



PAVING SUCCESS IN THE INSURANCE INDUSTRY

Conversations on Trends, Skills, and the Tools

Insurance Leaders Need to Draw Upon for Success

Mila Banerjee, Amit Bhatia, and Gerald Legrove

Table of Contents

Table of Contents.....	2
Scope	3
Executive Summary	4
Introduction	6
Strategic Challenges Shaping Insurance	8
Leadership Skills Needed to Address the Trends and Challenges.....	16
Conclusion	23
Appendix A: Authors' Biographies	24
Appendix B: Skill Inventory and Development Worksheet.....	25
Appendix C: Additional Resources and Works Cited	26

Scope

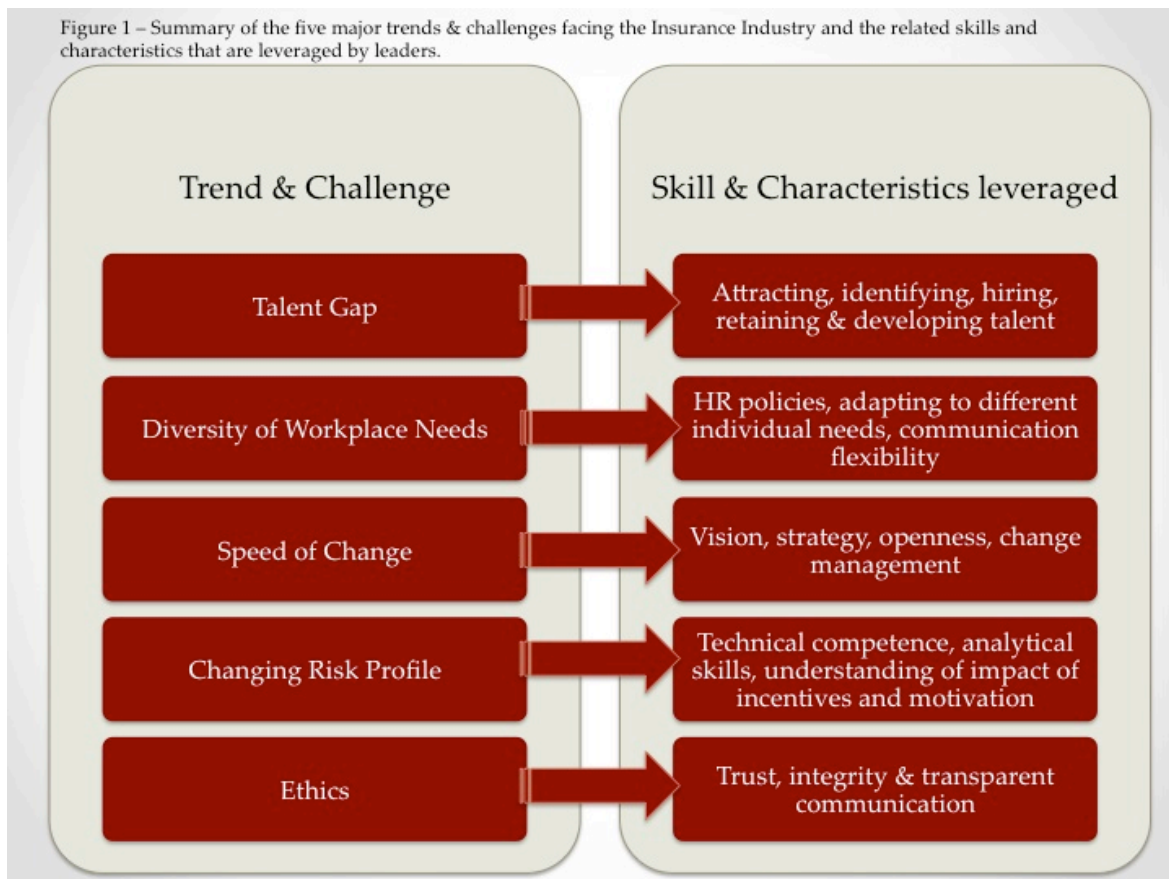
An elite group of Canadian insurance leaders has been carefully selected in order to obtain a good representation of expertise across insurance, re-insurance and brokerage.

This paper is not intended to be a statistical representation of groups of interviewees, but rather, a thought-provoking highlight of key ideas and beliefs that illustrate trends and characteristics needed for success in the insurance industry. In an iterative fashion, literature searches were conducted to complement and validate the thoughts, career experiences, and insights of interviewees, as well as provide the context for discussion.

This paper has been written to demonstrate and exemplify key success factors in the insurance industry, and not to prove or disprove any ideas, thoughts, or beliefs. Interviewee thoughts have been included and kept anonymous for the purposes of this paper.

Executive Summary

Leadership today is different from 20 years ago in terms of skills, philosophy, and types of pressures. Despite solid foundational elements such as drive, passion and business savvy, changes in the business environment have drawn different skills and characteristics to the forefront. An understanding of the trends and challenges today, and in the future, is a critical success factor, not only for steering the organization, but also in anticipating what personal skill sets and characteristics need to be polished and continuously improved. By keeping abreast of the trends and honing the skill sets that they demand, leaders can better meet the challenges.



Interviews with leaders in the Canadian insurance industry allowed us to identify five top-of-mind trends and challenges in the industry today. The link between the trends and the skills that keep leaders on top of the changing

environment was evident in two places: the interviewed leaders' understanding of their personal success factors, as well as recent articles emphasizing those skills.

This paper acknowledges these five challenges, and highlights the skills and characteristics that leaders require in order to meet each one. Understanding how trends influence these skills is the key to navigating success (see *Figure 1*).

Introduction

Is leadership the same across industries? Do the skills a leader needs to be successful change as various trends take shape and exert pressure on an industry? We chose to explore these questions and determine what skills or characteristics are most important for leaders in the insurance industry to be competitive and successful.

The topic of leadership is discussed in thousands of books and articles, and in equally astounding numbers with respect to the insurance industry. This paper is not intended to be an exhaustive list of the skills and characteristics of a successful leader. Rather, it aims to highlight the top-of-mind attributes that media articles, academic articles, and interviewees feel are critical to success, both now and in the future. Through our research, we learned that trends and challenges have certainly impacted the skills and characteristics that are leaned upon in successful leaders. As such, we have structured the paper to discuss the challenges facing the insurance industry, followed by the top-of-mind characteristics and skills that address these issues, as well as some general abilities that are relevant in terms of overall leadership success. As an appendix to the paper, leaders can find a worksheet to aid in their self-development.


Corbette Doyle, a professor of Leadership, Policy & Organizations, and a 30-year veteran of the insurance industry, said in an article titled "*Leadership: I know it when I see it*":

"In reality, choosing leaders is no easy task. The same person might succeed as CEO of one insurance company but not another, or might succeed at the same company at one point in its history, but not in the current economy. Many of us have seen this firsthand in the brokerage industry in entrepreneur CEOs who succeed in launching, growing, and selling a startup, only to watch them fade and wither within the larger confines of the organization to which they sold their company."¹

The leaders we interviewed impressed us with their vision, integrity, intelligence, and awareness of their industry. While it is clear that strong people are at the helm, we also discovered that the pressures of the current environment are requiring more development and utilization of specific skills.

Leadership has many definitions and interpretations. This paper, while focusing on those leaders who have the ability to steer and guide organizations or areas within them, does not limit leadership to a particular title. It is clear to us that leaders work with and empower people, utilizing a set of skills and characteristics that are developed, polished, and continually refined. They have an inherent commitment to growth and development, both internally and externally.

The Fellow Chartered Insurance Professional (FCIP) program from The Insurance Institute of Canada is an excellent example of the courses available to help develop the leadership skills and characteristics needed to succeed. Many of the individuals we spoke to discussed their organization's exciting internal development programs, both formal and informal, and clearly exhibited a passion to help others around them to improve themselves.



"A talent management program is structured to identify the bright stars, engage, look for gaps and tailor the development program to the person's needs."

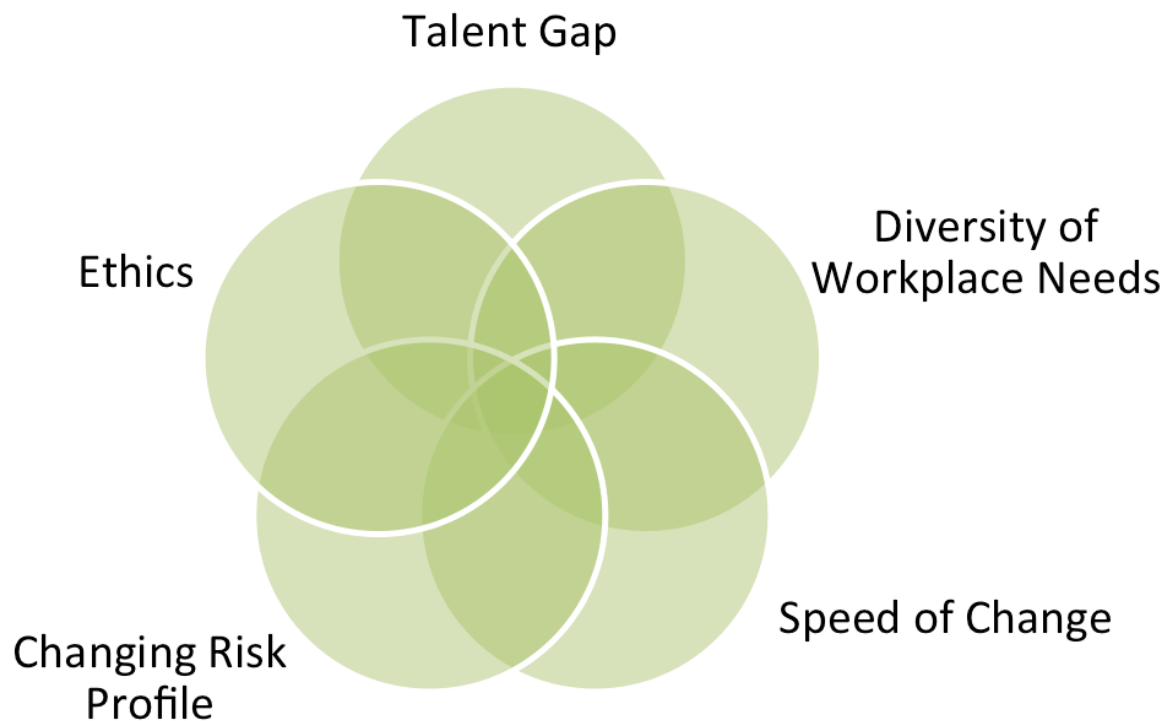
- Managing General Agent

Training has the greatest impact when it is tailored to an individual's needs. We hope that the skills and characteristics we highlight in this paper, as well as the framework for drawing the link between changes and trends in company, industry and macro environments, will aid in identifying development areas for individuals and recruitment opportunities for organizations.

Strategic Challenges Shaping Insurance

There are five main challenges shaping business, financial services and, specifically, the insurance industry. The following are top of mind in media, journals, academic research, and the salient considerations of insurance industry executives:

- 1. Talent Gap**
- 2. Workplace Needs – Generational Differences**
- 3. Speed of Change**
- 4. Risk Management**
- 5. Ethics**



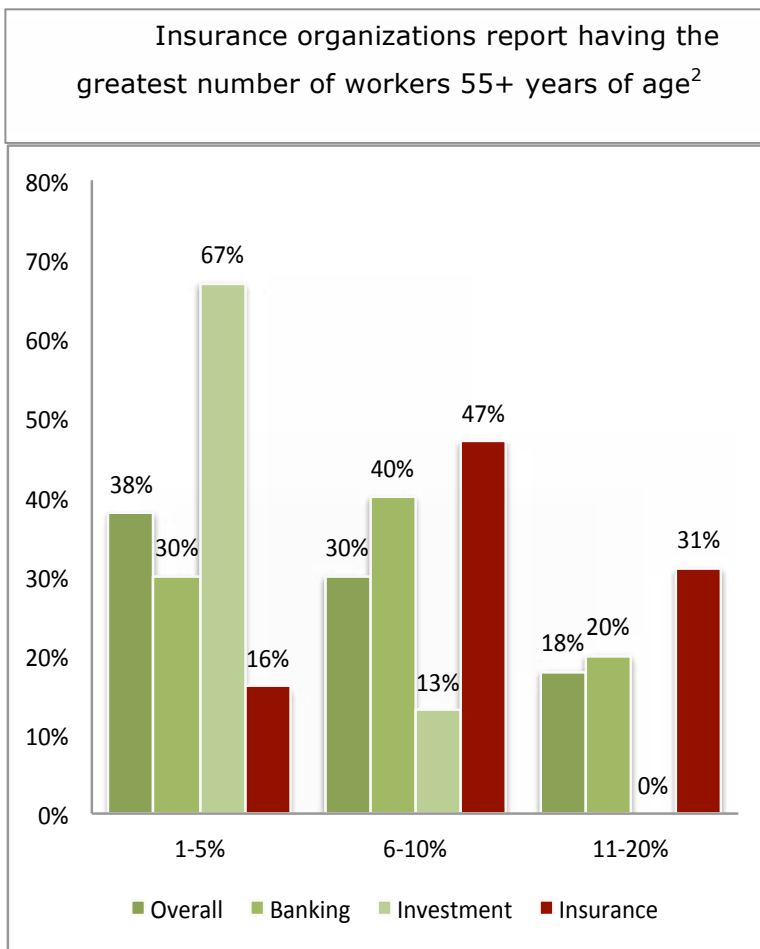
1 - Talent Gap

It is no secret that talent in an organization is a cornerstone of success. Insurance in particular is a people business driven by customer needs and a promise for the future. That promise is predicated on the trust, skill, and integrity of the individuals within the company.

Optimizing talent is a challenge across all industries, but within the insurance industry, the demographic changes impacting talent pools have become even more apparent.

"Seek integrity and trust in your people. If you hire the right people, you don't want to suffocate them; you need to empower them."

-Insurer



A July 2009 article titled "Talent as a Scarce Resource" notes that "the insurance industry, with an older-than-average...workforce, promises to suffer more than most."² In addition to the diversity issues, the current unbalanced demographic within the workplace has a high probability of leading to issues of recruitment, retention, and succession planning.

As the retiring population poses a talent

threat to the industry, succession planning for top leadership is a key issue that will need to be addressed during the next decade. This issue is increasingly prevalent in the media where the loss of a CEO in large corporations is seen to create instability. For example, the price of Apple shares dropped by as much as 9% when shareholders learned that Steve Jobs was taking an indefinite leave⁷.

Top talent needs to be acquired, nurtured and retained. Not only must new talent be attracted, but succession planning needs to take place to ensure that the organization is able to pass on the skills, experience and institutional nuances while properly integrating new talent with current employees who have been in the industry for decades.

2 – Workplace Needs – Generational Differences

There exists an inherent difference in the needs and desires of Traditionalist, Baby Boomer, Generation X, and Generation Y employees.

Financial services organizations are challenged by four distinctly different sets of employees¹⁰

Traditionalist (before 1945)¹¹

Also known as the silent generation, traditionalists are employed between 30-40 years, with a set of skills and knowledge that may not be recognized, appreciated or understood by younger executives managing them.

Baby Boomer (1945-1961)

This generation is often used to a more hierarchical style of management. As loyal executives, they need to adjust their “command and control” style.

Generation X (1962-1976)

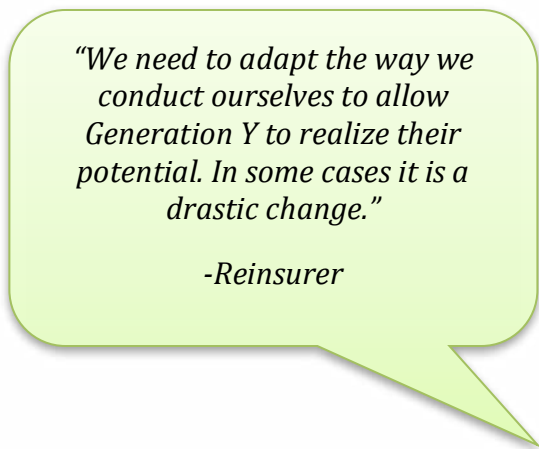
Intensely self-focused post-Boomers born during the 1960s and early 1970s who often lack company loyalty. Without clear career goals, Gen Xers may place family and community above work requirements.

Generation Y (1977-1989)

Currently graduating from university and post-graduate programs, these individuals value partnering and collaboration but seem uncomfortable in hierarchies and rigid structures. Responsibility is rarely sought and, if given, they seek to share it with others.

In order to maximize company productivity, employee potential and employee satisfaction, a company requires a flexible approach to working with different generations.

As more Gen Y employees enter the insurance practice and interact with Baby Boomers and Gen X employees, the ability to understand generational types will become critical for success.



"We need to adapt the way we conduct ourselves to allow Generation Y to realize their potential. In some cases it is a drastic change."

-Reinsurer

Generation Y employees will comprise the second-highest percentage of the workforce after the Baby Boomers, and have distinctly different needs and expectations from other employee types.

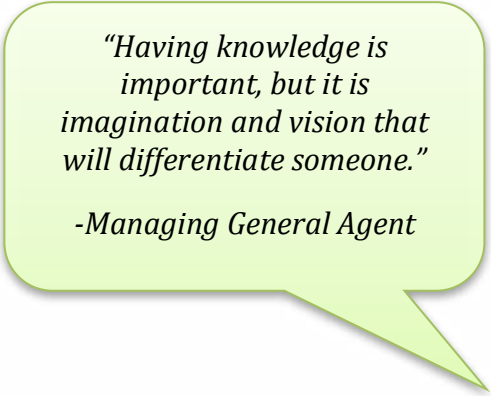
Some leaders find that Generation Y employees outside of the industry tend to perceive the insurance practice as dull and boring, with little variety in the type of work. Since all businesses, from professional athletes to financial institutions to technology companies, require insurance, there are many interesting opportunities available, and hence a misalignment in the perception of the industry by outsiders. This misunderstanding may be a factor in the decrease of young entrants and people writing insurance accreditation exams. This issue is starting to be addressed both during recruitment and in workplace opportunities in order to continue to acquire new high-potential talent.

3 – Speed of Change

Enlightening articles such as *"Change or Die"* and *"Decade of Change"* highlight the fast-paced global environment that all businesses face today. Research and executive interviews reinforced that the speed of change itself is a challenge. They highlighted some key areas in which abrupt shifts from the

past environment are impacting the insurance industry: social media and the digital age, frequency and type of catastrophes, and risk.

Social media has become a large part of personal and business information exchange in the last 10 years, and Canadians are among the highest users. A 2010 PricewaterhouseCoopers LLP report titled "Social media is fueling the reinvention of the customer experience"³ reviews the insurance industry. As companies like Facebook, Twitter and LinkedIn continue to thrive in a social setting, the insurance industry is working to understand how to leverage the changing trends in the information age to stay connected with customers, the public, and potential or existing employees. Many leaders are challenged by the difficulties of engaging in social media, especially from a regulatory and customer-service-maintenance perspective. Brand, brand perceptions and communication also continue to be challenging in such an open environment.



"Having knowledge is important, but it is imagination and vision that will differentiate someone."

-Managing General Agent

Both from an internal employee standpoint and a customer-centric model, the digital age has had a huge impact on the business environment. The average person receives 5,000 messages daily from people, computers, handheld devices, television, radio and other media. The ability to accept and leverage social media and other digital forms of communication will be increasingly important to the industry, while the ability to access and navigate the information will be necessary for employees.

Within the Property and Casualty area of insurance, the changing nature and frequency of catastrophes has been another significant challenge. No matter what the cause or source, insurance leaders see differences in the claims that are occurring – for example, the shift of the most common

insurance risk from fire to water damage. The ability to recognize and respond quickly to these shifts becomes an important profitability and customer-service need.

Due in part to the financial crisis and tightening government policies, regulations governing the way in which the insurance industry conducts business are changing. For example, in an article titled “Strategic Considerations of the U.S. Financial Reform,” Joy Schwartzman reports that the Federal Insurance Office (FIO) has started to collect and monitor data pertaining to all lines of insurance except health, long-term care and crop⁹. The FIO directors will then report directly to Congress (in the United States) in order to achieve greater visibility and oversight in the insurance practice.

Insurance CEOs are more likely than their peers in other industries to be increasing attention to almost every aspect of risk management



Source: PricewaterhouseCoopers 13th Annual Global CEO Survey 2010

As governing officials continue to instill regulations in the next five years, many costs will be incurred and changes made in order to stay compliant.

4 – Risk Management

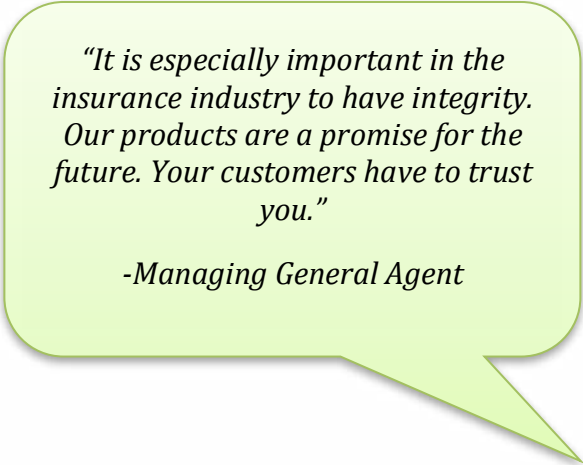
Risk management is an area of the insurance industry that has been heating up as insurance leaders allocate more resources and devote more attention to it. Government, the public and shareholders are increasing pressure to manage risk and grow the top line while maintaining or improving profitability and sustainability. ⁴

The scope and magnitude of natural disasters have caused an important shift, both in how policies are written and the pricing structure needed to safely assume the risk associated with the policy. Unexpected natural catastrophes can have drastic effects on company employees, financial statements, and financial stability if the risk has not been underwritten correctly.

Many leaders also spoke about the increasing competition that is driving down margins as more and more companies (both local and international) enter the same insurance sub-markets. The pressure on revenue growth must be balanced against the risk that the company is taking on with the new policies it is underwriting.

5 – Ethics

Privacy concerns, digital media, the financial crisis, government regulatory changes, diversity in the workplace, incidence of claims fraud, and increasing public interest have all posed a greater challenge to maintain consistent and strong ethical practices across organizations. Employees,



"It is especially important in the insurance industry to have integrity. Our products are a promise for the future. Your customers have to trust you."

-Managing General Agent

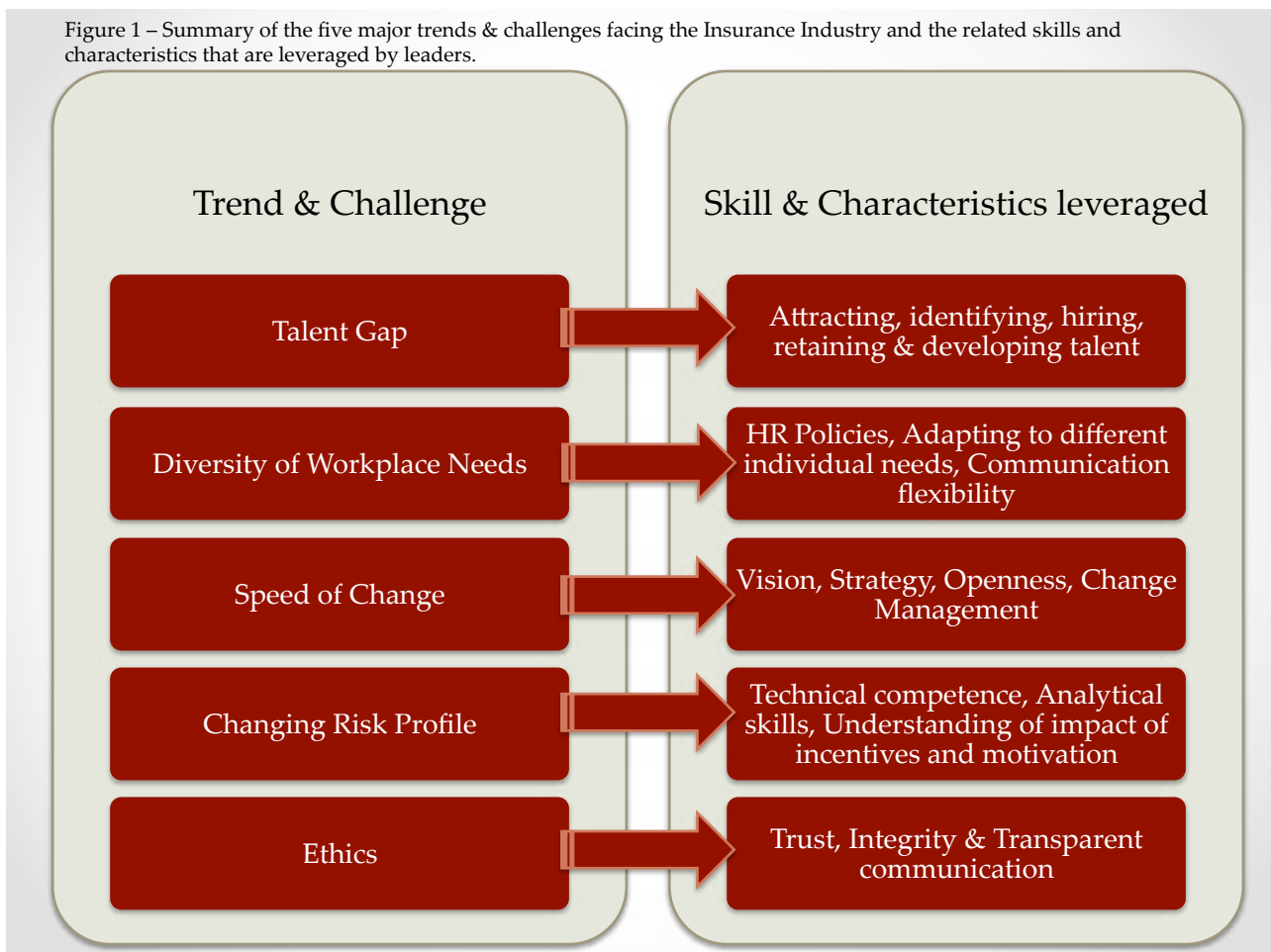
stakeholders and customers are all seeking organizations with strong values and the ability to do the right thing.

Prem Watsa, Chairman and Chief Executive Officer, Fairfax Financial Holdings Limited, has recently given talks on ethical action and the need to do the right thing regardless of the outcome. While Watsa often kept a low profile, his organization was clear on its values and the path towards long-term success.

One often thinks of major issues and scandals when the word "ethics" is bandied about, and yet it is the day-to-day display of integrity that matters to employees, shareholders and customers.

Leadership Skills Needed to Address the Trends and Challenges

Each of the five main challenges that are shaping business, financial services and, most specifically, the insurance industry align with skills and characteristics required to handle them. Articles, research, and the executives we interviewed often cited examples in which leaders facing the industry's key challenges used the skills identified in the chart below.



The Canadian insurance leaders resoundingly said that a generalist background, with a multitude of experiences and roles, helps to shape an overall understanding of the business that is critical in terms of vision, decision-making, and understanding employees in different areas. Those individuals who focus on one area of the insurance industry and rise to lead the company are becoming increasingly rare.

Other foundational skills

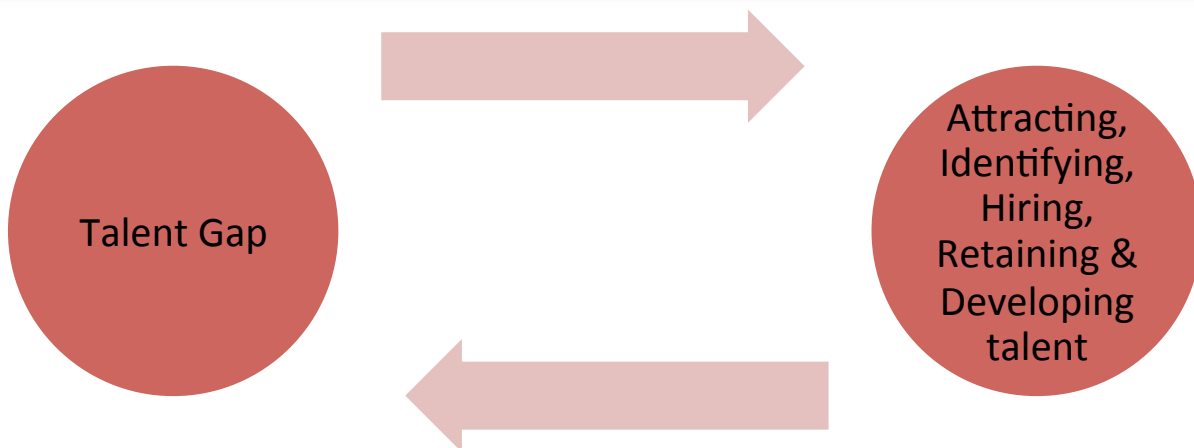
In addition to having strong skills that allow them to leverage trends, it is equally important for leaders to hire individuals within the organization who can be subject-matter experts with focus on their role. For example, having a grasp of HR policies is important, but the depth of expertise can be hired in. Another example of this is the speed at which technology and social media are changing. Leaders need to be open and understand the strategy and

vision that these changes will require, but can rely on experts to supplement the detailed information. *Figure 1* illustrates the skills and characteristics a leader needs to cultivate in order to address the challenges of today's insurance business environment.

Key determinants of success:

- A customer-centric approach
- Sincerity, genuine care and attention
- Ability to inspire and motivate others to journey together
- Courage and action
- Passion and curiosity

The skills and characteristics needed to address trends and challenges are layered on top of these.



While top leaders can hire and work with experts on their team, a focus on the overall picture and high-level succession planning will remain an important skill for them to exercise.

This overall picture should entail: the strategy and tactics for the company's value proposition to employees; an understanding of the skills being sought, and how to discover them in an interview process; incentives and motivation; and how to mentor, coach and train existing talent.

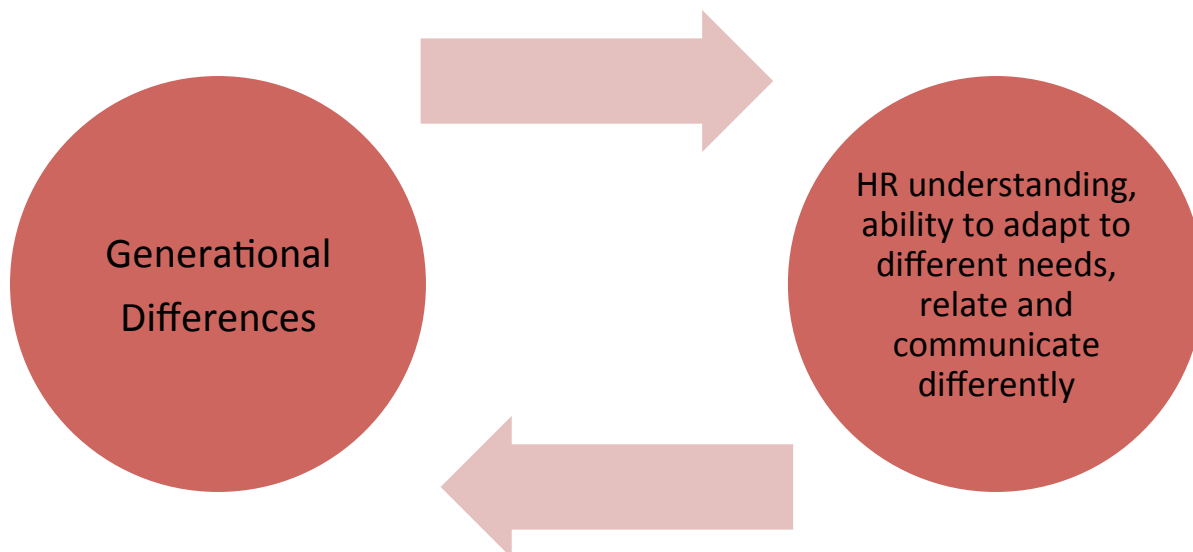
"Create a place where people come to work and are satisfied."

- Managing General Agent

As Steven Covey articulates, "Begin with the end in mind." Succession planning should identify the organizational gaps, the skills present in existing talent, and developmental or staffing requirements to fill future needs and existing gaps in the organization.

Repeatedly, our leaders mentioned that having a well-rounded general development path was an important aspect in preparing them for their positions. As a general guideline, here are five ways to inspire development:

- Unfamiliar responsibilities
- Creating change
- High levels of responsibility
- Working across boundaries
- Managing a diverse group of individuals⁵



“The Talent Matters study highlights the need for new strategies to grow the shrinking talent pool, mitigate the loss of critical skills, close the widening leadership and skills gap, better integrate new immigrants, capture full value from retirees and last, but not least, meet the needs of the next-generation workforce.”

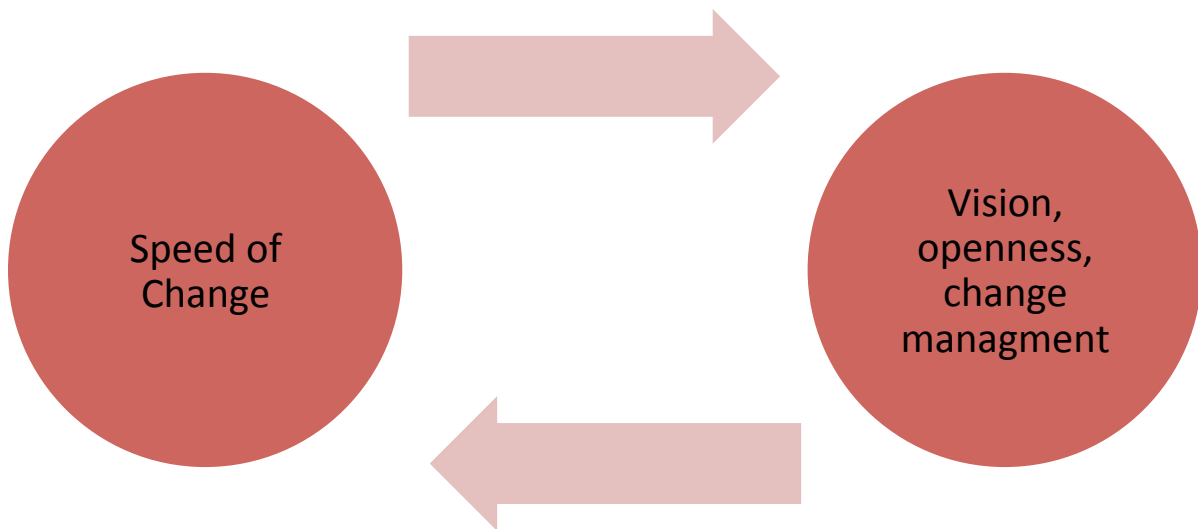
Source: Toronto Financial Services Alliance & Deloitte Report, Talent Matters

The generational differences are an important trend that leaders need to consider in order to bring out the best in their employees. This means that the work environment needs to be adapted to meet the changing needs, and communications need to be considered in order to appeal to and engage all employees.

The generational shifts additionally impact the customer base with which insurance companies interact.

Leaders are particularly thoughtful around the impact of Generation Y, as it is the existing and coming wave. In a Deloitte report titled “Generational talent management for insurers,” Generation Y was noted as needing:

- Long-term career development and multiple experiences within a single organization
- Sense of purpose and meaning in the work
- Availability and access to mentors and other company champions
- Work/life flexibility
- Tech-savvy work environment
- Open social networks that embrace open/honest communication⁶

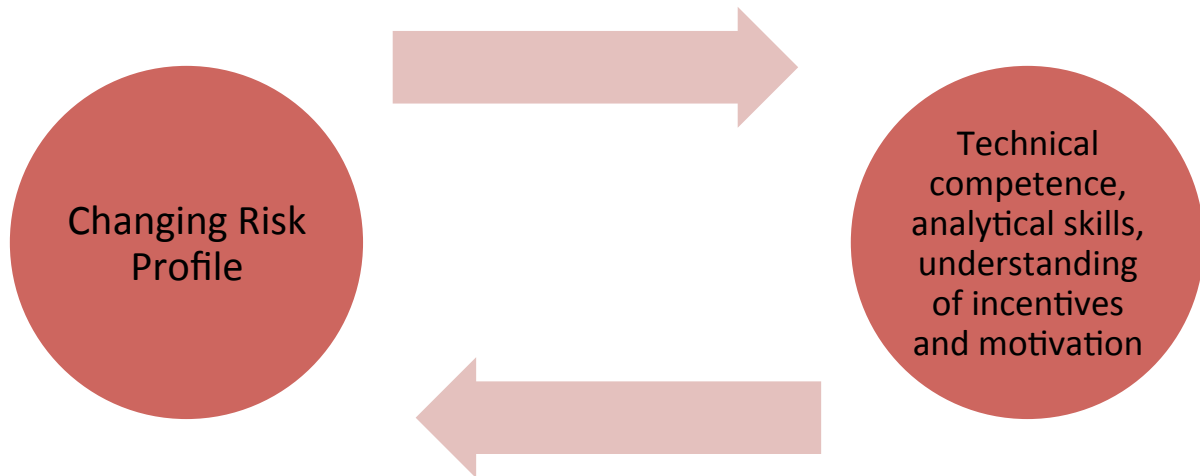


Resoundingly, the leaders mentioned a vision for the future and openness to change as important success factors. The interesting change in the challenges faced five to 10 years ago versus now is the speed at which things shift and demand attention. The ability to change and adapt inherently goes hand in hand with resilience.

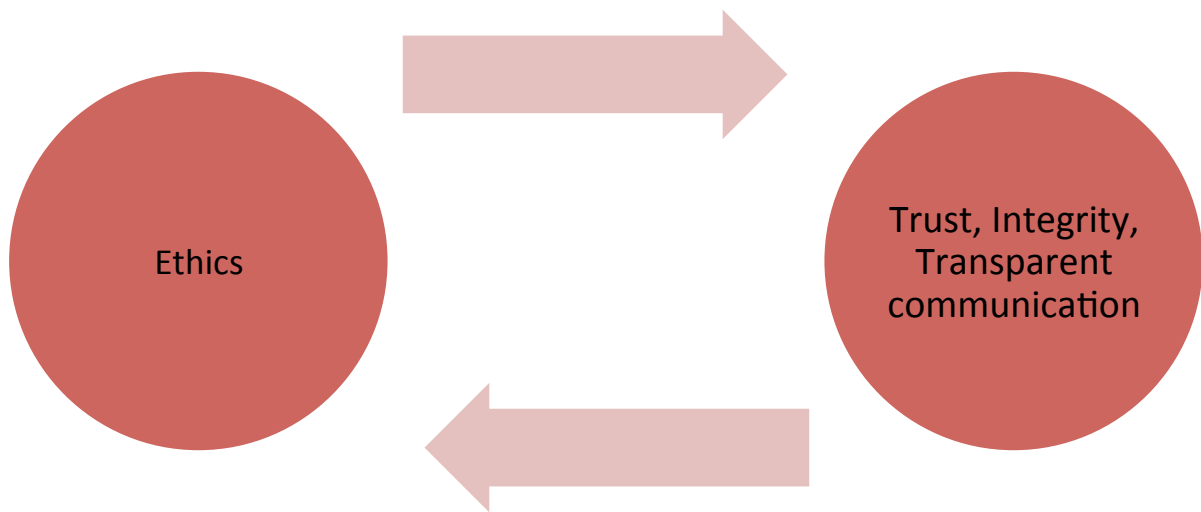
For leaders, understanding how they deal with change themselves, as well as how they need to lead and encourage change, is a pivotal skill set that will be utilized repeatedly in a dynamic environment.

"It is not the strongest of the species that survive nor the most intelligent, but the ones who are most adaptive to change."

--Charles Darwin



The insurance industry is by nature very technical and detailed. Historically, actuaries often were the individuals who would rise to the helm of a company, as they had strong analytical and technical abilities. While technical competence, solid education, and analytical skills are still important, leaders in today's environment must have emotional intelligence as well. Specifically, when one contemplates the changing landscape within risk, it is also important to understand what incentives and motivations are at play for individuals in the organization to assume more or less risk. It is this balance of applying the technical with emotional intelligence that makes keeping up with the dynamic risk situation such a key concern on leader's minds.



Leaders identified trust, integrity, and the ability to communicate effectively as three key qualities in leading day to day within an organization, and in establishing values and a presence with the public, investors and customers. These three characteristics are important in developing culture, values and a common path. Additionally, they help reinforce ethical obligations and actions that are paramount in handling the challenges and changes that are affecting the insurance industry and business today.

Conclusion

The current set of challenges – talent gap, generational differences, speed of change, risk, and ethics – are top of mind for insurance leaders today and will continue to challenge them to varying degrees in the future.

In order to increase the chances for team and company success, it is imperative that leaders not only determine how to deal with each of these challenges directly and effectively, but also that they be prepared skill wise for future trends and challenges. While leaders may not be able to predict trends, they can be better prepared by recognizing them and determining the skills needed to work through each new challenge.

As the “speed of change” challenge indicates, a leader must constantly consider new information and ideas, and keep abreast of trends while consistently evaluating and re-evaluating the collective skills required to guide his or her team or company to success.

Taking this process from the subconscious to the conscious is the next step.

Appendix A: Authors' Biographies

Mila Banerjee graduated in 2011 from the University of Toronto Rotman School of Management with a Masters of Business Administration, and earned her Bachelor of Science degree from the University of Alberta in 1998. Prior to earning her MBA, Mila worked in the pharmaceutical industry for 11 years, and has held a variety of positions in both large and small pharmaceutical companies. The scope of her roles has ranged from sales, marketing, and management, to sales force analytics and technology. Her passion for and interest in leadership stems from having worked in merger situations, led teams, studied in the MBA program, and served on the board of directors of a not-for-profit organization.

Amit Bhatia graduated in 2011 from the University of Toronto Rotman School of Management with a Masters of Business Administration, and earned his Bachelor of Applied Science in Computer Engineering from the University of Waterloo. He has more than six years of experience in the consulting industry, working for many consumer packaged goods companies, government and utility firms, tech companies, and financial and insurance clients across North America. He continues to help clients solve the strategic, technological and financial problems that affect current company performance, and mitigate future problems. His passion for leadership development sparks from his past clients' issues regarding talent management and future talent sustainability.

Gerald Legrove is the president of DGA careers. He held senior executive positions with a successful commercial insurance company and a large international insurance brokerage firm. Mr. Legrove holds a Bachelors Degree in commerce and an MBA. He is a past member of the Alumni Board of the Rotman School of Business, and is also former president of the Toronto Junior Board of Trade.

Appendix B: Skills Inventory and Development Worksheet

Trend	Skill	Rating (score your current state)	Development Plan (who and what are my resources? SMART goals?)
• Talent Gap	Attracting, identifying, hiring, retaining and developing talent		
• Diversity of Workplace Needs	HR policies, adapting to different individual needs, communication flexibility		
• Speed of Change	Vision, strategy, openness, change management		
• Changing Risk Profile	Technical competence, analytical skills, understanding of impact of incentives and motivation		
• Ethics	Trust, integrity and transparent communication		

Appendix C: Additional Resources & Works Cited

Additional Resources

1. Brainin, J. J. "Questions Brokers Ask: Giving Capable Leadership." *Insurance Brokers Monthly & Insurance Advisor* 47.8 (1997): 29. WestLaw. Web. 12 March 2011.
2. Duska, Ronald. "Ethics and Compliance in the Business of Life Insurance." *Journal of Insurance Regulation* 18.2 (1999): 246-57. *Health Business Elite*. Web. 12 March 2011.
3. Eyler, Todd. "Strong Business Leaders." *Insurance & Technology* 31.11 (2006): 11-18. *Health Business Elite*. Web. 12 March 2011.
4. Morris, Barbara. "Women Continue to Assume Leadership Roles in Insurance Industry." *Forum* 171 (1996): 16. *Academic Search Premier*. Web. 12 March 2011.
5. "Research Initiatives." *Insurance Institute of Canada - Insurance Education*. Web. 12 Mar. 2011.
6. Holbrook, Emily. "CIOs as CEOs." *Risk Management* 57.9 (2010): 45. *Health Business Elite*. Web. 12 March 2011.
7. "Independent Insurance Agents & Brokers of America - Best Practices." *Independent Insurance Agents & Brokers of America - Home*. 2011. Web. 12 Mar. 2011.
8. "Insurance Review, Fall 2008." *PwC US: Building Relationships, Creating Value*. Web. 12 Mar. 2011.
9. "Insurance Review, Special Edition, 2008." *PwC: Building Relationships, Creating Value*. Web. 12 Mar. 2011.
10. "Insurance Review, Winter 2009." *PwC US: Building Relationships, Creating Value*. Web. 12 Mar. 2011.
11. IRMI Risk Management and Insurance Education and Information. Web. 12 Mar. 2011.
12. Landberg, Steven. "Career Wise." *Best's Review* 111.5 (2010): 16. WestLaw. Web. 12 March 2011.
13. Panko, Ron. "Neighborly Differences: Canada's Avoidance of the Housing Bubble and Its Conservative Regulations Scheme Helped Canadian Life Insurers Sidestep the Worst of the Financial Crisis." *Best's Review* 111.5 (2010): 26. WestLaw. Web. 12 March 2011.
14. Veysey, Sarah. "Insurance Leaders Address Industry Challenges." *Business Insurance* 6 Nov. 2000: 44-47. *Health Business Elite*. Web. 12 March 2011.
15. Auerbach, Ernst. "Three Dynamic Insurance Executives--no Kidding." *Wall Street Journal* 8 July 1996, Eastern ed.: A8. *Academic Search Premier*. Web. 12 March 2011.
16. Shreve, Jonathan. "True Group Long-Term Care Insurance Leaders Wanted." *Benefits & Compensation Digest* 44.6 (2007): 16-20. *Health Business Elite*. Web. 12 March 2011.

18. "25 Insurance Leaders to Speak at IIS Jordan Conference." *Insurance Advocate* 6 April 2009: 26- 28. *Health Business Elite*. Web. 12 March 2011.
 19. Gonzalez, Gloria. "Zurich Executive Honored as Insurance Leader of the Year." *Business Insurance* 21 Jan. 2008: 4-20. *Health Business Elite*. Web. 12 March 2011.
 20. Green, Meg. "Best Review's: Top Global Reinsurance Brokers." *Best's Review* 110.4 (2009): 64. *WestLaw*. Web. 12 March 2011
-

Works Cited

- ¹ Doyle, Corbette "Leadership: *I Know It When I See It*" International Risk Management Institute, Inc. (IRMI) January 2009
- ² Doyle, Corbette, "Talent As a Scarce Resource" International Risk Management Institute, Inc. (IRMI) July 2009
- ³ PricewaterhouseCoopers, "The Changing rules of engagement – Insurance Review: A Canadian perspective" Fall 2010
- ⁴ PricewaterhouseCoopers, "13th Annual Global CEO Survey
- ⁵ M.W. McCall, M.M. Lombardo, and A.M. Morrison, *The Lessons of Experience: How Successful Executives Develop on the Job* (Lexington, MA: Lexington Books, 1988)
- ⁶ Deloitte, "Generational talent management for insurers – Strategies to attract and engage Generation Y in the US insurance industry" March 2007
- ⁷ <http://www.bbc.co.uk/news/technology-12218590>
- ⁸ *Managing a Multi-generational Workforce* – Gerry Davis, Heidrick and Struggles
- ⁹ Schwartzman, Joy. "The Dodd-Frank Act and the insurance industry: Strategic considerations of U.S. financial reform", <http://insight.milliman.com/article.php?cntid=7380>. Sept 27, 2010
- ¹⁰ Davis, Gerry, "Managing a multi-generational workforce", Heidrick & Struggles
- ¹¹ January 22, 2008 edition, Quebec City newspaper, *Le Soleil*