

3 Proven Insurer Strategies for
Managing the Talent Gap



Introduction // For over a decade, those responsible for corporate talent management, succession planning and knowledge transfer have been concerned with the maturing of the baby boomers. In its own attempts to address the graying workforce, the insurance industry has faced challenges recruiting college graduates and millennials. The industry recognizes that skill gaps in the workforce and reputational issues of the industry require an innovative response to talent acquisition. Within this paper, we highlight current and projected employment statistics for the industry and present three strategies to address the property/casualty industry's talent acquisition needs and the challenges ahead.



State of Insurance Workforce

2026 WORKFORCE PROFILE

The challenge // Nationally, all sectors of corporate America will be competing for talent, as the U.S. Bureau of Labor estimates 41 million positions will be held by vacating seniors within the next 6 years.

The U.S. Bureau of Labor projects the insurance industry to reach a workforce of 2.7 million by 2026, an increase of 166,000 positions from 2016. During this period, the over-55 workers will increase from 22.4% to 25% of the workforce, or approximately 687,250 employees in just 8 years. Figure 1 represent the most significant occupational categories of all “insurance carriers and the related activities of agents and brokers.” Office and administrative support will represent 40% of the positions, containing a projected 158,800 jobs related to claims. Business and financial operations, an additional 24% of the workforce, are projected to include 237,900 claims adjusting (and related activities) and 86,800 underwriting positions by 2026. These two occupational categories are of particular importance as all underwriting and claims activities are classified here in and represent the majority of the positions held.

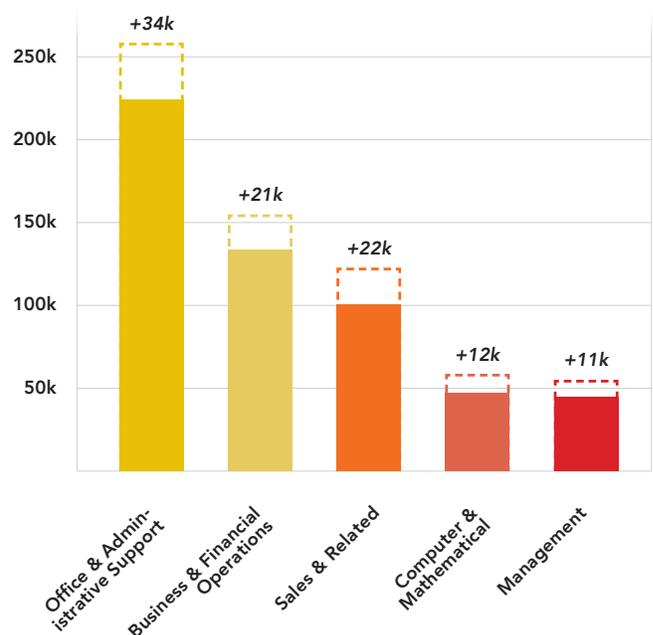
Identifying the Over-55 in the Insurance Industry // Figure 2 further illustrates how those over-55 are represented in the occupations identified in Figure 1. The positions most impacted by a workforce in transition to retirement will be felt within the office and administrative support occupations, where over 258,000 employees become over-55 by 2026. An additional 154,000 over-55 will occupy positions in the business and financial operations occupations. These two categories are largely comprised of underwriting and claims related functions. Though management occupations represent only 8% of the staffing, it’s noteworthy that

this figure includes 17,325 top executives, and 37,800 management level positions, requiring a significant succession planning effort over the next 8 years.

Figure 1: Projected 2026 Workforce in Insurance Carriers & Related Activities



Figure 2: Projected Increase in Workforce Over Age 55 in Insurance Carriers & Related Activities (2016 vs 2026)



U.S. Bureau of Labor Statistics

Direct Insurers Only // The data in Figures 1 and 2 include occupations inclusive of all types of insurance carriers and the related activities, including brokerages and agencies. Figure 3 reflects the over-55 workforce for occupations within the Direct Insurance Carriers (except life, health and medical) category for a clearer indication of the future workforce demands of direct property/casualty carriers.

The occupational data available on these carriers reflects a decline in workforce from 648,200 in 2016 to a projected 620,400 in 2026. This decline results primarily from a projected 10,400 reduction in claims adjuster and related positions, a 5,100 reduction in underwriting positions and a 6,500 reduction in customer service positions. U.S. Bureau of Labor projects that increased use of automation and artificial intelligence in these areas may eliminate some positions.

By 2026, the direct property/casualty carriers can plan for 155,100 employees to have reached age 55 or older. Figure 3 illustrates the five most significant occupational groups for these carriers. Office and administrative support and business/financial operations emerge as the two largest areas for potential talent gap, comprising a combined 72% of employee positions.

Impact on Claims & Underwriting for P/C Insurers // Nearly 40% of all positions illustrated in Figure 3 are related to policy and claims management. Figure 4 further delineates the 56,175 positions to be held in the occupations supporting underwriting and claims management by seasoned, over-55 workers in 2026.

The P/C industry is faced with a challenging effort to manage the transition of these critical roles while meeting demands of growth and providing high levels of service. Recruitment into this sector requires competing for talent against the entire insurance industry, seeking to fill the much larger gap of 650,000 senior employees. This challenge will be further exacerbated

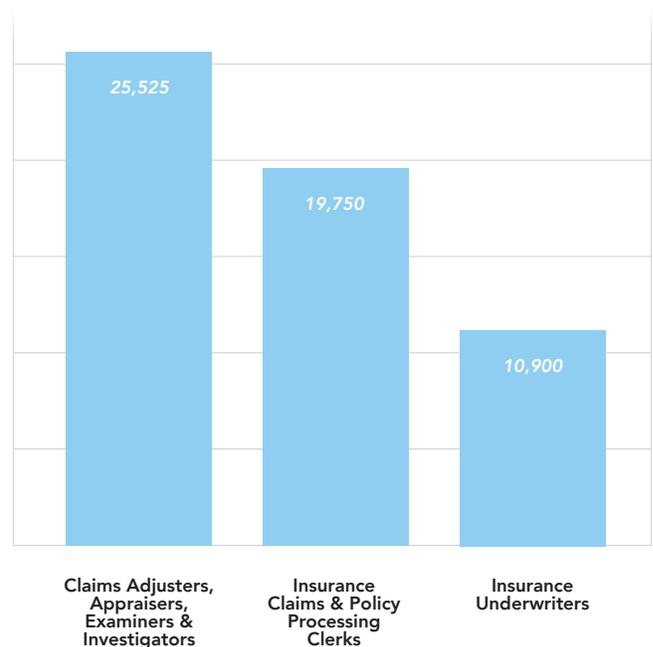
by the national search of all sectors of corporate America competing for talent, as the U.S. Bureau of Labor estimates 41 million positions will be held by vacating seniors within the next 6 years. To address the issue of the talent gap, insurers must consider multiple strategies as set forth in this paper.

Figure 3: Projected 2026 Workforce Over Age 55 at Direct Insurance Carriers (Except Life, Health, Medical)



U.S. Bureau of Labor Statistics / Code 524120

Figure 4: Projected 2026 Workforce Over Age 55 in Critical Roles at Direct Insurance Carriers (Except Life, Health, Medical)



U.S. Bureau of Labor Statistics

Train, Engage & Outsource

Three Key Strategies to Meeting Workforce Demands

There is no single strategy to resolve the challenge facing our national workforce, rather a combination of solutions will be required to successfully manage talent over the next decade.

1 // Educating for the Future

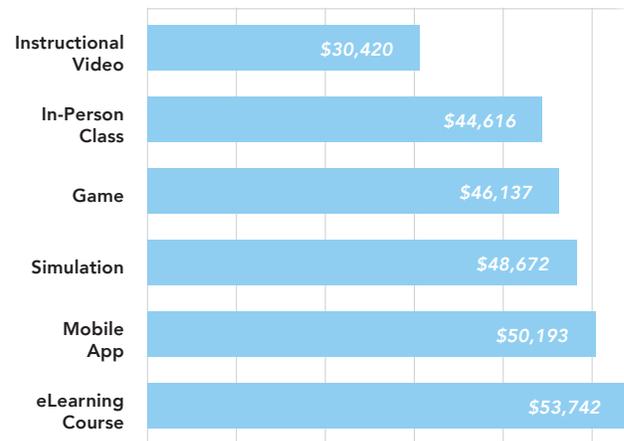
Educating and inspiring tomorrow's workforce to become engaged in the insurance industry is the mission of no less than 70 colleges and universities across the U.S., offering degrees and certifications in risk management, underwriting and claims. The Institutes serves as the liaison with 60 colleges/universities participating in its *Collegiate Studies for CPCU* program, which allows college students to waive up to two parts of CPCU with their college work. Programs are also underway at the state level. For example, Ohio's Insurance Industry Resource Council, identifying a gap in workforce of 29,000 by 2024, has gained participation from 17 corporations and 10 college and universities to advance careers in insurance, succeeding in graduating 500 undergrads to date. At the corporate level, apprentice programs have gained visibility with announcements of Zurich, Aon and The Hartford joining the U.S. Department of Labor's *ApprenticeshipUSA* initiative, working with area colleges to bring more than 325 apprenticeships on line by 2020.

In 2016, Seibels announced its internal Graduate Trainee Program, providing a 12-month intensive training experience to college graduates. The goals of this program are to attract new talent into Seibels, introduce young people to a career path within the claims industry, and develop "bench strength" to meet current and future workforce demands. Seibels has engaged Brewer's School of Insurance and the University of South Carolina, in addition to several insurance clients, in the formal education of its trainees and will roll out a similar program for IT trainees in 2019.

Establishing a training program internally offers an opportunity to groom recent graduates to become productive, loyal employees, but not without cost. There are many options to be considered, including on-line learning, out-sourced instruction and traditional in class-instruction. According to the Association for Talent Development, just 1 hour of training, requires 38 hours of preparation.

The cost of each hour of preparation has been estimated at \$507, (inclusive of staff headcount, technology, external resources etc.), by the Brandon Hall Group's annual benchmark survey. Figure 5 illustrates the estimated cost of various training methodologies, according to their research.

Figure 5: Cost of Instructional Preparation



Brandon Hall Group Annual Benchmark Study

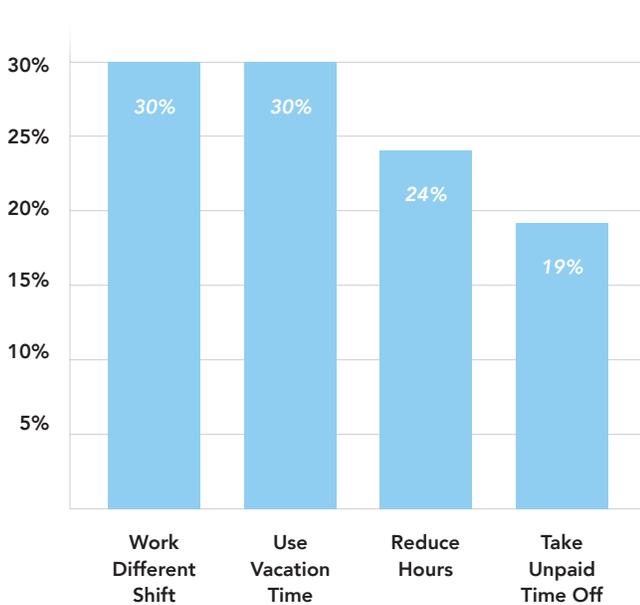
2 // Slowing the Retirement Process

Slowing the outflow of the over-55 workforce, by addressing non-work related strains, presents an opportunity to better manage the looming talent gap. According to the 2017 Retirement Confidence Survey, conducted annually by the Employee Benefit Research Institute (EBRI), 48% of retirees leave the workforce

earlier than planned due to the unexpected. The Society for Human Resource Management (SHRM) recommends managing the retirement of your best employees by adjusting the work environment to meet their changing needs. Providing flexible hours and workspace, as well as phased retirement through a move to part-time, has proved greater incentive to remain employed than monetary retention bonuses.

EBRI reports that 14% of senior employees will leave employment to care for spouses or parents, due to the strain. Job share and work at home opportunities may extend the employment of highly valued employees facing such challenges. Figure 6 illustrates the impact caregiving places on the employee and talent management alike when the strain of caregiving clashes with a traditional work day.

Figure 6: Coping Behaviors of Workers Over Age 55 Who Are Also Caregivers



AARP Survey (1,496 Respondents)

EBRI's survey indicates that 41% retire due to physical constraints or acquired disabilities, many of which also may be accommodated through flexible workspace and hours. SHRM also recommends retaining senior workers through contract or consultative arrange-

ments to accommodate these strains and ease valued employees out of their traditional roles gradually through adjusted schedules.

Adopting this strategy involves evaluating the cost of replacement of the over-55 workforce within your organization. To perform this, The Work Institute suggests the rough estimate of 33% of an employee's compensation to estimate the all-in cost of replacement, training and loss of productivity. The resulting cost will provide grounds for discussion in weighing the benefit of greater flexibility to encourage retention efforts.

In evaluating the benefits of participating in the education of our future workforce and re-engaging senior employees to extend their tenures, management must consider timelines of business objectives and determine what is best suited to meet short and long-term goals.

3 // Expertise through Outsourcing

When business initiatives require immediate access to specific skills and staffing to meet business objectives, outsourcing is a key talent management strategy. Talent management expert Kelly L. Fairbairn, President of PPS International Limited and CEO SynNet Americas, articulates this well:

"Developing the talent in your organization is a proven way to engage multiple generations, retain more tenured employees and even be more attractive to potential recruits. The challenge most organizations face is that the investment in training and development can be hefty—it takes staff, time and budget—three things that are usually earmarked for other initiatives. And, the results of training and development don't always immediately appear. The ROI is strong, but the return shows up in the long-term. Because of this, outsourcing of key staffing roles can be a great way to transfer the investment to another organization—while getting the return more immediately."

A Case for TPA Services // It's Like Flipping a Switch to ON

Brent Parker, VP Director of Claims for Homeowners of America Insurance Company (HOAIC) relies upon the skilled staff of Seibels' TPA services to reinforce and augment the HOAIC staff and Texas talent pool. Parker reflects on his 25 years in claims management, "It seems the industry has changed, and not as many companies are providing training programs to newly licensed adjusters. It's hard to find a young adjuster with broad based training compared to the expertise in the over 50 work force." In addition to training, Parker recognizes there is a need for additional adjusters and insurance professionals, which can be "tapped out during a catastrophe." Seibels solves this problem too, with access to a diverse geographic talent pool to address his local and 'out of territory' resource requirements.

While Parker and his claims department of 25, manage the day to day claims levels of 90% of their book, Seibels eases the burden to staff for fluctuations and seasonality of claims levels associated with homeowners insurance. HOAIC relies on Seibels for overflow related to catastrophes and hail through seamless support. During Hurricane Harvey, Seibels assumed 25% of the claims volume to ensure continued standards were met - hold times were limited to 18 seconds and cycle times from first report to claim check remittance averaged 16 days. Aside from catastrophic situations, HOAIC and Seibels, together, have achieved cycle times of 9 to 10 days and consistently exceed industry standards.

When asked how working with Seibels has impacted Parker personally, he again reflects on past experiences. "Insurance companies depend upon quality vendors and adjusters to take care of customers and provide good service, especially during and following a catastrophe. Seibels does a good job of helping customers and allowing us to sleep better at night, knowing we are in good hands." With 15-20% annu-

al growth, HOAIC is now writing in Arizona, Georgia, South Carolina, Texas, Virginia and about to embark upon North Carolina. Parker relies upon the expertise of Seibels' TPA services to staff those territories with the geographic expertise required for each state of expansion. Parker states, "They are an asset to us as we grow into different regions, as their expertise and experience in each state is already in place. There is no learning curve, no lag in meeting demands of policyholders, it's like flipping a switch to ON."

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Lastly, Parker highlights the benefit HOAIC receives from Seibels' commitment to technology, innovation and staffing of a highly experienced IT team. HOAIC benefits directly from Seibels' advancements in cutting edge technology as it has led to efficiencies in policyholder communications and response time. Their investment in infrastructure to support overflow during catastrophic events - maintaining hardware, software and operating centers in physical locations for emergency staffing - gives Parker the confidence that no matter the circumstance, their policyholders will receive the customer service HOAIC has branded.

"As a company we have got to keep up with the level of growth our marketing and product development folks are achieving, and Seibels gives us the confidence to do it, knowing that we can add business in new territories because Seibels has exceptional people and technology to handle it. With Seibels supporting our own claims staff and matching our quality of service, there is no compromise, but rather a partnership committed to providing excellent service."

A Case for Business Process Services //

Driving the Business of Growth

What are the top two advantages of outsourcing? For Jeffrey Garretson, VP of Claims for Gulfstream Property & Casualty Insurance Co., it's a toss-up between best-in-class service for policyholders and elimination of staffing responsibility, both of which support his goals. Gulfstream has utilized Seibels' full line of Business Process Services since it began writing homeowners in 2004, relying on complete back office support for all operations. Now serving over 80,000 policyholders in 6 states, each new geographic initiative has been rapidly executed with Seibels' fully trained, local staff. "Speed to market is dramatically enhanced when you don't have to build out the infrastructure," comments Garretson, recalling his former experience managing an internal claims department for one of the nation's top carriers, where staffing for a new initiative consumed months of effort. "The fastest way to ramp up is to work with a vendor who handles your territory," states Garretson.

Today, Garretson's top priorities are developing long-term strategies to enhance Gulfstream's brand and utilizing positive claims experiences as an opportunity to grow the business. In Garretson's former position, talent acquisi-

tion and retention were "top of mind," and bi-annual reviews of multiple teams of claims personnel in large multi-state operations consumed months of his time. In contrast, at Gulfstream, the outsourcing of the claims process to Seibels translates into focus on eliminating challenges that impede growth and proactively solving problems, rather than managing people. He spends his time promoting the best-in-class services of Seibels as part of the Gulfstream brand, which was most recently demonstrated during Hurricane Irma. Seibels managed a volume of over 6,000 claims for Gulfstream, fielded a surplus of calls in the claims contact center with hold times of less than 1 minute, and maintained claims closing rates in excess of the industry for the storm.

Garretson has the depth of experience managing the claims process in-house in his prior employment to appreciate the benefits of outsourcing the department entirely to Seibels in his current role as VP of Claims for Gulfstream. While he enjoys the opportunity to participate in their talent acquisition process at arm's length, he prefers to focus on efforts that drive the business of growth for Gulfstream.

During the 2017 catastrophe season, Seibels successfully responded to 23 PCS-defined events on behalf of clients across the US.



60k

**Seibels Serviced 60k
Claims in 2017
Including 33k Irma Claims**



18
Seconds

**Seibels' Average Hold
Time for Hurricane
Claims Calls**



23%

**Seibels Outperformed
Industry Closure Rate by 23%
During Hurricane Irma**

Conclusion // Managing the talent gap through 2026, and beyond, will involve a combination of strategies. Those strategies employed will take into consideration the timeline of business objectives. Managing succession of the over-55 workforce is critical to secure knowledge transfer and slow the outflow of employees reaching retirement. The skill gap can be addressed by offering training programs to young candidates, while also enhancing recruitment efforts, loyalty and retention among millennials. Outsourcing offers the immediate solution to meet business objectives for both the short and long-term goals. With Seibels' TPA and Business Process Services, insurers gain not only superior service to support business objectives, but a partner in talent management to meet the challenges ahead.



About Seibels // The Seibels Bruce Group, Inc. (Seibels) offers the Property and Casualty insurance industry a suite of business process services (BPS) and third party administration (TPA) services powered by world-class technology. Streamlined operations, improved efficiencies and predictable, managed costs are just some of the benefits clients receive when working with Seibels. By leveraging a strong combination of insurance experience and industry-leading technology, Seibels best-in-class insurance services

allow insurance carriers and risk managers to simplify business processes and maximize opportunities so they can focus on growth and development. Seibels' services support Commercial and Personal lines of business. Since its founding in 1869, Seibels has recognized the value of quality customer service, strong client relations, continuous innovation and integrity. For more information, please visit www.seibels.com. Please contact Seibels at inquiries@seibels.com or 800-525-8835.



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