

Research Report November 2013



Recruiting Practices in the Insurance Industry





Research Report: Recruiting Practices in the Insurance Industry

In June 2013, DGA Careers commissioned Zuz Marketing to conduct independent research on how trends identified in the Insurance Institute's "A Demographic Analysis of the P&C Insurance Industry in Canada 2012-2022," affect recruiting practices. Decision-makers from 33 insurance industry companies across Canada with responsibility for recruitment for major insurers, larger insurance brokerage firms and MGAs participated in our online survey. This was an independent research project not affiliated with the Insurance Institute.

Most survey respondents fulfill multiple roles in the recruiting and hiring process. **57% were part of the decision-making process, 43% were influencers, 40% were initial interviewers and screeners and 30% were final decision-makers.** Here are some of the key insights:

What are some of the biggest challenges you face in your role, regarding recruiting, hiring and retaining mid to senior level talent for your organization?

The responses to the question indicate that challenges faced by respondents are very much based on factors that are not within their control and likely reflect frustration experienced on a daily basis:

→ **48.5%** head count and budget restrictions

→ **45.5%** high expectations from staff or candidates for quick promotions, while still lacking required knowledge and experience

According to the Insurance Institute: "A Demographic Analysis of the P&C Insurance Industry in Canada 2012 – 2022" report, substantial recruiting took place between 2007 and 2012 which led to a 100% increase in the share of the echo cohort (ages 17 to 32) in all types of positions except management. According to many of our clients, it is this generational cohort primarily that is seeking premature promotions. We see some of the challenges for career development for this group as: Lack of a clearly defined career path in many cases, reductions in training budgets, secondment opportunities and internal transfers and the abolishment of mandatory retirement at age 65.

Also of note, one-third of respondents feel that the **lack of opportunities for middle-management advancement leads to employee demotivation and discouragement.** As one respondent put it: "These employees just feel stuck."



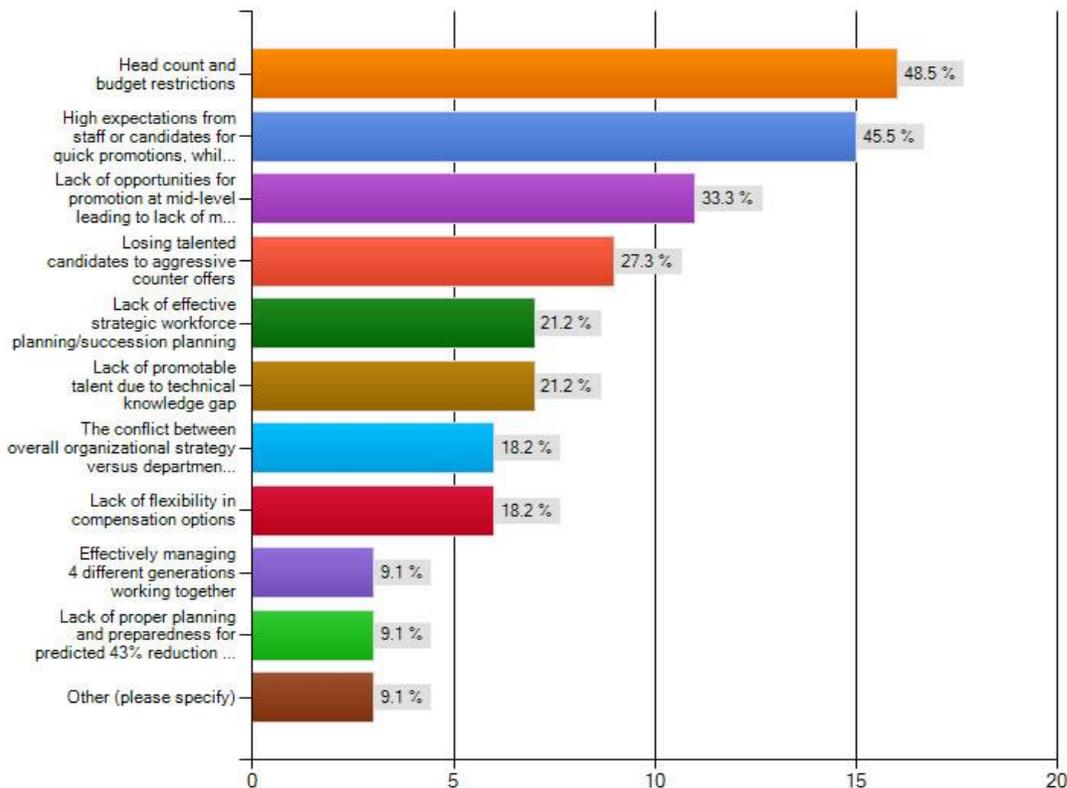


Just over one-quarter of respondents are finding that **losing talented candidates to aggressive counter-offers** has become more of a challenge (at DGA, we've seen this happening much more frequently over the last year or so).

In general it seems that planning for the future is considered to be less of a challenge, or perhaps it becomes less of a priority while juggling daily challenges. 21.2% of respondents are concerned about a **lack of effective strategic workforce planning/succession planning** but only 9% have a concern about a **lack of proper planning and preparedness for predicted 43% reduction in industry management ranks by 2022** (source: The Insurance Institute: "A Demographic Analysis of the P&C Insurance Industry in Canada 2012 – 2022").

Based on our findings, DGA plans to continue our research and dialogue on the biggest challenges faced by our clients and other industry organizations regarding recruiting, hiring and retaining management and senior executives. In the months to come we plan on producing content from the information gathered to benefit the insurance industry as a whole.

Fig. 1



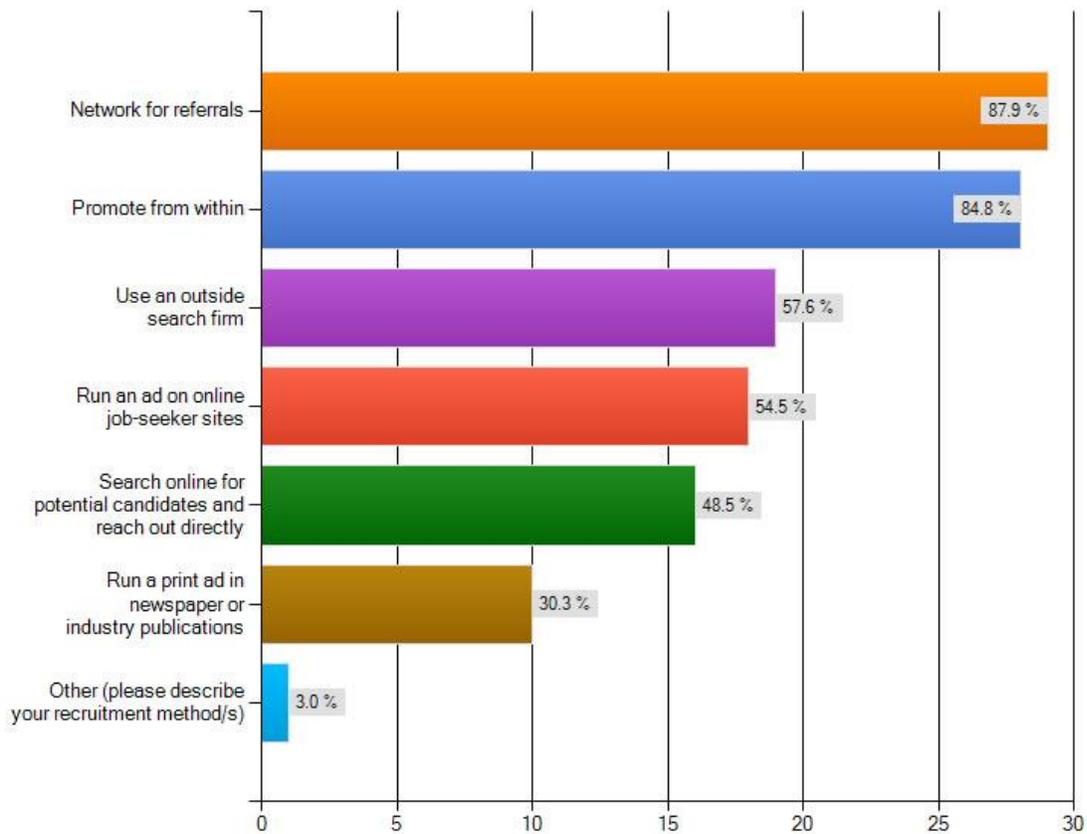


What methods does your organization use to source potential middle management candidates?

We wanted to compare how companies in the insurance industry source middle management vs. senior executive talent. We asked respondents to indicate all methods that their organization uses for recruiting middle managers.

- **88%** network for referrals
- **85%** promote from within and
- **58%** use an outside search firm

Fig. 2

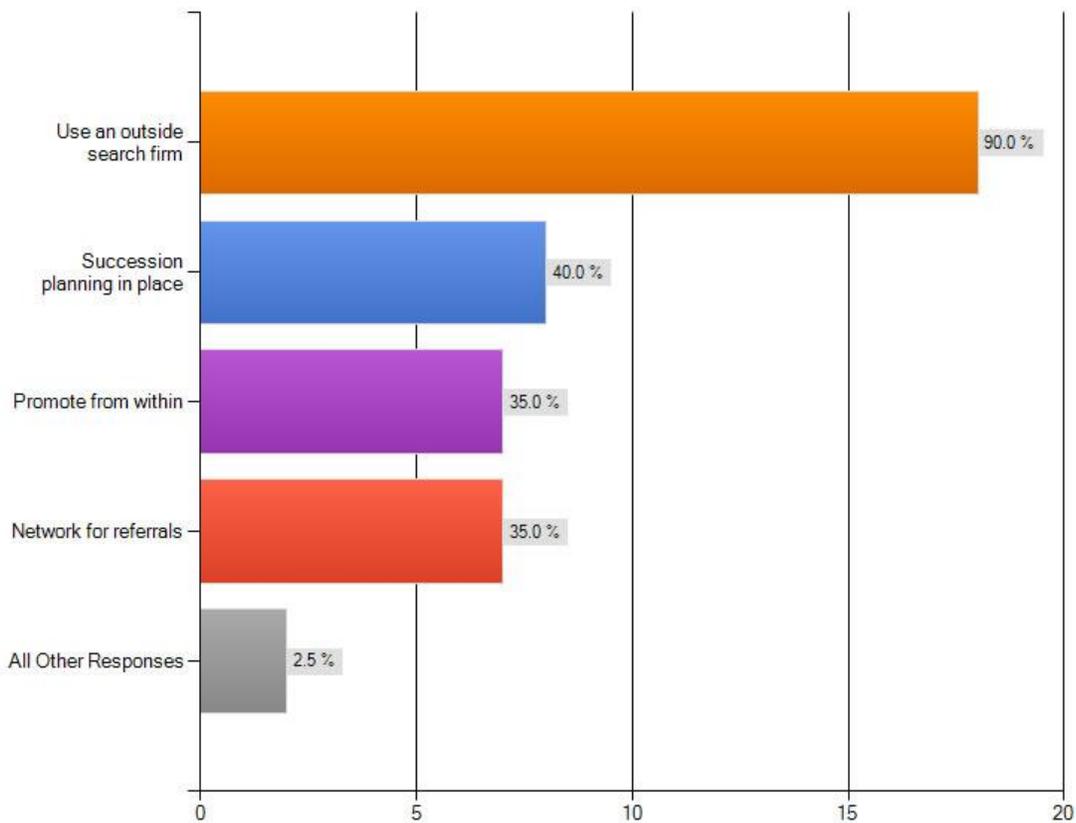




Do you employ different methods to recruit senior executive/CEO candidates versus mid-level managers?

- **61%** use different methods to recruit senior executives
- **90%** of those companies use an outside search firm to recruit senior executives
- **58%** of all respondent companies have hired senior executives in the last 2 years

Fig. 3





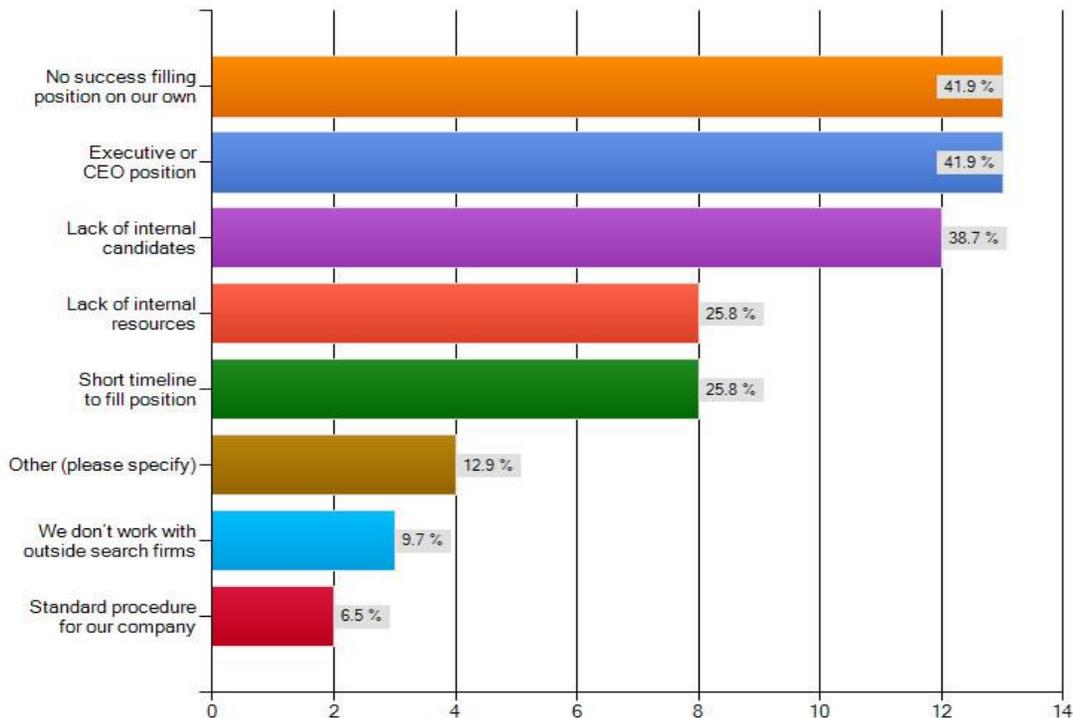
What drives the decision to work with outside recruitment firms? Please check all that apply.

There are many reasons why companies in the insurance industry sector choose to work with outside search firms, but the top two circumstances are:

- **42%** for a CEO or senior executive position
- **42%** no success filling the position on our own

Other key reasons to partner with an outside search firm include: Lack of internal candidates (**38.7%**), lack of internal resources (**25.8%**) and short timeline to fill the position (**25.8%**).

Fig. 4





Please identify all criteria most important to you/your organization in deciding which search firm would best meet your recruiting needs.

When most of us are making any type of purchasing decision these days, we turn to our peers as well as online reviews to help us make the right choice. Selecting the right search firm partner is no different for survey respondents.

→ **68%** look for positive referrals and reviews when selecting a search firm

The second most important criteria for 58% of respondents: **Fee structure, terms of engagement and contract.** It is important to respondents that this information is presented in a clear, concise, straightforward, professional, easy-to-understand manner.

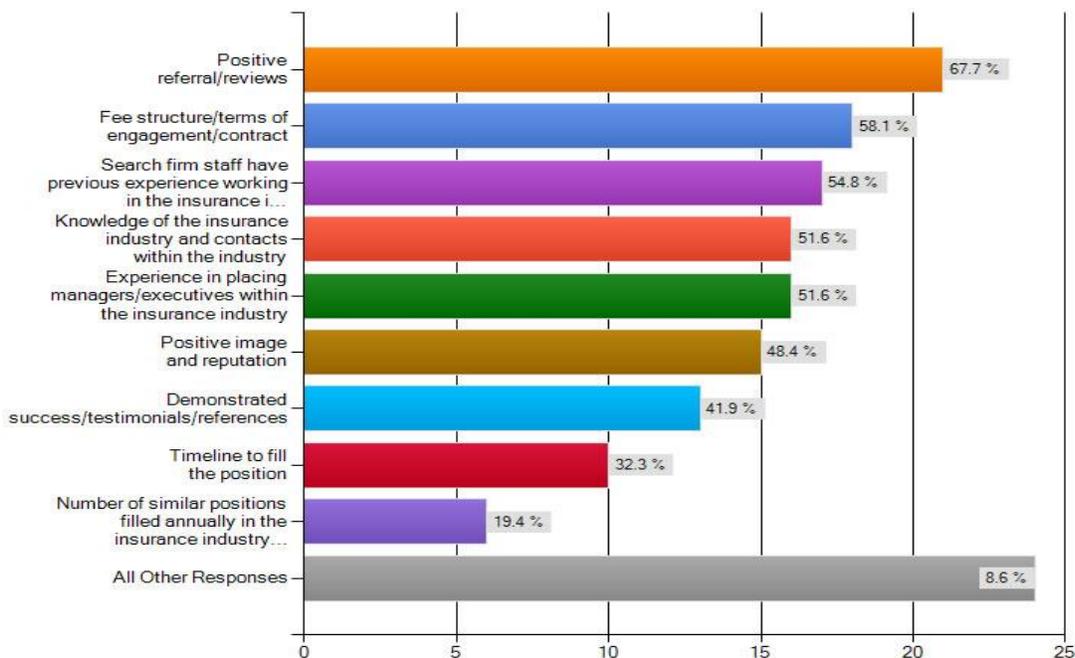
Insurance industry experience and knowledge also factor heavily into the decision-making process:

→ **55%** Prefer that search firm consultants have previous experience working in the insurance industry

→ **52%** Value search firm knowledge of the insurance industry and contacts within the industry

→ **52%** Value search firm experience with placing management and executives within the insurance industry.

Fig. 5





Develop tomorrow's leaders, today

The findings of this research suggest that although many companies in the insurance industry source new talent using their internal recruiters and often promote from within, the reality is that these internal resources are stretched dealing with a variety of day-to-day issues. Outside search firms continue to play an important role in helping organizations hire the right CEO or senior executive as well as finding the right talent when internal resources have not had success doing so.

Referring back to the original goal of this research, which was to explore how trends identified in the Insurance Institute's "A Demographic Analysis of the P&C Insurance Industry in Canada 2012-2022," affect recruiting practices, our findings indicate that the day-to-day issues are taking precedence over planning for potential future manpower issues.

The Insurance Institute's report, which analyzed the recruiting activities of 20 companies in the insurance industry between 2007 and 2012, revealed 3 major trends:

- Substantial recruitment activity has taken place in the Canadian insurance industry since 2008, despite economic conditions.
- Thus far, the level of recruitment in the industry has negated the impact of employee retirement. There has been an increase in the share of the echo cohort (ages 17 to 32) in all types of positions except management and a decline in the boomer cohort share (ages 46-65) from 49% to 32%.
- The report predicts that moving forward, the level of retirement will increase substantially, thanks to the percentage of boomers in the industry. In fact, **their 2022 projection based on current demographic trends indicates a 43% decrease in management workforce, with a 53% decrease in senior management due to retirement levels.**

Yet, identifying and developing the next generation of insurance industry leaders is not currently a top priority for those responsible for recruiting, hiring and retaining mid to senior level management, according to our research. In the midst of concerns about head count, budget restrictions and the echo cohort seeking premature promotions, little time is left for mapping out future succession plans. The findings of this study suggest that organizations could do more to sustain a strong industry over the next ten years by developing, training and recruiting tomorrow's leaders, today.





About DGA Careers

DGA Careers is Canada's only national Executive Search and Recruitment firm focused exclusively on the insurance industry. Since 1986, our deep industry experience, knowledge and strong relationships enable us to connect leading insurers, reinsurers, insurance brokerage firms and independent adjusting firms with the most talented mid- to -senior level professionals for each individual leadership role. As specialists in the insurance industry, we are uniquely positioned to understand the issues, trends and challenges affecting both our clients and executive talent.

Our experienced consultants include former insurance executives and professionals, giving us unequalled access to the insurance industry's leading senior executives.

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