Okay, we're going to get back to underwriting, so...

Where are the underwriters?

If you're a commercial underwriter with any experience who's looking for a job, put down this magazine and pick up the classified ads or log onto an Internet job search site.

Chances are good that there's a position waiting for you.

Insurers eager to take advantage of a hard market to re-price, re-underwrite, or retrench their commercial books of business are learning that there is a shortage of skilled underwriters available to help them.

"There's a labor shortage in underwriting," says Randy Sebastian, manager of human resources for RLI Insurance, Peoria, Ill. "The last five years it's been tougher [to recruit], and the next 10 years it's going to get even harder."

"Underwriting is going to be the most effected discipline in the overall war for talent," says Gregory Jacobson, president of Jacobson Associates, a Chicago-based search firm specializing in insurance.

"There's an increasing demand for underwriters while there's a decreasing supply," Jacobson says. "I believe it's going to have a profound impact on the industry going forward, but I think a lot of companies are unaware of the magnitude of what is happening."

According to Jacobson, data from the Bureau of Labor Statistics (BLS) indicates that nearly 70% of insurance underwriters (life, health, and P/C) are expected to leave the profession by 2008, and that insurance underwriting is among the top six occupational categories with the greatest percentage of workers older than 45.

A.M. Best estimates that 40% of underwriting managers will retire in the next 10 years, he adds.

"I've seen more ads for various underwriting positions than I have in years," says Connor Harrison, director of underwriting education for the American Institute for CPCU and the Insurance Institute of America, both based in Malvern, Pa.

The biggest demand for underwriters is in the professional liability, medical malpractice, directors and officers, and errors and omissions lines, Harrison says.

"I've also seen ads for your stock-in-trade commercial underwriter," he adds, "and I've seen ads for personal lines underwriters, which I usually don't see at all."

A dearth of training

Apart from the general aging of the workforce in insurance underwriting, observers blame the current shortage of P/C underwriting talent on an industry-wide failure to train replacements for underwriters now retiring.

"Basically, there just hasn't been enough training in the last 10 years because of expense concerns," says Kenneth Swymer, a specialist in insurance operations training for Liberty Mutual. "Experienced underwriters are now so busy they say they don't have time to train others. Training is not an event, it's a 3-5 year investment."

"A lack of training and development is leading to depletion of the pool," says Jacobson. He adds that the mergers affecting property/casualty operations at Aetna and Cigna eliminated organizations that had trained many underwriters who ultimately worked throughout the industry.

One indication of a decline in underwriting training is the falling number of insurance professionals earning the Chartered Property Casualty Underwriter (CPCU) designation in recent years.

According to figures from the American Institute, the number of CPCU "designees" has fallen every year since 1998, and has been only partially compensated for by a fluctuating number of professionals earning the IIA's Associate in Underwriting (AU) designation.

Year	Number of CPCU designees	Number of AU designees
1998	2,409	220
1999	1,527	126
2000	1,380	188
2001	1,244	389
2002	1,034	289*

**With one testing period remaining in 2002.*

Source: American Institute for CPCU

The failure to train underwriters is seen as a reflection of a broader failure to establish and maintain underwriting discipline over years of soft market conditions.

"Some companies go in with the best of intentions and spend a lot of money to train people to do [underwriting] right, but the minute the market turns [soft], those people are thrown onto a production desk," says Barbara Reardon, a former commercial underwriter who created her own firm, Educating Underwriters, Inc., Batavia, Ill.

"A short-term inability to meet production goals may be a long-term investment in doing it right," she says.

"I get calls from people seeking training materials on underwriting in a hard market, and I kind of laugh because that's all we've ever taught," says Harrison. "Underwriting in a soft market isn't underwriting. It's just booking business."

"We have a whole generation out there that hasn't had an opportunity to filter good business from bad."

It's unfortunate that investment in training fell off when it did, says Swymer, because underwriting has become considerably more complex since the last hard market.

"In personal lines there's been a shift from individual risk underwriting to book or portfolio underwriting," he says. "It's more complex than ever in commercial lines because of the number of pricing and coverage options."

"These underwriters need new skills."

Prepare now

Companies that can afford to do so are starting to hire "backfill labor" in underwriting, says Jacobson. Backfill labor is extra capacity brought on when not needed in anticipation of a time when it will.

Most companies, however, will be stretched thin simply to retain the talent they have and fill gaps that open up when experienced underwriters retire or move on.

To survive, says Jacobson, employers need to emphasize four things:

- Recruiting is a full-time job, even when there are no positions to fill.
- The cost of a replacement worker is two to three times the cost of retaining a worker, because of the loss of productivity and (usual) increase in salary and benefits.
- Capable workers need training in more than one discipline so they will be versatile and feel challenged.
- Compensation is more than salary and benefits. Leisure time is an increasingly important consideration for workers.

"Focus on developing the positions and the work environment," says Jacobson. "Very few people leave companies over salary alone."

The challenge is all the greater for companies outside of major metropolitan areas. Even in central Illinois, an area rich with underwriting talent and a low cost of living, Sebastian at RLI says his company must pay salaries that compete with those in metropolitan Chicago to compete for talent, and an average of 40% of salary for benefits.

With all that, the company still has the mayor of Peoria personally call prospective candidates to let them know how nice it is to live in the area.

So, companies with an aging underwriting team are well-advised to train some replacements, and to treat those trainees well. Don't wait until your receptionist asks why the mayor of Peoria called.