

# Tomorrow's Talent Today

*The Effects of Evolving Workforce Dynamics in the  
Wholesale Insurance Marketplace*



# BUTLER

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LACY SCHOOL  
*of* BUSINESS

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**Motivation:**

At the recent 2016 NAPSLO Annual Convention in Atlanta, GA, RSUI Group CEO and current NAPSLO President Dave Leonard described the significance of wholesale value as a major focus for the coming year and praised current wholesale brokers' "tremendous ability and expertise around the structure and marketing of the unique, difficult, and unusual risks that define excess and surplus lines business" (*AM Best*).

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Having the opportunity to attend this convention and network with current industry leaders, it was clear that there is tremendous potential within a career in the wholesale insurance marketplace for a recent college graduate. That being said, these opportunities available within the industry aren't translating as well for other students in the same position. In fact, with a significant number of industry leaders set to retire in the coming years it has become evident that a significant generational talent gap has formed forcing insurance companies to rethink their workforce strategies, structures, and solutions.

The motivation and purpose of this report will be to provide a comprehensive analysis of the factors affecting the shift in wholesale insurance workforce dynamics at both the industry and university levels in order to ultimately arrive at a bottom line conclusion surrounding the future implications of this trend on the market moving forward.

**Industry Level Issue Analysis:**

The elements associated with changing workforce dynamics in the wholesale insurance space have prompted market-leading companies to prioritize this issue in recent years.

*(a) Industry Challenges:*

According to a survey by McKinsey & Company, over 25% of the current insurance workforce is set to retire by 2018 creating a potential deficit of over 400,000 positions in the industry (*McKinsey & Company*). Recognizing the gravity of this situation, the industry has made it a point of emphasis to engage and attract the emerging millennial generation (ages 18-34) that is currently entering the marketplace. Seeing as by 2020 40% of the entire workforce will be comprised of millennial talent, it's vital for industry leaders to continue developing strategies and solutions that demonstrate the long term potential a career within insurance can offer (*US Bureau of Labor Statistics*).

In addition to acquiring the necessary millennial talent to fill the industry's needs, cultivating an appropriate work environment to integrate this generation with current employees remains critical to sound workplace dynamics. According to a PwC survey of over 4,500 university graduates, millennials entering the workforce indicated that they are primarily searching for employers who can provide career progression, work/life balance, and value driven business. In fact, over 50% of millennials felt as if the opportunity for career progression and the ability to possess a suitable work/life balance were their main attractions to a potential company. More importantly, over 80% of millennials also responded that even if they were content with their current job standing, they would leave a company if the employer's values and principles did not align with their own (*PwC*). These findings provide great insight into what makes the incoming generation of talent unique and what current employers must consider going forward.

Finally, when reviewing industry level issues, it's important to note that many insurance executives consider a lack of leadership development in younger employees a major part of today's current workforce volatility. Given millennials' unique generational preferences and motivations, companies are struggling to find trust in this new generation to provide reliable management during a time of market evolution. Referencing a 2015 Deloitte survey, 85% of insurance executives agreed that leadership development was "important" or "very important" yet only 33% believed their current leadership candidates were "ready" or "very ready" to meet future business challenges (*Deloitte*). Given these results, it's clear that in order to continue fostering new leaders, experienced members of the industry must reconsider their engagement and training approaches.

*(b) Wholesale Insurance Leaders' Perspective:*

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Reflecting on the significance of this issue, many wholesale industry leaders have been outspoken regarding their opinions on the market's workforce dynamics moving forward.

Robert Sanders, Co-Chair of the NAPSLO Next Generation Leadership Council has said, "I think the industry as a whole knows there is a gap and in order to attract younger professionals into our business we need to become more proactive and involved" (*Insurance Journal*). Echoing Sanders beliefs, President and CEO of H.W. Financial Group and Burns and Wilcox Brokerage, Alan J. Kaufman stated that the lack of talent in the industry is leading to many excess and surplus lines insurers and brokers being forced to lure away employees from competing companies. He says, "Who's going where is a bigger issue today than it's ever been because of desperation" (*Business Insurance*).

Bearing in mind these leader's current outlook on the pulse of the industry, one is better able to infer how other market-leading companies will react to this issue in coming time.

### **University Level Issue Analysis:**

Now understanding the industry aspects disrupting wholesale workforce dynamics, it's important to examine the factors associated with this trend at the university level.

#### *(a) University Challenges:*

Today, exposure remains one of the largest obstacles affecting the transfer of talent into the insurance industry from universities nationwide. According to a database review of The College Board, a non-profit organization that connects students to college success and opportunity, only 82 national universities possess a formal Risk Management & Insurance program substantially limiting opportunities compared to the Finance/Banking (799) and Accounting (1,935) programs at these same schools (*College Board*). For a student entering college with an open mindset regarding career aspirations, the lack of a formal insurance track is often leading them to pursue alternative industries and options. Along with the systemic university issues limiting exposure to the industry, a reputational concern also continues to divert the current generation from considering an insurance career. According to The Hartford's 2015 Millennial Leadership Survey, only 4% of millennials see insurance as an appealing industry to pursue (*Carrier Management*). Further exploration of this report found that many millennials thought higher of industries involving opportunities to be creative, utilize new technology, and help others in need. The findings of this report beg the question as to whether students truly view the insurance profession in a negative light or rather just don't understand the industry benefits and prospects well enough to fully commit to it as a profession.

#### *(b) Butler University Student's Perspective:*

In order to provide the most accurate assessment of student perspectives on this issue, it made sense to interview a real group of university level students and gauge their opinions. By exploring the following unique survey of Butler University business students, one is able to gain insightful university level commentary on the current generation's perceptions surrounding a career within the wholesale insurance industry.

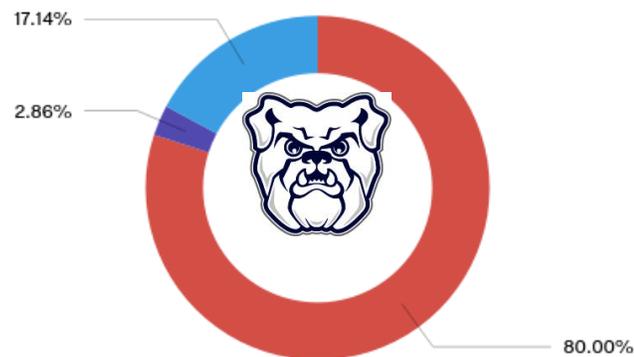
#### *Key Takeaways:*

- 35 responses from business students ranging in ages 18-22 and majoring in areas of concentration including Risk Management/Insurance, Finance, Accounting, Economics, Marketing, Entrepreneurship, and Management Information Systems

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- *Main desired benefits in a future career included: Salary (77%), Work/life balance (74%), Opportunity for advancement (74%), and Company culture/values (71%) supporting the same millennial trends mentioned earlier in this report*
- *Before taking an insurance based course, over 50% of students indicated they were uninterested in a career within the industry yet after completion of RM 350 (Intro to Risk Management and Insurance) 80% suggested they were “more interested” supporting the theory that calls for greater university exposure*

**Interest Level in an Insurance Career Following Completion of RM 350  
(Introduction to Risk Management and Insurance)**



### **Implications Moving Forward:**

So what now? Where does the industry go from here? By thoroughly evaluating the current factors affecting workforce dynamics at both the industry and university levels, one is better able to foresee the future implications. This trend will present to wholesale insurance players moving forward.

#### *(a) Increased Use of Non-Traditional Recruiting and Talent Retaining Techniques*

The first major industry implication set to take place in response to shifting workforce dynamics is the increased use of non-traditional recruiting and talent retaining techniques. According to The Jacobson Group’s 2016 Insurance Industry Talent Trends Guide, over 50% of individuals check their phone 25 times a day demonstrating the opportunity available for job posting exposure through a “mobile experience” (*The Jacobson Group*). Companies must consider developing recruiting strategies that are facilitated through the current generation’s phones and tablets in order to reach the highest quality candidates.

In addition to advancing recruiting techniques to subscribe to the current generation’s tendencies, companies should also explore the options of flexible work schedules. Referencing the same report by The Jacobson Group, employees who are given the option to work from home are found to be 73% happier in their work/life balance (*The Jacobson Group*). Factoring in the sizeable benefits this opportunity also presents to the company in terms of cost saving advantages, it’s clear this is the strategy of the future.

#### *(b) A New Segment of Talent Must Develop To Utilize The Emergence of Big Data*

As our industry’s business environment continues to evolve with the globalization of the world, its absolutely necessary wholesale insurance players begin targeting a specific segment of new talent able to utilize the emergence of big data solutions. According to

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the North American CRO Council, “big data” signifies “the broad range of new, massive, and complex data types... that produce actionable insights within the insurance marketplace” (*CRO Council*). Big data solutions provide a look into areas like company operation models, consumer-buying preferences, and cross industry breakdowns. Seeing as these solutions are what will separate successful insurance companies moving forward, it is undeniably important that wholesale leaders develop the methods to both recruit and incorporate this new segment of talent into their organizations.

*(c) Inclusion and Promotion of Diversity Will Enhance All Around Company Culture*

Finally, wholesale insurance leaders should focus on the value added from the inclusion and promotion of diversity throughout their organization as another influence in the marketplace moving forward. As insurance professionals both young and old understand, our industry is a relationship driven business. By accepting the challenge to create a company culture that embraces diversity, organizations will be able to cast a wider net of relationships through the collection of skills, languages, and cultural backgrounds that connect a larger portion of our world. This factor will loom large with the future addition of millennial talent that values the global nature of our current business environment.

**Bottom Line Conclusion:**

Considering this comprehensive analysis of the factors affecting wholesale insurance workforce dynamics at both the industry and university level as well as the future implications these factors may have on the marketplace moving forward, it’s clear that in order to remain competitive companies are being forced to rethink the ways in which they interact with both their current and future human capital.

Rather than solely focusing on the initial acquisition and possible retention of new employees, companies must shift their efforts to build human capital structures, strategies, and solutions emphasizing engagement, empowerment, and connection

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**ENGAGEMENT**

*Identify, engage, and support the student advisory groups and scholarship platforms that provide a pipeline of new talent*

Execution:

- Gamma Iota Sigma Involvement
- February Insurance Careers Month
- Support Spencer Educational Foundation and Other Scholarship Programs and Platforms

**EMPOWERMENT**

*Challenge and encourage new generation employees in a manner that demonstrates their value to the company*

Execution:

- Intense On-Board Training
- Provide Consistent and Honest Performance Evaluations
- Encourage Pursuit of Industry Designations Through *The Institutes*

**CONNECTION**

*Foster connection and open dialogue with industry members both directly and indirectly involved in value chain*

Execution:

- Millennial Mentorship
- Relationship Driven Business
- Industry Best Practices and News Through Membership with NAPSLO and AAMGA



Overall, it's clear that *tomorrow's talent is here today*. As the shift in wholesale insurance workforce dynamics continues taking place, it's up to the forward thinking industry organizations to not only continue conducting honest and profitable business, but also take charge in engaging, empowering, and connecting our future market leaders.

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