

Realising the power and potential of a changing workforce.

Insurers are stepping up their commitment to diversity and inclusion. But barriers remain. How can they be overcome?

Breaking through: How insurers can harness the diversity dividend



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Introduction

Management wants greater diversity. Clients and employees expect it. But while progress is being made, there's still a big gulf between management's intentions and the reality for many people working within insurance¹.

In this round-up of our research and viewpoints on diversity and inclusion in the insurance industry, we outline why diversity in all its forms – from gender, generation, ethnicity, sexuality and disability to people with a broader range of skills, experiences and cultural backgrounds – can give your business an edge. We also look at how far the industry has come and how to break through the remaining barriers.

Our perspectives draw on our wide ranging work with insurance clients and support for groups campaigning for greater diversity and inclusion. We also draw on our own experience of seeking to make diversity a reality within our organisation.

What we mean by diversity and inclusion

Diversity

All people are recognised and respected as individuals and valued for the different perspectives they bring.

Inclusion

All people are given equal opportunity to contribute to business success, regardless of background.

¹ Looking at the US, the world's biggest insurance market, as an example, women made up nearly two-thirds of the insurance workforce in 2014 (64%), but held less than a third of executive and senior management positions (32%). African American people made up 13% of the insurance workforce, but held less than 3% of senior positions (Source: Job patterns for minorities and women in private industry, 2014, US Equal Employment Opportunity Commission).

How diversity and inclusion can give you the edge

The business case for diversity and inclusion has never been more compelling.

1 Broadening the talent pool

With seven out of ten of the insurance CEOs taking part in our latest Global CEO Survey seeing the limited availability of key skills as a threat to their growth prospects², promoting diversity can help to broaden the pool from which talent is chosen.

2 Attracting talent

Promoting diversity will make your business more attractive to work for. In 2015, we carried out a survey of more than 10,000 millennials (people born between 1980 and 1995)³. More than 80% of the 122 participants working in insurance businesses (86%) said that an employer's policy on diversity, equality and workforce inclusion is a decisive factor when choosing a new job.

3 Sharpening innovation

In an industry facing unprecedented disruption⁴, promoting diversity can help to bring in people with fresh ideas, experiences and cultural backgrounds.

As Figure 1 highlights, more than three-quarters of the insurance CEOs who said they'd adopted a strategy to promote diversity in our 2015 Global CEO Survey believe it's helping them to enhance innovation, customer satisfaction and overall business performance.

4 Fostering the right culture

Financial services regulators have diversity and the culture that surrounds it in their sights. For example, European banking regulation requires the promotion and monitoring of diversity within the boards of credit institutions to help foster a broader range of views and reduce the risk of 'group think'⁵. In turn, the Dodd-Frank Act requires regulatory agencies, including the SEC, to assess the diversity policies and practices of the companies they oversee⁶. While the

primary focus for regulators has so far been banks, insurers are likely to follow. And research we carried out with the London Business School confirms the importance of diversity in encouraging people within financial institutions to not only do the 'right thing', but also think more creatively⁷.

Does the reality match the words?

When we asked insurance industry leaders whether they have a strategy to promote diversity and inclusion or plan to adopt one, eight out of ten said yes (74% having a strategy and 6% planning to adopt one)⁸. But, the reality for many women and people from other underrepresented groups may not reflect the publicly-stated aims of their employers.

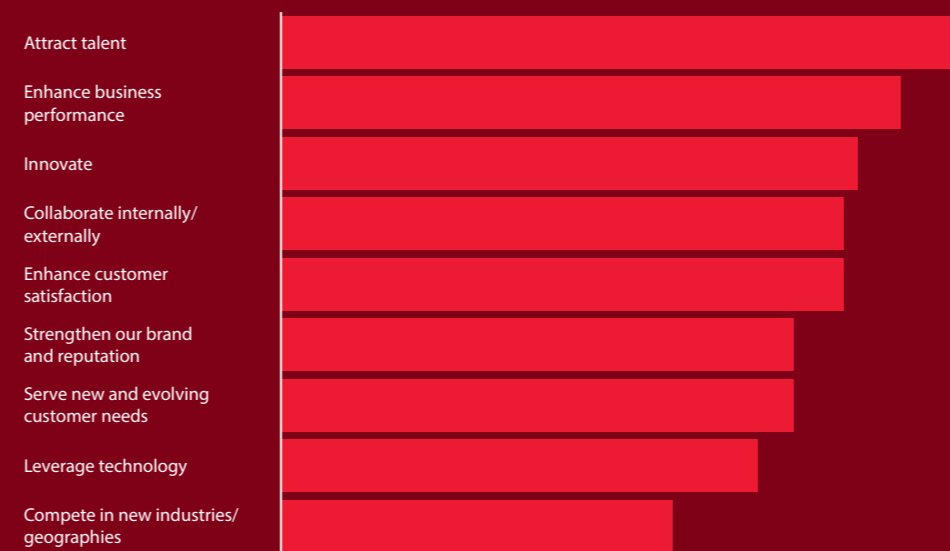
"Diversity is one of our greatest blind spots."

Mike McGavick, CEO of XL Catlin, speaking about diversity in the insurance industry at the Reinsurance Rendez-vous 2015 PwC Breakfast Briefing⁹.



Figure 1: The benefits of diversity

Which of the following benefits, if any, has your organisation obtained from its strategy to promote talent diversity and inclusiveness?



Source: 59 insurance CEOs interviewed for PwC's 18th Annual Global CEO Survey (2015)

² Results for financial services as a whole are explored in 'Shifting demands, competing priorities: Adjusting to the new talent realities in financial services', PwC 19th Annual Global CEO Survey, February 2016 (<http://www.pwc.com/gx/en/financial-services/publications/assets/key-talent-findings-in-the-financial-services-industry-feb-2016.pdf>)

³ 'Female millennials in financial services: Strategies for a new era of talent', PwC Millennial Survey 2015 (http://www.pwc.com/en_GX/financial-services/publications/assets/pwc-female-millennial-report-v2.pdf)

⁴ Our latest Global CEO Survey (2016) revealed that insurance is the second most disrupted sector in the global economy, behind only entertainment & media – as defined by significant concerns over overregulation, new market entrants, the speed of technological change and shifts in consumer spending and behaviour (Source: PwC 19th Annual Global CEO Survey).

⁵ 'European Banking Authority report on the benchmarking of diversity practices', 8 July 2016 (<https://www.eba.europa.eu/documents/10180/1360107/EBA-Op-2016-10+%28Report+on+the+benchmarking+of+diversity+practices%29.pdf>)

⁶ Section 342 of the Dodd-Frank Act (http://www.frbsf.org/our-district/about/office-minority-women-inclusion/supplier-diversity/supplier-information-procurement/Dodd_Frank_Act_Section_342.pdf)

⁷ Why you can't scare people into doing the right thing, PwC, June 2015 <http://www.pwc.co.uk/industries/financial-services/regulation/why-you-can-scare-bankers-into-doing-the-right-thing.html>

⁸ 'A new take on talent', PwC 18th Annual Global CEO Survey (<http://www.pwc.com/gx/en/financial-services/publications/a-new-take-on-talent.jhtml>)

⁹ Reinsurance Rendez-vous 2015: How do we improve diversity in Financial Services? <http://www.pwc.com/gx/en/industries/financial-services/insurance/publications/how-do-we-improve-diversity-in-financial-services.html>

Nearly two-thirds of the women working in insurance businesses (64%) who took part in our 2015 millennial survey say their employer isn't doing enough to encourage diversity and 80% believe that insurers talk about diversity, but opportunities are not equal for all – a higher proportion than other financial services sectors. Nearly half (47%) feel that promotion is biased towards men. Within this highly networked generation, the poor perceptions of current staff can quickly spread and discourage potential recruits. It's therefore troubling that so many of the women in the survey don't believe that opportunities are equal and that many employers are simply paying lip-service to diversity.

A similar ceiling holds back other underrepresented groups. In the US, for example, African American people make up more than 13% of the insurance workforce, but hold less than 3% of executive and senior management positions¹⁰. There is clearly a danger that if expectations aren't met, many talented people will be put off joining or leave.

Among the biggest barriers to progress are prejudices that people may not even be aware of – unconscious bias. We're all susceptible to unconscious bias. First impressions do indeed count, for example. But in business, unconscious bias can be a blind spot, encouraging management to favour people like themselves when selecting candidates for recruitment or promotion.



The insurance industry's image

Thirteen percent of the some 8,000 women taking part in our 2015 global millennial survey wouldn't want to work in insurance because of its image, one of the highest proportions for any sector in the survey. Reluctance to work in the sector is strongest among female millennials in Asia, 19% of whom wouldn't want to work in insurance, compared to 10% in Western Europe and 12% in North America.

Reluctance to work in insurance mirrors issues in engaging with women as clients. A 2015 study by AXA¹¹ estimated that the fast increasing wealth and boardroom power of women could open up a \$1.7 trillion market opportunity for insurers by 2030, much of it within emerging markets, but found that the industry has largely overlooked women as a key customer segment.

By reaching out to women more effectively, the industry could not only increase its access to top talent, but also its ability to engage with an increasingly valuable customer segment.



Making diversity real

If diversity is such a critical strategic issue, how can your business make it a reality?

1 Make the case

Leaders can set the tone by articulating the competitive benefits of a diverse workforce, considering it in their key decisions ('diversity lens') and ensuring management at all levels of the organisation understand and promote diversity objectives.

Engaging line management can be difficult, especially if they don't see diversity as directly relevant to them. But when diversity is put in the context of engaging with clients, many of whom will be women and people from ethnic minorities, diversity is likely to have more resonance.

What PwC is doing

Many PwC firms have set and are delivering gender and ethnicity targets. We still have some way to go. But by tracking progress we can identify priorities for intervention.

2 Tackle unconscious bias

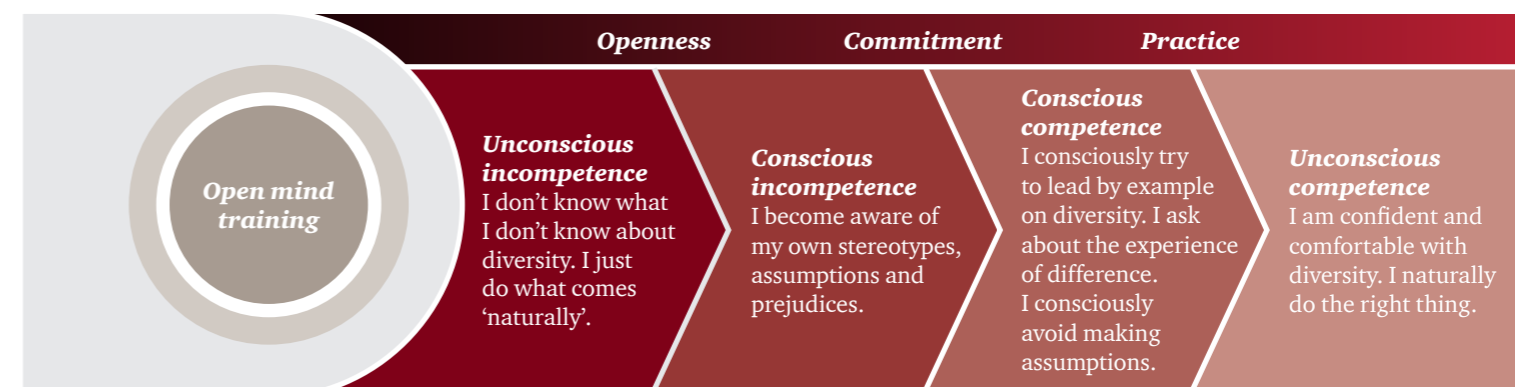
By their very nature, unconscious biases can't be tackled by statements of intent alone. So it's important to make people at all levels of the organisation more aware of the biases and develop ways to mitigate them. This includes tracking whether hiring and promotion are equal and, if not, identifying what biases may be at play. If 70% of promotions are going to men, for example, why is this? How can career advancement be put on a more equal footing?

What PwC is doing

Open mind training
We've developed 'open mind' training¹² to identify and overcome unconscious biases. The initiative helps people to become mindful of these potential blind spots in their thinking and the impact on their decisions.

"At PwC, some of the most coveted roles in our firm are those responsible for leading client relationships. The diversity within such roles at PwC is not yet where we'd like it to be. In PwC's insurance practice we've made progress and we will continue to emphasize diversity as we develop our people for these opportunities."

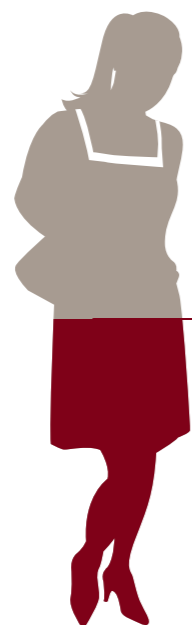
Stephen O'Hearn,
PwC Global Insurance Leader



¹⁰ Job patterns for minorities and women in private industry, 2014, US Equal Employment Opportunity Commission

¹¹ 'Why Should Insurers Invest in Women? A Trillion-Dollar Question', 16 September 2015 <https://www.axa.com/en/newsroom/news/why-invest-women>

¹² UK firm initiated and then globalised



46%

Nearly half of female millennials working in insurance believe that taking advantage of flexibility balance programmes would have negative consequences for their careers

3 Sponsor talent

Experience shows that a good way to achieve fairer identification of people with leadership potential is to appoint a dedicated ‘talent watcher’ from within the executive team, who has the influence to ensure that the people being watched have access to appropriate assignments and barriers to progression are removed. The talent watcher should also take the lead in investigating why a high potential employee might choose to leave the organisation and addressing the underlying issues.

What PwC is doing

We’re striving to build the right leadership pipeline by identifying and mentoring people with potential from underrepresented groups. Examples include Breakthrough Leadership (PwC US) and Women in Leadership (PwC Canada), programmes for top performing women.

4 Flexibility matters

Nearly half (46%) of female millennials working in insurance believe that taking advantage of flexibility balance programmes would have negative consequences for their careers¹³. It’s therefore important to make flexibility a real part of women/employees’ working lives rather than just a passive policy. This includes identifying why women think taking advantage of flexibility policies could harm their careers and seeking to address this.

What PwC is doing

To make flexibility a reality, we’re giving people much greater say in how they meet work demands. We also promote shared parent leave.

5 Communicate strategy and progress to potential recruits

The brightest and best candidates will actively seek out organisations that have a strong reputation for diversity and inclusion. It’s therefore important to promote role models and ensure that diversity and inclusion are at the core of the employer brand.

What PwC is doing

Publically reporting our progress and supporting campaigns to create more awareness of diversity. This includes voluntary reporting of the pay gap between men and women in the UK and Australian firms. Among the global initiatives we support is the UN HeForShe campaign, which seeks to encourage men and boys to become agents of change by challenging the inequalities faced by women and girls (heforshe.pwc.com).



Making a real difference

None of these actions can make diversity a reality on its own. But a concerted effort to bring diversity into the forefront of management thinking and actively tackle barriers will turn diversity strategies from high level statements of intent to policies that can make a real difference, not just to your workforce, but your ability to succeed in a fast-changing marketplace.

Questions for your organisation

- **Do your leaders understand the business value of a diverse workforce?**
- **Do you have the right data to help you understand the diversity in your organisation?**
- **Is there a clear vision to help you to attract and retain the best talent?**
- **Are your current initiatives making a difference?**

To find out more



Making diversity a reality

<https://www.pwc.com/gx/en/industries/financial-services/assets/pwc-diversity-and-inclusion-making-diversity-a-reality.pdf>



Female millennials in financial services: Strategies for a new era of talent

http://www.pwc.com/en_GX/gx/financial-services/publications/assets/pwc-female-millennial-report-v2.pdf



Women of the world: Aligning gender diversity and international mobility in financial services

<http://www.pwc.com/gx/en/industries/financial-services/assets/women-of-the-world.pdf>

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