Attracting and cultivating the next generation of insurance leaders

While global interest in insurance services grows, the insurance industry faces serious talent headwinds. The current workforce is aging, the talent pipeline is limited, and diversity issues persist, especially at senior levels. Insurers are competing with other sectors for highly-skilled workers (particularly those with tech skills), but the industry's struggles to market itself effectively or sell its value proposition appropriately puts insurers at a disadvantage in the race for top talent.

Insurers face a dual-edged talent challenge: it is difficult to attract the right talent, and retention proves equally challenging.

According to Russell Reynolds Associates' (RRA) Q4 2022 Global Leadership Monitor, 74% of insurance executives believe that the availability of talent and skills will be the biggest threat to business health over the next 12-18 months, ranking closely behind the challenging economic landscape as a top concern. Nearly half of insurance respondents (47%) say that employee turnover at their organizations significantly increased in the last 12 months, compared to just 22% of overall financial services respondents.

What external factors will be the biggest threat to business health over the next 12-18 months?
(% of insurance executives selecting in the top 5)

Source: Russell Reynolds Associates, Q4 2022 Global Leadership Monitor, n =1,690 global CEOs, C-suite leaders, next generation leaders, and non-executive board directors, and n = 67 insurance / reinsurance executives

“The pandemic led to changes in expectations around work-life balance and flexibility that aren’t unique to insurance; however, the severity of insurers’ retention issues heightens the stakes. With the growing need for talent, especially those possessing highly technical, transformative and general management capabilities, failure to address quality of life issues will be hugely detrimental to insurers.”

“With almost all industries competing for the same skills, especially data analytics, insurance companies are fighting an uphill battle against industries that drive innovation. Even the traditional pipeline from business programs is slimming as students lean towards opportunities in banking, private equity, and venture capital, lured by reputation and compensation.”

The talent problems facing the insurance industry are daunting, but not insurmountable. Insurers need to take concerted action across all phases of the talent lifecycle – including further diversifying the talent pool, building robust pathways for professional and career advancement, and creating an integrated approach to learning, development and, eventually, succession planning.

Although insurers are already undertaking many of these steps, RRA has found that talent pipeline leakages are commonplace – for example, while a firm may excel at assessing talent, its development efforts may fall short.

Accordingly, RRA set out to highlight the good (and suboptimal) talent practices already in place across the insurance industry, as well as offer recommendations to make insurance talent pipelines more resilient.

To do so, RRA interviewed 18 insurance leaders globally to understand prevailing talent management practices. These efforts, combined with learnings from global leadership advisory and search engagements across the insurance sector, provide insights into where and how insurers can patch their pipelines and create a robust talent infrastructure for the future.

1. Addressing structural issues in the pipeline – broadening and diversifying the talent pool

"Women are walking out the door – they are asking about their next roles, and we don't have answers."

"The supply of talent does not match demand. People drifted out during Covid, but only a few are showing a desire to come back."

"Our turnover is stable compared to pre-Covid – that's a credit to the work our CEO did to meet employees where they are – not only just working through the pandemic, but also setting a clear idea of how we will work going forward."

As an industry, insurers can begin addressing talent shortfalls by working together to broaden the insurance sector talent pipeline. Beyond the ethical reasons for increasing workforce diversity, firms that remain ahead of the curve on talent attraction and retention have come to regard diversity as a competitive advantage.

According to one European respondent, their focus on LGBTQ rights is as much a draw for talent pools (both internally and externally) as attractive compensation or benefits plans.

An insurer based in the American Midwest shared that they are using a more inclusive approach to attract and recruit talent by taking a broader national versus narrowly-focused local approach to talent outreach, thereby improving the diversity of their talent pools.

Insurers can take a number of approaches to tap into wider talent pools and appeal to the next generation of talent, especially those hailing from underrepresented backgrounds.

1. Sponsor non-profits: Insurers need to be more intentional about meeting next-gen and diverse talent and building rapport at an early stage in their professional journeys. Beyond the brand equity accrued, insurers can get the inside track on finding top undiscovered talent.

2. Develop partnerships with universities that cater to underrepresented groups to widen the insurance talent aperture.

3. Most ambitiously, insurers can also develop industry-wide targets for increasing diverse representation in their workforces and leadership, and work to publicize these efforts so that potential job seekers know that insurance is welcoming to all.

Regardless of the exact methodology, insurers need to act assertively - and hold themselves accountable - to broaden and diversify their talent pool to better prepare for the future.

2. Strengthening the flow of talent within the organization

"The biggest achievement we've made around talent development is cross-pollinating talent pools, which has not happened previously in my career. It can make a big difference."

The propensity for silos within insurance - be they functional, coverage line or geographic - has a corrosive effect on the talent pipeline by limiting the full breadth of opportunities available to employees, ultimately discouraging retention. To mitigate this risk, insurers need to strengthen the flow of talent within and across the organization to allow top talent to shine.

Rather than advancing talent only vertically, insurers should consider a more latticed approach to identifying, assessing and developing talent across the organization. By adopting an open architecture framework - whereby the firm looks at its overall talent needs and takes a holistic approach to progressing talent throughout the organization - insurers can maximize their employees' potential and keep them engaged and motivated.

"We're thinking differently now about title and position depth. For example, we've added some titles to attract high-potential talent and help show progression more clearly."

Companies that proactively identify and invest in a bench of talent—rather than reacting to immediate resource needs—statistically have more success than their counterparts. The target identification exercise builds clarity around the strategic hires capable of propelling long term growth for the firm (or employees who are able to do more with less) by taking an enterprise-wide lens for talent spotting, while demonstrating to top talent a conscious investment in their professional growth and success.

Assessments should be used to help plan an employee's long-term career path, not decide whether they're ready for an immediate next step. Firms that use assessment to help their talent find a path to the top (a.k.a., zig-zag career pathing)—rather than using assessments to make quick "up or out" decisions—have experienced greater success, as they apply a wider lens to talent evaluation. The benefits to a broader assessment approach include:

1. Enabling organizations to review talent across the enterprise and align with broader business strategy;
2. Providing improved visibility into the latent skills (or skills gaps) across the entire firm; and
3. Allowing for early identification of top talent across all pockets of the company to better plan for future leadership needs.

Insurers should use a combination of quantitative and qualitative criteria to mitigate the risk of subjectivity and bias. As one multinational insurer noted, "our reliance on manager perspectives about our employees' skills and capabilities is only as good as the evaluators themselves." An assessment conducted by an independent third party increases the accuracy and confidence insurers can have in their evaluations, and often leads to a clearer, more consistent, and broader understanding of an individual's potential.

A UK insurer uses an assessment framework that involves a stoplight-based scorecard centered on core competencies to the organization, such as taking accountability, risk-taking, client focus, managing performance, and leadership.

A Swiss-based insurer maintains a job catalog based on the future needs of its organization and reviews talent against these skills profiles.

A North American-based insurer rigorously assesses all AVPs+ annually on four dimensions: ability, how engaged they are, its global leadership capability model, and whether they should be identified as high potential.

Finally, insurers can develop the next generation of talent with the skills and experiences they need via rotations across functions, business units and geographies, and even looking beyond traditional moves with secondments via external partnerships. While most insurers have some type of development program(s) in place, many fall short on consistency or interconnectedness across the organization.

One global insurer noted that they have clear regional divides between their North American and Asian operations regarding talent development, with development programs themselves delegated to business leaders.

Another interviewee said that their development initiatives lacked cohesiveness between the programs available to staff, with upskilling ranging from LinkedIn Learning content to eMBA immersions.

Conversely, development plans expressly tied to the firm's overall strategic framework allows insurers to ensure that talent pipelines align with future needs. For instance, "high potential" programs combine central coordination with tailoring at business unit, functional or geographic levels that can reconcile the need for both an enterprise-wide view of the talent pipeline for the future as well as ongoing coaching and mentorship for the individual. The success of high potential programs hinges on two factors:

1. Senior leadership's degree of commitment to supporting participants in the high potential program.

2. The quality of coaching these mentees receive, both internally and from outside experts. As one respondent observed, if people at a certain level aren't developed, they fail to advance.

One multinational insurer noted that one of its subsidiary's boards spends up to two full days looking at talent reports together.

3. Succession planning with the "4 C's"

"So far, we only have succession planning at executive committee level and then it's decentralized from there. We're trying to centralize the process and build a review framework around it."

"Every single vice president role has a succession plan, and every person in that role has a documented plan for success in that role. It's about looking at where you are against the plan and where gaps may exist."

Executive succession marks the culmination of the talent pipeline, making succession planning the final area for potential talent leakage. Every insurer we spoke to acknowledged having some form of succession planning process, but those with the most mature procedures emphasized 4 C's: **collaboration, communication, clarity and constructiveness.**

Collaboration

The **collaboration** needed for robust succession planning requires true partnership between business unit leaders, HR, and boards, rather than a unilateral driving force. HR leaders often get thrust into playing the "bad cop," which detracts from their true role as a facilitator and cooperative influence, resulting in vastly different results.

One interviewee reported an 83% success rate in their leadership development program, with strong diversity amongst their top 100 roles, and credited this success to HR functioning as a stronger partner and facilitator of the process.

An insurer whose HR partner served as a "policing agent" for ensuring succession planning was taking place reported that it resulted in a "one size fits all" approach to succession planning that was not fit for purpose.

Firms can stress-test the degree of collaboration in their succession planning through stakeholder interviews, which often generate tangible recommendations for removing either structural or behavioral barriers to better partnering.

Communication

Succession planning also needs to be clearly **communicated** across the organization. Leaders at organizations that connected succession planning activities to broader business strategy reported feeling like they were more prepared for the future. Boards can play a significant role in shaping the messaging around succession planning - and holding the executive team accountable.

> One insurer credits their board's sophisticated approach for the company's newly refined people strategy, which includes a framework for understanding emerging talent's leadership journey, along with DE&I considerations.

Clarity

Additionally, all roles in the succession planning process should be outlined with **clarity**. Organizations that proactively identify which roles actually require succession planning not only lay the groundwork for successful retention, but also highlight the emerging leaders who would benefit from ongoing coaching and development as they get positioned for increasingly senior roles. In some instances, reimagining critical role profiles can also provide clarity by starting from scratch about what the future of a role or function should look like, and then developing (or finding) the leadership fit for purpose.

> One multinational insurer aims to identify <40 roles worldwide that are mission-critical, developing succession plans for each role across each business and region. The best critical role frameworks are flexible and re-evaluated regularly.
>
> At one firm, their critical roles are evaluated annually to determine whether they still require succession planning efforts. If so, emerging leaders are assessed and developed accordingly.

Constructiveness

Lastly, candidates matriculating through the succession planning process should receive **constructive** feedback about their strengths and areas for growth - even if their candidacy proves unsuccessful for a particular role. A holistic psychometric analysis of an individual's leadership capabilities often proves instructive for the firm, as well as the person in question, about where they can best contribute to the organization going forward.

These recommendations do not provide quick fixes. Change takes time, and will frequently require outside assistance to actualize. Nor is there a one-size-fits-all solution to these problems: every insurer must consider their organizational context before strategizing about how to patch their talent pipeline. The broad scope of the insurance industry's talent challenges requires action on a commensurate scale, with focus, determination, and urgency today to ensure that insurers can thrive tomorrow.

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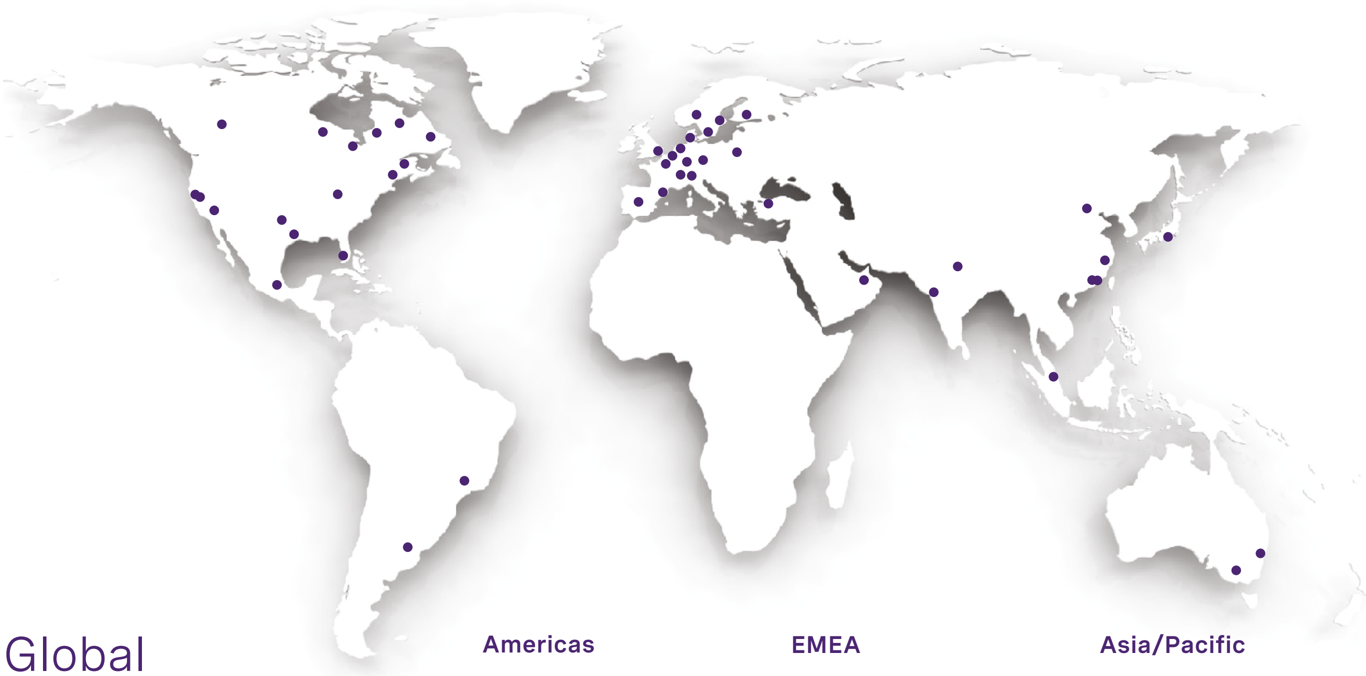

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