

AN INSIGHT INTO DIVERSITY AT AAE

BY MÁRIA KAMENÁROVÁ

Diversity delivers what is needed to become more resilient, with a view to addressing future global challenges. It is ten years since the European Commission put forward a proposal to require 40% female representation on executive boards of all listed companies. Based on 2021 data there has been some progress towards this, with France and Norway achieving 35% representation of women in leadership roles. However, women in CEO roles were reported in just 7% of the 650 companies surveyed. In this context, it is no surprise that recent years have seen many more female leaders of EU institutions, including the president of the EU Commission, the European Central Bank, the ESMA and the EIOPA, to name just a few.

Global management consultancy firm McKinsey has also been concerned with diversity for some time, and regularly publishes reports monitoring diversity in leading companies. Their research

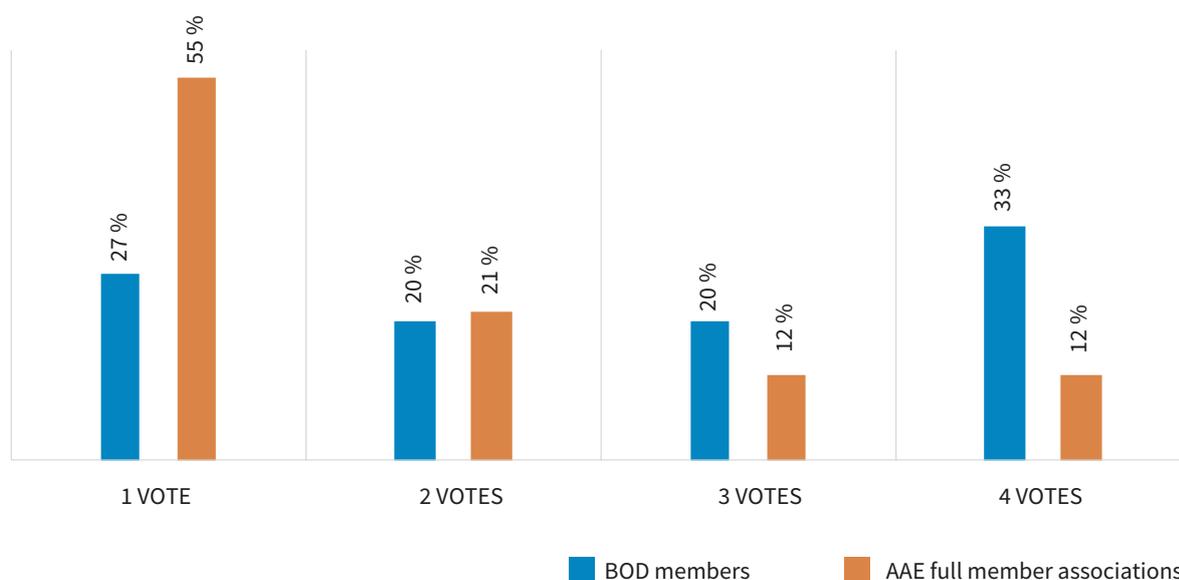
has repeatedly demonstrated that high gender diversity, ethnic diversity and inclusion is closely linked with performance. Their 2020 report, *Diversity wins: How inclusion matters*, reinforced the commercial benefits, as summarised in an [article accompanying the report's release](#): 'Over the past five years, the likelihood that diverse companies will out-earn their industry peers has grown. So have the penalties for companies lacking diversity... Similarly, our previous research found that women tend to demonstrate, more often than men, five of the nine types of leadership behaviour that improve organizational performance, including talent development.' Their research also found that women more frequently apply three of the four types of behaviour – intellectual stimulation, inspiration, and participative decision making – most effectively.

These are strong arguments, apparently proven by research and observation, so let's take a look at

where the Actuarial Association of Europe stands on this issue. Since 1978 the AAE has had 32 chairpersons, of whom were 3 women: that constitutes a 9% share of people in the leadership position. This seems to confirm the traditional assumption that the actuarial profession is dominated by men. However, this data spans a relatively long period of time, and society's expectations concerning female leadership have changed enormously in the meantime – so we should seek to avoid an interpretation which is unfairly balanced on historical data, and must not judge the past by current social norms and optics.

So let us explore more recent information about AAE leadership. Since 2017 the renewed Statute of AAE sets the number of seats on the board at 9 people. AAE board members should be drawn from a broad base to effectively represent the diversity of actuarial associations, and as such the aim is to nominate the best possible candidates who contribute to >

FIGURE 1: VOTING RIGHTS DISTRIBUTION SPLIT BY SIZE OF MEMBER ASSOCIATION



the modern development of the European actuarial profession. For selection of AAE board members there are only two diversification requirements which are specified in writing: a majority of members must be from full member associations within the EU, and all voting categories (based on association size) must be represented. The AAE Nomination Panel (the body that preselects candidates for board position) applies further diversity principles based on the defined terms of reference:

- size of the member association
- geographical region
- actuarial field of specialisation (Life, Pension, Non-Life)
- gender
- (non-)native English speaker

These criteria are not mandatory but considering them helps to promote diversity within the organisation.

Now we can take a closer look at the composition of AAE board members over the last five years, a time period that corresponds with the 2017 changes to the AAE Statutes. During this period 15 persons acted as AAE board members. We will proceed to examine some of the above-mentioned diversification criteria – size of member association, EU membership, geographical location and gender – for close analysis and comparison to the benchmark.

Firstly, the size of member association is a mandatory criterion which counts the number of fully qualified actuaries¹ in an association's membership and is reflected in the number of voting rights awarded. The AAE has 33 full member associations and 4 observer member associations, for a total membership of 37. The biggest associations have 4 voting rights and smallest ones have 1 voting right. The split of AAE full

associations and board members can be observed in *Figure 1*.

It can be seen that 55% of AAE membership is made up of small associations with 1 voting right, and these were represented by 27% of the total AAE board members. The biggest associations, making up 12% of the membership body, had 33% of total board members to represent them. This disparity is easy to explain given their size: the biggest associations have the most opportunity to nominate suitable candidates who meet the qualitative requirements. For the other categories with 2 and 3 voting rights, the split is even and proportionate. >

² AAE full member associations from non-EU countries: Channel Islands, Iceland, Norway, United Kingdom, Turkey, Switzerland

FIGURE 2: SPLIT OF AAE FULL MEMBER ASSOCIATIONS AND AAE BOARD MEMBERS BY GEOGRAPHICAL REGION



The split of AAE board members between EU and non-EU countries is 80% and 20% respectively, which corresponds well with the make-up of member associations: 82% are in EU countries and 18% are not being members of EU². This split is also representative.

Distribution by geographical region is not a mandatory diversity criterion, however it is often taken into account because it usefully indicates various historical developments and the position in the home society of the different AAE member associations. The geographical composition of AAE member associations and AAE board members is shown in *Figure 2*.

The historical data shows that at 40%, more AAE board representatives come from the western part of Europe compared

to the eastern part, which contributes 7%. This could be driven by the fact that the largest associations come from western Europe and often have a longer actuarial heritage and stronger status within their countries, so it could reasonably be argued that they are able to nominate more strong candidates. Nonetheless, the figures are somewhat disproportionate.

Finally, the split by gender shows that in the last five years there were 27% female and 73% male representatives on the AAE board; this reflects a more favourable gender diversity than the 9% figure relating to AAE chairpersons.

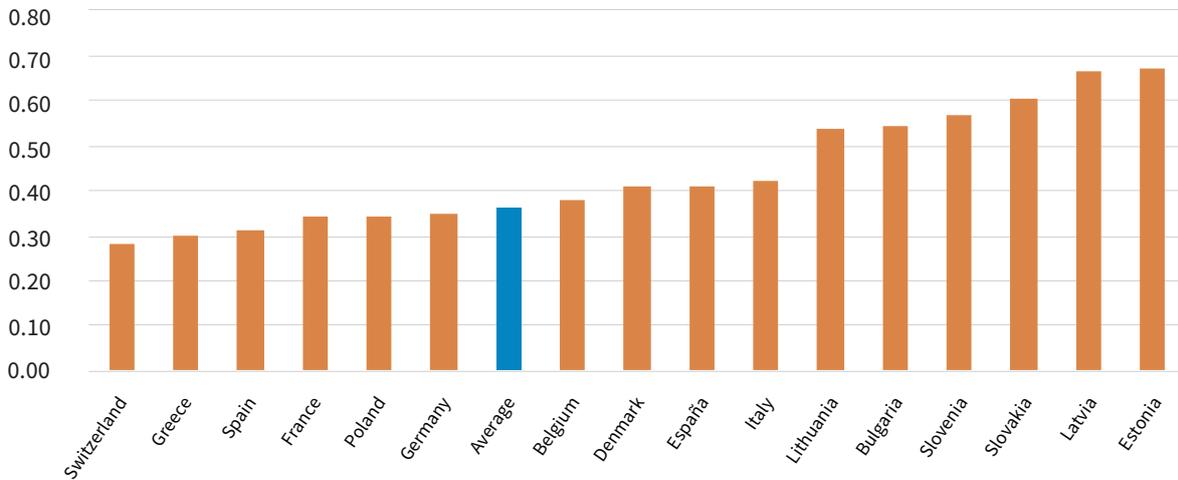
Overall it is possible to conclude that diversity in AAE leadership has improved over the last five years, not just in terms of gender but also other diversity perspectives.

For another viewpoint, the AAE has 34 full members and 38 members in total, among which there are currently 11 full member associations with female presidents, making 32% of AAE full member associations; and looking at the total member associations there are 13 female leaders constituting a 34% share. The data is always changing and this is just a snapshot from the summer of 2022. An accelerating trend towards more women in top roles can be observed.

In 2022, the AAE board decided to issue a diversity questionnaire to gather data about the actuarial population of its member associations. >

¹ Size of the association is defined in AAE Statute.

FIGURE 3: PROPORTION OF WOMAN ACTUARIES IN SELECTED AAE MEMBER ASSOCIATIONS



Source: AAE diversity questionnaire 2022 responses

Responses were received from 17 member associations. Though not all associations returned the AAE diversity questionnaire, the responses gathered relate to more than 95% of AAE’s actuary members, once the UK is excluded. The proportion of working actuaries who are female is shown for each member association country in *Figure 3*.

The results show that 36% of AAE actuaries are female and 64% are male. The proportion of women varies from 28% in Switzerland to more than 67% in Estonia. The split by geographical region and size of association would show an overall lower proportion of women in the western region and large member associations, compared to north and east regions and other category sizes of member associations.

In general, there are at least three actions that can be taken to promote better diversity and representation in our societies:

- Track diversity metrics relating to gender, race/ethnicity, and the intersection of the two
- Hold senior leaders accountable for progress on diversity goals
- Create a sustainable work culture by adjusting policies, systems, and norms to enhance employee wellbeing

Despite the actuarial profession tending to qualify in technical universities, the data shows a relatively high proportion of women working in actuarial fields. It may turn out that there is already sufficient basis for increased diversification of future European actuarial leadership too, of course subject to the personal qualities of nominated candidates.

It could be interesting to follow up on statistical trends in the diversity area later on. Actuaries have their own ways of contributing to build more resilient societies in future, for example by monitoring and potentially helping to close the pension gap, improving life expectancy, acting against gender discrimination and in other broader areas too.



MÁRIA KAMENÁROVÁ
is chairperson of the AAE