The same goes for CFOs (16%) and chairpersons (11%). This under-representation of female talent at the senior executive level can potentially further hinder the availability and retention of female talent throughout the industry.

Exhibit 2 UK Insurance Sector Female Representation at the Executive Level



Sources: GQ Littler and Morningstar DBRS.

The government and financial services companies have put in place several initiatives to try to address this issue. For example, in 2016, the British government introduced the Women in Finance Charter (WIFC) to achieve gender balance in the financial sector through reporting transparency and individual self-defined targets for its signatories. The WIFC has over 400 signatories, including 43 members of the British Association of Insurers. Moreover, in 2017, the UK government implemented the Gender Pay Gap Reporting Regulation. This action required large employers with over 250 employees to report their gender pay gap situation annually, promoting transparency and accountability across the financial sector. The Women in Insurance Awards, established in 2017, seeks to increase the visibility of women in the insurance industry.

Despite these efforts, we note that women's access to leadership positions remains a challenge for the industry. There are a number of negative implications from the lack of senior female leaders in insurance. According to research published by Oxford Leadership[2] in 2018, having women in leadership positions has a positive impact on companies' financial performance. Second, the lack of sufficient female talent at senior positions could potentially influence insurance companies' credit ratings. A lack of commitment to diversity and gender inclusion throughout the organization could adversely affect a company's reputation and market position, which is captured under the franchise strength block of Morningstar DBRS' *Global Methodology for Rating Insurance Companies and Insurance Organizations*.

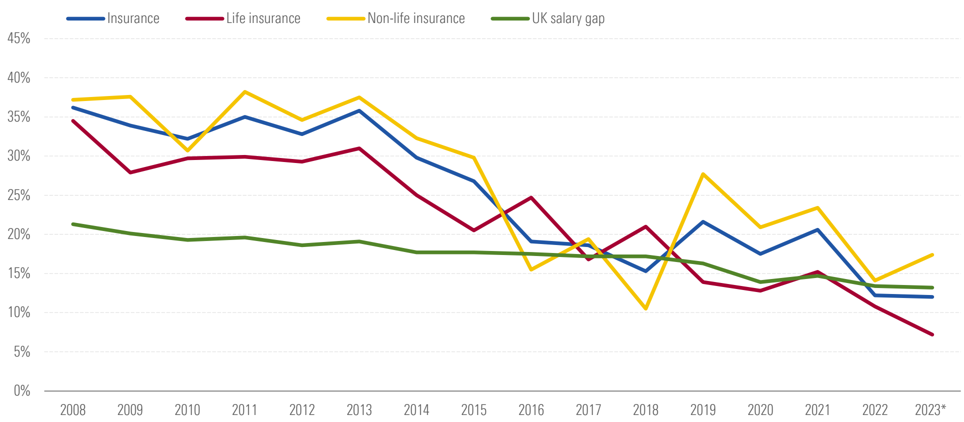
1 Women make up less than 7% of CEOs in the insurance sector. GQ Littler Press Release,18 December 2023.

2 Women in top leadership roles benefit business and society. Oxford Leadership Press Release, n.d.

Recruiting and Retaining Women at Senior Levels Is Key to Reducing the Pay Gap in the Industry

In the past, the insurance industry would hire more men than women at all organizational levels. However, the situation has changed significantly in recent years. A recent study conducted by McKinsey & Company[3] in North America has revealed that the insurance industry has a much better representation of women in entry-level positions than other industries. Specifically, in 2021, women accounted for 66% of the entry-level workforce in insurance, compared with 48% in other industries. However, as McKinsey´s study pointed out, a significant portion of these women were employed in call centers, a long climb to the top positions within the company. This situation is negatively affecting the salary pay gap, as the methodology behind its calculation is based on average hourly remuneration by gender, so the result is influenced by differences in seniority between men and women. In 2008, the average pay gap in the insurance industry was 15 percentage points higher than the overall average for the UK (Exhibit 3). Over the past 15 years, the pay gap in insurance has decreased significantly, to 16% in 2023 from 35% in 2008. In fact, life insurance and the industry currently have a lower salary gap than the average.

Exhibit 3 Salary Gap in the Insurance Sector Compared With the UK´s Salary Gap



Sources: Office for National Statistics (ONS) and Morningstar DBRS.
*Gender pay gap (GPG) is calculated as the difference between average hourly earnings (excluding overtime) of men and women as a proportion of average hourly earnings (excluding overtime) of men.

The UK government introduced the Equal Pay Act in 1979, which marked the first legal action to promote gender equality in the workplace by ensuring equal pay for both men and women for the same job. However, the fact remains that, more than 50 years after the approval of the Equal Pay Act, the average remuneration for women in insurance is still below that of men. We think that a more balanced representation of women in management positions would potentially close some of this gap, eventually improving the insurance sector's reputation and creating a more attractive sector for women to pursue their careers.

3 Closing the gender and race gaps in North American financial services. McKinsey & Company Article, 21 October 2021.

The UK Insurance Sector Is Falling Behind in Closing the Gender Gap at Senior Levels

The sector has faced significant challenges due to recent scandals involving major companies such as Aviva and Lloyd´s. These incidents have portrayed the industry as outdated and unwelcoming to women, potentially deterring them from pursuing long-term careers in this field. For instance, at Aviva´s 2022 Annual General Meeting, CEO Amanda Blanc experienced harassment from shareholders who made inappropriate remarks about her leadership abilities solely based on her gender. Blanc even posted on her LinkedIn account about this issue, stating that she was "pretty used to sexist and derogatory comments." Similarly, Lloyd´s of London faced public scrutiny in 2019 following the Bloomberg Business Week investigation that uncovered instances of sexism and inappropriate conduct within the organization.

Research conducted by consulting firm Oliver Wyman[4] showed that female executives in the financial sector are 20% to 30% more likely to leave their jobs than their male counterparts. This higher attrition could, in part, be driven by the industry´s failure to create a substantial number of female role models within the industry. Without significant support, women in junior positions may feel less motivated to pursue a career in insurance. However, a more critical factor is likely the industry's lack of flexibility. Research has shown that women prefer to work remotely or part-time; yet few part-time positions are available for senior roles. For example, Zurich Insurance Group Ltd allowed senior female employees to work remotely or opt for a part-time position. Women took 95% of the part-time job offers. The lack of a sustainable work-life balance might be a big part of the problem. It would certainly help explain why other financial subsectors with long working hours, such as investment banking or fintech, have even lower senior female representation (Exhibit 1). Therefore, a flexible environment that supports work-life balance might be a potential solution to retain women and, hence, increase their chances of reaching the top.

In our view, the UK insurance sector has made progress in closing the senior gender gap, but there is room for improvement. Specifically, the sector needs to focus on enhancing job satisfaction by creating a supportive work environment that enables women at intermediate and senior levels of their careers to balance work and life responsibilities.

4 Women in Financial Services time to address the mid-career conflict, Oliver Wyman Report, 2016

Related Research

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