

A GENDER STUDY ANALYSIS OF BOARD MEMBERS, C-SUITE, AND INSIDERS IN THE INSURANCE INDUSTRY

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Abstract

This paper will take a fresh look at the global insurance industry and see if women have made any significant gains in board leadership, C-suite, and insider positions in insurance. Our results show a clear trend of improvement in gender representation on board of director and insider positions for firms in the insurance industry. However, the gains stop there and unfortunately no significant advancement for the percentage of women in the C-suite positions is evident in our dataset at this time.

1. INTRODUCTION

The need to increase gender diversity has been on many companies' radar for over a decade. Academic research has shown some improvement for females in high level and board positions ("Women are making steady gains", 2018; Nguyen, Ntim, & Malagila, 2020; Valls Martínez & Cruz Rambaud, 2019). EmadEldeen, Elbayoumi, Basuony, and Mohamed (2021) argue that gender diversity has a positive effect on firm performance, so if companies increase the number of females on the board of directors, firm performance will increase.

The insurance industry has been no exception in the desire to improve its gender mix either as the result of mandates or corporate initiatives. According to the Million Women Mentors 2018 Women in

Insurance STEMconnector report (STEMconnector, 2018), women total over 60% of the workforce in the insurance industry but account for only a small percentage of the leadership roles. A demographic study "Women are making steady gains" (2018) analyzed publicly available data of 100 companies, including 91 publicly traded and nine mutual companies in 2013. The data was updated in 2017 and continued to highlight the need for women in insurance at the upper echelon positions. "Women are making steady gains" (2018) showed that while some gains had been made there was still much more work to be done.

This research will take a fresh look at the global insurance industry using a data set close to "Women are making steady gains" (2018) and see if women have made any significant gains in board leadership, C-suite, and insider positions in insurance. Using a sample of 83 companies in the insurance industry we investigate the female allocation of insurance company board of director, insider, and C-suite (CFO, CEO) positions. Our results show, that there has been a steady improvement in the percentage of women allocated to board positions and for insider positions of the firm. However, our results also show that there has been little to no gains made in including women in the highly coveted C-suite positions. We suggest that this lack of representation is related to the fact that female gains on boards have been made in positions that would not routinely make them eligible for CEO or CFO positions.

We attribute this lack of leadership roles to the fact that females are not as likely to make the strong networking connections early on in their career to allow them to ascend to those positions as easily as their male counterparts. Instituting possible programs which will help women assert themselves could be beneficial. Also, working with programs that will urge women to enter science, technology, engineering and mathematics (STEM) program, which allow them to learn the quantitative skills necessary for senior leadership positions would go a long way to bringing leadership equality to the Insurance Industry. This study will be useful to corporations in the insurance industry and any other financial service company as a way to gauge their own progress with gender diversity and get ideas for its improvement.

2. LITERATURE REVIEW

Diversity quotas, including gender diversity, have been instituted in some countries around the world in order to move towards a gender/diversity neutral position on corporate boards and high-level corporate positions. Studies over the past two decades have discussed gender diversity on corporate boards and insiders and have examined its correlation to firm performance. For example, see Nguyen et al. (2020) for an up-to-date and comprehensive systematic literature review (SLR)

of the existing research on women on corporate boards (WOCBs) and corporate financial and non-financial performance.

A large proportion of studies do support corporate board gender diversity as it relates to firm performance. Showing diversity is good for business, Buchwald and Hottenrott (2019) examine board of directors demographics in a large sample of listed companies in 15 European countries and find that female representation on non-executive boards is associated with reduced turnover, an increase in tenure, and also a higher performance-turnover sensitivity of executives.

Garanina and Muravyev (2021) investigate the economic effects of the gender composition of corporate boards, employing a novel longitudinal dataset of publicly traded Russian companies over 1998–2014. The authors show some evidence that companies with gender-diverse boards have higher market values and better profitability. Bhatia and Gulati (2021) look at a database of 56 studies on corporate governance in the banking industry that were published between 2007 and 2019. They perform a meta-analytic review and show that bank performance is positively associated with larger boards and a high proportion of outside and female directors.

Đặng, Houanti, Reddy, and Simioni (2020) look at a sample of firms that made up the S&P 500 over the period 2004–2015. They find that the presence of women on corporate boards (measured either by the percentage of female directors on corporate boards or the Blau index of heterogeneity) has a positive and significant (at the 1% level) effect on firm profitability (measured by the return on assets).

Morris, Sodjahnin, and Boubacar (2021) investigate a sample of Canadian companies for the period 2007–2015. Their results indicate that the proportion of women sitting on a firm's board of directors is influenced by its shareholding structure. The authors show a curvilinear relationship between a company's ownership structure and the proportion of women on its board of directors and audit committee. Specifically, as the concentration of ownership increases women on the board decrease.

Di Biase and Onorato (2021) investigate market performance of 119 insurance companies from three geographical areas in the period 2009–2019. They provide evidence that board structure and board independence are the most relevant governance factors, with a potentially positive impact on insurers' market performance.

While most studies show gender quotas are positively related to firm performance, some studies argue that the quotas produce bias in other areas. Neschen and Hugelschafer (2021) look at gender bias in performance evaluations in areas of gender quotas. Their research investigates the unintended negative effect that spills over to women who are not immediate targets of the quota, by signaling incompetence. Their results imply that the bias, which is overall quite robust and

strongly pronounced, is still affected by individual gender-related characteristics.

Báez, Báez-García, Flores-Muñoz, and Gutiérrez-Barroso (2018) study the gender bias for 118 companies listed at the STOXX Global 3000 Travel & Leisure index. The results suggested a very relevant gap in the three analyzed dimensions: presence, salary and seniority. The study goes on to argue that women tend to be focused only on several corporate tasks like those related to marketing and human resources management. The authors argue that this bias, which in a first view can be considered an additional manifestation of a gender gap, is at the same time an opportunity to link modern corporations to a new style of management in which approaches like emotional intelligence could play a most prominent role.

Studies have also looked at not just the presence of females but the exact number of women on boards and firm performance. Valls Martínez and Cruz Rambaud (2019) show that the increasing number of women on boards is positively related to higher financial performance. They also show that gender mandatory law boosts the female proportion on boards of directors and as a result argue that there are valid business and ethical arguments to support mandatory gender legislation.

Redor (2018) studies investor reaction at the announcement of a female director's departure. They find a negative market reaction only when this departure drops the gender diversity below a critical level of three women showing there is a minimum number of women that the market perceives as a critical mass on a board. Interestingly, this shows that conversely there is no max percent of females on the board which would be considered optimal in the market.

In addition to the board of directors' literature supporting gender diversity, research has also shown that hiring female CFOs can have positive repercussions. Doan and Iskandar-Datta (2018) documents that firms hiring female CFOs experience an improvement in the level of transparency, represented by a reduction in the bid-ask spread and an increase in share turnover, relative to those hiring male CFOs.

3. DATA AND RESULTS

This study examines current trends in gender diversity for 83 companies in the insurance industry. The sample includes 61 U.S. firms, 14 Bermuda/Cayman companies, and 8 other global insurance companies. The companies were then broken into 7 segments (broker, financial, large primary, life/health, offshore, personal, and primary). All data is hand collected by visiting the company's website and verifying gender for each of the names collected. The data was collected to emulate the dataset used by "Women are making steady gains" (2018). Companies that were sold and merged since 2017 were replaced with companies in the same segment and when possible firm size allocation, as well as,

public and private allocation as the original study. If there was no good substitute we did not replace the firm. The sample still had a significant number of companies in each of the sectors compared to the original study.

Our results show there is a steady improvement in the percentage of women allocated to board positions over the past eight years in all segments of the insurance industry. Currently, females in our sample represent 26.11% of all board positions. This number is significantly higher than the 18.69% found by "Women are making steady gains" (2018). When the data is expanded to include industry segments, all segments of the industry follow this trend. The highest presence of females on boards is in the life/health segment of the industry with 94.44% having 2 or more females on the board. The largest gains for females over the past few years have been in the financial and primary insurance segments. Financial representing 23.7% of females in board positions overall up from 9.09% in 2017. Primary saw the largest percentage increase from 5.14% in 2017 to 22.69% in 2021.

In addition to the overall increase of women on boards in general, the number of women on each board has steadily increased over time. Companies with 2 or more females on the board represent 81.93% of our sample. Companies with 3 or more females on the board represent 55.42% and companies with 4 or more represent 34.94%. While this shows progress there are still companies in our sample, roughly 10%, with zero female board members.

Insider information was collected by viewing each company's website and collecting all names the company identified as insiders. The data show that female insiders in the life/health area make up the largest proportion of that segment with 31.51%. This was followed by brokers at 25.88%, 24.32% for financial, 24.10% for personal, 21.28% for primary, 19.63% for large primary, and 18.24% for offshore. Our data show that the most common female inside officer positions are the roles of HR/chief people officer and general council/legal. This data supports the results of Báez et al. (2018) who find insider and board roles associated with females are mainly in the marketing and human resource areas.

While there have been some clear trends in gains for females in the board of directors and insider positions, our sample doesn't show these same trends in the C-suite positions of CEO and CFO. Although females currently make up approximately 25% of all insurance industry boards and roughly 27% of inside officers, our data shows they translate to only 10.12% in CEO and CFO positions. So, while representation on the board and insider positions has been increasing it does not appear from our data that women at this point hold a commensurate percentage of the coveted top two positions.

Given that the majority of female insider positions in our sample are in non-quantitative roles, such as legal and human resources, it

would appear unlikely that this result will change anytime soon. While there are some success stories in our dataset, for example, Aspira Women's Health has five board seats and 4 of them are women. The majority have three or less and those that do tend to have more than 3 are in the life/health or personal lines which tend to be more customer-facing.

A study by McKinsey and Company (Ellinrond & Lodolo, 2019) found the gender gap appears early in the talent pipeline, upon the first promotion to manager. Their research finds that women across industries are 21 percent less likely to be promoted than men, and black women are 40 percent less likely than men to be promoted. The authors suggest that men establish networks early in their career that allows them promotions and raises, while women don't have the ability to do so.

We suggest that supporting females early on in their academic careers to choose careers in more STEM-oriented areas that allow them access to higher-level math and science-related courses would go a long way to setting them up for professional careers that would lead to higher-level leadership positions. Also, creating mentoring programs for females that would support them in deeper networking connections within the insurance and/or financial services industry could also benefit the gender problem. Lastly, it is important for senior male counterparts to be aware of the potential unintended bias for younger female employees as compared to their male counterparts. Supporting females in the non-traditional STEM roles and deeper early networking circles within the insurance industry could go a long way to improving female representation at the upper echelon insurance industry leadership positions in the future.

4. CONCLUSION

Our results show a clear trend of improvement in gender representation on board of director and insider positions for firms in the insurance industry. As of 2021, our sample shows an impressive 81.93% of all insurance boards having at least two or more females on their board. However, when the data is segmented these results show the majority of the gains are in consumer-facing segments of the industry with other segments having as low as 57% for at least two females and 27% for 3 females in the offshore segment of the industry. Female inside officers have increased to an overall percentage of 26.82% with segment breakout ranging from a high of 32% in life/health to a low of 18% for offshore. The gains stop there and unfortunately no significant advancement for the percentage of women in the C-suite positions is evident in our dataset at this time. A meager 10% of all CEO and CFO positions in this sample of the insurance industry are held by females.

We suggest that this inequitable result could be related to the poor participation of females in the STEM areas which would introduce to and

support them in more quantitative fields of study where they would be more qualified to fulfill CEO and CFO positions. Also, with so few females currently in upper leadership positions, there are few mentors for females to develop deep networking connections early in their career. These network connections have been shown to help with early promotions and raise. As a result, females do not get the same level of gender support that their male counterparts get early on which manifests with fewer promotions later in their careers.

We suggest instituting company lead initiatives to break down this potential unrecognized internal bias could go a long way to helping the females in the industry generate the same level of networking contacts as their male counterparts. Also, introducing and supporting them early to STEM careers could also help internalize the same level of confidence in their abilities as their male counterparts for quantitative leadership positions.

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