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Women, board and insurance companies

Diana Capone, Flaminia Montemaggiori, Sara Butera

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via del Quirinale 21- 00187
ROMA telephone +39 06 42133.1

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Women, board and insurance companies[1]

The regulation of insurance companies, at national and international level, pays limited attention to the composition of corporate governance bodies, also in terms of gender diversity. The analysis of Italian companies reveals that in the board of directors of a significant number of companies there are no women, the top roles of managing director and chairperson are largely held by men, and women in director roles represent, on average, less than a fifth of all directors. The adoption of measures, including of a regulatory nature, to support the presence of women on the boards of Italian insurance companies may not only represent a drive to rebalance the gender composition of all insurance companies - especially the unlisted ones, in which the under-representation of women is particularly marked - but could also be a decisive tool for successfully tackling the next strategic challenges for the insurance sector. To this aim, it is pivotal that regulators and supervisors - according to their respective competencies - take a proactive role in supporting diversity and inclusion in the insurance sector through measures such as the introduction of mandatory thresholds of women's representation and the publication of benchmark analyses.

Codes JEL: G3, G20, G22, G28

Keywords: board composition, corporate governance, diversity, female presence, Golfo-Mosca law, financial and insurance companies, inclusion.

[1] Diana Capone, Sara Butera and Flaminia Montemaggiori. The views expressed herein are those of the authors and do not necessarily reflect those of the IVASS. The authors are grateful to Paolo Angelini, Marina Brogi, Francesca Buzzichelli and Alfonso Rosolia for their very useful comments and suggestions on a previous draft.

Contents

Foreword 7
1. Regulatory framework to support diversity in insurance 9
1.1. The European and international regulations 9
1.2. National regulatory framework 10
2. Female presence on the boards of Italian insurance companies 12
3. Female presence in the insurance sector compared to the Italian financial sector and to the international framework 17
3.1. Analyses 17
3.2. Initiatives 18
4. The reasons for initiatives to support diversity in Italian insurance companies 20
5. Conclusions 24

"Gender equality is a core principle of the European Union, but it is not yet a reality.
In business, politics and society as a whole,
we can only reach our full potential if we use all of our talent and diversity.
Using only half of the population, half of the ideas or half of the energy is not good enough."
Ursula von der Leyen

Foreword

Periods of economic and social crisis, such as those that the financial sector has faced and continues to face in recent years, clearly demonstrate the importance of balanced corporate governance structures for sound and prudent management, for the protection of the users of financial services and for the resilience of companies. The global financial crisis of the first decade of the century had already highlighted the importance of having effective corporate governance safeguards in place to react promptly to adverse shocks and reduce their economic and social impact. In the current context of the health emergency, the strategic guidance of companies has once again proved to be crucial in adapting business models and company dynamics to emerging market needs and new ways of interacting with customers.

A key component of sound and responsive governance is the board[2], a body that is, among other things, ultimately responsible for defining business strategies and ensuring the governance of business risks. To effectively fulfil these tasks, the board should be composed of people who have in-depth technical knowledge of the environment in which they operate and who are, at the same time, open to innovation and critical and constructive dialogue. These characteristics are even more important in the financial sector, where it is necessary to combine the need to produce value for all stakeholders, in a context of sustainable long-term strategies, with the need to protect clients by ensuring the sound and prudent management of the company.

Markets, operators, regulators and academics unanimously agree that diversity is one of the key elements in ensuring optimal board composition and effective board functioning: diversity not only in terms of gender, but also of geographical origin, professional background, age, ethnicity.

It is therefore surprising that, in the insurance sector, the issue of diversity has not, to date, been a specific consideration for regulatory and supervisory policies: only very recently the international standard setter for insurance supervision affirmed the importance of the principles of diversity, equity and inclusion for supervisory objectives[3]. At European level, the

[2] In the text, the terms board and governing body are used to refer briefly and generally to the boards of directors, supervisory boards and management boards of companies.
[3] Reference is made to the statement published on November 16, 2021 by the International Association of Insurance Supervisors. For more diffuse references, see below.

Solvency II prudential framework does not deal with the issue of diversity in the composition of corporate bodies, as is the case for the EU banking and investment company regulations.

The different attention that the European legislator has given to the gender issue in designing banking regulations compared to insurance regulations could also be at the basis of the different approach of the two European supervisory authorities. In the banking sector, the European Banking Authority (EBA) conducted empirical analyses of women's representation in the corporate governance and published guidelines on the subject. At Italian level, the Bank of Italy acted in a similar way, recently defining binding provisions on the subject[4]. On the other hand, the European Insurance and Occupational Pension Authority (EIOPA) has not yet conducted a survey on this issue, nor has the Istituto per la Vigilanza sulle Assicurazioni (IVASS) published any information on diversity in the Italian insurance sector or implemented any specific initiatives.

The analysis of the literature that studies the impacts of the presence of women on the boards of insurance companies confirms that, also for this category of companies, the same theoretical assumptions of governance improvement that have supported the application of the mandatory thresholds for the banking sector apply. With regard to company performance, economic analyses confirm that a leadership team composed also of women allows insurance companies to achieve better results for their shareholders[5] (in terms of 3-4 percentage points compared to the average ROE of the sector).

Even more surprising is the lack of attention paid to the gender issue in the insurance sector, when we consider, on the one hand, the opportunities for business growth deriving from a greater consideration of the unique characteristics of women's insurance needs and the way they interact with insurance companies - both in the demand of products and services and in their distribution[6] - and, on the other hand, the need to tackle the phenomenon of under-insurance, which is so widespread in our country[7] also through strategies targeted to underinsured groups, such as women and young people. The exclusion of the female perspective in the definition of business strategies, in fact, could trigger a form of unconscious propensity to consider exclusively the insurance, protection and social security needs of the male component of the population, considered by default to be representative of the entire sample, with an obvious deterioration in the quality of the offer and less attractiveness of the products for those who have different purchasing preferences or protection needs.

Also from the point of view of measuring the presence of women in the insurance sector, both in the top management of companies and in the distribution chain, quantitative analyses are scarce, both at national and international level. In Italy, detailed information on the presence of women in insurance companies is made public as part of the annual survey conducted by

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[4] With the 2021 update of the Supervisory Provisions on the Corporate Governance of Banks (Circular No. 285/2013), among other changes, a minimum gender quota of 33% in the management and control bodies of banks was introduced, to be implemented within different time-frames depending on the size of the banks. The press release accompanying this innovation clarifies that the provision: "*aims to increase diversity in the composition of the bodies and thus their effective functioning*: *a plurality of approaches and perspectives in analysing problems and making decisions encourages greater dialogue within the board and helps improve its strategic vision and ability to monitor business management. The entry of a higher number of women in the bodies of the banks can also facilitate the turnover of representatives and the reduction of their average age, elements for which, especially in smaller banks, there are areas for improvement*".

[5] See 2021 SWISSRE analysis below

[6] The absence of the female component in the value chain of the insurance sector has often been noted as one of the possible causes of under-insurance phenomena: "*Women are conspicuous by their absence throughout the insurance value chain…For the insurance industry, women are a growth opportunity on the demand side, as well as vital for sustained business success on the supply side….gender and biological differences between women and men affect their life cycle risks with implications for their needs and preferences for inclusive insurance products and services. … women represent a significant entry point to the family wallet, and hence a market opportunity for insurers due to their traditional role of acting as conduits for their families and communities". International Finance Corporation, 2017.*

[7] In Italy "*Non-Life insurance premiums is less than half the OECD average. Insurance to cover risks in the small and medium-sized business segment is not widespread, as is insurance against natural disasters, such as earthquakes and floods, to which our country is more prone than many others; despite progressive growth in recent times, even the most common covers such as health and property protection policies are not very popular" IVASS 2021 Annual Report Remarks by the President*.

CONSOB, but it concerns only a limited sample size: companies whose shares are listed on regulated markets. To date, the number of Italian listed companies accounts for less than 4% of the total, which makes the information gap on female participation in the top bodies of companies in the sector even more significant.

This work intends to fill this gap by conducting a qualitative analysis, referring to legislative and/or soft law provisions concerning gender equality in the insurance sector, and a quantitative analysis aimed at measuring the presence of women - as a static snapshot and as an evolutionary trend - on the boards of Italian insurance companies.

Specifically, the work is structured as follows: in the first paragraph, the regulatory framework, both at national and European level, is analysed with the aim of identifying measures to support diversity; the second paragraph describes the presence and the roles played by women on the boards of Italian insurance companies, both listed and unlisted; the third paragraph compares the results recorded for Italian insurance companies with those that emerged from similar surveys conducted at European and international level as well as with those relating to companies in similar sectors (banks and listed companies); in the fourth paragraph, some conclusions are drawn, suggesting possible policy measures and identifying further areas for consideration.

1. Regulatory framework to support diversity in insurance

1.1. The European and international regulations

Although the insurance sector has been less affected than the banking sector by the financial crisis, the strengthening of the corporate governance system also for insurance companies has been a priority of EU and national legislators, based on the assumption that solid governance structures are essential both for the sound and prudent management of the company and for the protection of clients. This is even more evident following the implementation of the prudential supervision regime of the Solvency II Directive (2009/138/EU) and the relative delegated Regulation (acts) [8], which places the focus of supervision on risks taken on and the ability of companies to measure and manage them, also in a forward-looking perspective.

Basically, as in the banking system, the insurance supervisory system is based on a three-pillar structure in which the assessment of a company's solvency derives from the combination of capital requirements (first pillar), qualitative requirements pertaining to the company's organisation (second pillar) and transparency towards the market (third pillar). Within the second pillar, specific attention is paid to the governance of the insurance company: the board is recognised as ultimately responsible for the governance system and the central element of corporate decision-making[9]. In this capacity, the board must have full awareness and understanding of all the risks inherent in the firm's business activity; this implies possessing an adequate set of technical skills, both from an individual and collective perspective, to be verified on an ongoing basis in compliance with proportionality criteria[10].

The prudential framework outlined by Solvency II is currently under revision in the light

[8] The European regulation is completed by the Guidelines, Recommendations and Opinions (third level measures) adopted by the Sector Authority, aimed at fostering the convergence of the application of the Directive and supervisory practices. Although the guidelines have no independent binding force, the supervisory authorities are required to publicly state whether or not the national regulatory framework is compliant with EU soft law and must provide justification if they decide not to comply.

[9] See Recital 29 of the Solvency II Directive: "*Certain risks can only be properly addressed through governance requirements, rather than through the quantitative requirements reflected in the Solvency Capital Requirement. The Solvency Capital Requirement is the only way to address certain risks. An effective governance system is therefore essential for the proper management of the insurance undertaking and for the regulatory system*».

[10] See Butera and Montemaggiori, 2019.

of the supervisory experience gained over the years of application, the needs expressed by the market and the changed economic context. As part of this review, EIOPA suggests that, with a view to strengthening the corporate governance system, a self-assessment of the adequacy and effective functioning of the board should be required[11]. However, there are no references to diversity in the composition of corporate bodies, including in terms of gender, either in EIOPA's opinion on the revision of Solvency II or in the proposal for revision of the Directive presented by the Commission on 22 September 2021.

Unlike other operators in the financial sector (banks and investment firms), the above-mentioned provisions pay limited attention to the composition of boards, in general, and do not specifically consider the issue of gender[12]. As a consequence there is a lack of surveys on the composition of the boards of insurance companies, similar to those periodically conducted by the EBA with reference to banks and investment companies (so-called benchmarking report[13]), in which specific attention is paid on the evaluation of the levels of female presence, considered essential to ensure adequate diversity.

With reference to soft law provisions, the Insurance Core Principles - which, although not binding, represent supervisory best practices - require that, in assessing the competence of board members, specific attention be paid to: "*to respective duties allocated to individual members to ensure appropriate diversity of qualities and to the effective functioning of the Board as a whole*." This on the assumption that diversity "*can help move us away from groupthink, poor risk assessment and insufficient challenge*".

Elaborating further on the topic - most recently (November 2021) - the IAIS published a statement[14] on the importance of the principles of diversity, equity, and inclusion for supervisory goals, such as: a) improving corporate governance and risk management; b) greater innovativeness and products that are more responsive to consumer needs; c) achievement of better results in terms of ESG objectives (Environmental, Social and Governance) through greater inclusiveness of the insurance offer.

1.2. National regulatory framework

The legislative framework applicable to the corporate governance of the Italian insurance companies consists of: general provisions of the Italian Civil Code[15], the specialised

[11] "*Insurance and reinsurance undertakings shall monitor, and on a regular basis evaluate, the adequacy and effectiveness of their system of governance and take appropriate measures to address any deficiencies. The evaluation shall include an assessment on the adequacy of the composition, effectiveness and internal governance of the administrative, management or supervisory body taking into account the nature, scale and complexity of the risks inherent in the undertaking's business" EIOPA Opinion on the 2020 review of Solvency II.*

[12] A general reference to the assessment in terms of diversity referring to the competence of the administrative body is contained in Article 273, of the European Delegated Regulation n. 2015/35 which integrates the Solvency II directive (so called Delegated Regulation) where attention is drawn to the "*appropriate diversity of qualifications, knowledge and relevant experience to ensure that the undertaking is managed and overseen in a professional manner*". This concept has been further developed in the EIOPA Guideline no. 11 – Fit requirements "1*.42. The undertaking should ensure that persons who effectively run the undertaking or have other key functions are 'fit' and take account of the respective duties allocated to individual persons to ensure appropriate diversity of qualifications, knowledge and relevant experience so that the undertaking is managed and overseen in a professional manner*."

[13] https://tools.eba.europa.eu/interactive-tools/2019/powerbi/bod_2019_visualisation_page.html

[14] *Statement on the importance of Diversity, Equity and Inclusion (DE&I) - considerations in insurance supervision*, November 2021

[15] In particular, reference is made to Title III on the general discipline of the undertaking (including art. 2084 of the Italian Civil Code, which entrusts the law with the identification of the particular categories of undertakings whose exercise is subject to administrative authorisation, or art. 2195, which expressly refers to insurance activity in order to subject the entrepreneur who exercises it to the obligation of registration in the company register) and Title V on companies (please note that according to art. 14 of the CAP the issue of the authorisation to carry out business by IVASS is subject, among other conditions, to the adoption of specific corporate forms, such as that of joint-stock company, cooperative company or mutual insurance company whose investment quotas are made up of shares, for the regulation of which - with particular regard to the functioning of the corporate bodies - the provisions of the Italian Civil Code apply).

provisions of the Insurance Code (CAP), and, if the companies are listed on regulated markets, those of the Consolidated Law on Financial Intermediation (TUF).

While in the Italian Civil Code there is no provision regulating the diversity of corporate bodies, in the TUF a mechanism was introduced with the Golfo-Mosca law (Law 120/2011) aimed at ensuring a more balanced representation of genders within the governance bodies of Italian companies with shares listed on regulated markets, in Italy or other EU countries, as well as of unlisted companies controlled by public administrations[16]. By virtue of this mechanism, in the boards of listed companies, starting from the renewals after January 2020 and with the exception of newly listed companies, at least 40% of members must belong to the least represented gender. This provision obviously also applies to insurance companies that are listed.

Some provisions on diversity in the composition of the corporate bodies also stem from the Corporate Governance Code - containing self-regulatory recommendations for Italian listed companies –that can be adopted by listed companies on a voluntary basis[17]. In particular, according to recommendation no. 8, the company - in addition to defining the diversity criteria for the composition of the managerial and control bodies, the tools for their effective implementation shall adopt measures to promote equal treatment and opportunities between genders within the entire corporate organisation, monitoring their effective implementation.

In the CAP provisions, following the transposition of the Solvency II Directive, adequate corporate governance arrangements, including remuneration and incentive schemes, are essential requirements both for the granting of the authorisation to commence business and as a condition for carrying out business[18]. In the CAP framework, the board is ultimately responsible for the corporate governance system, as the owner of the decision-making process. In addition to being effective, the corporate governance system must be appropriate and proportionate to the company's risk profile: the relevant safeguards must cover all current and prospective risks, including environmental and social risks.

At individual level, the competence of the members of the board is ensured by the fit and proper requirements[19] provided for by the CAP and structured into: objective and mandatory requirements of fitness, propriety and independence, and criteria of competence and fairness, characterised by elements of discretionary assessment (article 76) [20]. On a collective

[16] In particular, Law no. 120/2011 introduced amendments to articles 147 b and 148 of the Consolidated Law on Finance, concerning the appointment of the members of the management and control bodies in listed companies, aimed at providing for the obligation, for such companies, to include in their statutes (1/5 for the first year of female presence; 1/3 for subsequent renewals) in order to guarantee a balance between genders in the administration and control bodies, for three consecutive terms starting from the first renewal after one year from the date of its entry into force (August 12, 2011). Subsequently, law of 27 December 2019, no. 160 containing "State budget for the financial year 2020 and multiannual budget for the three-year period 2020-2022", in article 1, paragraphs 302 to 305, has replaced the provisions of the TUF containing the requirements for the gender composition of the corporate bodies of listed companies (paragraph *1 b* of article 147 *b* for the administrative bodies and paragraph 1 *a* of article 148 for the control bodies), extending from three to six consecutive terms the period of validity of the provisions and raising the threshold for the presence of the least represented gender (two fifths of the directors and auditors elected). This new threshold will apply from the first renewal of the management and control bodies of listed companies following the date of its entry into force (on 1 January 2020).

[17] Code of Corporate Governance for Listed Companies, approved by the Corporate Governance Committee and most recently revised in January 2020.

[18] The corporate governance system is now fully regulated by art. 30 of the Italian Civil Code, unlike the previous provisions of the primary legislation, which referred only to the internal control system. The regulation requires each company to adopt an effective structure that can ensure a transparent organisational structure, a clear division of responsibilities between bodies and functions, an effective system for transmitting information, the establishment of basic control functions and the possession of adequate suitability requirements for owners and key managers. It is also envisaged that written policies will be established to plan the activities of the main corporate functions.

[19] They are defined as those who fulfil engagements: (i) on the Board of Directors, the Supervisory Board, the Management Board; ii) on the Board of Statutory Auditors; iii) general manager, however named.

[20] This is Article 76 of the CAP, which was amended by Legislative Decree No. 84 of July 14, 2020, which introduced: (a) a structuring of the implementation framework into: objective and mandatory requirements whose assessment is at the discretion of the Supervisory Authorities; b); c) the self-assessment by the company's administrative and control bodies of its adequate composition.

level, the same regulation sets forth that, by a forthcoming ministerial decree, additional criteria for the adequate, collective composition of the body will be identified. At the moment, these provisions have not yet been adopted, but they could offer the opportunity to focus on gender diversity explicitly.

A similar decree adopted by the Ministry of the Economy and Finance for banks[21] requires, in fact, that "*the composition of the administration and control bodies"* should be *"adequately diversified so as to nurture discussion and dialogue within the bodies, encourage the emergence of a multitude of approaches and perspectives in the analysis of issues and in the taking of decisions, effectively support the company's processes of strategy development, management of activities and risks, and control over the work of top management; take into account the many interests that contribute to sound and prudent management*". From this point of view, the above-mentioned ministerial regulation takes into specific consideration, among other requirements, the presence of representatives who are "*diversified in terms of age, gender, duration of stay in office and, limited to banks operating significantly in international markets, geographical origin*".

The supervisory regulation on corporate governance adopted by IVASS[22]is also relevant in this regard, where it is envisaged that the adequacy of the composition must be carefully assessed, in compliance with the criteria of proportionality, as part of the annual self-assessment on the size, composition and effective functioning of the board.

This quick examination shows that, even in the absence of an explicit provision which deals with the subject of gender diversity, the attention focussed in the sectorial regulations on the subject of board composition - on an individual and collective level - leads us to consider an adequate female presence as an implicit requirement for the effectiveness of the actions of the board of insurance companies. The heterogeneity of members is, in fact, an essential condition for the effective functioning of the board as it promotes dialogue, the expression of different points of view and, therefore, a more fully-informed decision-making.

2. Female presence on the boards of Italian insurance companies

The quantitative analysis is carried out on the basis of the information available from the IVASS archives on members[23] (date of appointment, role covered, age) of the boards of insurance companies.

It refers to the dates December 31, 2015 and December 31, 2019, in order to basically include a complete cycle of renewals of directors, and takes into consideration a period of time in which the effects of the COVID pandemic had not yet materialised, so as to highlight the trend in the presence of women, still in the absence of exceptional circumstances that could have influenced said trend[24]. In this period, public attention to the issue of the under-representation of women in the governing bodies of companies has been constant - at political

[21] See the Decree No. 169 of the Ministry of Economy and Finance, November 23, 2020, and the Bank of Italy's provision of May 4, 2021, containing new provisions on the procedure for assessing the suitability of representatives of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee schemes.

[22]IVASS Regulation No. 38, 3 July 2018 (in particular art.5, paragraph 2, lett. z).

[23] The data used were extracted from the database used, with regard to 31-12-2015 and 31-12-2019, from the reports to Consob and the Bank of Italy for the purposes of applying the interlocking ban, i.e. the prohibition from assuming or exercising offices between competing companies or groups of companies operating in the credit, insurance or financial markets.

[24] Initial analyses of the impact of COVID on the female condition show, however, how the disadvantaged condition of women could worsen as a result of the pandemic, if not adequately addressed. For all, the 2020 United Nations analysis: "*Emerging evidence on the impact of COVID-19 suggests that women's economic and productive lives will be affected disproportionately and differently from men. Across the globe, women earn less, save less, hold less secure jobs, are more likely to be employed in the informal sector. They have less access to social protections and are the majority of single-parent households. Their capacity to absorb economic shocks is therefore less than that of men. As women take on greater care demands at home, their jobs will also be disproportionately affected by cuts and lay-offs.*"

and social level - and the effects of the legal provisions on the binding thresholds of female presence for listed companies could be clearly seen[25].

The survey covered 122 insurance companies for 2015 and 108 for 2019, numbers that represent, respectively, all companies operating in Italy on the same dates. The objective of the analysis is to assess the level of diversity not only within the boards but also in the top roles of chairman, general manager and CEO.

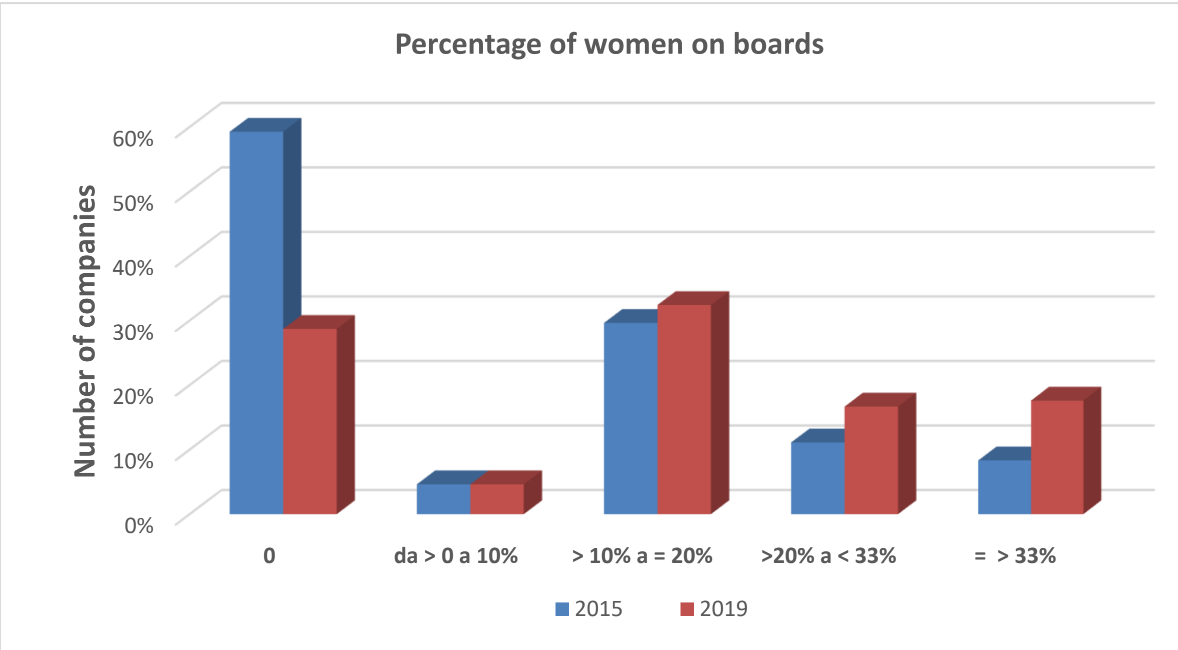
On the whole, the analysis shows that, during the period examined, the presence of women on the boards of directors of companies, despite the lack of specific measures to support gender diversity in the insurance sector, has increased slightly, probably as a result of social pressure towards a more inclusive financial sector, which has become more evident in recent years.

With the average number of board members remaining essentially constant[26], the average percentage of women in 2019 is 17%, with an increase of 7% from 2015, when women accounted on average for 10% of total board members.

As regards the distribution of companies in terms of female presence (see Figure 1), in 2019 about one-third of boards are composed only of men, still a high value although decreasing from 2015, when a female presence was entirely lacking in more than half of the boards.

The female presence reached or exceeded a 33% share in 8% of companies in 2015 and 18% in 2019, percentages that include listed companies which are required by law to achieve that threshold by 2019.

Figure 1: Distribution of Italian insurance companies by female presence in 2015 and 2019



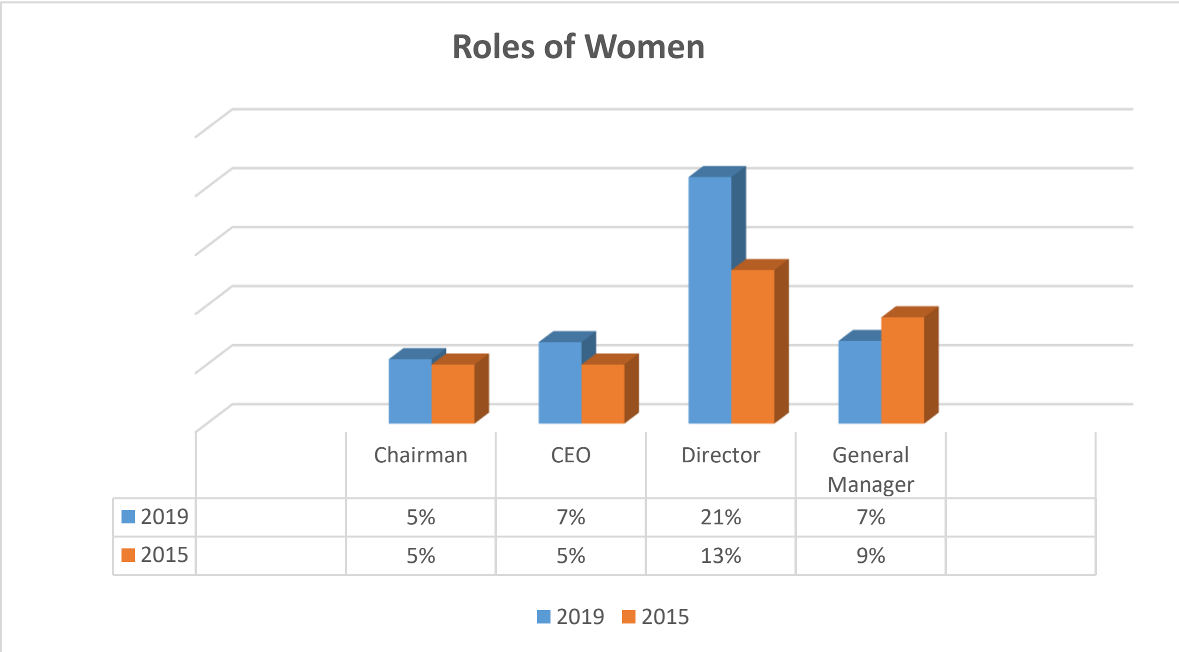
Considering the roles held by women within the Boards (Figure 2), the percentage of

[25] The provision introduced in the TUF by the Golfo-Mosca Law was applied for the first time to 2012 appointments and reserved to the less represented gender, for the first renewal following the entry into force of the law or following the first listing of the company, at least one fifth of the members of the administration and control bodies and at least one third for the two subsequent terms. In 2019, the full effects of the aforementioned provisions had been observed, at least for all companies already listed at the time of publication of the law.

[26] The average number of members decreased slightly in 2019: going from an average of 8 members per board to an average of 7.8.

women among the top figures (chairman and managing director) has generally improved, although to a very limited extent: female presidents are stable at 5% in both 2015 and 2019; a slight increase was recorded for CEOs (from 5% in 2015 to 7% in 2019). In contrast, the presence of women in the role of general manager decreased: from 9% in 2015 to 7% in 2019. The role in which the female presence is most relevant is that of board member: women accounted for 13% in 2015 and 21% of the total directors in 2019 (thus excluding CEO and Chairman). The available data do not allow for differentiation between executive and non-executive directors: the number of insurance companies which state that they have an executive committee - therefore made up of board members who, like the CEO, can be defined as executive - is very limited and does not allow for any significant analysis.

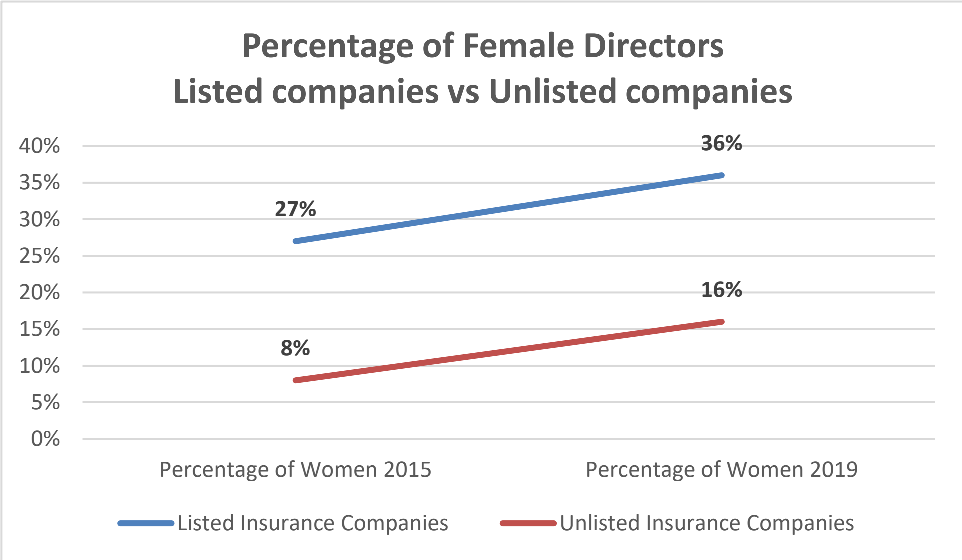
Figure 2: Roles held by women on the boards of Italian insurance companies



Considering only listed Italian insurance companies (5 companies in 2015 and 4 in 2019), to which, as known, the mandatory threshold of the Golfo-Mosca Law applies (33% in the period of reference of the analysis), much higher percentages of female presence on boards are observed, with reference to both 2015 and 2019. Specifically, the share of women is 27% in 2015 and 36% in 2019, values that replicate those required by law.

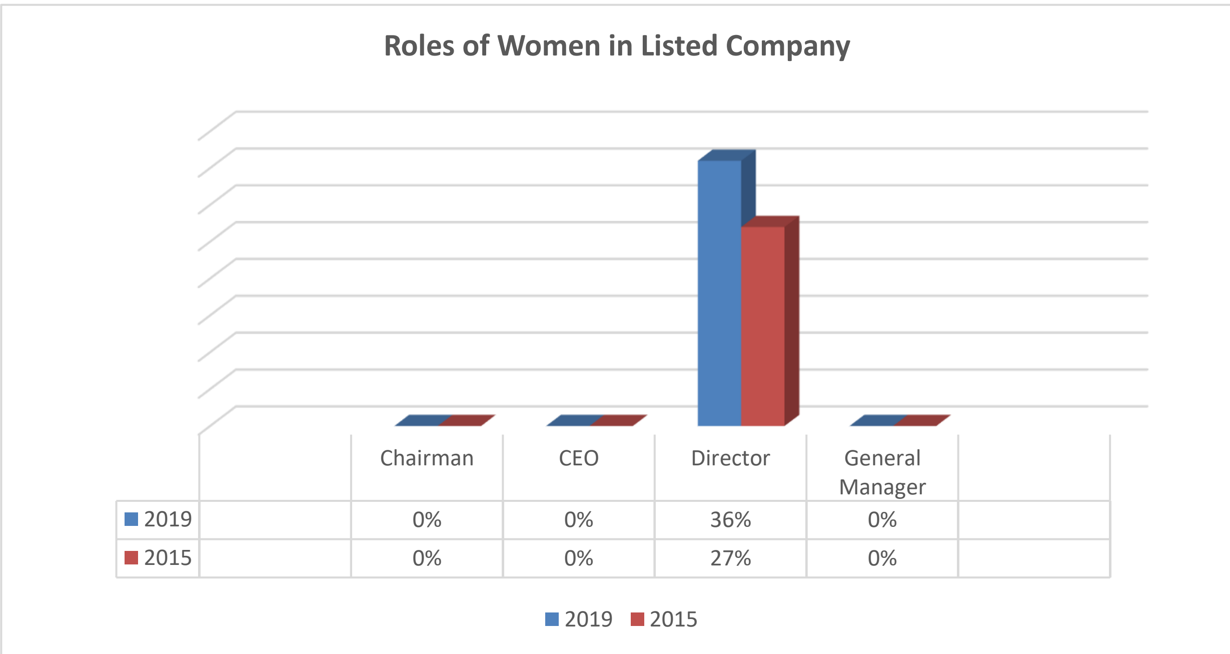
Although the presence of women in non-listed boards has, on average, doubled in the period under review, the low starting levels make the female representation gap to be filled very significant. During the same reference period, listed companies saw a further increase in female representation, on average even above the minimum mandatory threshold applicable in 2019 (see Figure 3). This difference confirms the fact that - in the absence of binding measures - the social pressure alone towards greater female representation is not sufficient to foster the change needed and does not address chronic imbalances such as those that occurred in unlisted companies.

Figure 3: female presence in listed insurance companies



One significant finding - in contrast to the increase in the presence of women among the board members - relates to the position of CEO, Chairperson or General Manager in listed insurance companies: for both periods considered, no woman was appointed in this positions (see Figure 4).

Figura 4: Role of female directors in listed insurance companies



This circumstance leads us to suppose that the resistance to the appointment of women to boards - confirmed by the low percentages of female presence in companies not affected by mandatory provisions on the minimum number of women - translates, in the sphere of listed companies, into a more unbreakable glass ceiling, which prevents women from reaching the top levels of the corporate hierarchy[27].

[27] See Velte, 2018.

In unlisted companies, where the presence of women seems to be the result of a voluntary choice by the stakeholders, the progression of women at the top of the company - while remaining limited - appears numerically more appreciable. The presence of a glass ceiling is confirmed by some unique characteristics that the insurance sector historically[28] presents in terms of employment and gender: while there is a healthy balance between genders at the entry stage, several analyses point to difficulties at the career progression stages (broken ladder for women).

An analysis of the characteristics of members, in terms of age, education, and professional background, reveals some gender-related differences. Notably, female directors are younger on average than male directors: in 2015, the average age of male board members was 58, eight years higher than that of female directors (50); in 2019 this gap narrowed as, while the average age remained stable at 58 for directors, the average age for women rose to 54.

An analysis of the CVs of the board members of listed insurance companies (data for 2019), for which this information is available, shows other important differences. In terms of education, 93% of the female board members - compared with 68% of the male board members - have a degree in subjects relating to the activities carried out by insurance companies (economic-financial, legal, statistical-actuarial). As far as professional background is concerned, most of the female directors come from professional experience outside insurance companies, only one woman comes from an internal managerial career, compared with 26% of the male directors who have a professional career entirely spent in companies of the insurance sector. For a woman, based on the evidence emerged, it is easier to get to the top of companies if coming from careers such as consulting or academia.

In summary, the analysis of the qualitative characteristics of board members shows that women are, on average, younger than their male colleagues and that female board members are more likely to have higher academic qualifications and a more diversified professional background, with more experience outside of insurance companies[29].

These characteristics (age and professional background) of the female members of the boards of insurance companies, which cut across the entire sector, could account for the limited presence of women in top management positions: practical experience as head of a profit-generating organisational unit - a role in which the presence of women is still very limited - is often considered a prerequisite for assuming leadership of the business (CEO, general manager).

A comparison with the situation of listed companies, including unregulated ones, seems to confirm this assumption. Analyses conducted on listed companies (Profeta et al, 2018) registered the same phenomenon of a significant increase in the presence of women on boards (even beyond the mandatory thresholds) accompanied by an improvement in the level of education - referring also to the male component - and a lowering of the average age. In listed (non-insurance) companies, these changes also correspond to an increase - albeit limited - in the number of women holding the position of Chairperson or Managing Director, something which is not noticeable in listed insurance companies[30].

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[28] See - The Challenges of Diversity, October 2012 "*a substantial gender parity in the number of employees (about 24,000 men vs. 21,000 women) is not matched by a similar balance at job classification level*: *among officers there is a 1:4 ratio (8.6% of female employees vs. 28.6% of male employees); among managers, only 12% are women (in other words there is 1 female manager for every 150 female employees, compared to 1 manager for every 20 male employees)*".

[29] Although it was possible to survey academic degrees exclusively for members of listed insurance firms, recent studies (Dell'Atti, 2018) - conducted on a sample of 102 insurance firms - confirm the same trend, ascertaining that women on the boards of the firms surveyed: "*are more likely to have higher educational qualifications (81% for women vs. 77% for men)*."

[30] This phenomenon is not identified for insurance companies; the factors identified in the text probably hinder the effective empowerment of female board members.

3. Female presence in the insurance sector compared to the Italian financial sector and to the international framework

3.1. Analyses

The Italian financial sector has been characterised, for many years, by the limited presence of female figures on the boards and in top management roles of regulated companies. The surveys conducted by Consob over the years show that, in listed companies, the percentage of women on the boards of directors is lower in the financial sector (in 2011 less than 6%) and relatively higher in industry and services (in 2011 around 8%).

The measures to increase the presence of women, introduced since 2012, have triggered a gradual improvement and brought the two sectors closer together: in 2019, women account for 36% of directors in listed companies in the financial sector, and account for 37% of those in industry. CONSOB refers this trend to the impact of the Golfo-Mosca Law, which imposed a gender criterion for the composition of corporate bodies as of August 2012[31]. In spite of this positive trend in the presence of women, even for non-financial listed companies, women continue to take on the role of CEO or chairperson to a rather limited degree. In 2019, women serve as CEOs in about 2% of cases, while chairing the board in about 3% of issuers. Over 72% of female directors are independent directors[32].

Also at national level, analyses referring to the banking sector[33] show that following the Golfo - Mosca Law "*in banks, the presence of women on administrative bodies has increased ... although in a heterogeneous manner, reflecting the different regime in force for listed and unlisted banks (at the end of 2019, the share of women was 37% in the former, 15% in the latter) .... However, data on the gender composition of the type of positions held on boards of directors, available only for listed companies and banks, show that very rarely are the most important positions attributed to women (in listed companies only 2% of women hold the role of CEO, just 1% in banks).*"

For the same period, the situation of unlisted banks is very similar to that of unlisted insurance companies, as shown in the analysis in the previous paragraph. Therefore, the same conclusions reached in the analysis of banks can be extended to the insurance sector: "*in the face of undeniable progress with respect to the situation prior to Law 120/2011, there remains heterogeneity in the participation of women in administration and control bodies and in the decision-making processes of companies, depending on the existence and nature of regulatory constraints on gender quotas*"[34].

In essence, the data analysed show unequivocally that - in the panorama of Italian companies - in the absence of a regulatory measure imposing prescriptive rules, the trend in the inclusion of female professionals in the decision-making bodies of companies in the financial sector is very slow.

The situation as regards the presence of women in the decision-making bodies of companies in the financial sector is, moreover, assessed as limited throughout Europe. Although there is no specific data for the insurance sector (unlike the banking and investment services sector for which, as mentioned, the EBA conducts specific studies[35]), the most recent

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[31] Source Consob, 2020 Report on Corporate Governance of Italian listed companies.

[32] Ibidem

[33] Report of the Inter-institutional Observatory on the participation of women in the management and control bodies of Italian companies. The Observatory was established in 2018 with a Memorandum of Understanding between the Department for Equal Opportunities, CONSOB and the Bank of Italy and was created to "*jointly promote initiatives aimed at the implementation in practice of women's participation on boards, with the aim of verifying over time the effects of the application of Law No. 120/2011, also on the basis of studies and analyses that make it possible to identify potential profiles of criticality and attention*".

[34] See footnote 33.

[35] See EBA, Report on the benchmarking of diversity practices, 2016 and 2020.

analyses show a fairly homogeneous situation for all European companies operating in the financial services and insurance sector. In particular, the European Commission, in its Strategy for Gender Equality 2020-2025 states that the percentage of women on the boards of directors of European companies is still too low, even if, at workforce entry level, gender parity is slowly being achieved. At European level, the gender gap mainly concerns the top positions of chairperson (only 7.5% are women) and CEO (7.7% female presence).

The fact that top positions are occupied exclusively by men, and have been so for a long time, is viewed as affecting women's chances of joining boards and accessing top positions: unconscious bias developed over the years as a result of habitual all-male interactions condition those who are called upon to decide on potential candidates and create a biased situation in favour of men.

Also in Europe, at the level of individual countries, the Central Bank of Ireland has conducted a specific analysis of the presence of women in insurance companies[36]in the assumption that " *greater levels of diversity can improve decision-making, improve risk management, and reduce the risk of groupthink…*" and above all that " *a lack of diversity at senior levels is a leading indicator of cultural issues in a firm*.". The analysis, which covered multiple aspects of the presence of women in companies (role on boards, remuneration, career progression, succession plans), revealed that i) the presence of women in top positions is very limited[37], despite the balance between women and men at the overall staff level of companies; (ii) women are paid less than men in similar roles[38].

The situation is also not dissimilar at international level: in a recent letter to the market the Superintendent of New York State Department of Financial Services[39] drew attention to the limited number of women in top positions in insurance companies: "*although some statistics suggest that the representation of people of color and women in entry-level positions in the insurance industry is comparable to their demographics in the overall U.S. population, the numbers drop dramatically as they climb the corporate ladder*". In particular, women represent 57% of the workforce at entry level, but only 18% make it to the C-suite[40] and therefore to the top management roles, which report directly to the board.[41]

3.2. Initiatives

In view of the evidence gathered regarding the under-representation of the female gender, the Bank of Italy has deemed it necessary to introduce a gender quota of 33% for the composition of the bodies with strategic supervision functions and in the bodies with control functions of unlisted Italian banks[42].

[36] Thematic assessment of Diversity & Inclusion in Insurance Firms, Central bank of Ireland, July 2020.

[37] "Despite firms broadly having an equal number of male and female staff at year-end 2018 (49% male, 51% female) female applicants accounted for only 21% of all applications submitted to the Central Bank for approval for the most senior roles within the firms between 2012 and 2018" Thematic assessment mentioned above.

[38] "While women accounted for 51% of the total workforce, they represented only 24% of top 10 earners across the sample and accounted for 34% of the upper pay quartile; for average fixed remuneration, over a total of 50 individual grades, in 72% of cases, male employees earned more than their female colleagues at the same grade; and for average variable remuneration […] in 69% of cases, male employees earned more than their female colleagues at the same grade." Thematic Assessment mentioned above.

[39] The New York Department holds the state's regulatory powers in insurance matters. In particular, it has made provision for the following: "broad statutory authority to ensure the financial stability of New York's insurance industry and the prudent conduct of the providers of insurance products and services, but also to promote the growth of the industry and protect the public interest and the interests of policyholders, creditors and shareholders of New York-regulated insurers."

[40] C-suite means, for example, the figures of Chief Executive Officer, Chief Financial Officer, Chief Operational Officer, Chief Risk Officer, Chief Actuarial Officer.

[41] https://www.dfs.ny.gov/industry_guidance/circular_letters/cl2021_05

[42] See the aforementioned update of the Supervisory Provisions on the Corporate Governance of Banks (Circular No. 285/2013), in which, in addition to the prescriptive threshold indicated in the text, some additional best practices were

The impact analysis of the supervisory provisions stated that the identification of the 33% gender quota is considered optimal because it allows to reach a critical mass of female presence[43] capable of truly influencing all decision-making processes (from the development of strategies to risk management policies) through the improvement of internal dialogue. On the basis of the results of the analyses carried out on listed companies and banks, the mandatory provision to reach this level of female presence is considered capable of triggering a significant process of recomposition of the body with strategic supervisory functions, and an overall improvement in the other diversity indicators (age, professional background, geographical origin) as well as the skills of the board[44].

The introduction of the quota was also considered by the Bank of Italy as a suitable mechanism to facilitate the turnover of directors, especially in smaller unlisted banks that have a very high average tenure, especially of the male component, which "*risks solidifying board dynamics and generating an excessive concentration of power*"[45].

The new supervisory provisions envisage gradual application so as to contain the costs associated with the renewal of boards and to allow for the adjustment of director recruitment policies, as well as the definition of professional pathways, more sensitive to gender policies, for the promotion of internal staff; these are essential tools for promoting the effective development of the female component of the workforce.

At European level, the analyses conducted led the Commission[46] to declare its intention to prompt the adoption of the directive - presented in 2012 and never approved due to the dogged resistance of some governments - regarding the improvement of gender balance in boards of directors, which set a minimum target of 40 % of the presence of the under-represented gender among non-executive members.

The Central Bank of Ireland has acted in terms of supervisory measures, without waiting for regulatory intervention. In particular, it has required each insurance company involved to prepare a detailed action plan - including objectives, deadlines and tools - to resolve the deficiencies found, which will be assessed by the supervisory authority and closely monitored in terms of its implementation. In the action plans, diversity and inclusion should be considered strategic priorities, to be discussed at board and senior management level, in order to concretely foster a greater presence and more effective involvement of women.

As for U.S. insurance companies, the New York State Department of Finance, in a letter to the market, communicated the supervisor's expectations, to be implemented beginning in 2022. In particular, companies will need to consider "*the diversity of their leadership a business*

identified: "*(i) in internal board committees, including committees other than mandatory ones pursuant to the application guidelines set forth in Section 2.3.1, at least one member is of the least represented gender; ii) the offices of Chairman of the body with strategic supervisory function, Chairman of the body with control function, Managing Director and General Manager are not held by representatives of the same gender; iii) in banks that adopt the one-tier model, the gender quota is respected also with regard to the composition of the Management Control Committee*".

[43] A number of studies have found that there is a minimum threshold of female presence which, if not reached, prevents the production of potential benefits both on financial performance and on the effectiveness of decision-making mechanisms (so-called critical mass theory). In particular, it was found (Bruno et al, 2018; Owen et al. 2018) that when the percentage of women exceeds a certain threshold, about one-fifth of the board, there is a positive and significant effect on companies' financial performance, as measured by multiple indices.

[44] See Capone D., 2020.

[45] As regards the dynamics of decision-making, some studies conducted on Norwegian companies, where there is a more sizeable female presence, show that when there are at least three women on the board, they are able to contribute more effectively to strategic decisions (Torchia et al., 2010), the level of innovation in the company increases (Torchia et al., 2011) and the women present are perceived as more heard and influential (Elstad et al., 2012).

[46] The strong commitment of the Commission in promoting the presence of women is evident in the new EU strategy for gender equality 2020-2025 published in March 2020 by the European Commission, also with reference to the presence of women in the Commission itself and in management roles within the EU agencies. Specifically, the Commission: intends to achieve a 50% gender balance at all management levels of its staff by the end of 2024, will work to ensure a higher percentage of women in leadership roles within EU agencies, and will also ensure gender-balanced representation among speakers and experts at the conferences it organises.

priority and a key element of their corporate governance", not only within the current organisational structure but also with reference to "*their pipeline of future diverse leaders as well as the diversity of their insurance producers and third-party providers*". In the belief, inherent in the U.S. model of supervision, that transparency is an important catalyst for change, the U.S. supervisor's choice has also been to require insurance companies to publicly share granular information about board diversity in order to facilitate market scrutiny. Through the collection and systematic analysis of published data, the Department aims to support the action of companies aimed at increasing diversity, carrying out a benchmarking activity - i.e., offering the opportunity to assess the position of firms compared to their peers - and sharing the good practices that have proved most effective in pursuing the goal of a greater presence of women[47].

4. The reasons for initiatives to support diversity in Italian insurance companies

The literature specifically dedicated to the analysis of the effectiveness of the boards of Italian insurance companies points out that a better balance of their composition, also in terms of gender, represents a tool for strengthening corporate governance mechanisms, since it promotes better dialogue, more effective check and balance mechanisms and a more intense monitoring action[48]. Analyses conducted on foreign insurance companies come to similar conclusions: the diversified composition of the board and its adequate qualification emerge as essential tools for strengthening internal governance and boosting the ability of companies to generate value for shareholders and for the real economy[49].

On this topic, it is important to remember that the achievement of a critical mass of female presence within the boards is the *sine qua non* for achieving the benefits in terms of improvement of decision-making dynamics[50] and to avoid the risk that the appointment of a minimum quota of women represents only a formal adherence to a socially imposed rule.

The analysis of the composition of the boards of Italian insurance companies carried out in this work highlights a situation of structural under-representation of women and confirms the opportunity of adopting measures to support the presence of women on the boards and in the top roles of national insurance companies.

The specificities of the insurance sector do not represent an obstacle to the adoption of measures aimed at greater inclusion either at a regulatory level or when considering the specific nature of the companies' business, which, on the contrary, suggest a stronger focus on gender issues.

From a regulatory point of view, the principle-based approach of European insurance legislation (see paragraph 1) - which defers the implementation of these principles to the self-determination of companies in order to safeguard flexibility in their internal organisational

[47] The EBA has also adopted a similar approach with its periodic reports on diversity in the banking and investment services sector (see above).

[48] Dell'Atti et al. (2018) conducted an analysis of a sample of 102 Italian insurance companies and found that: "*the area in which the efforts of Italian companies should be greater is to make the boards more diversified. The diversity of skills, experience, and background could enhance the quality of the decisions together with a constructive dialectic between the board and the chief executive officer and between the executive and non-executives*".

[49] The analysis conducted by Di Biase et al. (2021) over a sample of 119 European, North American and Asian listed insurance companies shows that:" *board structure and board independence are the most relevant governance factors, with a potentially positive impact on insurers' market performance. These findings indirectly outline the opportunity for insurance companies to improve corporate fair value by strengthening internal governance models through effective board policies, an adequate qualification of board members and a well-balanced membership of the board*". In the same vein, Podder et al. (2013) on the basis of an analysis of 112 US listed insurance companies notes that "*female dependent directors, rather than simply female directors, improve board monitoring*".

[50] Studies conducted on Norwegian companies, where there is a more sizeable female presence, show that when there are at least three women on the board, they are able to contribute more effectively to strategic decisions, the level of innovation in the company increases and the women present are perceived as more listened to and influential (Torchia et al., 2010).

choices[51] - must not be considered in contrast with the adoption at national level of regulatory or supervisory measures, including prescriptive ones, in support of diversity.

It should certainly be acknowledged that the European regulatory framework as regards the governance of banks and investment firms makes it easier than in the insurance sector for individual member states to adopt policies to protect gender diversity. European banking regulations share with insurance regulations a similar principle-based approach based on proportionality criteria, which discourage the adoption of one-size-fits-all solutions to protect the ability of companies to self-organise. In spite of this common approach, EU[52] banking legislation, unlike the insurance legislation, has paid specific and constant attention to the issue of the presence of women in the governing bodies of companies and to diversity in general. Recently, however, attention has also been extended to the more substantial aspects of the inclusion of women, such as remuneration policies[53]. The specific consideration of (gender) diversity in the EU banking sector rules is the basis for the action of both the European banking authority and the EU supervisor[54] and, as a trickle-down effect, the definition of specific regulations and supervisory practices in the various Member States.

Up to this point the status quo at European level. Looking forward, the ongoing review of the EU prudential framework governing the insurance market (as mentioned, on September 22, 2021 the European Commission published its proposal for the revision of the Solvency II Directive), offers the European legislator, if necessary with the support of EIOPA, a significant opportunity to modernise the diversity rules applicable to European companies and harmonise them with those already in force for other regulated financial entities.

If, therefore, at a national level, the gap described between the current banking regulations (which provide for mandatory minimum thresholds of female presence for all banks) and the insurance regulations (which do not take the subject into consideration) can be traced back to the different approach of the reference EU regulation, at theoretical level there is no justification.

As for the banking sector, in fact, the national regulatory framework regulates all the aspects of insurance company activities, from the establishment, to the exercise of the insurance activity, to any extraordinary transactions, subjecting it to a rigid system of controls by the Supervisory Authority (IVASS) and the Ministry of Economic Development (MISE), in consideration of the inversion of the production cycle[55] and of the importance of the protection

[51] A light approach to regulating corporate governance and the organisation of insurance companies in general is advocated by those who believe that the shackles and constraints imposed by financial legislation hinder companies' profitability (see Fekadu, 2015). In reality, these arguments, initially raised also with reference to the banking sector, can be shared only if they refer to the "how" of regulating corporate governance (principle-based and tailored rules instead of prescriptive and one-size-fits-all) and not to the "if" of regulating, as the successive financial crises over the years have fully demonstrated.

[52]Directive 2013/36/EU - Capital Requirements Directive (CRDIV) expressly considers diversity (age, gender, geographical origin, educational and professional path) as a criterion for the composition of boards - but also more generally in the context of recruitment policy - to promote independence of opinion and critical thinking, and " *to more effectively monitor management and therefore contribute to improved risk oversight and resilience of institutions.* ". Gender diversity is also said to be particularly important, also in order to ensure a balanced representativeness of the population, and banks "*not meeting a threshold for representation of the underrepresented gender should take appropriate action as a matter of priority* ".

[53] Recently with the so-called CRD V (Directive 2019/878 EU amending Directive 2013/36/EU) additional provisions were introduced on Gender neutral remuneration policy, i.e. the obligation to define and implement a gender neutral remuneration policy for staff.

[54] In this regard, the EBA's benchmarking action, mentioned several times in the text, as well as the actions in support of diversity undertaken within the Single Supervisory Mechanism, are worthy of note. In particular, the European Central Bank launched a consultation in June 2021 on a new version of the guidance for supervisory assessment of fit and proper requirements for corporate officers. The new version of the Guide introduces: "*some additional dimensions to the ECB's assessment of the collective suitability of bank boards. One of these new dimensions is aimed at fostering gender diversity within the boards of European banks*".

[55] See Donati et al. 2019: "*A characteristic of the insurance company is the so-called inversion of the production cycle. Unlike the other companies producing goods and services, the insurance company acquires the consideration in advance with respect to the provision of the guarantee (see articles 1901 and 1924 of the Italian Civil Code), since it is from the mass of premiums that the company obtains the means to meet its commitments to the insured parties. Hence the need for the provision*

of savings to which the stipulation of an insurance contract contributes (art. 47 of the Italian Constitution)[56].

This is the reason why "*for a long time there has been a comprehensive network of communicating vessels between rules for banks and other categories of operators, with particular reference to insurance*: *we can in fact find continuous links between the respective sectoral regulations where, according to the circumstances, one anticipates the other with strong similarities in the principles adopted and in the application criteria*"[57]. Looking ahead, the increasing interconnection and integration between the various sectors of the financial market - banking, insurance, securities - will simultaneously bring the associated sector-based regulations gradually more into line.

These considerations are probably the basis of the choices made by foreign Supervisory Authorities which have aligned the diversity regulations applicable to insurance companies with those of the banking sector, in order to ensure a level playing field between the two categories of operators and to facilitate convergence in their supervisory action on the two sectors[58].

With reference to the Italian regulatory framework, the misalignment between the provisions that apply to the banking sector and those that apply to the insurance sector could have an impact on the levels of female presence, as a result of the interlocking directorates framework, which prohibit the assumption of positions in competing companies or groups of companies operating in the credit, insurance and financial markets[59]. The increased demand for women with the skills and qualifications needed to take on positions in banking companies, a possible effect of the introduction of compulsory minimum quotas for all banks, could reduce the pool of female professionals available to take on positions in insurance companies, for which similar female presence requirements do not exist[60].

It should also be pointed out that the fact that top management positions in insurance companies have long been occupied exclusively by men is an element that affects the effective possibilities for women to have access to boards and top management positions. Unconscious bias developed over the years, as a result of habitual all-male interactions, condition those who are called upon to decide on potential candidates and create a bias in favour of men, making the process of selecting members of governing bodies inefficient. Boards and nomination

of a portion of the premiums collected in order to meet future commitments. For this purpose, the company must enter the amount of debt exposures arising from current insurance contracts on the liabilities side of the balance sheet. These are the so-called technical provisions, which differ from the equity reserves (legal reserve, statutory reserves and optional reserves) because, unlike the latter, they are not allocations of profits, but allocations of premiums to cover the company's debts or, as in the case of the reserve for management expenses of life assurance, to cover other future costs". The result is the need to subject the company's management of these sums to strict controls in order to ensure that it is able to meet its obligations when the event referred to in the contract occurs.

[56] The protection of savings is pursued both in non-life insurance where, according to the indemnity principle, the insurer is obliged to compensate the insured for the damage caused by an accident, and in life insurance where, under the welfare principle, the insurer's benefit is always due in relation to the premiums paid, without any need to verify the actual existence of a damage or need on the part of the insured.

[57] See Vella, 2014. The author also points out that this dialogue intensified following the financial crisis of 2009, which, as is well known, involved a number of large insurance operators. Even if the assessment of the role that these operators have played in generating systemic risk is not unanimous, there are some elements that lead us to believe that an increasing overlap of regulations in the two sectors is possible, such as, for example, the increasing internationalisation of insurance as well as the propensity to develop financial activities that are altogether similar to banking activities, also in order to contribute to the anti-recessionary policies that followed the crisis.

[58] For example, the Prudential Regulation Authority (UK), in its Rulebook General Organisational Requirements, requires banks, investment firms and insurance undertakings to "*engage a broad set of qualities and competencies when recruiting to the management/governing body and for this purpose put in place a policy to promote diversity of the management body*". This provision was adopted in the belief that "*aligning the diversity requirements for banks and insurers will further enhance the consistency of the PRA's supervision of governance*".

[59] In implementation of the prohibition set out in art. 36 of Law Decree no. 201 of December 6, 2011 (Salva Italia - Save Italy), converted with amendments into Law no. 214 of December 22, 2011, IVASS adopted joint criteria with the Bank of Italy and Consob for the application of the prohibition, in order to identify its scope.

[60] See Romano et al. (2013) for a reconstruction of the impact on board composition as a result of interlocking legislation.

committees, composed only of men for long periods, are more likely to select professional profiles similar to their own for new positions because they are more responsive to the traditional models of (male) leadership embedded in the corporate culture[61]. This bias in the selection process can only be mitigated by being exposed to different paradigms and styles of leadership, through shared responsibilities and discussion within the board with more female directors.

The phenomenon described is highlighted clearly by the analyses - referring to the composition of the boards of directors of Italian listed companies - which compare the situation before and after the entry into force of the mandatory thresholds[62]: as quotas take effect, there is a general improvement in the professional skills of members and a smaller number of aged directors. Basically, the entry of women on the boards is accompanied by an improvement in the composition of the boards, which is well received by the market (also in terms of impact on the value of the shares).

With regard to profiles relating to the operations of insurance companies, the business case for the presence of women in the governing bodies of companies is, at least, as robust for insurance companies as for banks. First, a greater diversification of members of the boards, as well as at all levels of the corporate organisation, corresponds to a decrease in cognitive distortions, such as group thinking or the homogenisation of behavioural patterns, with a consequent improvement in internal governance and in the management and control of corporate risks, which, looking forward, may translate into an improvement in financial results[63].

In addition to the above profiles relating to the improvement of the effectiveness of decision-making mechanisms, analyses specifically conducted in the insurance sector highlight the impact of the female presence on the performance of companies[64]. In particular, a recent analysis by the Swiss Re Institute (2021), conducted on a sample of 429 companies representative of the 12 largest insurance markets worldwide, finds that "*a more gender diverse senior leadership team is associated with return on equity (ROE) outperformance. A company that moves from a low to high share of women in leadership positions gains 3–4 percentage points (ppt) of ROE outperformance relative to the industry average ROE.*"

The importance of women's participation in the definition of business strategies, through taking positions on boards or holding top management positions in the company, is further reinforced by the challenges that the insurance industry faces in the current situation. Of particular note is the widespread use of artificial intelligence in various sectors of the insurance industry and the need to bridge the gap in insurance protection that affects - albeit to varying degrees - some European and international markets.

As stated by the IAIS in its recent document[65], business models that incorporate diversity and inclusion facilitate innovation, reduce risk, and lead to better consumer outcomes. In fact, as regards the former, the risk of confirming or actually reinforcing forms of discrimination against the most vulnerable bands of consumers, and in particular, women, is innate in the current trend of increasing use of smart algorithms and big data, for example for

[61] In this sense, Adams R. et al 2015 "*our evidence … suggests that cultural barriers may be impediments to career progression. These may be more difficult to overcome than other barriers. It is possible that policies that target boards directly may help overcome cultural barriers in the long-run*".

[62] Profeta et al, 2018.

[63] See Melvin et al. (2008) and in the same vein Thrin (2018).

[64] With regard to the correlation between company performance and the presence of women, the finding that there is none may also be considered significant: "*Therefore, if women have to "be better" to be treated "equally", we can conclude that women do not seem to perform better than their male counterparts. However, women are not found to perform worse, either. Hence, we can also conclude that their underrepresentation can only be the result of sociocultural discrimination. We believe that this reversal of perspective should also be considered in future studies in search of overperformance to justify leading roles for women*". See Cecchi, 2021.

[65] See Note above No. 14

customer profiling and product customization. A possible way of mitigating this risk is to share, at company level and, in particular, at the level of top bodies, a culture of awareness of and opposition to all implicit discrimination, including through an adequate presence of women in top roles and in the leadership of the organisation.

With regard to the interests of consumers, attention to gender dynamics makes it possible to build insurance products and services and to distribute them in such a way as to make them meet the specific needs of different types of potential users. This focus on the potential customer could help reducing under-insurance: in fact, a significant contribution to the size of the insurance protection gap, especially for health and social security coverage, is attributable to the low propensity of women to take out insurance. In order to counter the widespread dynamic of self-exclusion of women from insurance services, a governing body, composed in a balanced and diversified manner, facilitates the definition of corporate strategies both, as mentioned, of a targeted offer of products[66] for a female audience - which takes into account specific needs, preferences and purchasing methods - and of communication policies aimed at encouraging the financial education of women[67].

Finally, progress in diversity within insurance companies is a tool for furthering broader ESG goals (Environmental, Social and Governance) as it helps to create more accessible markets and support financial and insurance inclusion, especially in the population groups that are least covered and least considered by companies[68].

5. Conclusions

Increasing the diversity of leadership in insurance companies promotes more effective corporate governance mechanisms, can improve the financial performance of companies and help reduce the *protection gap* of Italian companies and households.

The data show, even for the insurance sector, that despite political and social pressure towards greater inclusion of women in boards and top roles in the corporate organisation, spontaneous progress towards strengthening the presence of women is very slow and does not allow gender equality to be achieved. In 2019, in fact, the percentage of women was, on average, only 17% of the total number of directors, with a limited increase (7 percentage points) compared to 2015, when women represented a tenth of the total number of board members. In addition, at the same date, about a third of the boards were still made up of men, a high number albeit slightly reduced in comparison with 2015, when the presence of women was completely lacking in more than half of the boards. For the top figures, the very limited representation of women leads to suppose that, even in the insurance sector, the progress of women towards roles of greater responsibility is hampered by the presence of a glass ceiling, which appears even more resistant because of the lack of a critical mass of women, which allows them to exert an effective influence on business dynamics.

[66] See International Finance Corporation Report according to which "*Women and men customer profiles exhibit different characteristics. A tailored inclusive insurance proposition for women can meet their gender-specific needs and be commercially viable. Although there are some examples of women-centric approaches to insurance, they remain ad hoc and difficult to replicate*".

[67] See Luciano et al 2016: "*We conclude that, all else equal, an effective way in which insurance demand can be further increased is by increasing financial awareness through market inclusion. Our study on life insurance determinants points at a pivotal driver, which stands as a natural candidate to explain most of the intensity of insurance subscription: financial inclusion -as measured by financial literacy or stock and home holding. Individuals with higher participation to the financial market have knowledge of insurance potentials and thus they subscribe a life insurance product…. 12% of Italian women is at risk of not being able to sustain themselves once retired because they did not pay any pension contribution and in many cases do not save enough*".

[68] See IAIS Statement mentioned previously.

This fact, which is objectively verifiable, is accompanied by the risk that, in the absence of concrete interventions by regulators and, subsequently, by supervisors, the phenomenon of the so-called "*gender fatigue"*[69] may appear in the insurance sector which, especially at times when media attention is growing on the issue of women's inclusion, risks triggering the reverse phenomenon and slowing down the achievement of equality goals even more.

It is therefore essential that regulators and supervisors take a proactive role, adopting effective measures - within their respective competencies and prerogatives - to support diversity and inclusion of women for insurance firms, thus ensuring a level playing field with other regulated firms in the financial sector.

A first and important step has been taken by the IAIS with the formal recognition of the importance of diversity for supervision objectives and with the incorporation of gender issues, also in terms of equity and inclusion, in its Strategic Plan 2020-2024, due the obvious connections with the issues of sustainable development, innovation, financial inclusion and corporate culture. This formal step will be accompanied by the support that the forum will provide to supervisory authorities and companies in the insurance sector to launch initiatives and encourage dialogue and discussion on the subject of diversity.

Looking forward, at EU level, a strong incentive to strengthen diversity and the inclusion of women in the boards of insurance companies could come from the revision of the Solvency II prudential framework, in the context of which EIOPA's suggestion to introduce a requirement for a self-assessment of the composition of the board could be interpreted as functional to requiring an adequate calibration also in terms of diversity. This interpretation could then, at the implementation stage, be enhanced in the context of the consequent revision of the EIOPA Guidelines on internal governance.

In terms of the convergence of supervision at European level, EIOPA, similarly to what the EBA has already done for banks and investment firms, could assume the role of collector of information and promoter of actions in support of diversity, by conducting analyses and disseminating benchmarks on the composition of the governing bodies of insurance companies.

At a national level, the definition of the suitability requirements for members of the management and control bodies of insurance companies - entrusted by the CAP to a ministerial regulation not yet adopted - may represent an opportunity to introduce a criterion for the composition of the governing bodies, which provides for a binding minimum threshold of female presence to be applied to all companies, without prejudice to compliance with the higher thresholds already envisaged for listed companies[70]. In this way, the insurance regulation would be aligned with the banking regulation and the risk of potential distorting effects deriving from differences, whose underlying legal or economic reasons are not evident, in the regulation of the two sectors would be averted.

Conducting analysis and disseminating diversity benchmarks of the insurance industry[71] could complete the framework of initiatives to support a greater presence of women in the governing bodies of companies. Data analysis and the dissemination of its results are, in fact, fundamental tools for fostering the dynamics of change, for identifying the areas in which the

[69] According to Williamson (2020), gender fatigue takes the form of passive resistance to inclusion due not to a lack of awareness about the phenomenon of inequality but to a feeling of powerlessness about how to counteract it. Specifically, based on the interviews conducted for the analysis, the managers stated "committed to the idea of organisational gender equality, however, were rather tired of hearing about such issues. Their fatigue stemmed not only from hearing the same organisational messages, but also because they did not know how to individually make progress."

[70] IVASS is assessing "whether there is a need to suggest, in harmony with what has been done for banks and on the basis of similar legal requirements, the introduction of a binding minimum threshold of female presence also for unlisted companies." See Speech by the President of IVASS Luigi Federico Signorini at the Ania Annual Meeting, https://www.ivass.it/media/interviste/intervista/intervento-del-presidente-luigi-federico-signorini-all-ania/.

[71] Even before the introduction of prescriptive rules with the amendment of the supervisory provisions on the corporate governance of banks, the Bank of Italy conducted analyses on the composition of governance and control bodies and published benchmarks for the sector (see Bank of Italy, *Benchmark diversity for the Italian banking system*- July 2015).

greatest risks of exclusion of women occur and for circulating information and best practices that companies can then use to promote inclusion and diversity in their organisations.

Looking ahead, once the prescriptive measures already adopted for the banking sector have fully produced their effects, further analyses could be carried out to assess what impact the failure (or hopefully the delay in) adopting measures to support diversity has had on the representation of the female gender in the governing bodies of insurance companies.

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