

## **THE ACTUARIAL TALENT CHALLENGE: COMBATING THE MID-LEVEL GAP**





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By JoJo Harris, *Senior Vice President*

Joyce Dunn, *Vice President and Managing Director*

The growing “talent crunch.” The long-touted “war for talent.” The emerging “human capital challenge.” Regardless of the phrase, the reality is that the insurance industry stands amid an increasingly competitive labor market. Despite years of warnings, the talent shortage has hit insurers with unforeseen force. While the return to a pre-recession era labor market and the relative stability has been positive for organizations’ bottom lines, it has left insurers unprepared to face what is likely the most competitive recruiting environment the industry has ever faced.

# **“TODAY’S INSURERS ARE REPORTING A WIDENING GAP OF ACTUARIAL TALENT WITHIN THE MID-RANGE, EIGHT TO 15 YEARS OF EXPERIENCE.”**

Actuarial positions, in particular, continue to be difficult to fill as demand for talent increases. In response, insurers have shifted their focus toward the next generation. More and more, organizations are dedicating their resources to attracting and engaging young professionals to combat the emerging talent gap. In fact, a number of industry-wide initiatives—including the Insurance Careers Movement<sup>1</sup>—have been introduced and continue to gain momentum.

It is certainly important to fill entry-level industry ranks and build an effective actuarial talent pipeline. However, the popularity of the actuarial profession has grown drastically in recent years, driven by its reputation for employability and job security. Students have been flocking to actuarial science programs in droves. In the past five years alone, the number of students participating in these programs has grown 11 percent.<sup>2</sup> As a result, nearly 70 percent of graduates seeking actuarial employment will struggle to find a job—with only the top 25 to 30 percent of graduates gaining actuarial employment upon completing their programs.

The industry’s laser focus on recruiting young professionals overlooks a growing and distinct tightness at the mid-level. Organizations currently





face an increased difficulty in finding talent to fill the vacancies that are being left at the managerial and supervisory levels. Today's insurers are reporting a widening gap of actuarial talent within the mid-range, eight to 15 years of experience. With the workforce facing a mass exodus of tenured, skilled actuaries, these individuals are increasingly in-demand and difficult to find. In addition, there is growing concern that the narrowing of the mid-career market may snowball into an inability to fill senior and executive-level positions in the future.

The actuarial arena is set to reach a breaking point in terms of mid-level talent recruitment. What can insurance organizations do to combat this growing gap?

### **THE MID-LEVEL ACTUARIAL TALENT GAP WIDENS**

The insurance industry stands amid a perfect storm of shifting labor realities. The reasons driving the growing mid-level talent gap are multi-faceted. Overall, the industry is face-to-face with an aging workforce and a wave of impending retirements. For actuaries, an exodus of talent from the workforce, a shortage in the number of mid-career level professionals and a skillset mismatch are creating a widening rift.

The insurance industry, as a whole, is more aged and tenured than the rest of the U.S. workforce. The past 10 years have seen the "greying" of the industry accelerate at a remarkable pace, as the number of employees aged 55 and older has increased



by 74 percent.<sup>3</sup> As a result, the number of insurance workers aged 55 and older is nearly 30 percent higher than the rest of the labor market. This aged and tenured workforce is now preparing to retire en masse. As soon as this year, it is predicted that 25 percent of the industry’s current workforce will be on the verge of retirement. Within the next 10 years, more than one million of the industry’s 2.3 million workers will retire.<sup>4</sup>

By 2020, mass retirements within insurance—in addition to evolving labor needs—are expected to result in 400,000 open industry positions that need to be filled to remain fully staffed.<sup>5</sup> The actuarial function is expected to grow by 22 percent between 2016 and 2026.<sup>6</sup> Life actuarial employment, in particular, is predicted to grow at a rate of nearly four percent annually.<sup>7</sup> Unfortunately, the current bench of employees within insurance is not large enough to fill this pending gap.

Analysis of workforce demographics highlights a significant drop-off in the number of actuaries in their mid-to late-30s. During recent years, employees have found themselves without an upward career path

as Baby Boomers delayed their retirements amid the economic downturn. Seemingly stuck in a “flat” organization, frustrated with their current roles and feeling overlooked by employers, many of these individuals have turned to opportunities outside the industry to advance their careers and climb the corporate ladder. Actuarial professionals continue to be swayed by the vast array of highly quantitative—but non-actuarial—positions available outside of the industry. The rise of data-driven business operations has created a wide-range of functions across industries, providing actuaries with numerous new career opportunities. The result is an exodus of actuarial talent that is unlikely to be reversed. This increased turnover has created an even wider gap than initially anticipated.

In addition, there is a skillset issue at the mid-career level. Employers are looking for actuaries with a balanced toolkit of leadership, managerial and communication skills. Unfortunately, it is continually difficult to find the right mix of non-quantitative and technical actuarial skills. Organizations are looking to the next generation to step up to the plate. Officially the largest generation



in today's labor market, Millennials currently account for 25 percent of the U.S. workforce—a number that is expected to reach 40 percent by the year 2020.<sup>8</sup> However, many organizations sidelined or scaled back their professional development and training initiatives during the Great Recession. In addition, insurers dramatically pared down their intern and student programs—the cohort of talent that today would have the requisite ten to 15 years of experience. Many organizations did not see a return to pre-recession levels within this group until as recent as 2016. This has created an inverted “bell curve” of talent, with senior actuaries being asked to do more tactical work and entry-level actuaries being pushed to take on more responsibilities. With actuarial professionals finding themselves increasingly stretched thin, professional, management and leadership development continues to fall by the wayside.

Together, these factors have created a growing actuarial mid-level gap that must be addressed to ensure the future success of the insurance industry.

### **A MULTI-PRONGED TALENT MANAGEMENT SOLUTION**

Faced with this emerging talent challenge, it is critical that insurers implement a multi-pronged approach of engaging those at the mid-career level, as well as developing their up-and-coming actuaries. Engagement should be focused on promoting career development opportunities to reduce the number of actuaries leaving the industry for non-actuarial roles, as well as to grow key skills and proficiencies. With an estimated 60 percent of all new jobs in the 21st century requiring skills and experiences held by only 20 percent of the current workforce, providing developmental training programs will be critical to addressing emerging needs and combatting the mid-level talent gap.<sup>9</sup>

Development and training must be built into organizations' cultures and should be incorporated as early as the onboarding process. In addition to being trained on their current roles, new hires should be monitored and high-potentials identified. Today's



organizations must be prepared to offer development opportunities and learning sooner than traditionally provided and at an accelerated pace. Introducing on-the-job work experience and mentoring opportunities will be necessary to help grow young actuarial talent into the mid-level roles that need to be filled.

Actuarial departments should embrace programs that incorporate multiple types of learning—including classroom, online and on-the-job—and experiences that can be personalized to best fit the needs of their individual employees. The focus should be on providing experiences that nurture and engage employees.

For many organizations, professional development and training can be as simple as encouraging employees to join and participate in professional actuarial groups or associations or establishing a company-wide mentorship program. Some organizations are even utilizing their recent FSAs to run the student program as a unique way to provide exposure and experience. In addition,

organizations should provide opportunities to learn on the job. This can include experiential opportunities such as stretch assignments, additional responsibilities and supervisory functions. Encourage employees to take on executive sponsorship roles and leadership and mentoring duties. Not only will this help build employee engagement and increase retention, but they provide organizations with the chance to develop their next generation of mid-level talent and even C-level leadership.

Organizations should also ensure they are providing defined career paths and cross-department opportunities to promote the development and expansion of the key actuarial skills necessary for success. No longer is the traditional corporate ladder effective or desired. Today's professionals are embracing the new concept of a career lattice—where development flows along horizontal, vertical and diagonal paths. With this developmental shift in mind, insurers must look at long-term strategies that incorporate job shadowing, committee work and “assignment-based” programs. In addition, rotational experiences and other



cross-department programs are emerging as a unique way to give professionals the background and skill sets demanded of mid-level employees. Long-used as a recruitment strategy for young professionals and emerging talent, many organizations are now elevating their student actuarial programs and implementing rotations for their experienced employees. Designed to develop high-potential employees into well-rounded leaders, these mid-level rotational programs provide actuaries with broad job experiences and trainings. Some organizations are even implementing rotational programs outside of the actuarial function in order to provide cross-functional business understanding. These unique programs enable high-performers with a few years of industry experience to gain knowledge outside their current roles and further develop their skills. Individuals are then able to seamlessly move into critical mid-level roles. These programs are a unique solution to ensuring employees develop and hone their leadership, managerial and communication skills. As such, rotational

programs may be one of the most powerful tools organizations can use to drive employee development and grow the next generation of leaders.

But what about an organization's immediate actuarial talent needs? Unfortunately, not all organizations have the time to develop their actuarial talent from the recent graduate level. They have mid-level actuarial openings that must be staffed now. In order to address these immediate needs, many insurers are turning to contract subject matter experts. These individuals offer a unique solution for organizations in urgent need of experienced actuaries. Partnering with a staffing firm—specifically one with an insurance industry focus—will provide organizations with unique access to a bench of highly-skilled professionals who can be called upon to provide a stop-gap while a permanent position is filled or to offer hands-on expertise for special projects and assignments. Thanks to the growing interest in the flexibility provided through a contract career, nearly 40 percent of business

professionals are predicted to be temporary, contingent workers by the year 2020.<sup>10</sup> Many of these individuals have made a career focusing on niche business scenarios and utilizing their unique skills and expertise. As a result, these interim actuarial professionals have the knowledge and hands-on work experience necessary to quickly jump in and get started—providing a valuable solution to organizations’ immediate mid-level needs.

The insurance industry—and actuarial field in particular—continues to see a growing talent gap at the mid-levels. Organizations must take a look at training and professional development options in order to better retain, engage and prepare their current employees for the mid-level. Only those organizations willing to invest in the development and growth of their employees will be able to bridge the growing talent gap.

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## ABOUT THE AUTHORS:

*JoJo Harris is senior vice president of human resources at The Jacobson Group, the leading global provider of talent to the insurance industry. In this role, JoJo provides leadership and management of the firm’s human resource functions. JoJo also serves on the executive management team and plays an integral role in the growth and development of the firm. She can be reached at +1 (800) 466-1578 or [jharris@jacobsononline.com](mailto:jharris@jacobsononline.com).*



*Joyce Dunn is vice president and managing director for The Jacobson Group’s executive search practice. In this role, she manages C-level, Vice President and other executive-level searches primarily for life, health, property, casualty and reinsurance organizations. She can be reached at +1 (800) 466-1578 or [jdunn@jacobsononline.com](mailto:jdunn@jacobsononline.com).*



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The Jacobson Group  
+1 (800) 466-1578  
[jacobsononline.com](http://jacobsononline.com)

