Financial Services Practice

Building a Talent Magnet

How the Property and Casualty Industry Can Solve Its People Needs

McKinsey&Company

A note from The Risk Foundation

As we all know, our industry has long needed to attract better talent. I am pleased that The Risk Foundation recognized this need and was able to provide support to McKinsey & Company as the firm conducted a four-month review of the current talent situation in the industry and developed recommendations to turn the industry into a magnet for the best young talent. As you will read, all of us in the industry have a great deal of work to do in this area.

This work drew heavily on the rich industry experience of an advisory committee comprised of the CEOs and presidents of leading property and casualty carriers, reinsurers and brokers, as well as other industry executives, who granted numerous interviews with their managers and shared relevant data. In addition, prominent risk management and insurance schools and programs provided access to their faculty, students and alumni and also supplied data and information about their programs. They include: Appalachian State University, Florida State University, Georgia State University, St. John's University, Temple University, University of Georgia, University of Mississippi, University of South Carolina, and University of Wisconsin. Finally, members of industry associations, including the Casualty Actuarial Society, Griffith Foundation, Insurance Information Institute, and Society of Actuaries, provided industry perspectives in extensive interviews.

You will find this report a call to arms and to action. As you consider the industry's talent situation and address talent challenges in your own organization, keep the analysis and findings of this report in mind.

Robert Clements

Chairman of the Board, The Risk Foundation

Building a Talent Magnet

How the Property and Casualty Industry Can Solve Its People Needs

Executive summary

The property and casualty insurance industry faces a talent challenge. To determine the root causes of the problem and gain insight into current trends, McKinsey & Company interviewed CEOs, other senior executives and board members at leading carriers and brokers. Informed with this set of opinions, we analyzed industry and demographic data to quantify and project the magnitude of the challenge. The resulting picture is not a pretty one.

However, an assessment of successful approaches taken by industries facing similar challenges provided the basis for a set of recommendations. In brief, our findings and recommended actions are as follows:

- *The property and casualty insurance industry faces three challenges* in attracting high-quality talent: a poor reputation, a limited understanding among high school and college students of the industry's career opportunities, and a limited pool of trained talent.
- *There is cause for optimism.* The industry's risk management jobs offer many of the qualities — including stability and social relevance — sought by young Americans. The industry's schools of risk management and its professional associations provide a ready platform for attracting and developing these young job-seekers. Finally, the economic downturn has made some previously inaccessible high-quality talent available.
- *Coordinated actions are required.* To take advantage of these positive factors, the industry's main participants — insurers, reinsurers, brokers and agents, professional associations and schools — must act with a unified voice to improve the industry's reputation, build awareness of the industry's opportunities among students and their advisors, expand the number of graduates from schools of insurance and risk management, and improve the education and training that risk professionals receive.
- *The work involved will be neither easy nor quick.* The industry will need to collaborate in unprecedented ways. It will take years before significant results will be realized. The potential payoff of upgrading talent will, however, offer a good return on the effort. The property and casualty industry can take guidance and inspiration from the success of other industries and professions that have overcome similar talent challenges.

Introduction

Attracting and developing top-notch talent, especially in risk management roles, is essential to the long-term health of the U.S. property and casualty industry. Industry leaders know this: CEOs of leading property and casualty carriers and brokers cite managing talent as one of the industry's top three priorities. Given their influence on carrier performance, talented risk managers employed by clients of the industry also are critical to the industry's performance. Moreover, establishing superior risk talent is one of the few ways that carriers and brokers can distinguish themselves at a time when many products and services are not differentiated.

While the industry recognizes the importance of talent, it has not attracted adequate numbers of talented people to its ranks. Our research identified three reasons for the industry's difficulties: a poor reputation, a dim awareness and understanding of career opportunities among high school and college students, and a shortfall of trained students produced by professional schools. Without concerted action, these longstanding issues will not be remedied. As the workforce matures and the baby-boom generation retires, insurers will compete for new young talent. This talent dogfight will exact its toll on an industry whose workforce is already older than most and whose talent strategy — retaining top producers and poaching from other companies — is already outmoded.

The talent problem, while serious, is not intractable. Several underlying factors are a cause for optimism: First, the industry's risk management jobs have the qualities — stability, a good work/life balance, intellectual challenge, strong professional development possibilities, and the chance to make a difference — that young job-seekers want. Second, now is the opportune time to attract the kind of talent that industry recruiters have only dreamed of in the past. Banks and other financial institutions have been hit hard by the recent financial crisis and are laying off high-caliber employees, curtailing hiring, and, outside the money centers, lowering compensation. These trends are likely to free up a pool of talent more receptive to learning what a career in insurance has to offer. Third, the industry has scale: it employs more than one million people in the United States. Finally, in the battle for talent, the industry has a hidden resource: a strong network of schools of risk management and professional associations that can provide a platform for launching an effort to re-make its image.

The insurance cycle destroys billions of dollars in value for carriers and the industry as a whole. While there are several contributing factors, our analysis indicates that as much as 40 percent of this value is lost because of poor managerial and underwriting decisions by those in risk management roles.

To capitalize on these advantages, the industry's principal actors — insurers, reinsurers, brokers and agents, together with professional associations and schools — must take on a complex agenda requiring cooperation and collaboration. Our research identified four key areas where they need to work together: enhancing the industry's reputation; building awareness of career opportunities among students and their advisors; expanding the number of graduates from schools of insurance and risk management; and improving the education and training risk professionals receive.

Addressing these priorities will be challenging, and it may take five years before results are visible. But the potential payoff is high. Recent events have demonstrated the importance of sound risk management and business judgment for all financial institutions. Property and casualty carriers that can successfully upgrade talent in these critical roles will earn rich rewards. The insurance cycle destroys billions of dollars in value for carriers and the industry as a whole.[1] While there are several contributing factors, our analysis indicates that as much as 40 percent of this value is lost because of poor managerial and underwriting decisions by those in risk management roles.

The property and casualty industry should be encouraged by the example of other industries that have started from similarly weak positions and successfully met their talent challenge. In 2001, the accounting industry in the United States launched a campaign to attract more and better talent and to adjust training and certification programs to meet industry needs. After seven years, the number of college graduates with bachelor's degrees in accounting grew by 26 percent. Similarly, a strong recruitment campaign changed the perception of teaching in the United Kingdom. In four years, teaching climbed from being the 92nd most desirable job to first place. In the fourth year, the incoming teacher corps possessed the highest academic qualifications in U.K. history.[2]

The accounting industry's example offers more than just encouragement. It highlights the broad competition for talent which is already impacting property and casualty insurers and which will only grow more fierce. The accounting industry, among others, is already taking steps to ensure that it secures the best knowledge workers in the next generation. If property and casualty carriers and brokers do not attack the talent problem with at least as much energy and creativity, they will fall even further behind, perhaps dangerously so.

[1] "Managing Through the P&C Cycle," McKinsey & Company, July 2008

[2] Training and Development Agency for Schools (United Kingdom)

The talent challenge

Perhaps the biggest obstacle to improving talent in the property and casualty industry is its poor reputation. Recent surveys show that fewer than two of five adults in the United States feel positively about the insurance industry as a whole. In a 2008 survey, the industry's reputation, as measured by admiration, trust, good feeling and overall esteem, ranked in the bottom quartile of all industries (Exhibit 1). None of the 11 major U.S. carriers in the survey escaped this negative perception.[3]

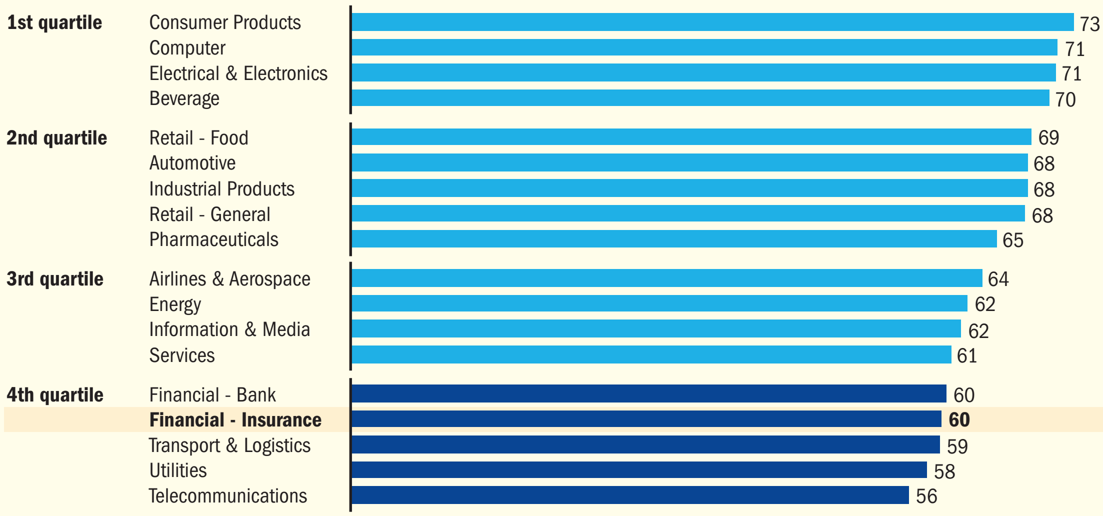
[3] Reputation Institute, 2008

Exhibit 1

Insurance industry's reputation with consumers ranks near the bottom

Consumers' perception of industry

Scale of 1 to 100



Note: The survey assessed industry reputation on: products/services, innovation, workplace, citizenship, governance, leadership and performance.

Source: Reputation Institute

Unsurprisingly, the prospect of employment in insurance is not highly appealing to college or business school graduates. For example, no property and casualty insurer appears in Universum's lists of the "100 Most Desirable MBA Employers" or "IDEAL Employer Rankings — Undergraduate Edition."

Another obstacle is low awareness. High school students simply do not know about the career opportunities that insurers offer, a direct result of their lack of exposure to finance and risk management in school. Only three states require at least one semester of personal finance in high school, and in 2008, only 14 percent of teens had ever taken a personal finance class. Accordingly, research shows the level of insurance literacy among high school students to be low.[4]

Those high school students who are familiar with insurance generally know only about sales agent careers and are unaware of opportunities in risk management. This limited awareness is marred by the problem of poor reputation. In a 2007 survey of high school students, insurance agents ranked well below physicians, lawyers, engineers, accountants and IT specialists with regard to desirable professional traits. Specifically, insurance agents were ranked low on intelligence and emotional stability, as well as in the categories of enthusiasm, boldness and willingness to experiment.[5]

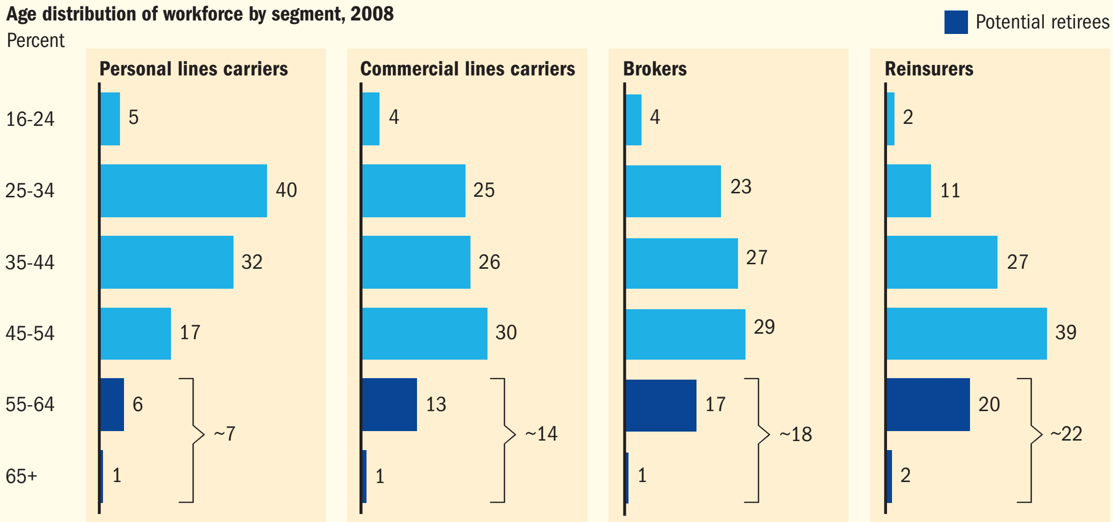
Finally, the third obstacle in the talent challenge is numbers. Despite placement rates close to 100 percent, the annual yield of graduates from the nation's risk management and insurance (RMI) programs meets only 10 to 15 percent of

[4] Jump$tart Coalition for Personal Financial Literacy

[5] Suzanne N. Cory, Dana Kerr and Jerry Todd, "Student Perceptions of the Insurance Profession," *Risk Management and Insurance Review*, 2007, Volume 10, Issue 1, pp. 121-136

Exhibit 2

Insurers are facing a potential exodus of experienced talent



Source: HR data from participating carriers and brokers

industry needs.[6] These graduates are highly sought after. In interviews, insurance executives emphasized graduates' unique knowledge of the industry and its business model and their strong commitment to a long-term career in insurance. To fill the gap, the industry invests time and resources training recruits with little education in risk management.

In addition, several broader trends will exacerbate the industry's talent challenge over the next decade. The aging of the U.S. population and the retirement of the baby boomers will spur an increase in competition for talent. The number of workers over age 55 is expected to grow by 25 percent from 2008 to 2016, while the number of workers between ages 35 and 44 will decline by 3 percent. Furthermore, an estimated 60 percent of all new jobs in the 21st century will require skills and experience held by only 20 percent of the current workforce.[7]

Insurers also have greater exposure to the aging workforce than most industries, due to a focus on experienced workers. The number of insurance workers 55 or older has increased by 74 percent in the last 10 years, compared to a 45 percent increase for the overall workforce. This means that 20 percent of the insurance workforce is near retirement age (compared to 15 percent of the broader financial services workforce). By 2018, this number is projected to rise to 25 percent. The situation is particularly acute in certain segments. Reinsurers, brokers, and to some extent commercial lines carriers are at greater risk than personal lines carriers (Exhibit 2). Some professional roles, such as underwriters, are also more exposed than others. Absent any action, industry demographics will continue to deteriorate, and the need for young talent will intensify.

[6] Data from participating RMI schools; Bureau of Labor Statistics; Digest of Education Statistics

[7] Bureau of Labor Statistics

The industry's hidden strengths

While the problem is serious, there is cause for optimism. First, although awareness is generally low, risk management positions are often recognized as among the best jobs in the country. For instance, over the past 20 years, actuarial positions have consistently ranked among the top 10 jobs for college graduates,[8] based on employment outlook and income. Underwriting has ranked among the top 25 jobs, based on factors such as environment, income and security.[9] Indeed, property and casualty executives we interviewed believe strongly that the industry offers jobs with good work-life balance, intellectual and professional development opportunities, interesting work content, and — perhaps most important — the ability to have a positive impact on society.

[8] Michael Farr and Laurence Shatkin, 200 *Best Jobs for College Graduates*, JIST Works, 2009

[9] Les Krantz, *Jobs Rated Almanac*, St. Martin's Griffin, 2001

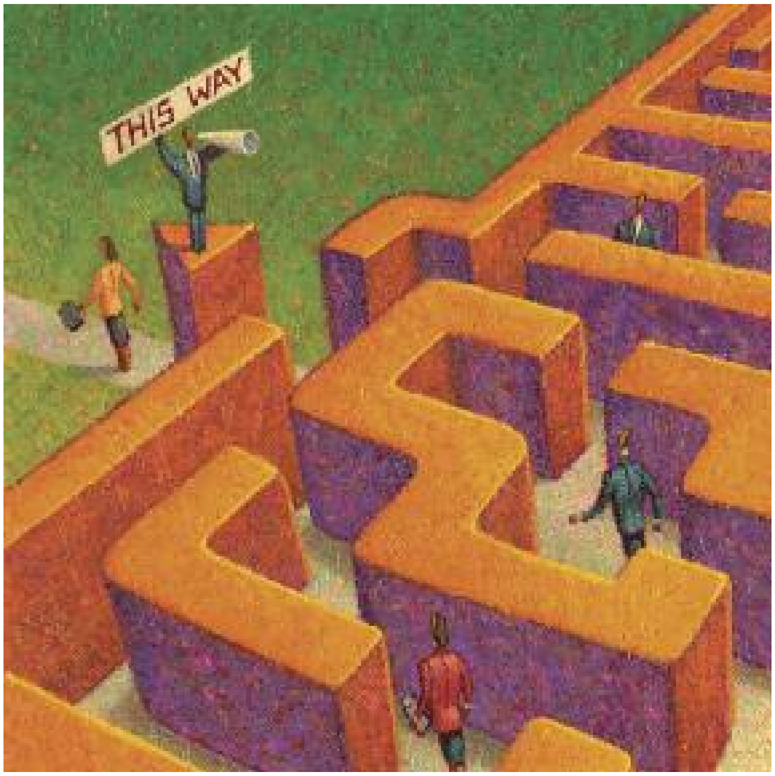
In fact, the industry can offer a value proposition that is well-aligned with interests of Generation Y — the 60-million-strong demographic cohort made up of those born roughly between the mid-1970s and early 1990s.[10] According to a recent survey of RMI alumni, 83 percent agree the industry offers a good work-life balance, 93 percent believe industry professions provide frequent intellectual challenges, 93 percent believe that industry professions are interesting, and 94 percent agree that the industry provides significant value to society.[11]

The insurance industry also has solid allies in its efforts to attract and train talent. As noted, first-rate schools of risk management and professional associations dedicated to serving the industry's needs already exist. Schools of risk management seek to provide the industry with skilled graduates and exhibit flexibility in adapting their strategies and curricula to the industry's requirements. Many of the industry's professional associations have talent attraction and development on their agendas, with memberships and budgets that can be mobilized to support efforts to attract and develop stronger talent.

The industry also has an opportunity to capitalize on today's economic malaise. The current environment is opening recruiting sources that have historically been challenging to reach. Banks and other financial institutions face even greater challenges than insurers. As they lay off talented workers, freeze recruiting, and in many cases decrease compensation, they are becoming less attractive to graduates. Some highly talented people have been sidelined, and many young people who desire stability no longer feel those industries fit their risk/return profile. In addition, the financial crisis has demonstrated the central role risk management plays in the economy, raising the prominence of risk management professions to the public.

[10] "How Gen Y & Boomers Will Reshape Your Agenda," Harvard Business Review, July-August 2009

[11] McKinsey survey of alumni of participating RMI schools



Meeting the talent challenge

The property and casualty industry faces a severe talent challenge, and must address this challenge immediately, before it gets worse. To do so, industry leaders must grapple with two broad questions: *What is the solution?* and *How do we make it happen?*

Our analysis suggests the answer to the first of these questions is straightforward: The property and casualty industry should pursue a multi-pronged strategy that focuses on improving the industry's reputation, increasing the awareness and understanding of professional opportunities among high school and college students, and enhancing the training of young professionals.

The second question is much more difficult to answer, mainly because the industry has rarely collaborated successfully. Our recommendations, however, depend on such cooperation, and will demand much from key industry participants: individual carriers, brokers and agents, professional associations; schools of risk management and insurance; and the industry as a whole. Each group is well positioned to address certain aspects of the industry's talent challenge, but success will require a consistent approach and coordinated execution.

Carriers, brokers and agents

Today, few if any carriers, brokers or agents stand out in their ability to attract and manage talent. Doing so requires focusing on four essential talent management processes (Exhibit 3). First, organizations should take stock of their current talent, processes for developing people and culture. Second, carriers need to adopt a performance management approach that includes a clear performance review and recognition process. Third, they must invest in strengthening their existing talent pool, through enhanced deployment, development and retention practices. Finally, talent recruitment efforts should be adjusted in light of both higher talent aspirations and today's environment. The first three steps are critical to the fourth: a carrier will be unable to attract and retain top talent if it does not make clear that it values performance.

- Take stock. As they embark on this journey, executives should ask themselves 10 critical questions (Exhibit 4). Responding honestly to these questions is the first step in helping senior leadership understand the

Exhibit 3

Four elements in a world-class talent system

Source: McKinsey analysis

organization's most pressing talent needs and how well its talent strategy supports corporate strategy.

In tandem with this diagnostic, the organization should develop a culture that values people and performance. Senior leadership can set the tone for a talent-driven culture that will permeate all levels of the organization. This typically includes the CEO and senior executives allocating more of their time to the topic of talent management than they have in the past.

- **Build robust performance management.** High-performing companies create an environment that prizes achievement in large part through performance management. They use evaluation systems that are consistent across the organization and objectively measure both employees' contribution to the enterprise's performance, and the behaviors that lead to those contributions. Individual performance management systems allow a carrier to make clear distinctions among employees and differentiate rewards and consequences. Carriers can reward and invest in the best performers, affirm and expand the capabilities of core performers, and take action on the least effective workers.
- **Strengthen the current talent pool.** With a robust performance management system in place, insurers can focus on creating clearly defined career paths and building the requisite support processes. Better talent deployment — putting the right people in the right jobs — allows an organization to make the most of its talent supply. Strong development programs improve the impact of the workforce by building skills and expertise aligned with the company's strategic objectives. In particular, enhancing intangible parts of

Exhibit 4

Ten talent questions for senior executives

Talent culture	1	What are the most pressing people and skills needs you require to fulfill your 5- and 10-year strategic objectives?
	2	Can you estimate the numbers of leaders or technical experts you need in each of your businesses to have a strong bench for succession purposes?
	3	Can you rate where your organization stands relative to competitors in talent attractiveness? On what dimensions you are leading and lagging?
	4	Most important: Do you spend 30 to 50 percent of your time developing people and their capabilities?
Performance management	5	Do high performers in your organization receive the recognition and differentiated rewards they deserve?
	6	Have you provided clear and consistent guidance to employees on the behaviors and values you expect them to demonstrate as a part of their overall effectiveness? Is that guidance the same across all geographies and units?
Talent development	7	Do people in your organization know how to get ahead? Are they aware of career paths and roles open to them and how they should be preparing to succeed?
	8	Are your employees engaged and motivated to perform? Do they find meaning and engagement at work?
Recruiting and retention	9	Do you know what talent pools and geographies yield the most promising recruiting candidates? Have you identified the campuses you should build recruiting relationships with?
	10	Does your human resources organization have the credibility required to advise business leaders on people and performance matters?

the value proposition to employees, such as opportunities to mentor and be mentored, helps ensure that key employees do not leave. One leading global carrier launched a new development effort by establishing a global leadership rotation program for its best recruits. Highly talented graduates from leading schools around the world are given 44 weeks of both high-quality classroom and on-the-job training, including six weeks with the most experienced and inspirational company executives. The rotation plan provides for one core placement, plus two assignments in different countries and functions and a personal mentorship opportunity with top executives.

- **Raise the bar on recruitment.** Finally, carriers must build vigorous recruitment and cultivation programs, based on a winning employee value proposition that will attract and retain a disproportionate share of the best talent. A competitive recruiting program includes targeting core campuses, improving the carrier's visibility by developing relationships with students, faculty and the career center, and making recruitment and cultivation a responsibility for underwriting officers (as opposed to delegating it to human resources alone). A carrier must also have effective messages about career paths, development opportunities and other elements of its value proposition.

  One leading U.S. carrier's recruiting program, which is focused on partnerships with top universities, serves as a strong case example. The carrier provides summer internship opportunities with meaningful, mission-critical work to a group of high-potential students. Students rotate through three areas of the business, interact with high-level employees, and gain an insider's perspective. The carrier thus creates a pipeline of new workers ready to hit the ground running. Once these former interns are in place, they form the basis of an alumni network that can further enhance recruiting efforts and build awareness on core campuses. In addition to the opportunity to learn, the carrier employs creative cultivation methods, such as events outside of the work environment, to excite interns about the organization's culture. One top student said, "I can't speak highly enough about my internship and the people. Now I feel if I went to another company, I'd be letting myself down."

Professional associations

The property and casualty industry's professional associations — the American Institute for Chartered Property Casualty Underwriters, the Casualty Actuarial Society (CAS), the Insurance Information Institute, and others — are in the best position to raise awareness of risk management professions among high school and college students and to influence the curricula offered by RMI schools. These associations have keen insights into the needs and opportunities of specific professions and have the budgets and large memberships needed to spur change.

Many insurance associations already have talent attraction and development high on their agendas (Exhibit 5). BeAnActuary.com, a joint Web site from the Society of Actuaries and CAS, allows students to explore the Top 10 Reasons to Become an Actuary, complete a Skills Quiz to see if they have the qualities to succeed, and watch videos featuring dynamic members of the society. For interested students, the site provides information about classes they should take in high school, actuarial internship opportunities, and colleges with actuarial science curricula. For high school graduates, the site features scholarship information and interactive actuarial exams to prepare for the certification process, as well as job-search resources. The site also includes resources for educators and counselors, such as recruiting videos, posters and flyers, a speaker's kit for classroom presentations by actuaries, information on local actuarial clubs, and materials on starting an actuarial science program in high schools.

CAS has launched three other programs to enhance awareness of the actuarial profession. The "Career Encouragement Committee" promotes actuarial science among high school and college students by distributing promotional videos and brochures and curriculum guides for teachers. CAS makes presentations to teachers at the National Council of Teachers in Math convention to enlist them in communicating the appeal of actuarial careers to their high-potential students. Finally, its campus liaisons program brings inspiring members of the profession into high school classrooms to discuss the profession.

These are admirable efforts, and professional associations should strengthen and expand them to maximize their impact. Associations could increase their collaboration and combine their resources. Collective action will enable them

Exhibit 5

Professional associations: A ready infrastructure for increasing awareness

Association	Size	Budget	Mission
Casualty Actuarial Society	5,000 members	$8 million	Increase awareness of AS Advance AS research Promote standards of qualification for membership
CPCU Society	25,000 members	$7 million	Meet the career development needs of its members Promote the value of CPCU to industry and the public
Independent Insurance Agents & Brokers of America	300,000 members	$26 million	Monitor and affect insurance issues in Washington, DC Improve insurance literacy and attract new talent through affiliate, InVEST
Insurance Information Institute	300 companies	$8.6 million	Improve public understanding of insurance Provide information and analysis to the media, government, academia, the industry and the public
Reinsurance Association of America	39 companies	$9 million	Represent the interests of P&C reinsurance in Congress, state legislatures, and international forums Offer reinsurance education programs
Property Casualty Insurers Association of America	1,000 companies	$40 million	Advocate for and shape public policy Publish data on events, trends, changing regulations Offer business- and contact-building events
American Institute of CPCU	150,000 members	$29 million	Offer educational programs and professional certifications for P&C industry

Source: Association Web sites

to expand the pool of talent that is aware of and interested in risk management professions. Working together, associations can increase marketing, reach more students, counselors and teachers, and improve the information and materials they provide. (Even something as simple as adding links to other associations' Web pages would be a step toward increasing the number of risk management professionals.)

Coordinating efforts across professional associations will require new governance and processes. One option is to form an executive committee with representatives from various associations, headed by a passionate industry leader. This committee could help associations set a common agenda, prioritize resources and ensure consistency across their efforts to attract talent.

Schools of Risk Management and Insurance

As is true of professional associations, RMI schools already have some of the needed elements in place, making growth easier to accomplish (Exhibit 6). But RMI schools can do more: they should work with the industry to increase the number of students they enroll. They can also improve the quality of the students they admit. Finally, RMI programs should continually adapt their curricula to meet the industry's evolving needs. As the initial recruiters and primary educators of young risk management talent, schools are well-positioned for these tasks.

Exhibit 6

The RMI school landscape is broad, but fragmented

	Graduates per year[1]				
School[6]	RMI	AS	CPE	RM intro core	RMI dept.
University of Georgia[5]	84	51	–	✓	✓
Temple[5]	112	0	✓		✓
University of Wisconsin	53	44	✓		✓
Florida State[2,5]	56	41	✓		✓
St. John's	54	18	✓		✓
Mississippi State	41	18	✓		✓
Appalachian State[2]	54	0	✓		–
Illinois State[2]	51	0	✓		–
University of Mississippi	44	0	✓		✓
Olivet College[2]	44	0	✓		–
University of South Carolina	24	0[3]	✓		–
Georgia State	9	0	✓		–
Other Schools	98	759			

[1] 2008
[2] Actuarial Science is located in the Mathematics department
[3] AS is a new program that has not yet had a graduating class
[4] AS program is a BS in Mathematics with emphasis in Actuarial Mathematics and Statistics
[5] Graduate program numbers not included IPEDS data
[6] Schools include the 10 largest undergraduate programs according to Business Insurance magazine and schools involved in this effort

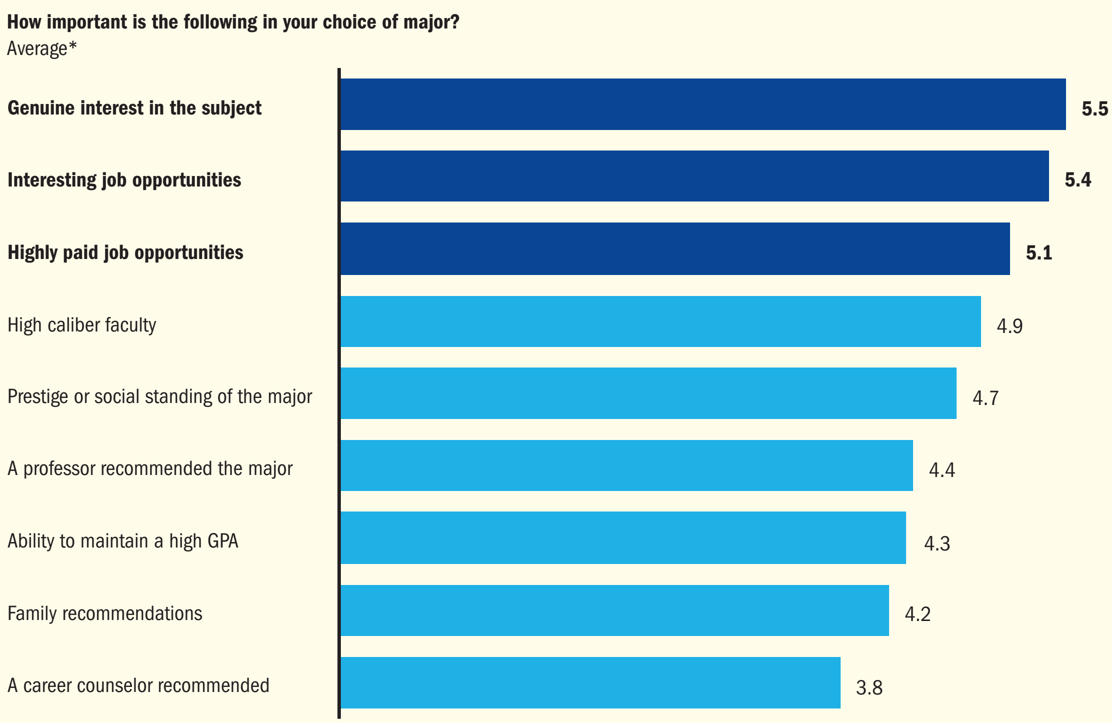
Source: IPEDS

- **Increase the number of RMI graduates.** Expanding the talent pool will require new faculty and other resources to ensure that program quality does not suffer. One of the largest pools of talent that RMI schools can tap is existing students who may be unaware of the RMI school. According to a recent survey of RMI students, 48 percent said their first course in RMI or actuarial science increased their desire to major in the subject. RMI programs must present the case to their universities for an introductory course on risk management as part of the core requirements for business majors. Currently, core requirements at many schools include a class in every business discipline — accounting, finance, management, marketing — except risk management. RMI schools should also collectively petition the Association to Advance Collegiate Schools of Business for a universal change along these lines.

  In addition, introductory RMI programs can be deepened and refined. Most programs' introductory classes rightly focus on generating enthusiasm about opportunities in insurance and risk management. Survey respondents said that "genuine interest in the subject," "interesting job opportunities," and "highly paid job opportunities" were the top three drivers in their choice of a major field of study (Exhibit 7). Some schools have developed programs to spread this message. For instance, at one school, officers from the RMI student society attend other business classes to

Exhibit 7

RMI students are drawn by genuine interest in the subject



* 1 = very unimportant, 6 = very important, N=650

Source: McKinsey survey of students at participating schools

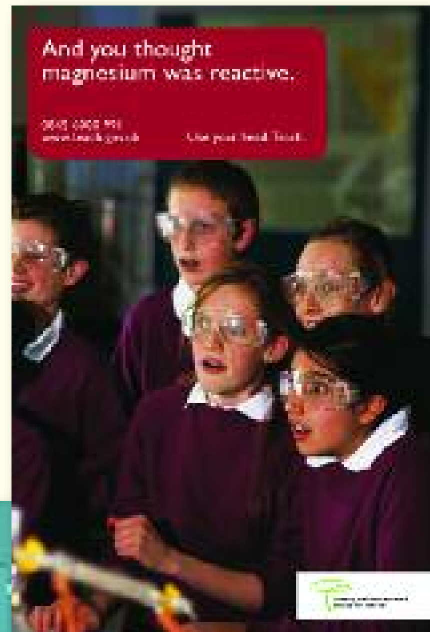
Re-branding a profession

The impact of a concerted effort to re-brand an industry can be significant. Professional associations in accounting, nursing and the hospitality industry have made enormous strides in recent years. Consider the work of the American Institute of Certified Public Accountants (AICPA). Its Web site, Start Here Go Places (www.startheregoplaces.com), was designed exclusively for 12- to 20-year-olds. It conveys excitement about careers in accounting and shows students a clear way to start their journey in the profession. The site received millions of visits in its first year and after six years has half a million registered users. Additionally, the AICPA funds a number of scholarships (both undergraduate and graduate), internships, job-shadowing opportunities and research programs. It also plays an active role in defining criteria for accounting curricula and enforcing the quality of accounting education through its certification process.

All this work has paid off. Start Here Go Places contributed substantially to a 30 percent increase in the number of accounting majors over five years. The broader talent campaign succeeded in producing top-quality candidates. After the campaign, CPA firms increased the number of new hires out of schools by 83 percent.*

* Increase represents 2004-2007. AICPA publication "2008 Trends in the Supply of Accounting Graduates."

Perceptions can be changed radically in a short time. In 1999 teaching was ranked as one of the least desirable professions in the United Kingdom. Applicant numbers and quality had declined markedly, creating a worrisome talent deficit. The U.K. attacked the problem with a marketing campaign that emphasized the immediate and rewarding impact teachers have on students. The government created and distributed marketing materials and inspired candidates through TV and Internet ads. Four years later, teaching became the most desired profession in the country. The number of recruits began to grow by 9 percent annually, compared to a prior annual decrease of 2 percent. Teaching applications increased by 35 percent over three years, and the incoming teacher corps had the highest academic qualifications in U.K. history.



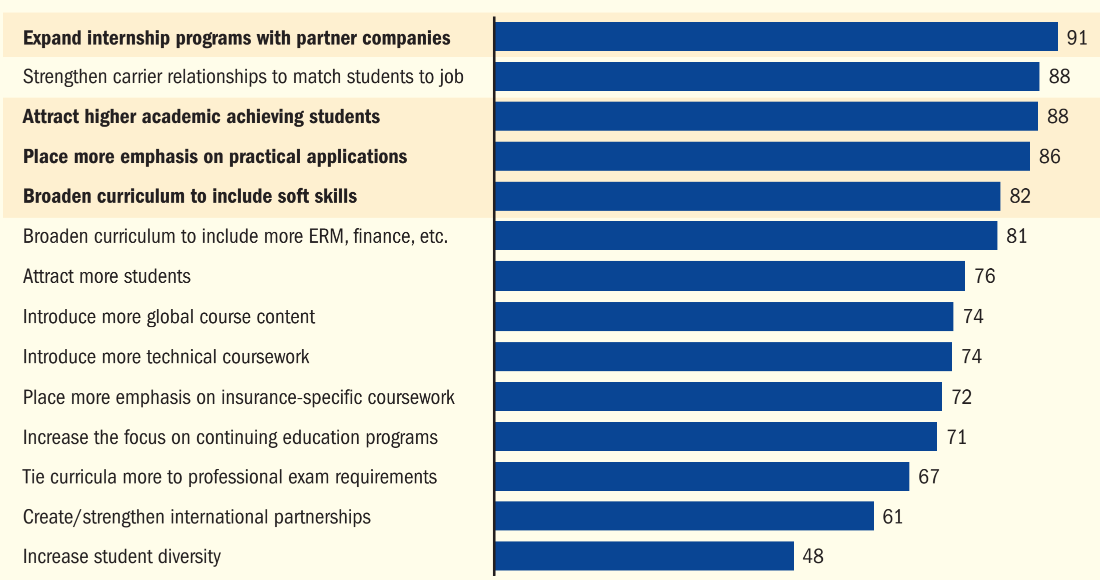
speak about the RMI major. Other schools encourage faculty to play a greater role in recruitment.

- **Raise the bar on student quality.** While growth is of paramount importance, schools also need to raise the bar for entering students. According to a survey of RMI alumni, 88 percent believe attracting higher-achieving students is important or extremely important to their alma mater over the next five years (Exhibit 8). There are many ways to accomplish this. For instance, schools could learn from top MBA programs and conduct more extensive screening of applicants that goes beyond raw test scores. Leading MBA programs today interview nearly all candidates to discern qualities not revealed by written applications. Certain RMI schools have developed creative approaches to attract high-quality talent. One program partners with the property and casualty industry to target high-performing business students who are not RMI majors and offers them $500 to take the introductory risk management course. Students receiving these grants have gone on to excellent placements in the industry and thrived in their new careers.
- **Align curricula with industry needs.** To keep pace with the industry, RMI schools should better align their curricula with industry needs, enhance the practical applications of risk management theory, and participate in the continued education of industry employees. A learning advisory board of school and industry leaders can advise schools on curricula, enabling them to adapt the breadth and depth of their offerings.

Exhibit 8

Alumni say that RMI schools should increase opportunities and broaden curricula

How important should the following be to your alma mater in the next 5 years?
Percent



Source: McKinsey survey of alumni of participating schools

Ninety-one percent of RMI alumni we surveyed believe that expanding internship programs should be a priority for their alma mater, while 86 percent emphasize placing more emphasis on practical applications, and 82 percent believe curricula should be broadened to include soft skills such as negotiation and teamwork. Schools can strengthen the practical knowledge of their students by adopting case-based classes, providing internships for extracurricular learning and hosting seminars with industry leaders.

One school, for example, established a “capstone” class — the final class in the undergraduate curriculum, designed to complete the student’s education. This case-based class emphasizes the practical application of knowledge by having students make their final presentations to a review panel of industry leaders. The capstone class gives students an enriched experience that provides a natural transition to their careers.

Finally, RMI programs should enhance and promote their continuing education offerings to support the industry’s substantial ongoing skill development needs. The industry executives surveyed see a substantial opportunity in continuing education. RMI programs can add value by developing programs on topics such as anticipating and benefiting from emerging risk, regulatory and legal aspects of the business, general business management, finance and accounting.

The industry

Finally, only the property and casualty industry as a whole can address the biggest talent challenge — its poor reputation. Property and casualty insurers must work together to redefine the industry’s image and promote it through a wide-reaching marketing campaign. By joining forces, the industry can marshal the necessary resources to launch a broad-based initiative to improve its image. Historically, the industry has struggled to organize in pursuit of common interests in a wide variety of endeavors. However, the payoff from establishing the industry as a talent magnet merits another attempt at collaboration.

Two possible options are available to the industry as it seeks to unify its members. One would be for the industry to coalesce behind an existing association, giving it an explicit mandate to refocus its efforts and resources on re-branding the industry. Alternatively, the industry could create and fund a new organization focused solely on enhancing its image and reputation. Attracting stronger talent to critical roles where good judgment is essential will improve performance for individual carriers, the industry overall, and ultimately for society more broadly.

To develop a successful branding and marketing campaign, the industry must identify the drivers of its poor reputation. Initial brand research indicates that the public perceive the industry as stagnant, outdated and not providing a public service. Some of the most recognized carriers’ and brokers’ brands are described as conservative, boring and not innovative. Understanding the sources of these perceptions, which include the media, opinion leaders, regulators and customers, is important. Finally, the property and casualty industry unfortunately is viewed as part of a broader insurance industry, with often close associations and little distinction drawn between it and the health and life insurance segments. Thus, the branding task for property and casualty insurance is complicated by the need to take into account the collateral impressions created by actions taken by its sibling industries.

Before any of these branding issues can be addressed effectively however, the industry needs a leader, or leaders, to take up the cause, and a legitimate channel — an association or joint committee — for driving the effort. This has been true for successful campaigns in other industries; for property and casualty insurance, with its historical lack of constructive cooperation, concrete commitment will be even more critical for success.

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Property and casualty executives, industry experts and faculty and administrators at risk management and insurance institutions all agree: the industry must address its talent challenges immediately, before they get worse. To date, the industry's efforts have been fitful and disjointed. Until senior industry leaders step up and demonstrate a more serious and unified commitment to working on this problem, the talent challenge will fester and will eventually compromise carriers' ability to compete against organizations outside the industry. In that case, the property and casualty industry as we know it could one day look quite different, led by companies that have recognized the importance of talented people and taken steps to act on that belief. Now is the time for insurance firms to begin to solve their talent challenge and to shape tomorrow's industry.

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