Insurance Talent

JACOBSON

INSURANCE INDUSTRY FINDS STABILITY IN FACE OF UPCOMING TALENT SHORTAGE

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As the recession winds down and the economic recovery continues, the U.S. marketplace is looking for signs of pre-recession job creation and growth.

While the general U.S. economy has continued to slow down over the past year, moderate job growth continued through the third quarter of 2013. In July 2013, the U.S. Bureau of Labor Statistics (BLS) reported the number of unemployed persons and the unemployment rate to be essentially unchanged from this time last year, holding at 12.8 million and 8.3 percent respectively.

For the past five years, The Jacobson Group and Ward Group have analyzed current labor insurance industry trends and future staffing expectations to provide an overview of staffing challenges by discipline. The ninth iteration of this Semi-Annual Insurance Labor Market Study, held during the third quarter of 2013, encompassed 180,000 industry employees or about 12 percent of the U.S. insurance carrier labor market and included responses from regional, national and multi-national organizations across all sectors of the insurance industry.

The **unemployment rate** within the insurance industry decreased nearly **2%** from the first quarter of the year.

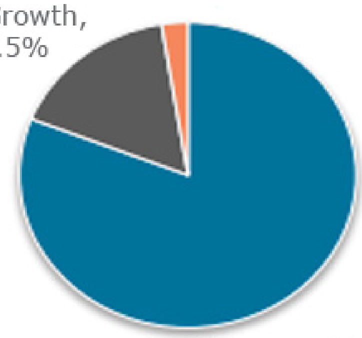
Based on the report findings, the insurance industry has once again remained somewhat isolated from the fluctuations of the overall economic climate. Unlike the national economic stasis, the insurance industry faced a decrease in unemployment from 4.7 percent in the first quarter to three percent. The rate of hiring within the industry has begun to taper off as staffing levels return to those seen prior to the layoffs and hiring freezes of the recent past. For the first time in the history of the Mid-Year Insurance Labor Outlook Study, hiring projections are lower than the previous iteration. Of the insurance companies surveyed, 54.4 percent intend to hire in the coming year, a decrease of two percentage points since January. More than 36 percent of those surveyed intend to maintain their current staffing levels.

This slight decrease in hiring from the beginning of the year reflects a shift towards a less volatile market. Organizations are still expecting to experience change, yet are no longer experiencing as drastic of fluctuations—in regards to revenue or staff increase or reductions—as in the past few years. This represents a stabilization within the industry with the current labor market closing in on its pre-recession state.

DESPITE STABILIZATION, MARKET CONFIDENCE REMAINS STRONG

Despite the leveling off seen industry-wide, revenue and staffing projections remain optimistic as we enter the second half of 2013. As figure 1 shows, 81 percent of companies are expecting to grow their revenue, with only 2.5 percent of companies expecting to decrease their revenue throughout the next 12 months. More than 85 percent of property and casualty companies are expecting to increase revenue and almost 77 percent of life and health companies reported the same.

FIGURE 1: 12-MONTH REVENUE PLAN

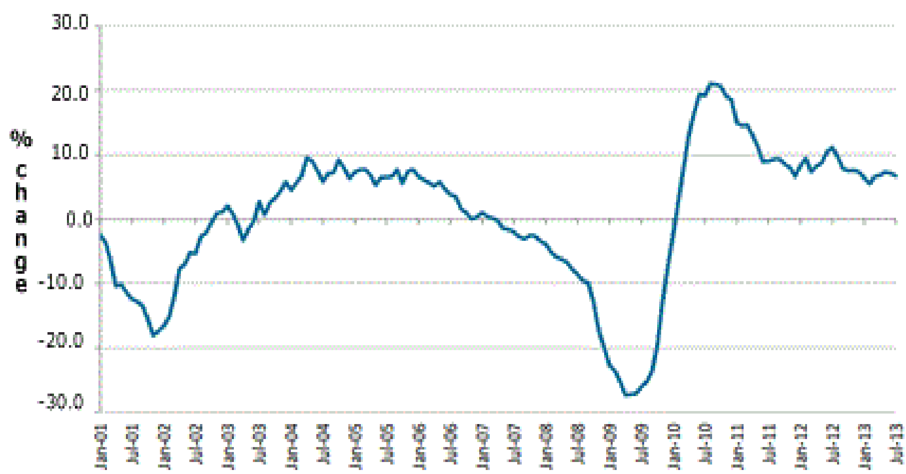


While the overall percentage of companies expecting to grow revenue is down from 86 percent in January, this expectation is very high compared to July 2009 when that number was only 56 percent. The majority of companies are trying to grow market share more aggressively. In fact, all sectors responded that the primary driver for their expected increases is growth in market share rather than pricing or expansion.

For the first time in the last five surveys, the primary reason for staff increases is expansion of business. A total of 46 percent of companies list expansion as a reason for hiring versus 43 percent hiring due to an increase in current business volume. Staffing projections continue to be optimistic with less than nine percent of companies polled expecting to see a decrease in the next 12 months, the lowest point in the five-year history of this survey. This is nearly six points lower than expectations from July of last year. Sixteen percent of insurance industry organizations reported automation as the primary reason for reductions in staff, well below the national average of 21 percent. Reorganization also remains a top driver at 10 percent.

Temporary employment continues to be an important percentage of the industry's labor market. Currently, the temporary penetration rate has increased by 4.76 percent in the past year to 1.98 percent, as seen in figure 2. While early predictions pointed to a tapering off in the hiring of temporary staff as employers favor permanent hires, it is now expected that the use of temporary staff will only increase as companies look for ways to combat the growing skills gap. According to the study, 16 percent of employers intend to increase their use of temporary employees during the next 12 months, while 77 percent plan to maintain their current usage. In total, temporary employment in the insurance industry increased by 118,500 jobs in the past six months alone.

FIGURE 2: TEMPORARY EMPLOYMENT



Seasonal trends are emerging within temporary staffing. Temporary staff usage projections heighten in the summer iteration. The second half of the year is also seeing an increase with 16 percent of companies planning to increase their use of temporary staffing versus 14 percent reported last year.

RECRUITING DIFFICULTY CONTINUES

Survey respondents indicated that positions are still moderately difficult to fill and that recruiting is slightly more difficult across most disciplines than it was a year ago. Participants were asked to rank each discipline by its difficulty-to-fill measure. Currently, commercial and specialty lines organizations report the highest levels of difficulty, presenting the most competitive job market.

During the past six months, executive, accounting and operations positions have become more difficult to recruit for; and actuarial, executive and technology roles continue to be the most difficult to fill.

Looking at current demand, technology roles continue to hold the top spot. For property and casualty companies, technology has had the greatest likelihood to increase staff in eight of the past nine surveys. With the amount of infrastructure and data development most companies are planning, we expect this trend to continue throughout the foreseeable future.

Once again, sales and marketing roles have held the position of second-most likely to hire. This trend continues to be driven by the life and health industries. Underwriting positions also continue to be in higher demand and are more difficult to fill, ranking as the third-most likely position for hiring during the next 12 months. Commercial lines companies have a significantly greater need for underwriters compared to other lines.

Claims positions ranked the fourth most likely to increase. Demand for claims has remained relatively consistent in the past four years, decreasing only slightly with overall hiring projections. Much of the demand is being driven by the property and casualty sector. The volume and frequency of major storms and catastrophes in recent years continue to drive this demand. With companies focused on strengthening catastrophe models, we expect that claims will remain a priority for personal line companies.

Only 26.67% of insurance industry professionals are under 35 years old.

EMPLOYERS MUST LOOK FORWARD

High demand combined with recruiting difficulties are a sure sign of the talent shortage that is beginning to take hold on the market. According to BLS data, the median age for insurance professionals is 45 years compared to the national median age of 42 years. Only 26.67 percent of the insurance industry's workers are under the age of 35. Compared to the overall economic tenure trend of 4.6 years, the average tenure in the insurance industry is much higher at 5.7 years. Combined with a mass exodus of Boomer employees that could occur much sooner than expected due to the commencement of retirement benefits from the Affordable Care Act, the insurance industry faces a strong need to bring in new talent.

Industry-wide, salaries are increasing and trends in compensation are shifting. Training programs, career development plans and college development programs are being reinstated. To successfully prepare for succession concerns, it is vital that industry organizations focus on securing a strong talent pipeline ahead of the foreseen shortage and build a bench of talented individuals. Recruitment focus must shift towards interns, recent college grads, and individuals from outside the industry who can be brought in and integrated for future success.

Low unemployment and less volatile market conditions signal a return to pre-recession operations within the industry. If the industry follows through on its plans, we will see a 1.15 percent increase in industry employment during the next 12 months, creating new jobs. Broken down by sector, it is projected that life and health will grow by 0.67 percent while property and casualty will grow by 1.26 percent. Expectations remain positive. While the numbers represent a drop from the past six months, this reflects a return to pre-recession conditions in the marketplace. Looking forward, the industry is faced with some uncertainty as we navigate a potential talent shortage and a difficult recruiting environment. ▲

Participation in the semi-annual Insurance Labor Outlook Study is free and open to the entire insurance industry. For more information, contact Vince Albers of Ward Group at valbers@wardinc.com. For a full summary of the study's findings, click here. To further discuss this topic or if we can serve as a thought leader in your talent-related endeavors, please contact Gregory P. Jacobson, Chief Executive Officer, at gjacobson@jacobsononline.com.

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The Jacobson Group is the leading global provider of insurance talent. For more than 40 years, we have been connecting insurance organizations with professionals from the board room to the back room on both a permanent and temporary basis. We offer a variety of solutions from executive search, professional recruiting, emerging talent and RPO to temporary staffing, subject matter experts, and onsite and offsite operations support. Regardless of the need or situation, Jacobson is the insurance talent solution.

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