LABOR STUDY RESULTS

2020 Semi-Annual Insurance Labor Market Study Results
Quarter Three

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jacobsononline.com
Semi-Annual Insurance Labor Market Study

Since 2009, The Jacobson Group and Aon plc (NYSE: AON) have conducted an insurance labor outlook study. This study gathers valuable information on labor trends and has become an accurate predictor of the industry’s staffing outlook.

The survey provides a powerful analysis of current labor developments for the industry. “The insurance industry has proven relatively stable in comparison to the overall economy and insurers continue to compete for top talent,” said Gregory P. Jacobson, co-chief executive officer of Jacobson. “Recruiting difficulty has not eased during the pandemic and has even increased slightly for most insurance functions. Though employment will continue to grow in the next 12 months, it will be at a significantly slower pace.”

The study found organizations plan to maintain or increase hiring as 2020 continues. In fact, 83 percent of companies plan to maintain or increase staff during the next year. Despite industry unemployment hovering around 4.8 percent, insurers indicated that difficulty in recruiting will persist.

Read the following highlights to learn more about current labor trends and staffing expectations.

Interested in Participating in Future Studies?

The study is conducted semi-annually and attracts high participation from industry organizations across all sectors. The study takes five minutes, and all answers are confidential. If you are interested in participating in future studies, visit the following link:

jcbsn.gr/LaborStudySignUp

Contact Us

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Insurance Labor Market Study

The Jacobson Group and Ward, part of Aon plc (NYSE: AON), conducted a study to investigate hiring trends within the insurance industry. The following presents the findings of an Insurance Labor Market Survey conducted in the third quarter of 2020.

Summary of Findings

- 48% of companies plan to increase staff during the next 12 months driven by the Personal Lines P&C segment at 60%
- 17% of companies are planning to decrease the number of employees, which is the highest total reported since January of 2012 and the third highest total since 2009. This is up from 8% expected in January
- 50% of medium-sized companies plan to add staff during the next 12 months. This is 2 and 3 points higher than small and large companies, respectively
- Expectations to grow revenue is at 58%, 19 points lower than the January survey
- Large companies are the most optimistic to increase revenue as 73% expect growth, compared to 67% for medium-sized companies and 48% for small companies
- Optimism for revenue growth decreased 6 points to 75% for Life/Health companies from January while Property/Casualty companies decreased 19 points to 57%
- 44% of the companies stated that change in market share will drive their expected revenue changes with 33% referencing it being due to economic expansion/contraction
- The primary reasons to increase staff during the next 12 months is the anticipated increase in business volume and areas being understaffed. 45% of companies listed these as the primary reasons-to-hire
- 17% of companies report that both decrease in business volume and being overstaffed will be the primary reasons for reductions in headcount during the next 12 months
- Technology, Underwriting, and Analytics roles are expected to grow the greatest during the next 12 months. While Technology is the most likely area for Commercial and Balanced Lines companies, Personal Lines companies are looking to Claims as the area of greatest need
- Recruiting difficulty has not eased and in fact has increased a slight bit. Continued employment growth, albeit at a significantly slower pace, will not provide relief in the near future
- Compliance and Analytics are the top 2 areas where companies are looking for employees with prior experience
- Actuarial, Technology, and Analytics positions are the most difficult to fill
Projection

If the industry follows through on its plans, we will see a 0.99% increase in industry employment during the next 12 months, creating new jobs.

<table>
<thead>
<tr>
<th>Projected Growth</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Benchmark</td>
<td>0.99%</td>
</tr>
<tr>
<td>Life &amp; Health</td>
<td>0.62%</td>
</tr>
<tr>
<td>Property/Casualty (PC)</td>
<td>1.31%</td>
</tr>
<tr>
<td>- PC Personal</td>
<td>0.70%</td>
</tr>
<tr>
<td>- PC Commercial</td>
<td>1.13%</td>
</tr>
<tr>
<td>- PC Balanced</td>
<td>1.34%</td>
</tr>
</tbody>
</table>

Survey Results

Participant Profile

Business Profile

- National/Multi-National: 42%
- Regional: 58%

Company Profile

- Life/Health: 20%
- Property/Casualty: 77%
- Reinsurer: 3%

Company Size

- Under 300 Employees: 55%
- 300-1,000 Employees: 20%
- Over 1,000 Employees: 25%

The total average number of employees is 2,045
Unemployment Rates

*Percentage indicated 6-month trailing average

Source: U.S. Bureau of Labor Statistics

Insurance Carrier Employment

Source: U.S. Bureau of Labor Statistics
Revenue and Staffing Expectations

12-Month Staffing Plan

- **Increase Staff** 48%
- **Maintain Staff** 35%
- **Decrease Staff** 17%

12-Month Revenue Plan

- **Decrease Revenue** 12%
- **Flat Growth** 30%
- **Increase Revenue** 58%

12-Month Staffing Plans

- **July 2009 - July 2020**
  - **Increase Employees**: 48%
  - **Decrease Employees**: 17%
  - **Maintain Size**: 35%
• 58% of companies expect an increase in revenue growth, down 19 points from the January survey

• 30% of companies expect flat revenue growth, up 13 points from January

• P&C companies responded that the primary driver for expected revenue changes will continue to be market share at 42%. Life/Health companies responded at 46% for both market share and economic expansion/contraction
Prior Year 12-Month Staffing Plans vs. Actual

Prior Year 12-Month Staffing Plans vs. Actual - By Industry

Property/Casualty

Life/Health

The Jacobson Group and Ward Insurance Labor Market Study
12-Month Staffing Plans

- **Increase employees by > 20%**
  - July 2020 Plan: 5%
  - July 2019 Plan: 9%

- **Increase employees by 10-20%**
  - July 2020 Plan: 7%
  - July 2019 Plan: 12%

- **Increase employees by 5-9%**
  - July 2020 Plan: 8%
  - July 2019 Plan: 14%

- **Increase employees by 2-4%**
  - July 2020 Plan: 10%
  - July 2019 Plan: 16%

- **Increase employees by < 2%**
  - July 2020 Plan: 10%
  - July 2019 Plan: 18%

- **Maintain current size**
  - July 2020 Plan: 28%
  - July 2019 Plan: 28%

- **Decrease employees by < 2%**
  - July 2020 Plan: 3%
  - July 2019 Plan: 7%

- **Decrease employees by 2-4%**
  - July 2020 Plan: 2%
  - July 2019 Plan: 8%

- **Decrease employees by 5-9%**
  - July 2020 Plan: 0%
  - July 2019 Plan: 0%

- **Decrease employees by 10-20%**
  - July 2020 Plan: 2%
  - July 2019 Plan: 2%

- **Decrease employees by > 20%**
  - July 2020 Plan: 0%
  - July 2019 Plan: 0%

*Percentages in chart rounded to nearest whole number

- 60% of Personal Lines P&C companies are expecting to increase staff during the next 12 months. This is 8 and 20 points higher than Commercial and Balanced Lines P&C companies, respectively.

- Of the companies who plan to add staff during the next 12 months, 79% expect an increase in revenue with 54% responding that it will be due to a change in market share. Of those planning a decrease in staff, 20% expect revenue decreases to be driven by economic expansion/contraction.

- 33% of companies who plan to maintain staff size during the next 12 months are expecting an increase in revenue growth.
Since January, expectations to increase staff have shifted. Small companies were expecting an increase of 62% compared to 48% in July. Medium-sized companies moved from 75% to 50%. Large companies differed from their peers in that they expect a slight increase from 45% to 47%.

33% of medium-sized companies are expecting growth in revenue/premium greater than 10%. This compares to 27% for small and 13% for large companies.

While small and medium-sized companies responded that revenue changes will be driven by market share, large companies believe the driver will be economic expansion/contraction.
Use of Temporary Employees during Next 12 Months

Recruiting Difficulty Continues

- On a scale of 1 – 10 (10 being most difficult), companies responded that positions are still moderately difficult to fill
- Positions rated 5 or above are considered moderate or difficult to fill
- Product line has a significant impact on the ease of filling positions
- Recruiting difficulty is increasing! 8 of 11 categories have seen recruiting difficulty increase slightly over the past year
- In total, the industry’s greatest need is in Technology staff

- Technology is the area most likely to increase staff for large companies, followed by Analytics and Underwriting. Medium-sized companies are looking towards Technology then Underwriting in the next 12 months. After Technology, small companies have the greatest need in Claims

- Technology and Actuarial are the most likely areas of hire for the Life/Health segment
Likelihood of Increasing Staff by Function by Survey Period

The Jacobson Group and Ward Insurance Labor Market Study
Employee Types Most Likely to Add

By Function

<table>
<thead>
<tr>
<th>Function</th>
<th>Entry</th>
<th>Experienced</th>
<th>Management/Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>5%</td>
<td>85%</td>
<td>10%</td>
</tr>
<tr>
<td>Analytics</td>
<td>7%</td>
<td>89%</td>
<td>4%</td>
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<tr>
<td>Technology</td>
<td>8%</td>
<td>74%</td>
<td>18%</td>
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<tr>
<td>Sales/Marketing</td>
<td>11%</td>
<td>75%</td>
<td>14%</td>
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<tr>
<td>Accounting</td>
<td>11%</td>
<td>79%</td>
<td>11%</td>
</tr>
<tr>
<td>Overall</td>
<td>17%</td>
<td>70%</td>
<td>13%</td>
</tr>
<tr>
<td>Underwriting</td>
<td>17%</td>
<td>57%</td>
<td>26%</td>
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<tr>
<td>Product Management</td>
<td>20%</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Claims</td>
<td>26%</td>
<td>66%</td>
<td>9%</td>
</tr>
<tr>
<td>Actuarial</td>
<td>30%</td>
<td>56%</td>
<td>15%</td>
</tr>
<tr>
<td>Operations</td>
<td>32%</td>
<td>61%</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Percentages above rounded to nearest whole number

Reason to Increase Staff during Next 12 Months

- Anticipated Increase in Business Volume: 45%
- Areas Currently Understaffed: 45%
- Expansion of Business/New Markets: 37%
- Improve Service Delivery: 17%
- Reorganization: 7%
- Other: 3%
- To Correct the Manager to Staff Ratio: 2%
### Reason to Decrease Staff during Next 12 Months

- Areas Currently Overstaffed: 17%
- Anticipated Decrease in Business Volume: 17%
- Automation Improvement Requiring Fewer Staff: 12%
- Reorganization: 12%
- Contraction of Business/Discontinuing Operations: 5%
- To Correct the Manager to Staff Ratio: 5%
- Other: 2%

### Flexible Options for Employees When Offices Reopen From COVID-19

- Occasional Work-from-Home: 77%
- Flexible Hours: 53%
- Full-time Remote: 48%
- Other: 8%
- No Changes: 8%
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About Ward

Ward is the leading provider of benchmarking and best practices studies for the industry. We analyze staff levels, compensation, business practices and expenses for all areas of company operations and help insurers to measure results compared to peer groups, optimize performance and improve profitability. Since 1991, we have performed more than 3,000 operational and compensation benchmarking exercises for companies of all sizes.

Ward is part of Aon plc (NYSE: AON). For more information, please visit ward.aon.com.

About The Jacobson Group

The Jacobson Group is the leading provider of talent to the insurance industry. For nearly 50 years, Jacobson has been connecting organizations with insurance professionals at all levels across all industry verticals. We provide an array of services including executive search, professional recruiting, temporary staffing and subject matter experts. Regardless of the need or situation, Jacobson is the insurance talent solution. Further information is available at jacobsononline.com.