The Dawning of a New Decade: P/C Insurance Overview & Outlook *2020 & Beyond*

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Robert P. Hartwig, Ph.D., CPCU
Clinical Associate Professor of Finance, Risk Management & Insurance
Darla Moore School of Business ♦ University of South Carolina
Robert.Hartwig@moore.sc.edu ♦ 803.777.6782

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P/C Insurance Industry Financial Overview

CATS, Non-CAT Underwriting Losses Impacted Insurer Balance Sheets

Industry Remains Strong

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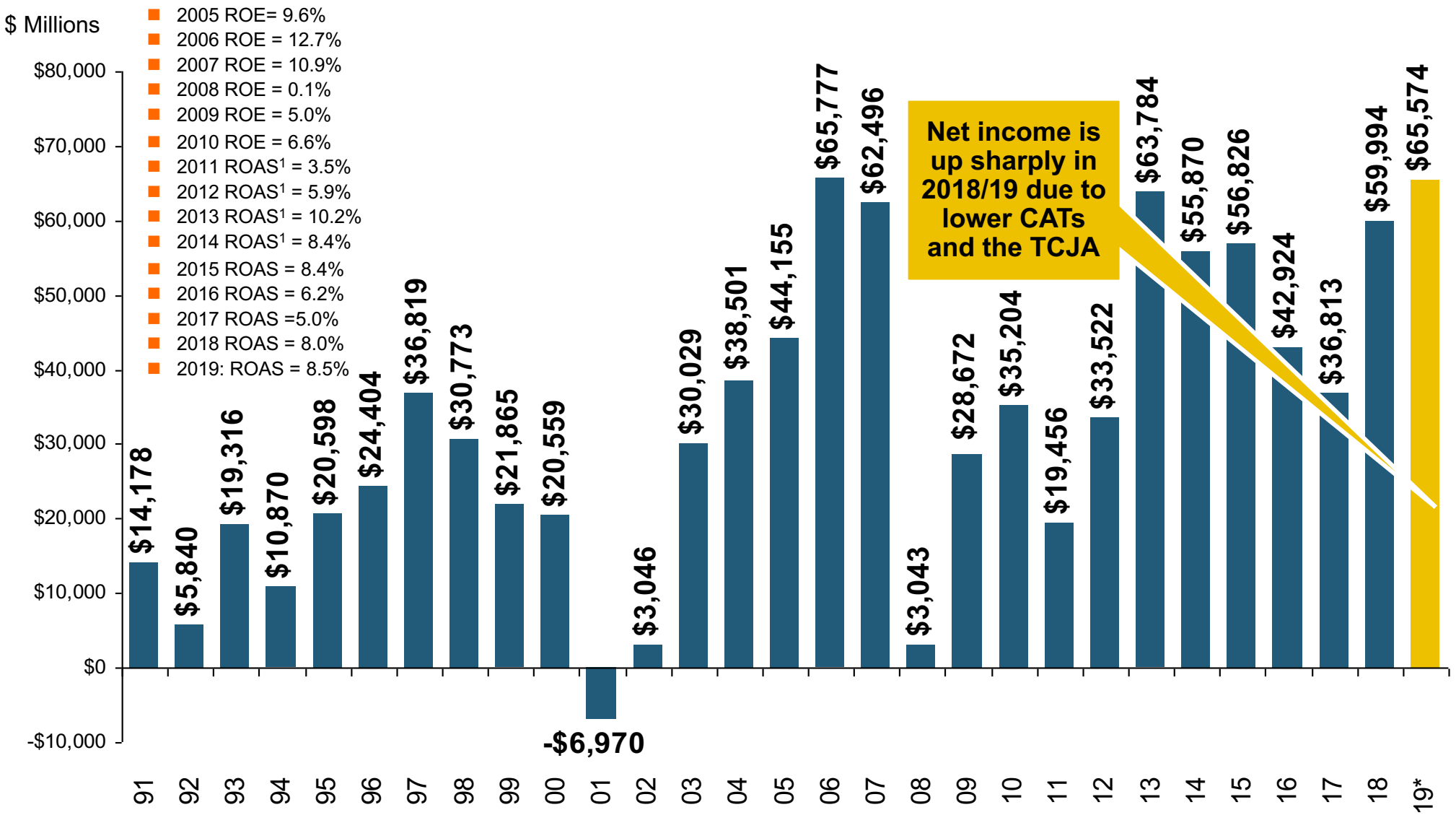
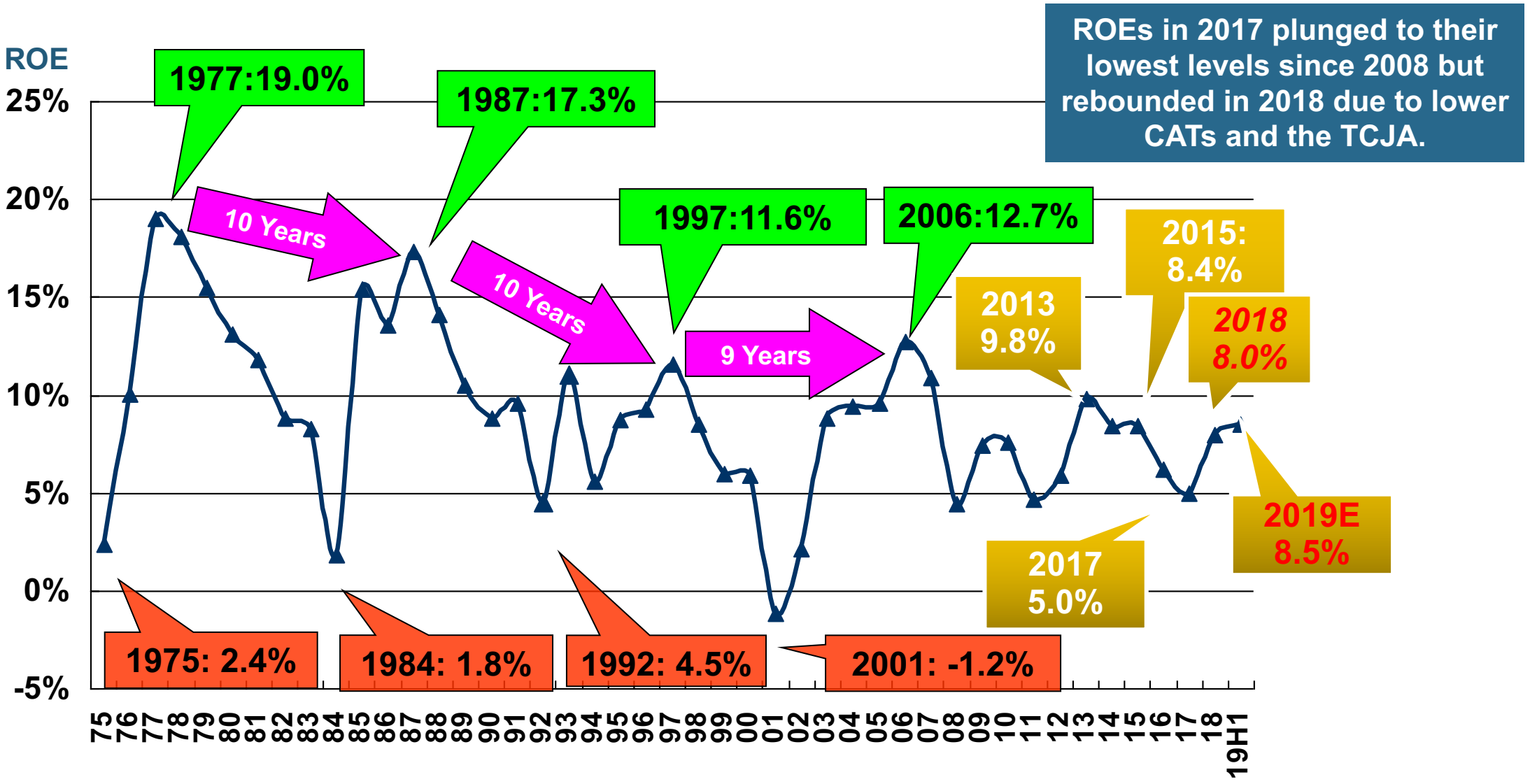
P/C Industry Net Income After Taxes, 1991–2019F*



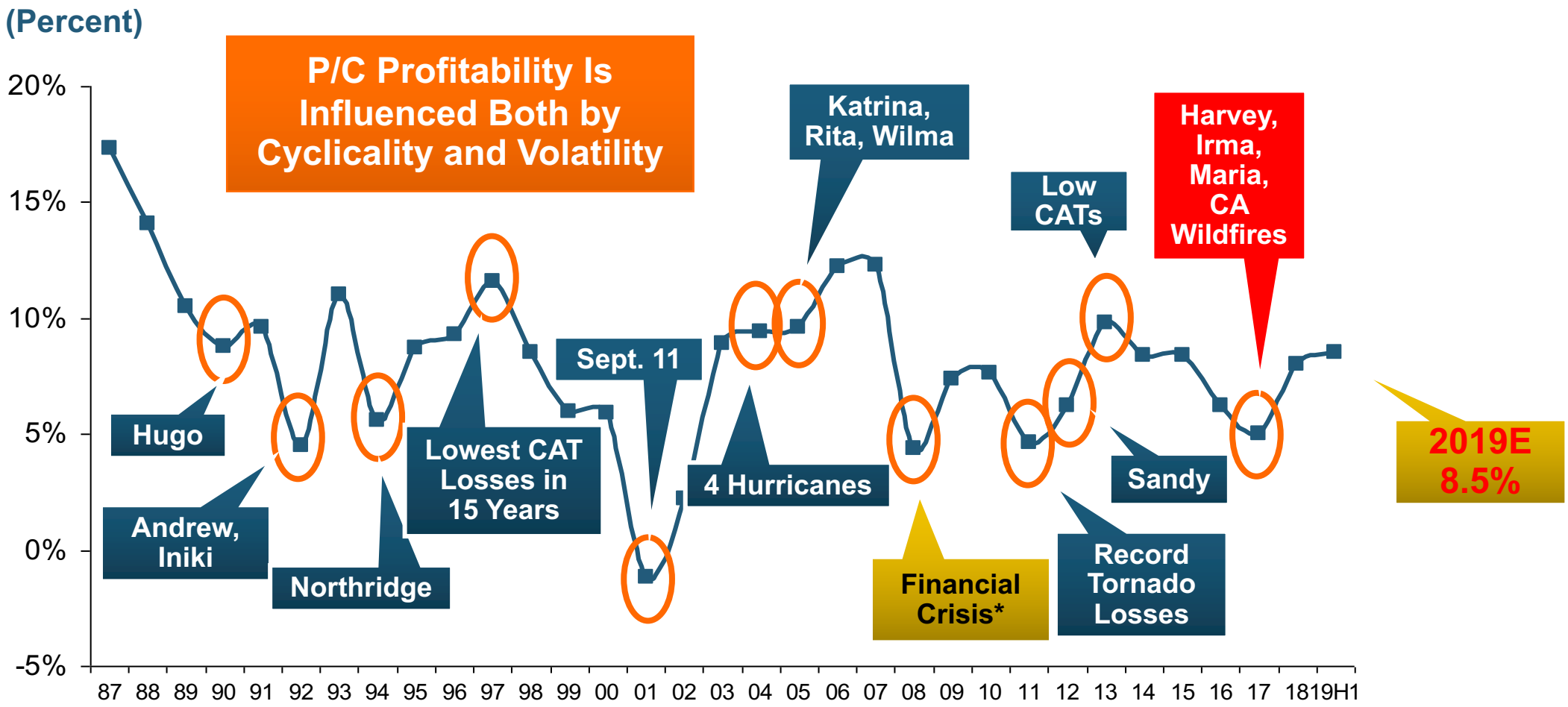
*2019 estimate based on annualized actual 1H:19 figure of $32.787B. ROE figures are GAAP; [1]Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers for years (2009-2014).
Sources: A.M. Best, ISO.

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2019E



Profitability = P/C insurer ROEs. 2011-18 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.
Source: NAIC, ISO, A.M. Best, USC RUM Center.

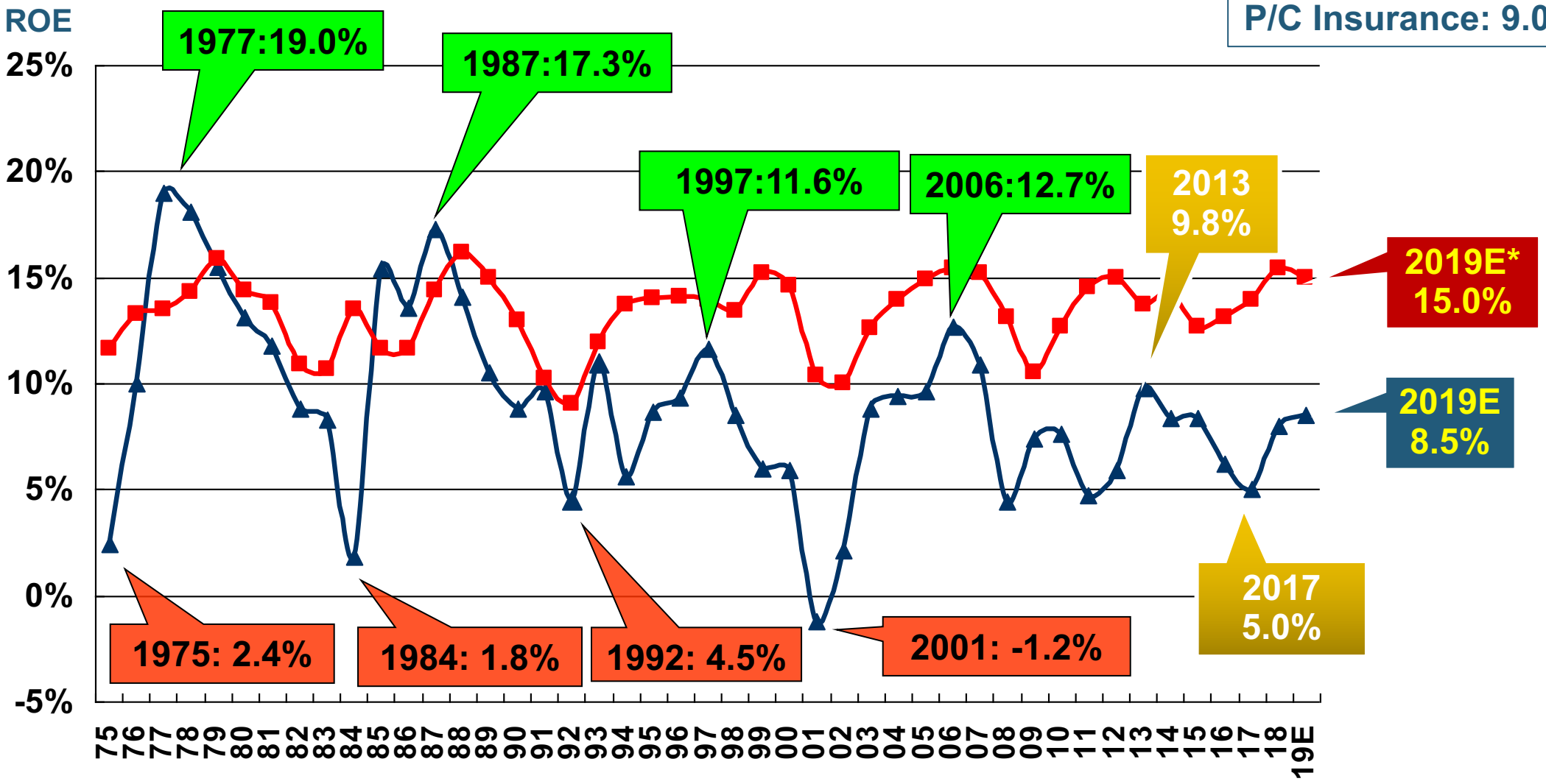
ROE: Property/Casualty Insurance by Major Event, 1987–2019E



*Excludes Mortgage & Financial Guarantee in 2008 – 2014.
Sources: ISO, *Fortune*; A.M. Best (2018E-2019F); USC RUM Center.

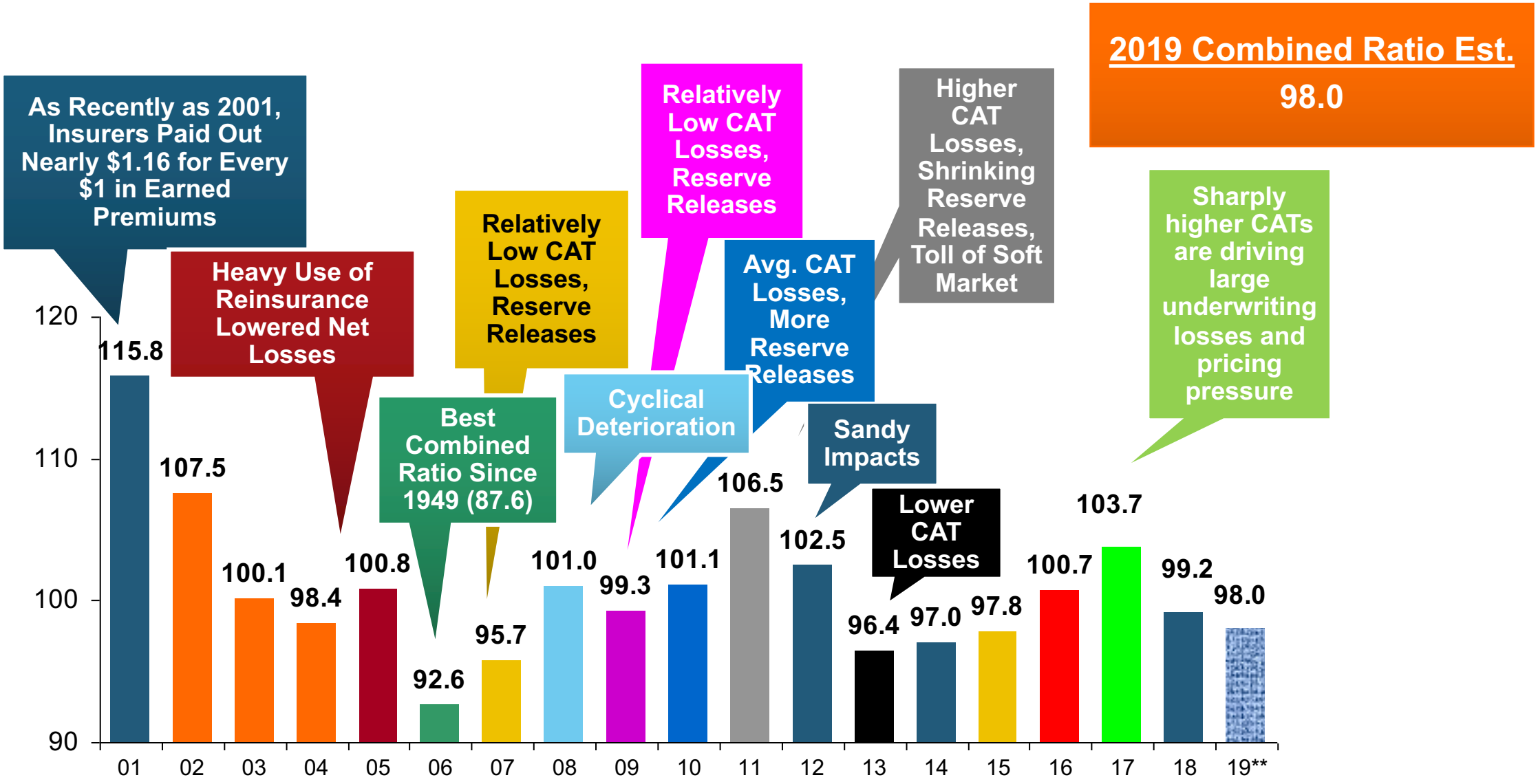
P/C Insurance ROE vs. Fortune 500, 1975–2019E*

Average: 1975-2018
Fortune 500: 13.3%
P/C Insurance: 9.0%



*2018 Fortune 500 figure is an estimate.
Profitability = P/C insurer ROEs. 2011-18 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.
Source: NAIC, ISO, *Fortune*.

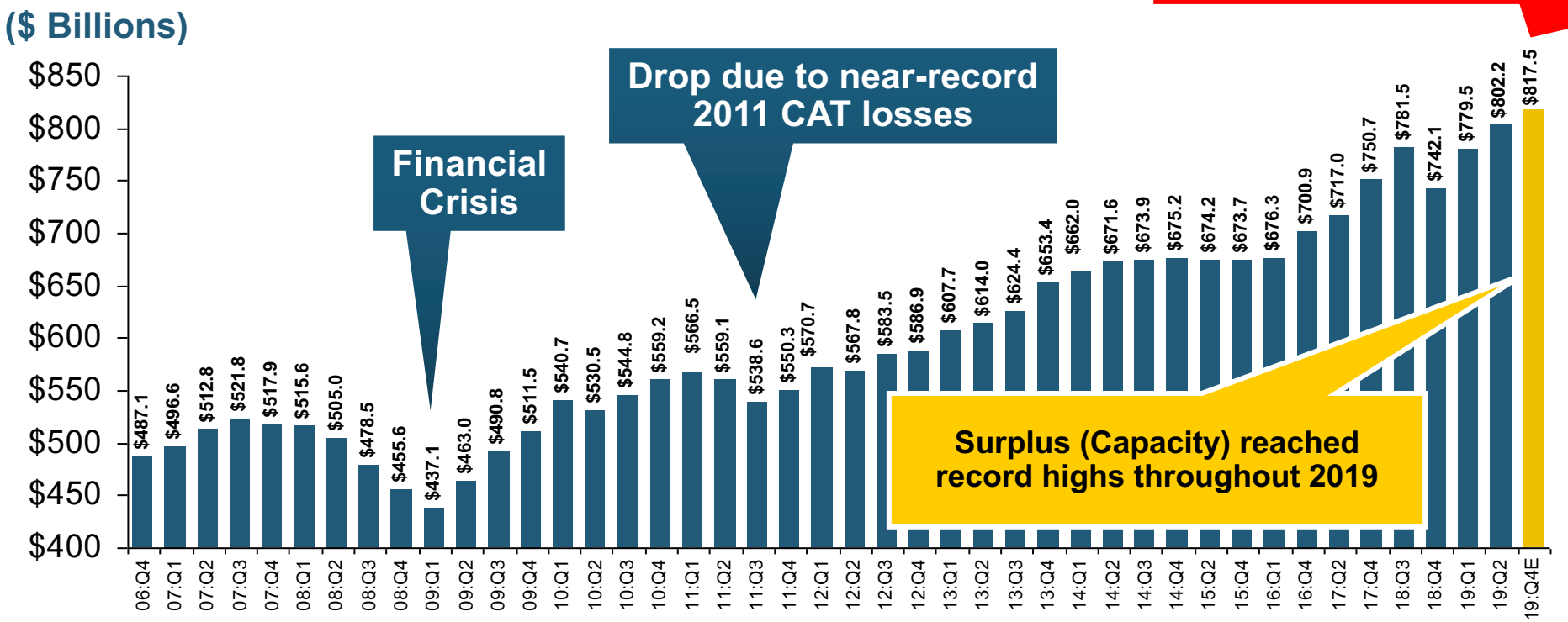
P/C Insurance Industry Combined Ratio, 2001–2019E*



* Excludes Mortgage & Financial Guaranty insurers 2008--2014.
**Actual through H1 2019 was 97.3
Sources: A.M. Best, ISO (2014-2019).

Policyholder Surplus (Capacity), 2006:Q4–2019:Q4E

A sharp recovery in asset prices pushed surplus to a new record high in 2019, surpassing $800B for the first time ever

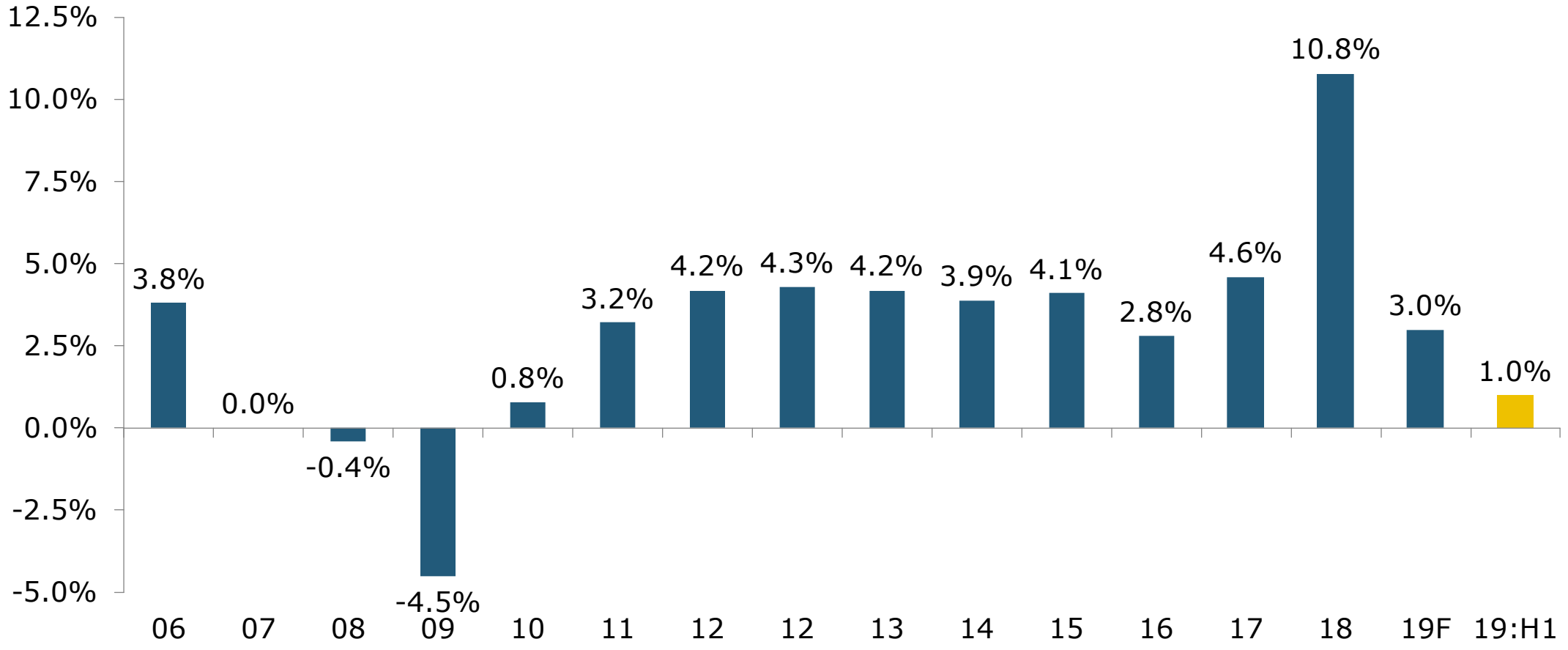


2010:Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business.

The abundance of capacity/Capital will temper the amplitude of hardening in most markets

Sources: ISO, A.M .Best; 2019E from Center for Risk and Uncertainty Management, University of South Carolina, based on actual $802.2B through 6/3019.

Net Written Premium Growth (All P/C Lines): 2006-2019F



Total Net Written Premiums Show a Return to Trend for 2019. Sharp Increase in 2018 and Decline in 2019 Reflect Impacts from the Tax Cut and Jobs Act of 2017

Sources: A.M. Best (2006-2013, 2019F), ISO (2014-19:H1).

Net Premium Growth (All P/C Lines): Annual Change, 1971—2019F

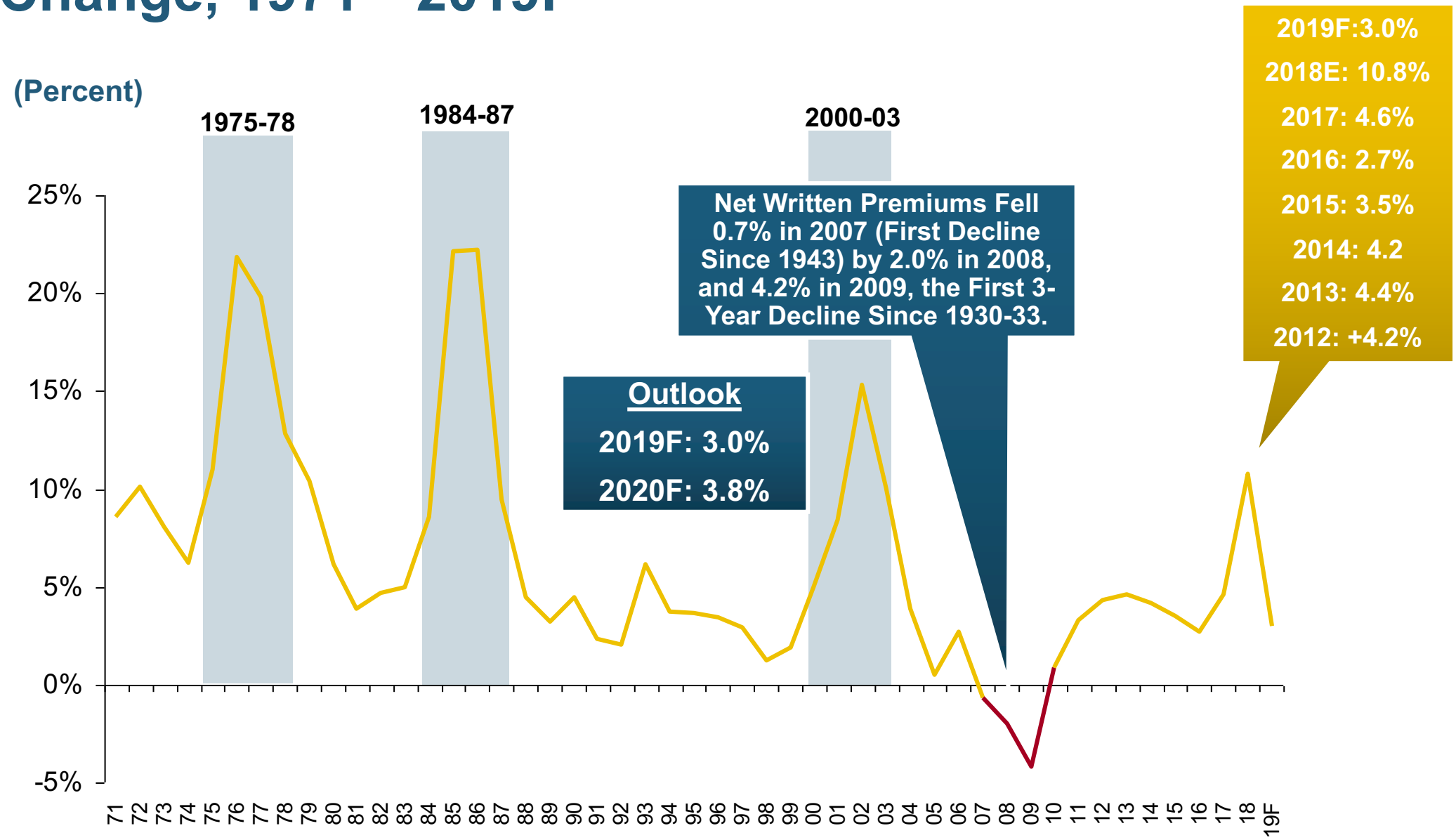
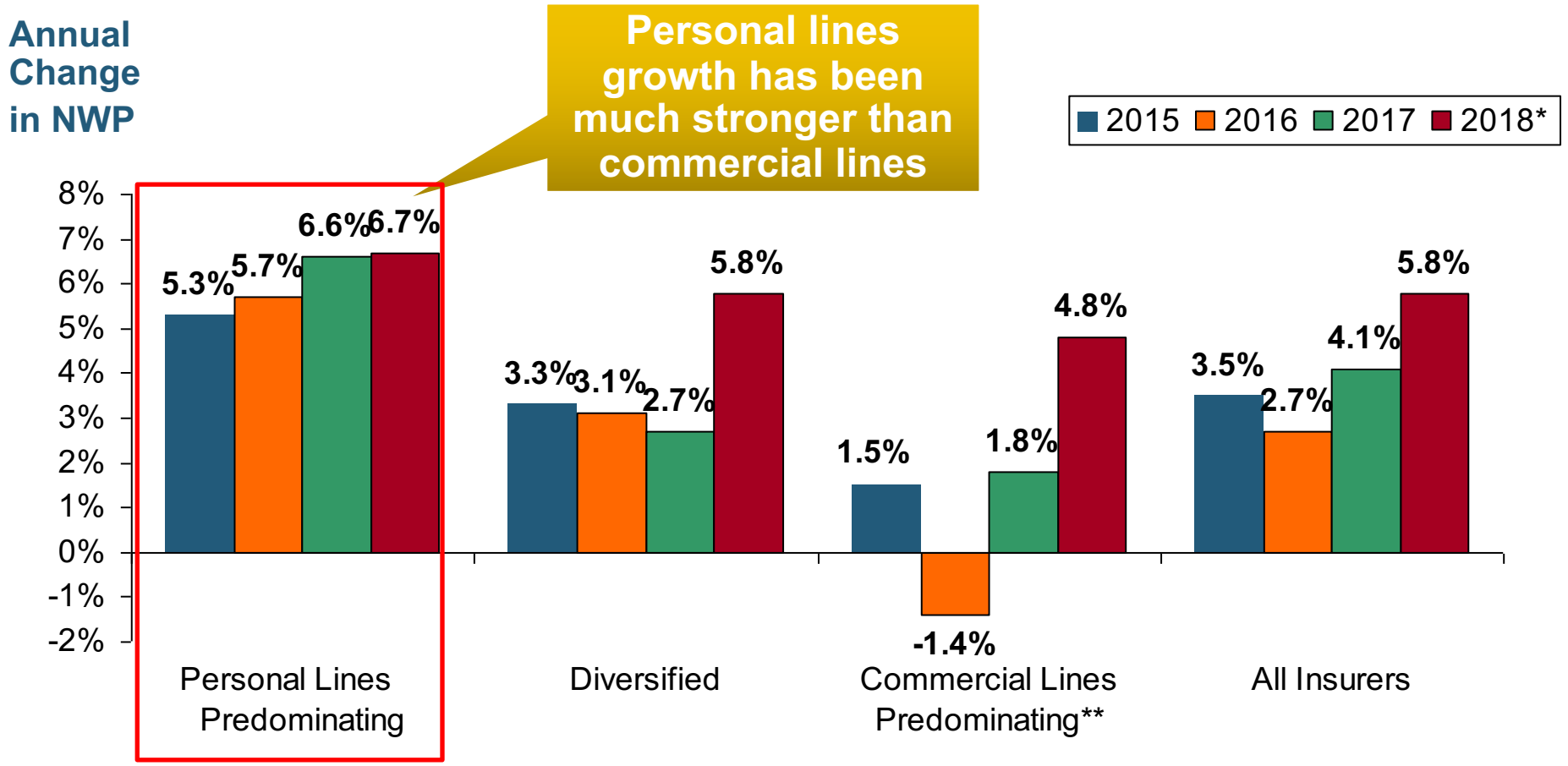


*Figure is actual 2018:9M vs. 2017:9M change adjusted for affects of the TCJA of 2017. Shaded areas denote "hard market" periods
Sources: A.M. Best (1971-2013, 2020F), ISO (2014-19); Risk & Uncertainty Management Center, Univ. of South Carolina estimate for 2019.

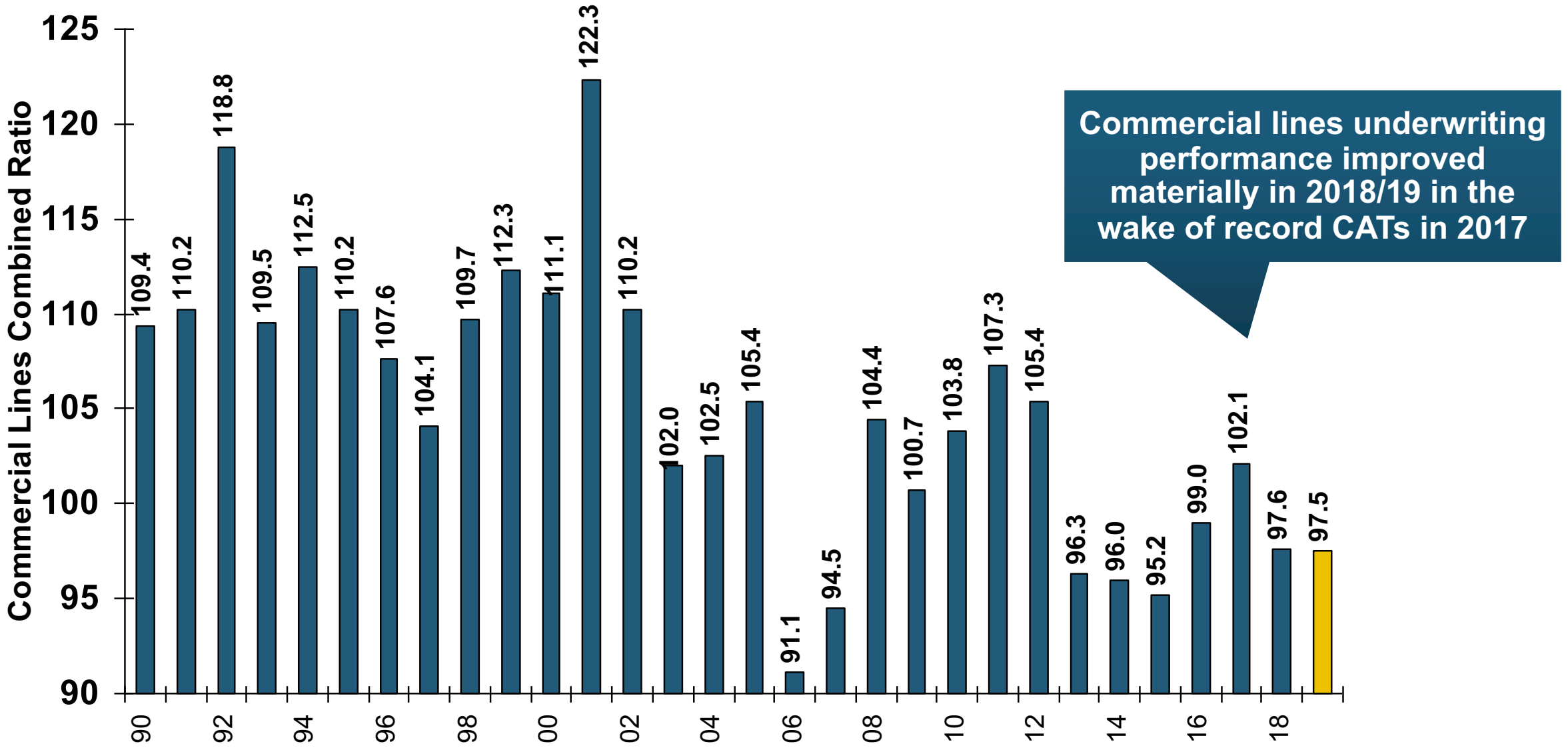
Growth in Net Written Premium: Personal vs. Commercial, 2015 – 2018*



The divergence in growth between personal and commercial lines is large but may be narrowing

*2018 is an estimate based on actual data through Q4:2018. Commercial lines figure has been adjusted from actual value of 19.3% to account for distortionary affects from the TCJA 2017, which impacted reinsurance utilization, largely in the commercial segment.
Source: ISO. University of South Carolina Risk and Uncertainty Management Center.

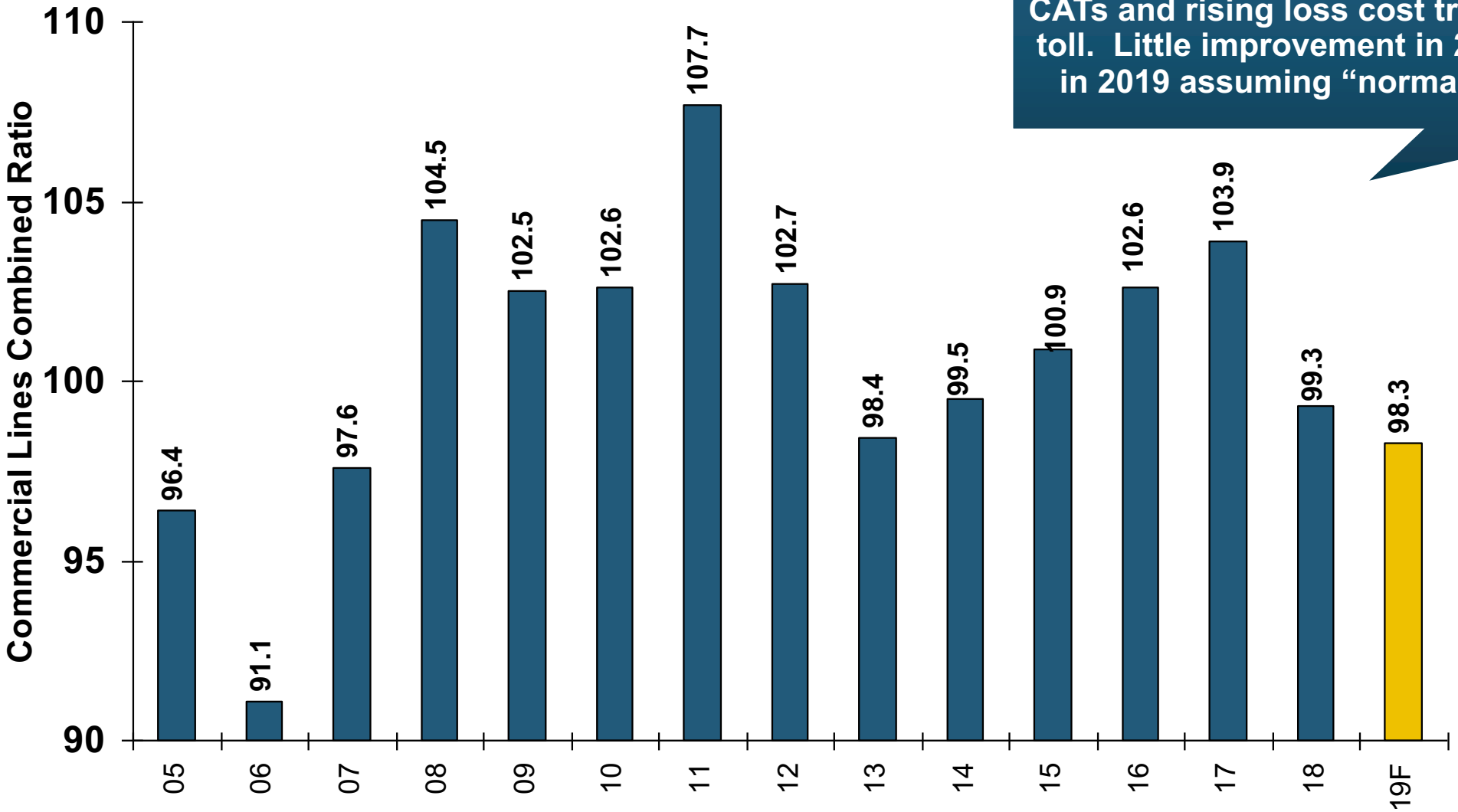
Commercial Lines Combined Ratio, 1990-2019F*



*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2018). Risk and Uncertainty Management Center, Univ. of South Carolina (2019F).

Personal Lines Combined Ratio, 2005-2019F*

Personal lines underwriting performance deteriorated from 2014-2017 as record CATs and rising loss cost trends took their toll. Little improvement in 2018, but more in 2019 assuming "normal" cat activity



*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2018). Risk and Uncertainty Management Center, Univ. of South Carolina (2019F).

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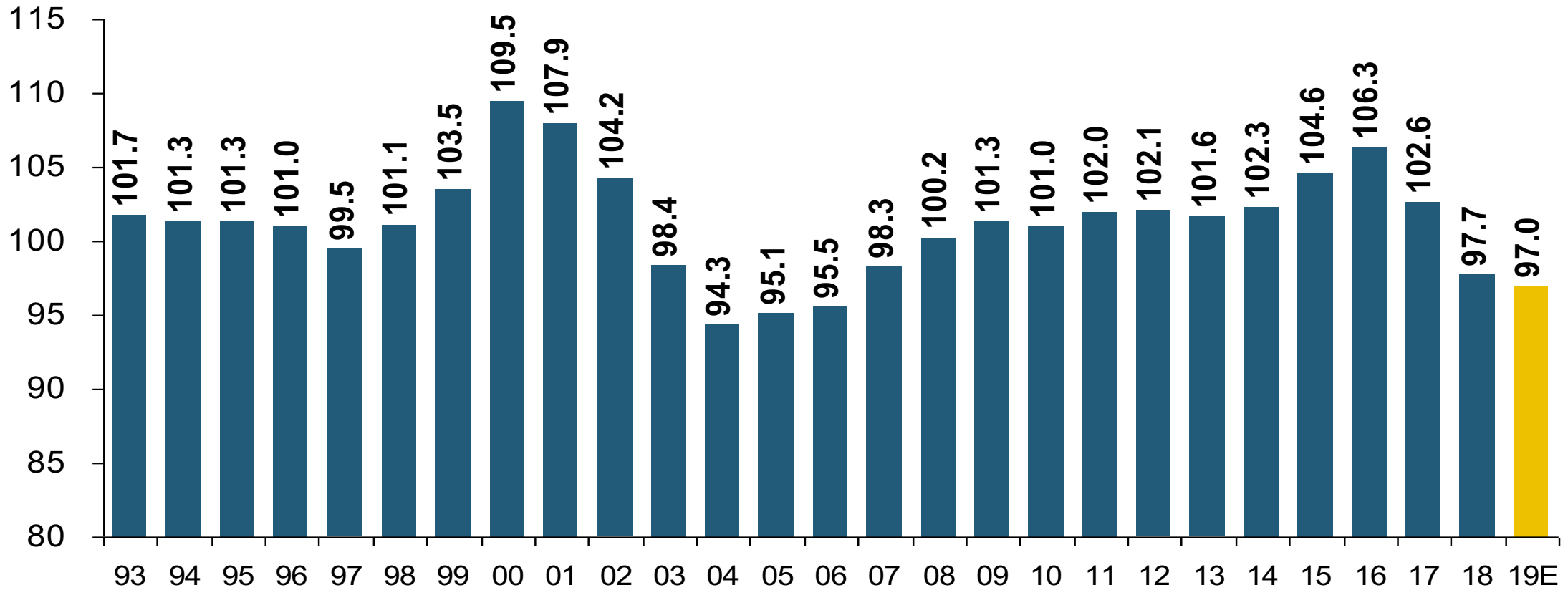
Private Passenger Auto Frequency & Severity Trends in the US

Severity Trends Are Adverse, Not Offset by Declining Frequency

Private Passenger Auto Combined Ratio: 1993–2019E

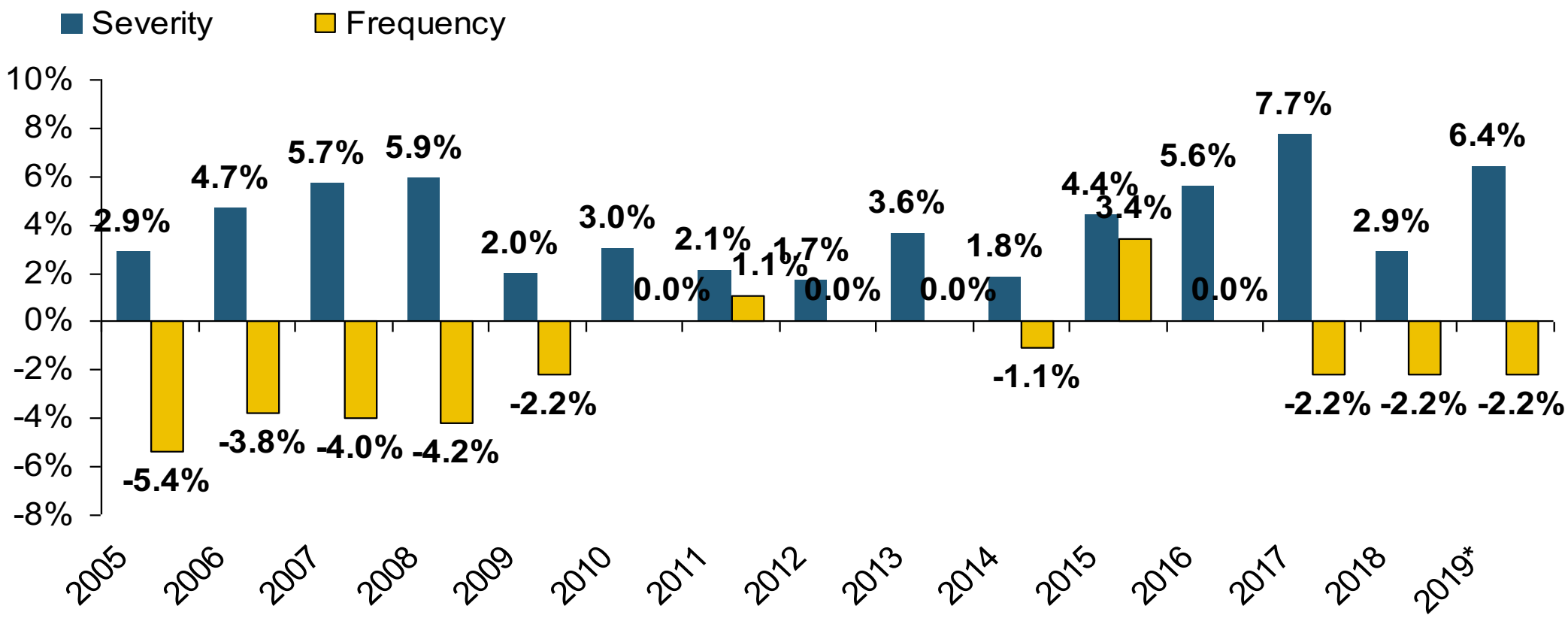


Private Passenger Auto Underwriting Performance Is Showing the Strains of Rising Frequency (and Severity) Trends in Many States

Sources: A.M. Best (1990-2018); USC RUM Center (2019E).

Bodily Injury: Severity Trend Is Up, Frequency Decline Returning?

Annual Change, 2005 through 2019:Q3*



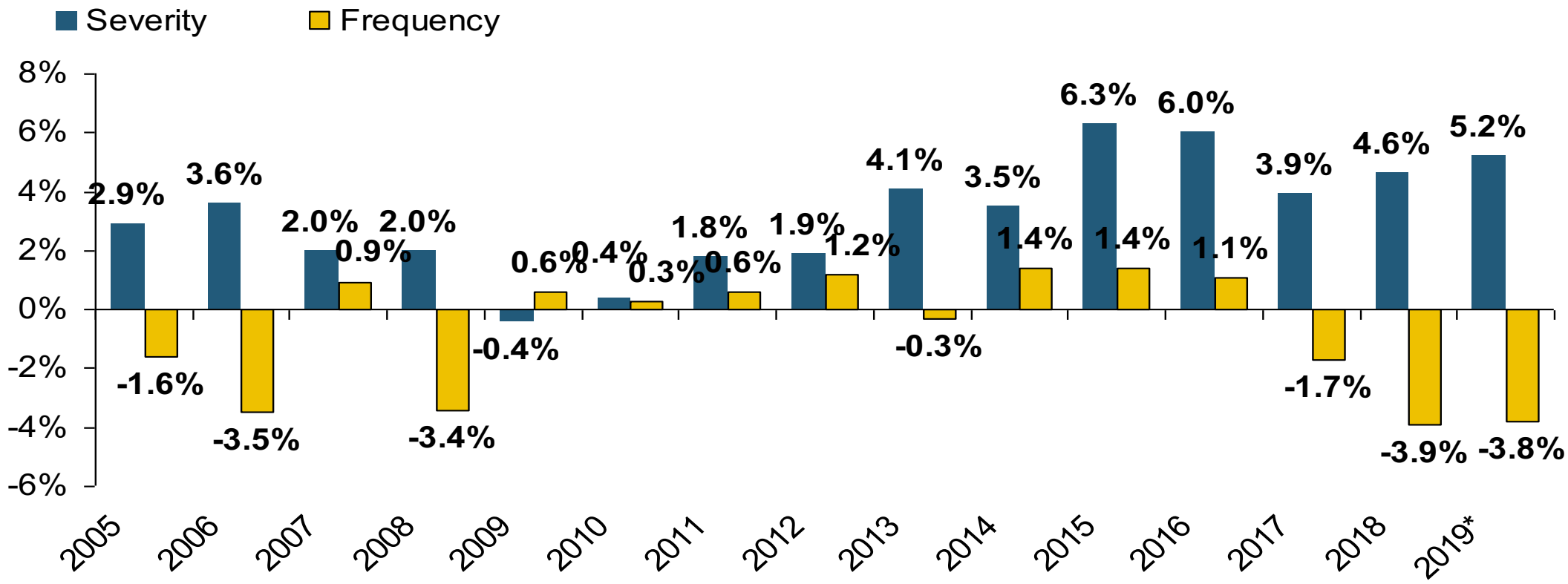
BI Severity Trend is a Major Cost Driver

*2019 figure is for the 4 quarters ending 2019:Q3.

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Property Damage Liability: Severity Up and Frequency Down

Annual Change, 2005 through 2019*



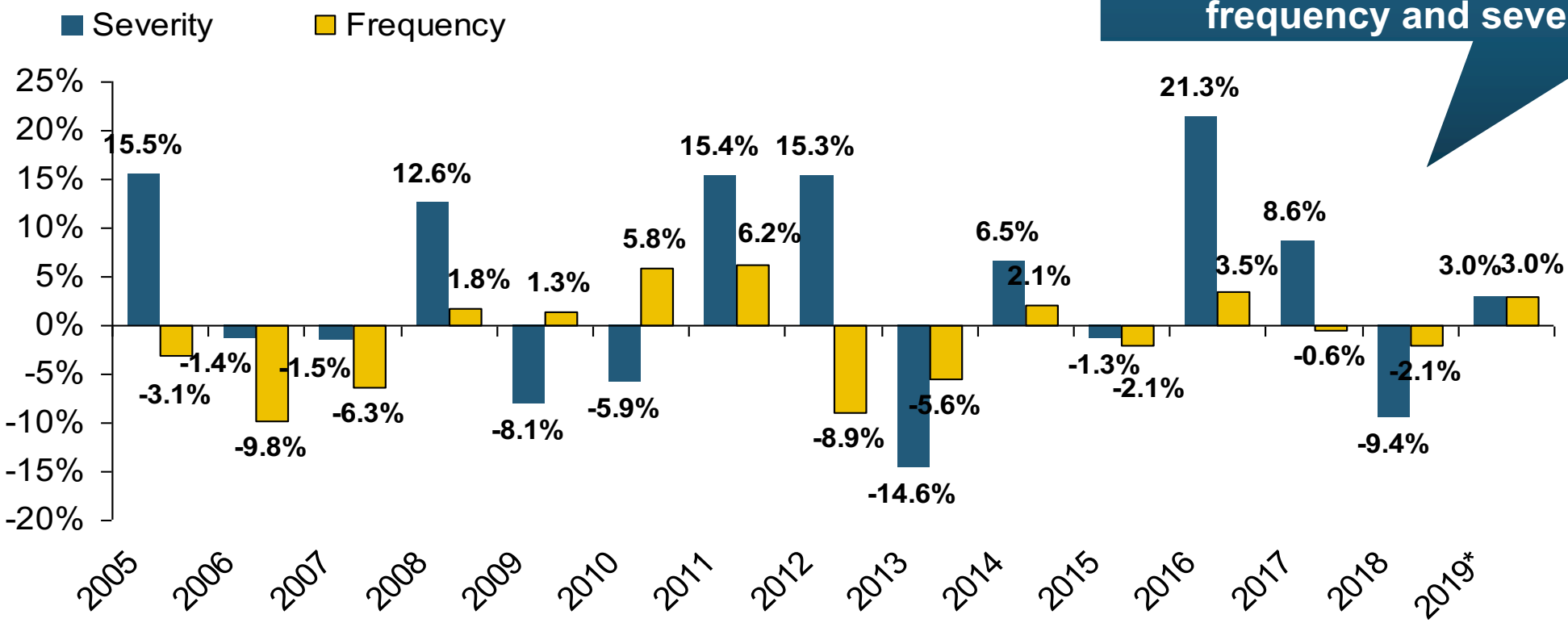
Severity/Frequency Trends Have Been Volatile, But Rising Severity since 2011 Is a Concern

*2019 figure is for the 4 quarters ending 2019:Q3.

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Comprehensive Coverage: Frequency and Severity Trends Are Volatile

Annual Change, 2005 through 2019*

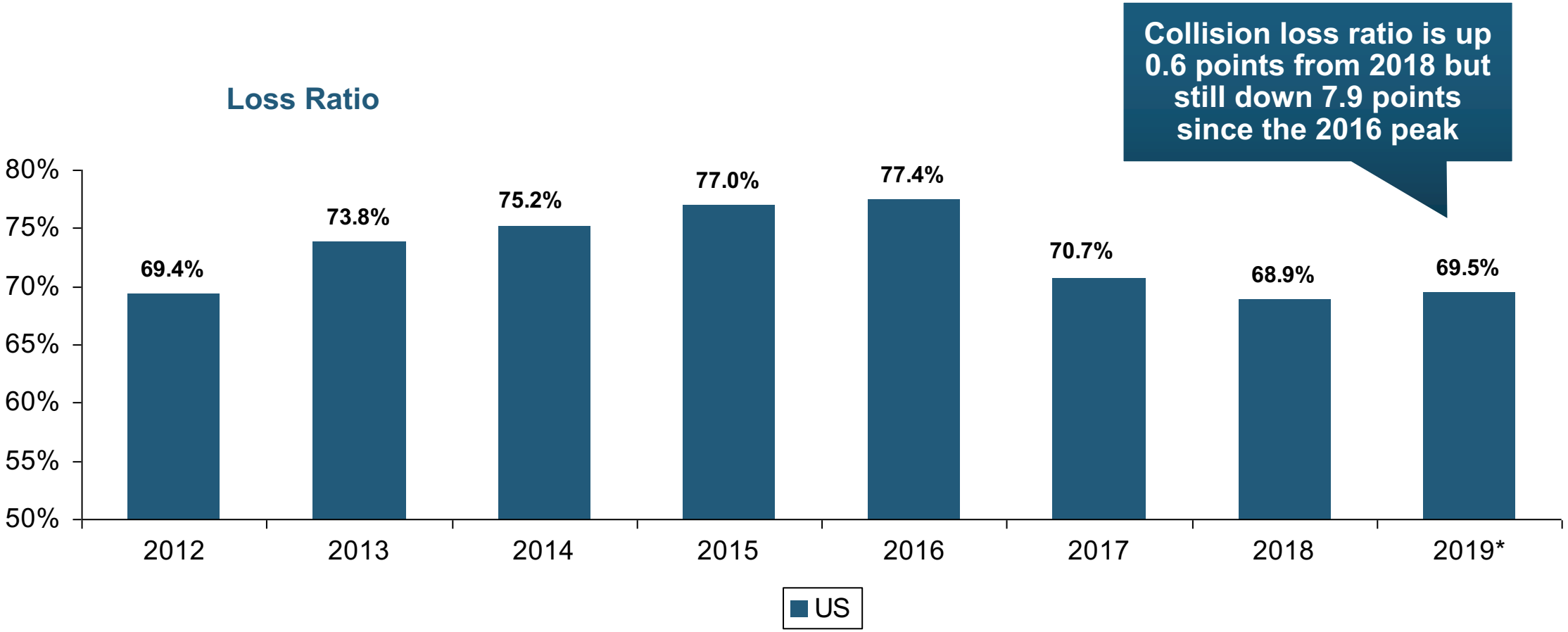


Severe weather is a principal cause of the spikes in both frequency and severity

Weather Creates Volatility for Comprehensive Coverage. Comprehensive Losses Are Up Modestly in 2019 after Falling in 2018 Following Severe Losses Due Largely to Hurricanes Harvey, Irma and Maria in 2017

*2019 figure is for the 4 quarters ending 2019:Q3.
Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Collision Loss Ratio Trending Upward: Pvt. Passenger Auto, US, 2012 – 2019*

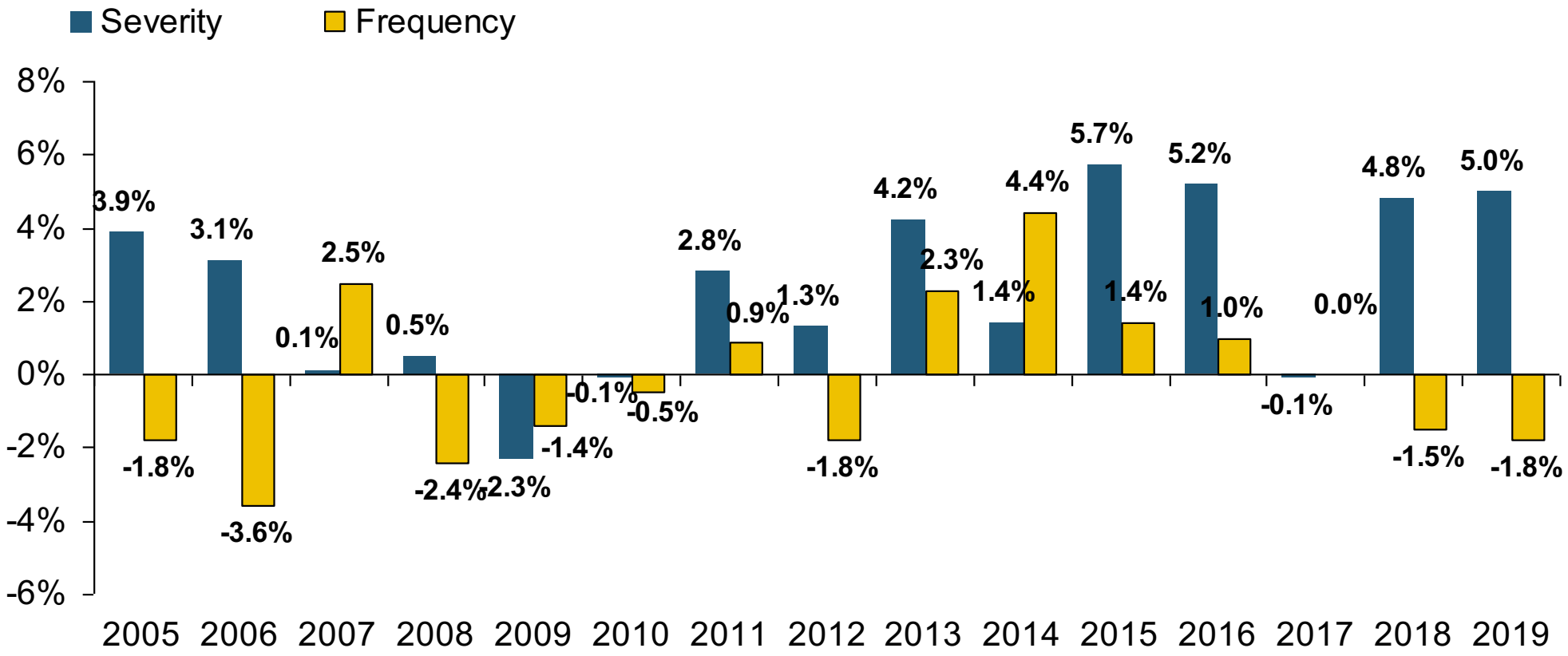


Collision Loss Ratios in Are Up Slightly in 2019

*2019 data are for the 4 quarters ending Sept. 30, 2019.
Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Collision Coverage: Severity Trends Are a Concern*

Annual Change, 2005 through 2019*

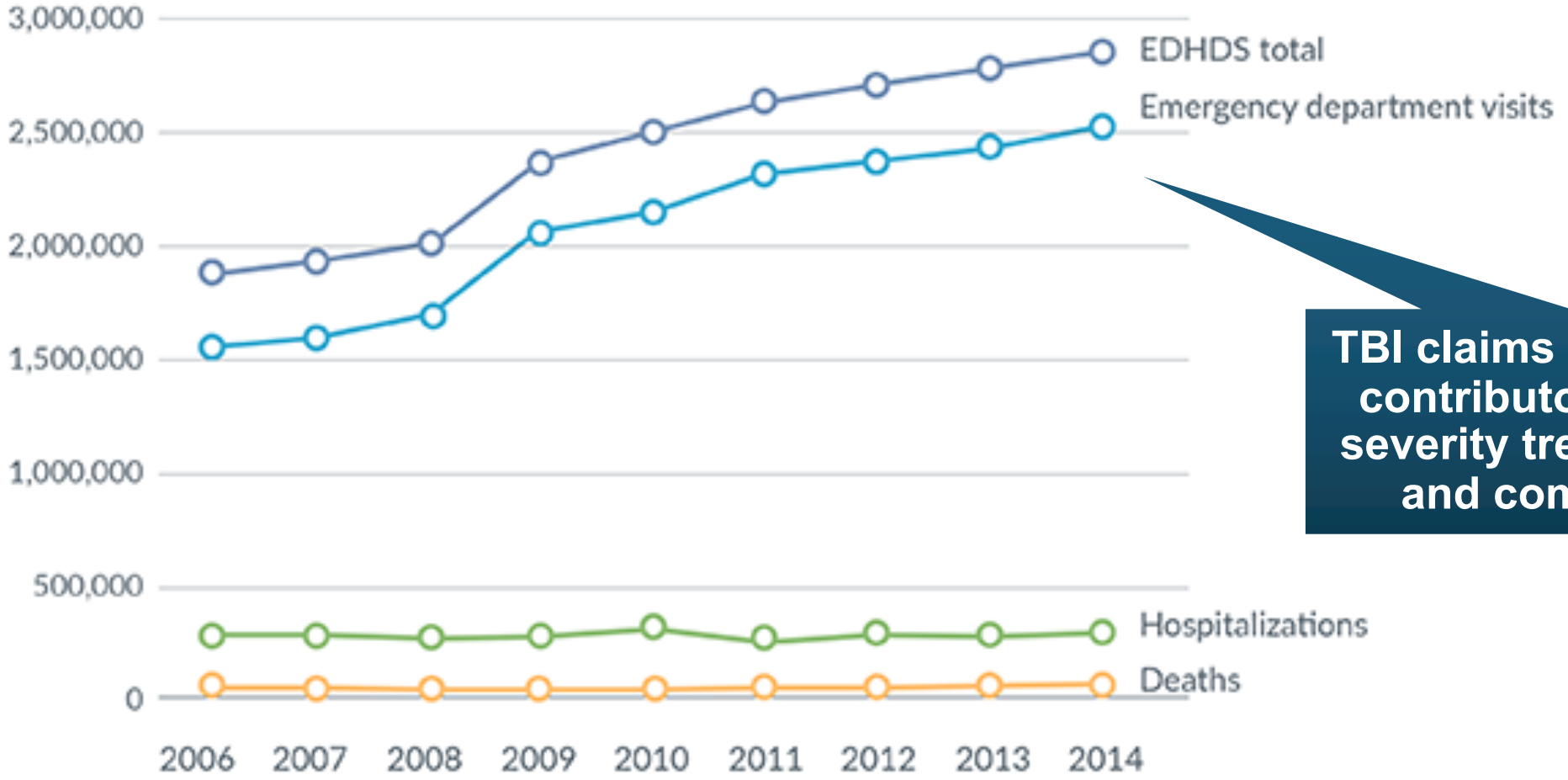


The Recession, High Fuel Prices Helped Temper Frequency and Severity, But that Trend Clearly Reversed, Consistent with Experience from Past Recoveries, though Frequency is Subdued

*2019 figure is for the 4 quarters ending 2019:Q3.

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

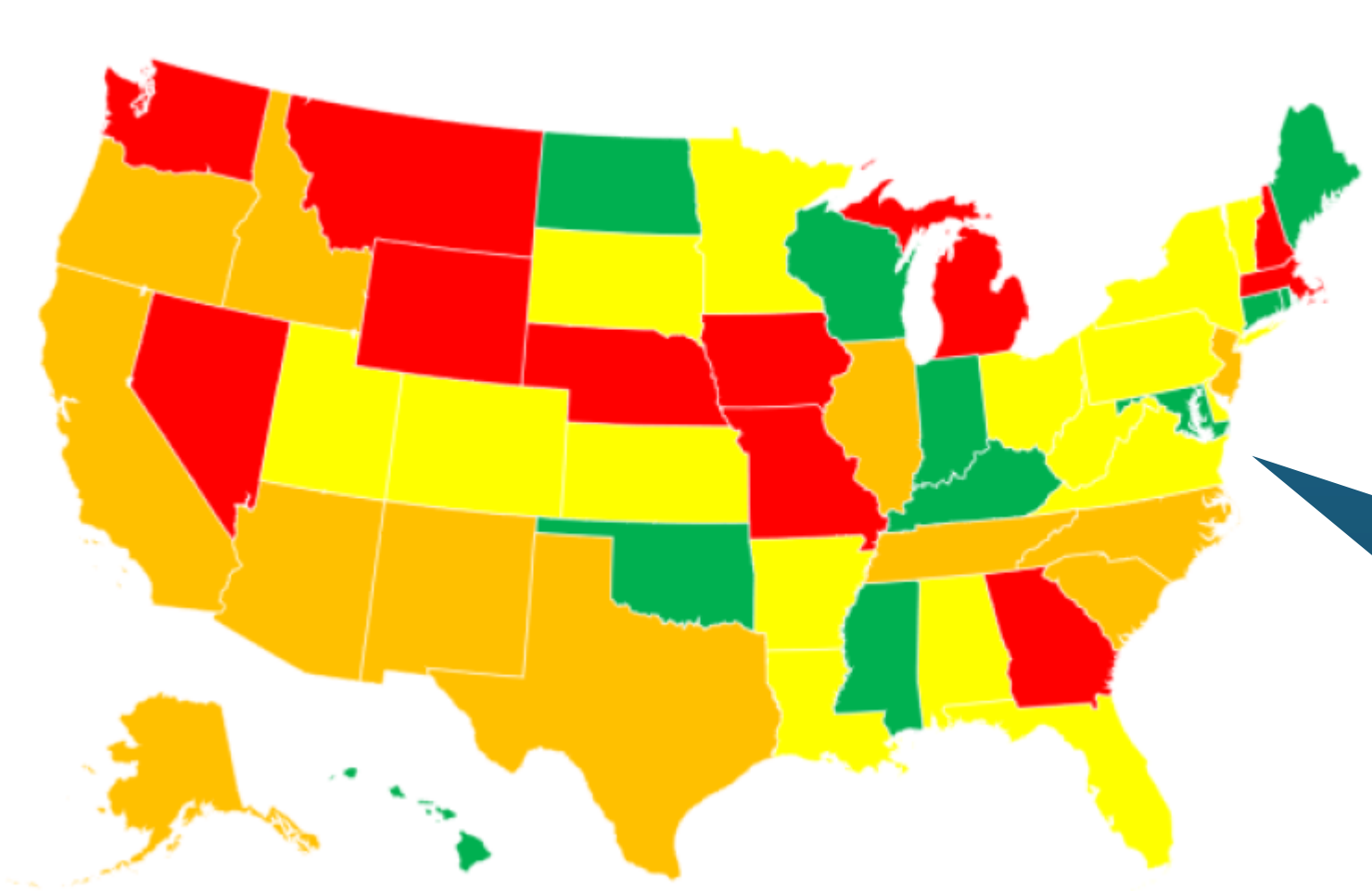
Traumatic Brain Injury Trends: On the Rise



TBI claims are an important contributor to adverse BI severity trends in personal and commercial auto

Source: CDC, https://www.cdc.gov/traumaticbraininjury/data/tbi-edhd.html

Commercial Auto Liability:
(Direct L/R Avg. 2017/18 – Direct L/R 2014/14)

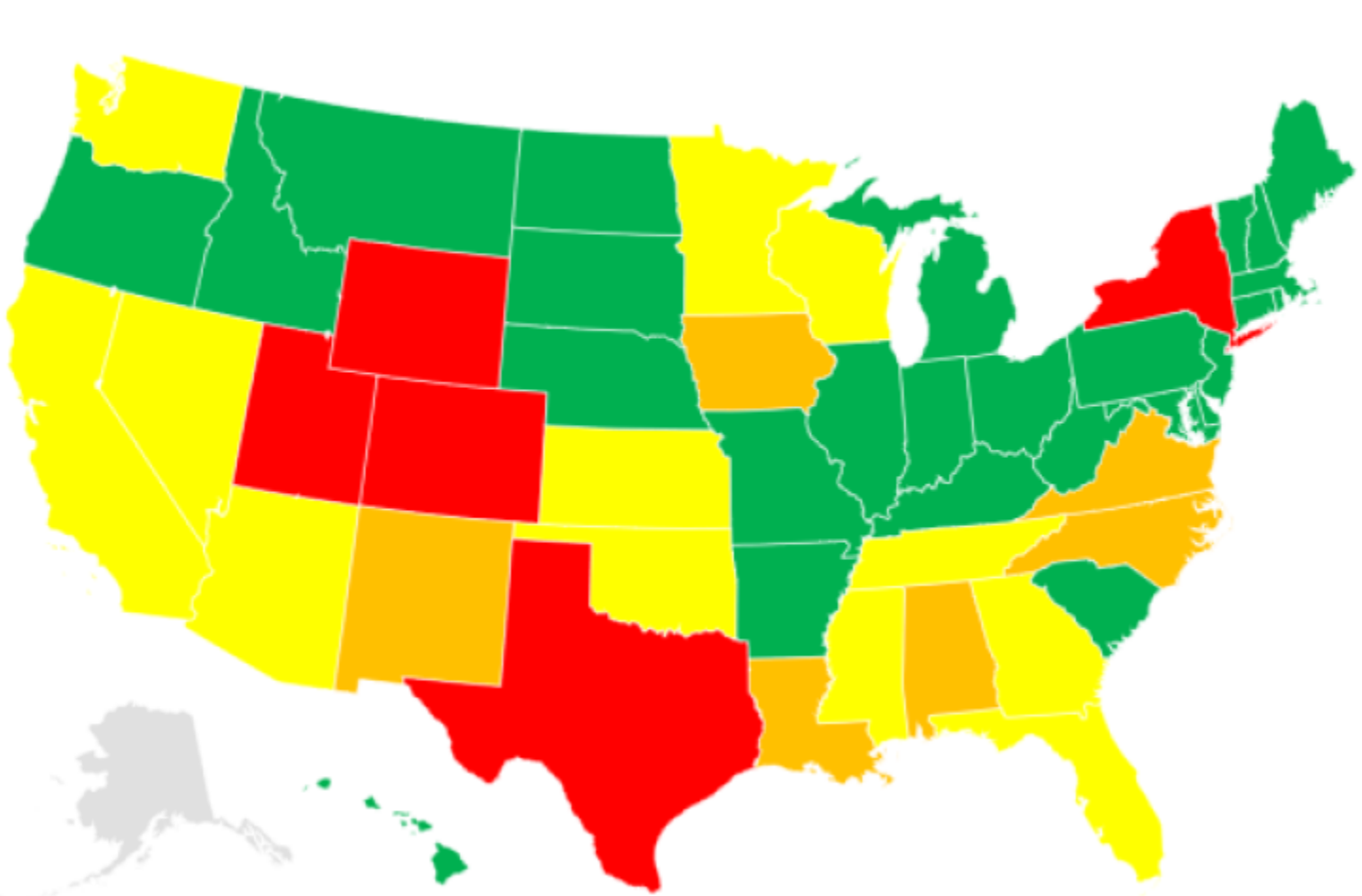


Median Deterioration = 5 pts

39 out of the 50 states experiences a deterioration in their Commercial Auto Liability loss ration in recent years—11 of them with deteriorations of 10+ points

Source: S&P Global, Assured Research; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Commercial Auto Physical Damage: (Direct L/R Avg. 2017/18 – Direct L/R 2014/14)



PD loss ratio for Commercial Auto was approximately unchanged for the most recent period

Source: S&P Global, Assured Research; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Workers Compensation Operating Environment

Workers Comp Results Have Improved Substantially in Recent Years

Can Gains Be Maintained?

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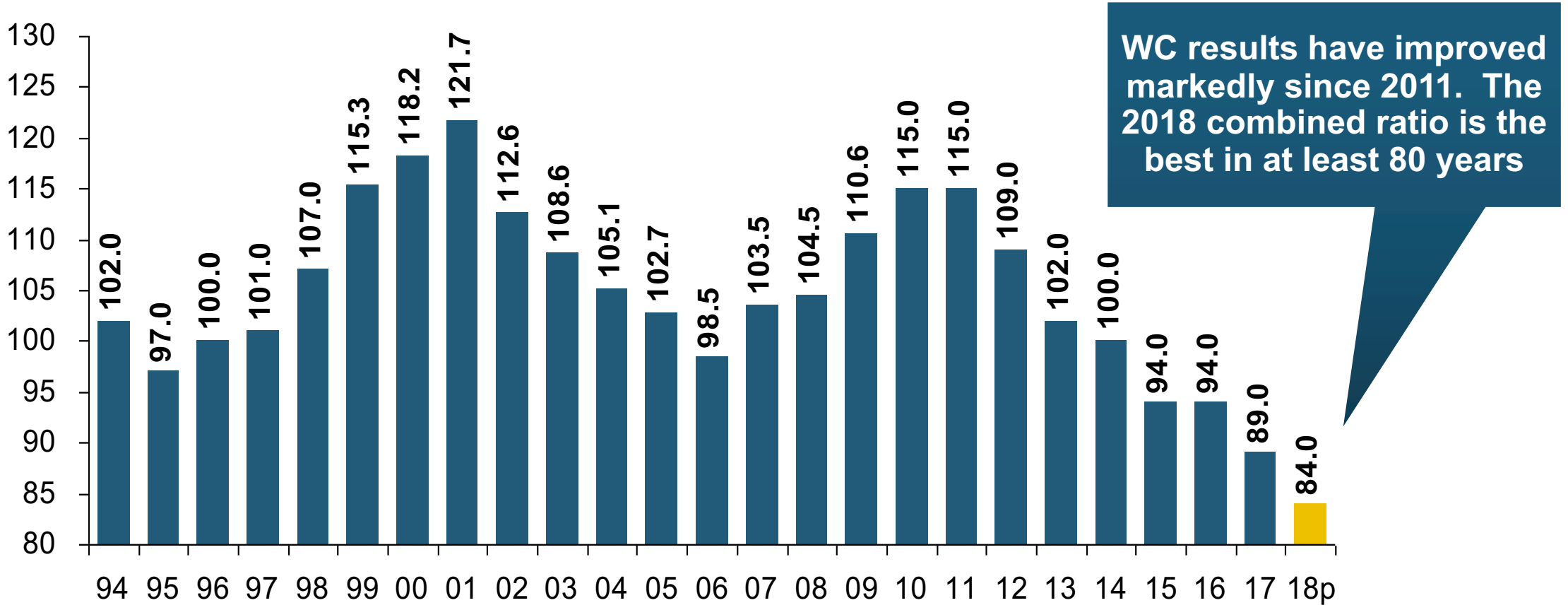
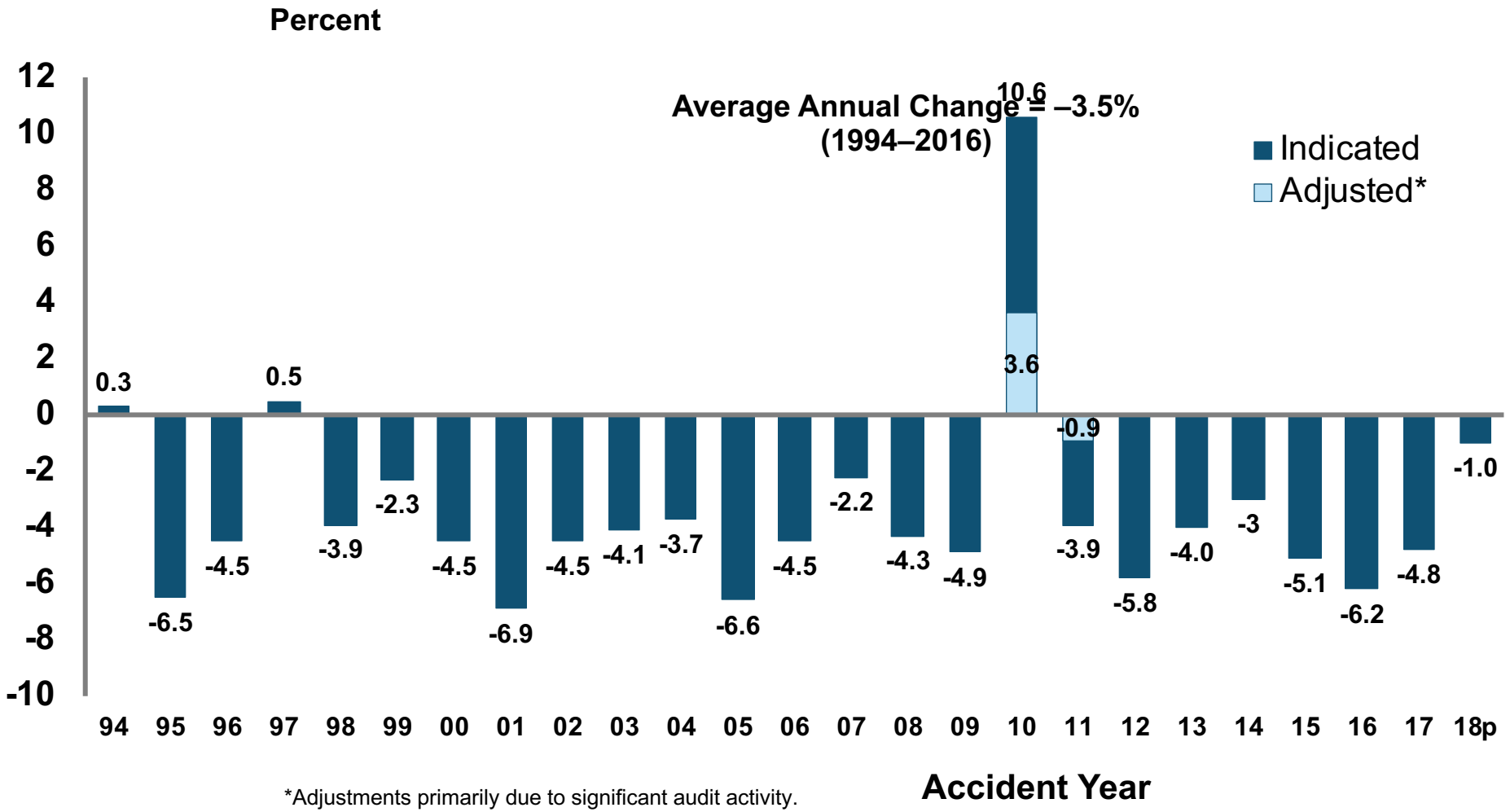
Workers Compensation Combined Ratio: 1994–2018P



Workers Comp Is an Example of a Line that Was Recently Restored to Health Through the Return of Rate Adequacy as Well as Declining Claim Frequency

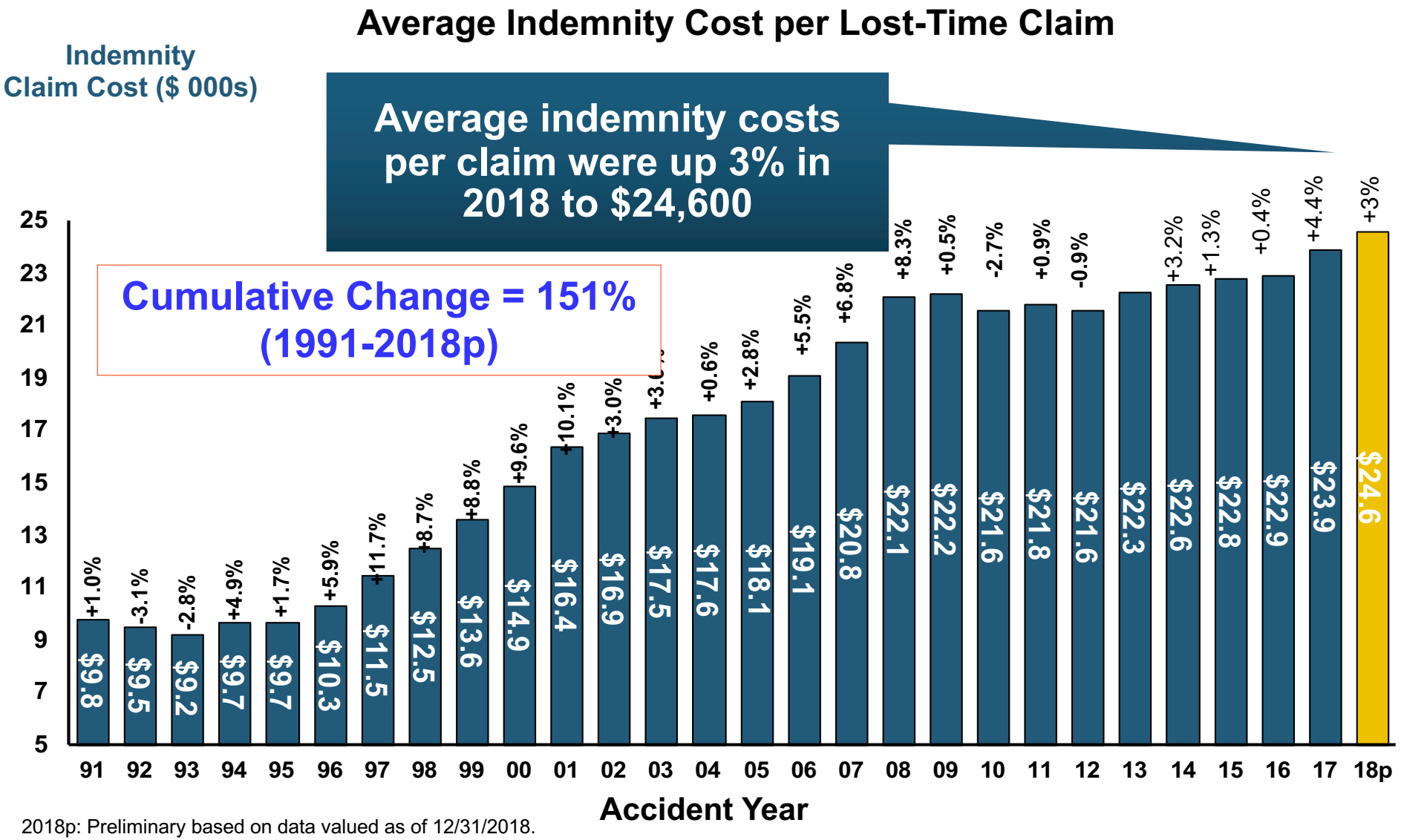
Sources: A.M. Best (1994-2009); NCCI (2010-2018P) and are for private carriers only..

Workers Compensation Lost-Time Claim Frequency Declined Again in 2018



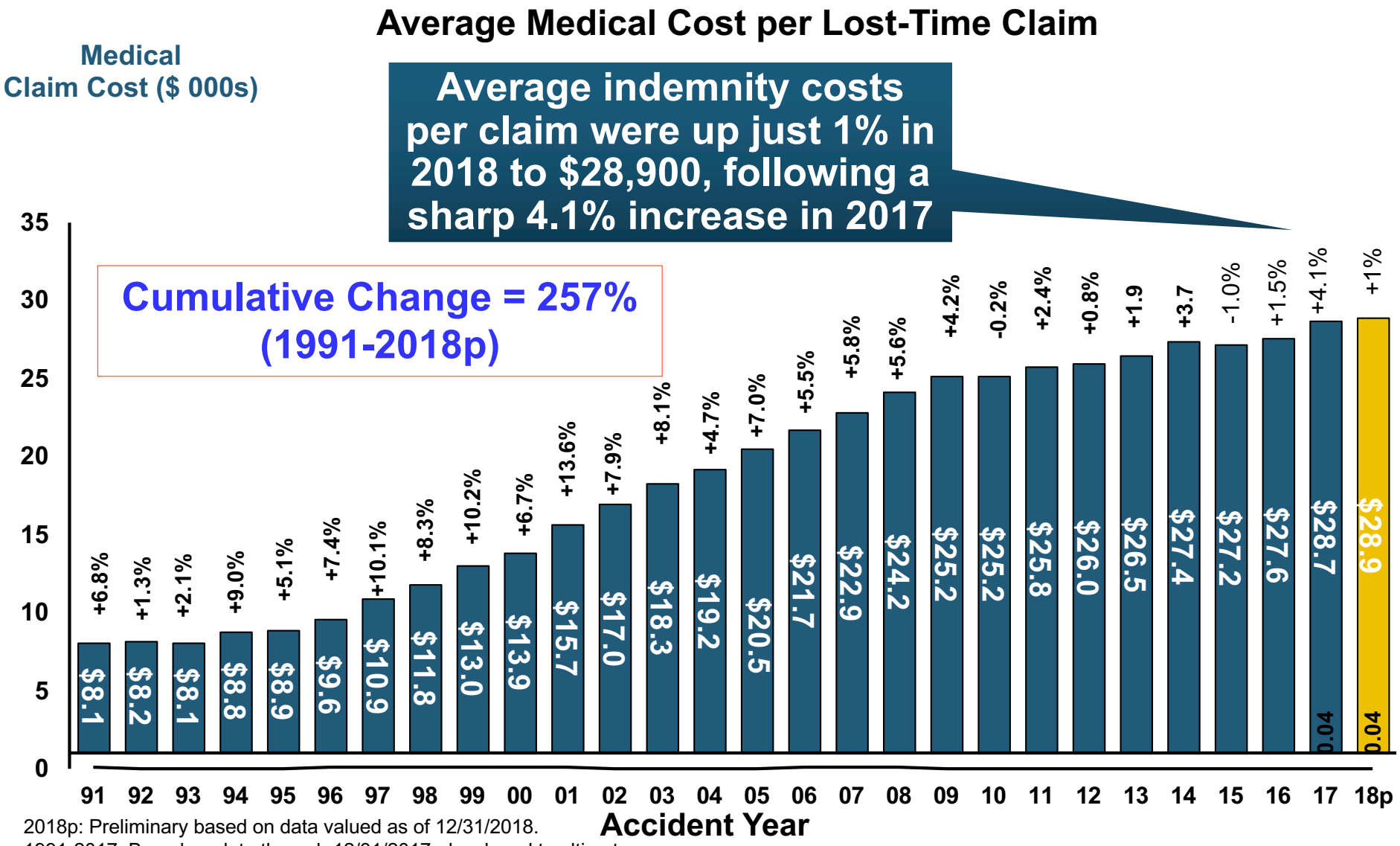
*Adjustments primarily due to significant audit activity.
2017p: Preliminary based on data valued as of 12/31/2017.
Source: NCCI Financial Call data, developed to ultimate and adjusted to current wage an voluntary loss cost level; Excludes high deductible policies; 1994-2017: Based on data through 12/31/17. Data for all states where NCCI provides ratemaking services, excluding WV.
Frequency is the number of lost-time claims per $1M pure premium at current wage and voluntary loss cost level

Workers Comp Indemnity Claim Costs: Sharper Increase in 2018



2018p: Preliminary based on data valued as of 12/31/2018.
1991-2017: Based on data through 12/31/2017, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

Workers Comp Medical Claim Costs: Pace of Increase Decelerated in 2018

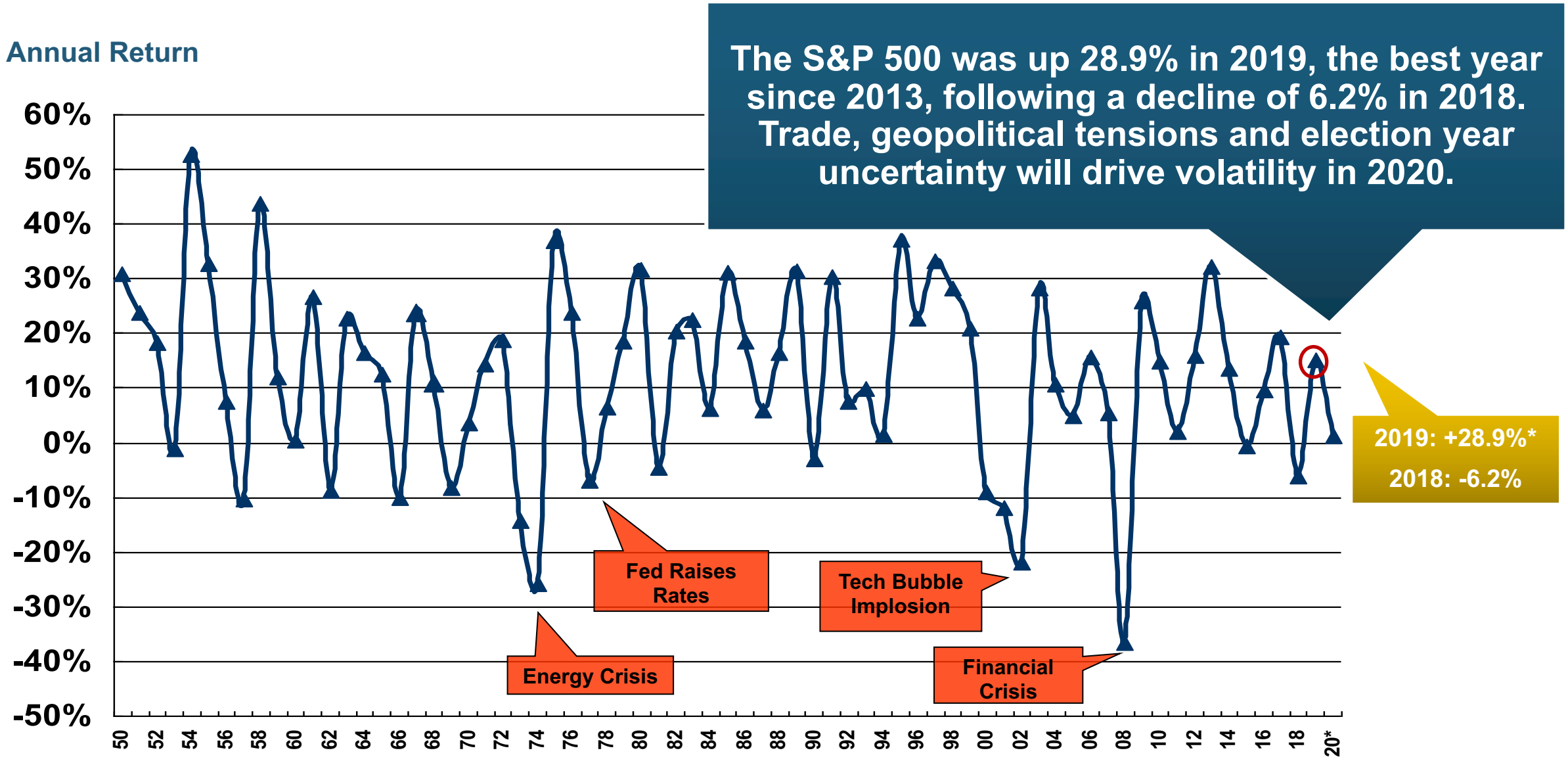


2018p: Preliminary based on data valued as of 12/31/2018.
1991-2017: Based on data through 12/31/2017, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

INVESTMENTS:
THE NEW REALITY

Investment Performance Is a Key Driver of Insurer Profitability

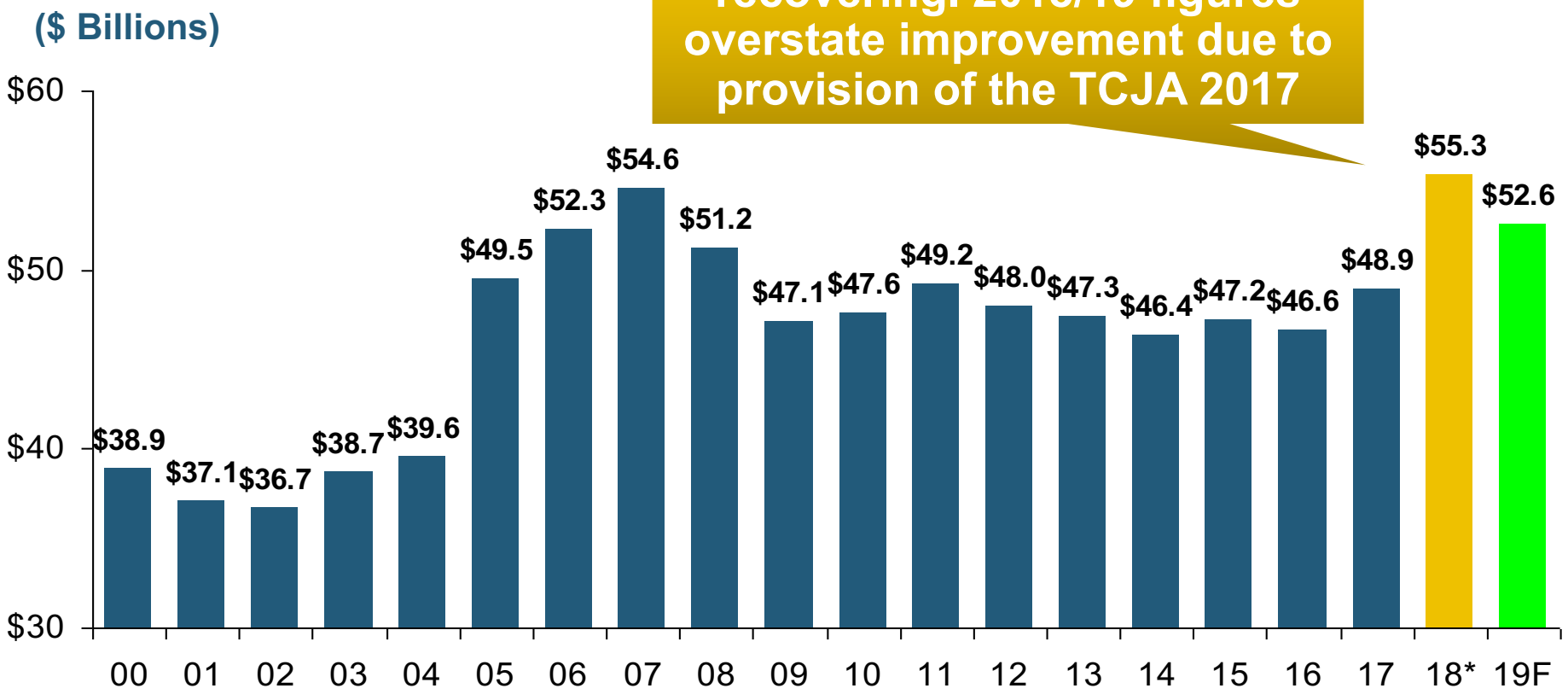
S&P 500 Index Returns, 1950–2020*



,
*Through Jan. 10, 2020.
Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html; Center for Risk and Uncertainty Management, University of South Carolina

Property/Casualty Insurance Industry Investment Income: 2000–2019E

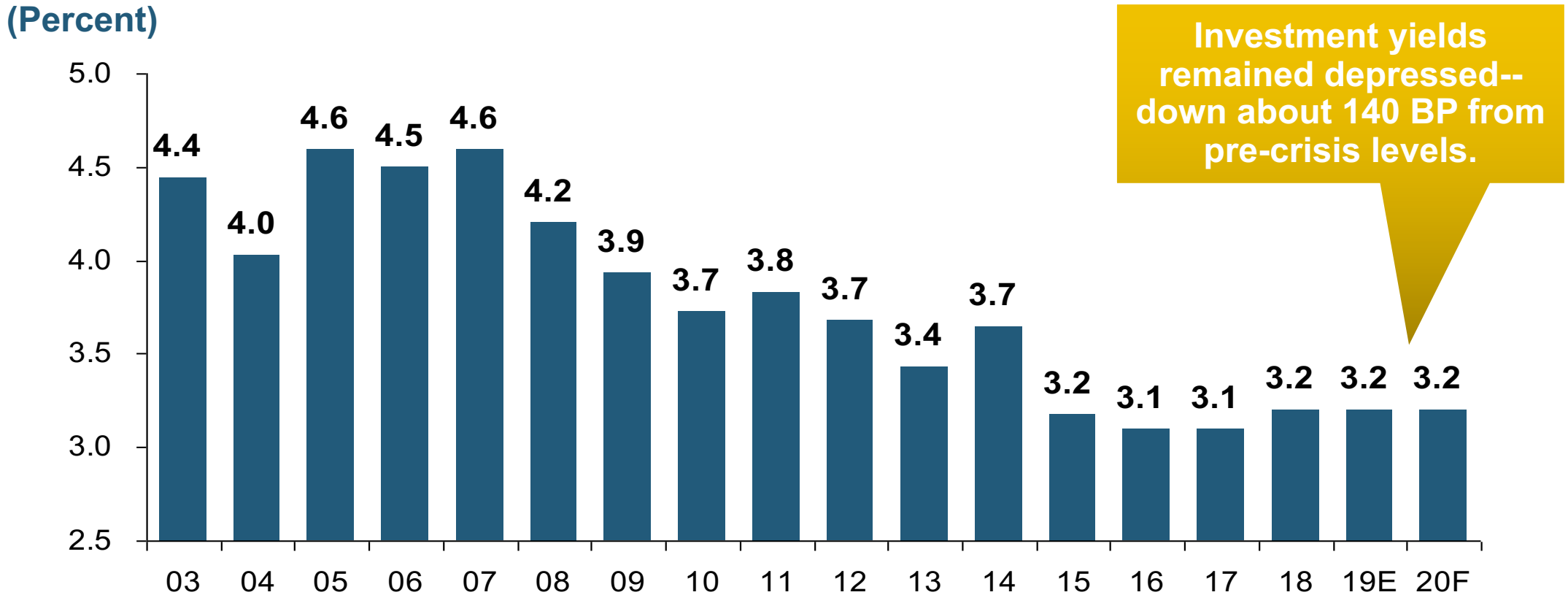
Investment income is slowly recovering. 2018/19 figures overstate improvement due to provision of the TCJA 2017



Due to persistently low interest rates, investment income fell in 2012, 2013 and 2014 but showed a small (1.7%) increase in 2015—though 2016 experienced another decline. Gains in 2018-19 are overstated due to the TCJA 2017.

*2018-19 figures are distorted by provisions of the TCJA of 2017.
**Estimate based on annualized H1 actual figure of $13.158B. Figure is likely also distorted by the TCJA of 2017.
[1] Investment gains consist primarily of interest and stock dividends. Sources: ISO; University of South Carolina, Center for Risk and Uncertainty Management.

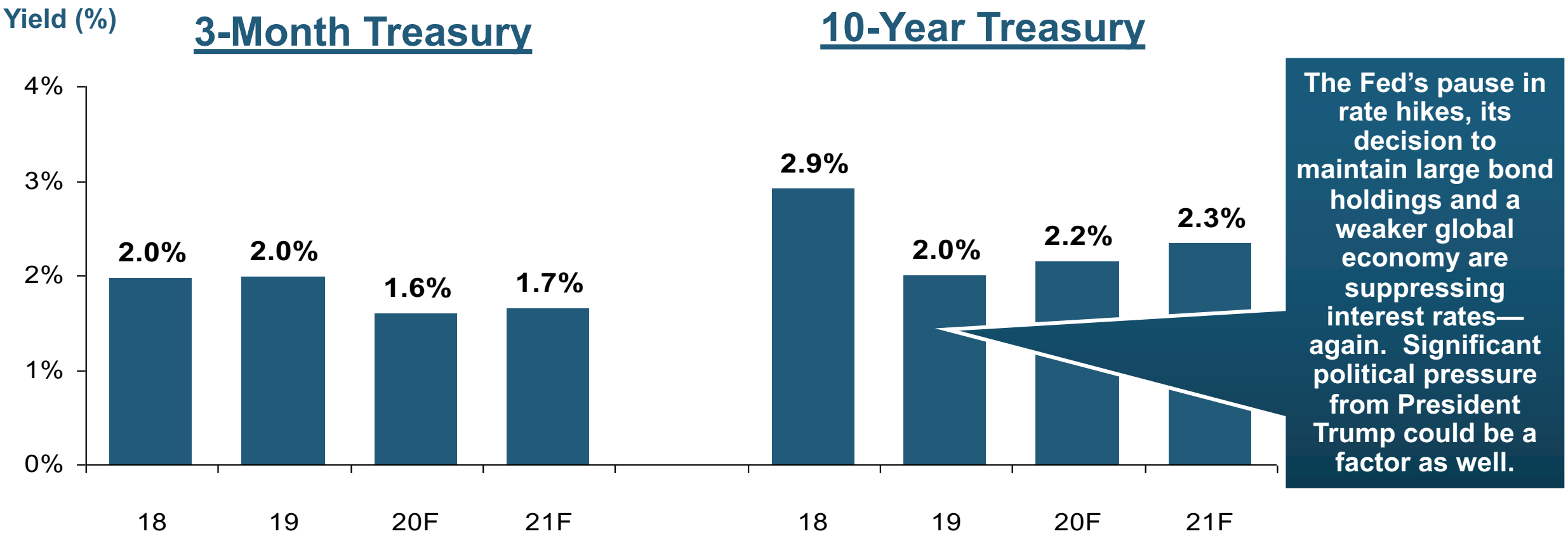
Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2020F*



The yield on invested assets remains low relative to pre-crisis yields. Fed rate increases beginning in late 2015 through 2018 halted the slide in yields, but rate cuts in 2019 will preclude future gains

Sources: NAIC data, sourced from S&P Global Market Intelligence; 2017-19 figures are from ISO. 2020F is from the Risk and Uncertainty Management Center, Univ. of South Carolina.

Interest Rate Forecasts: 2018–2021F



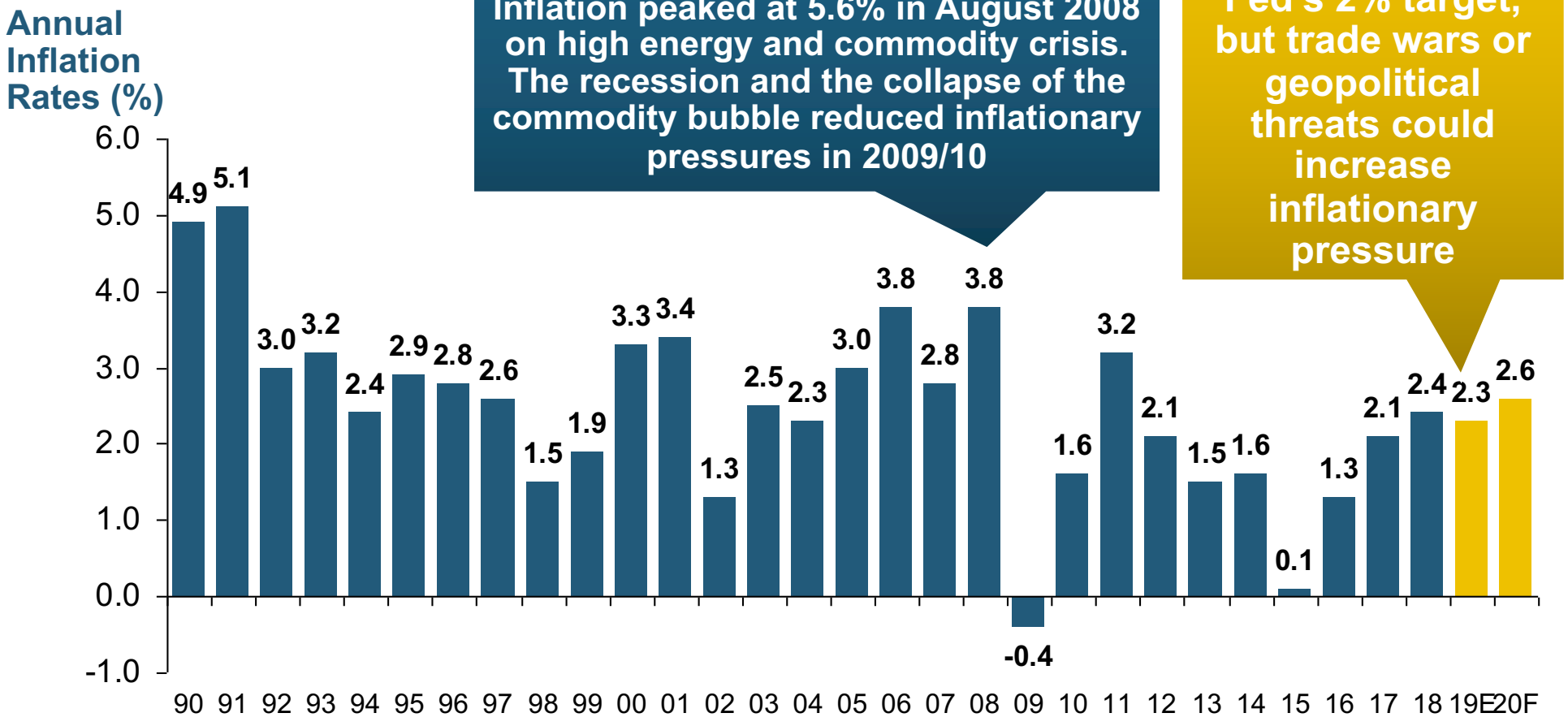
A full normalization of interest rates is unlikely until the mid-2020s, if that, nearly 20 years after the onset of the financial crisis.

Sources: Federal Reserve; Wells Fargo Securities (2020-21F); University of South Carolina.

Annual Inflation Rates, (CPI-U, %), 1990–2020F

Inflation peaked at 5.6% in August 2008 on high energy and commodity crisis. The recession and the collapse of the commodity bubble reduced inflationary pressures in 2009/10

Inflationary expectations are consistent with the Fed's 2% target, but trade wars or geopolitical threats could increase inflationary pressure



Inflation remains remarkably tame despite a tight US labor market, modest economic growth, rising energy prices, tariff-induced price increases and a rapidly rising federal budget deficit.

Trade War Alert

A sustained trade war with China could increase inflation by 0.1 to 0.4 points as price increases are passed through to consumers

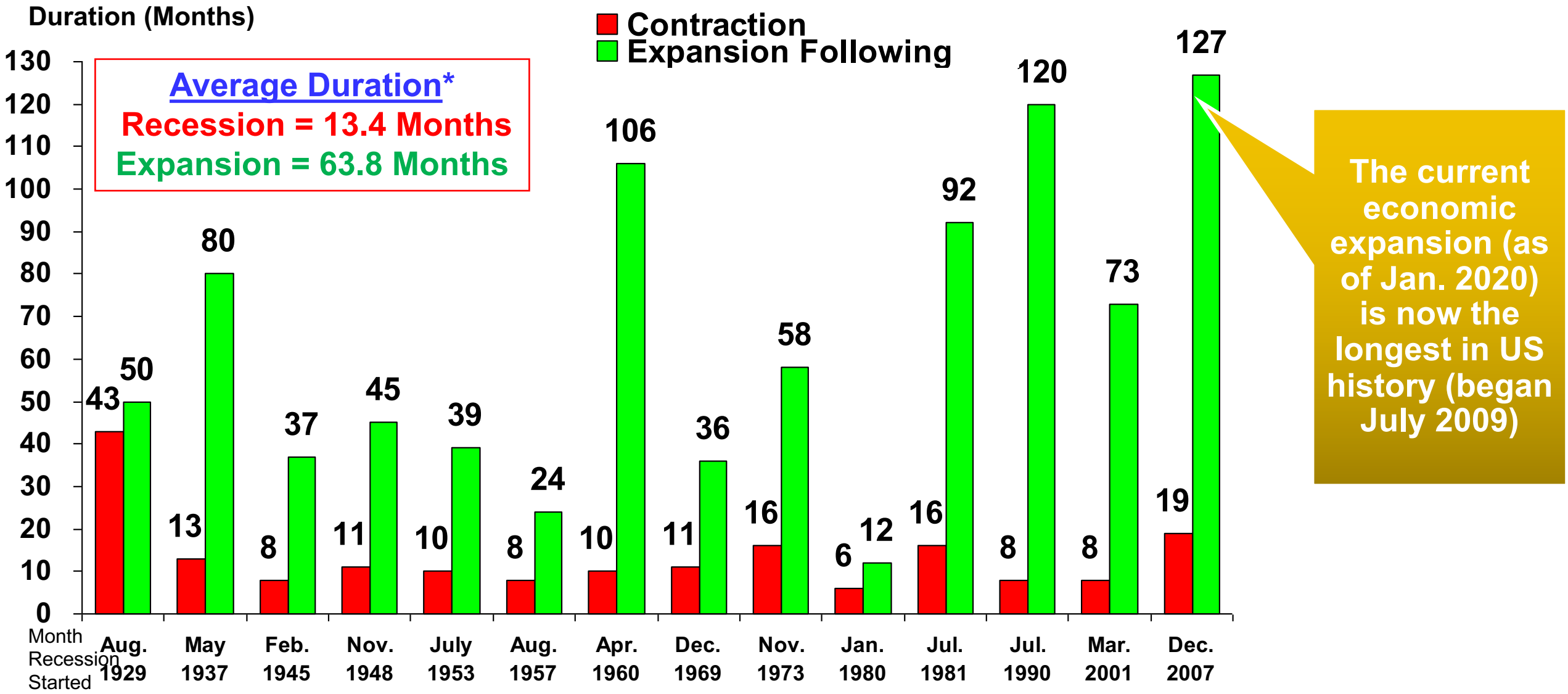
Sources: US Bureau of Labor Statistics; Well Fargo Securities, 12/19 (forecasts).

THE ECONOMY

The Strength of the Economy Has Always Influenced Growth in Insurers' Exposure Base Across Most Lines

The Links Between the Economy and the P/C Insurance Industry Are Strengthening

Length of US Business Cycles, 1929-Present*



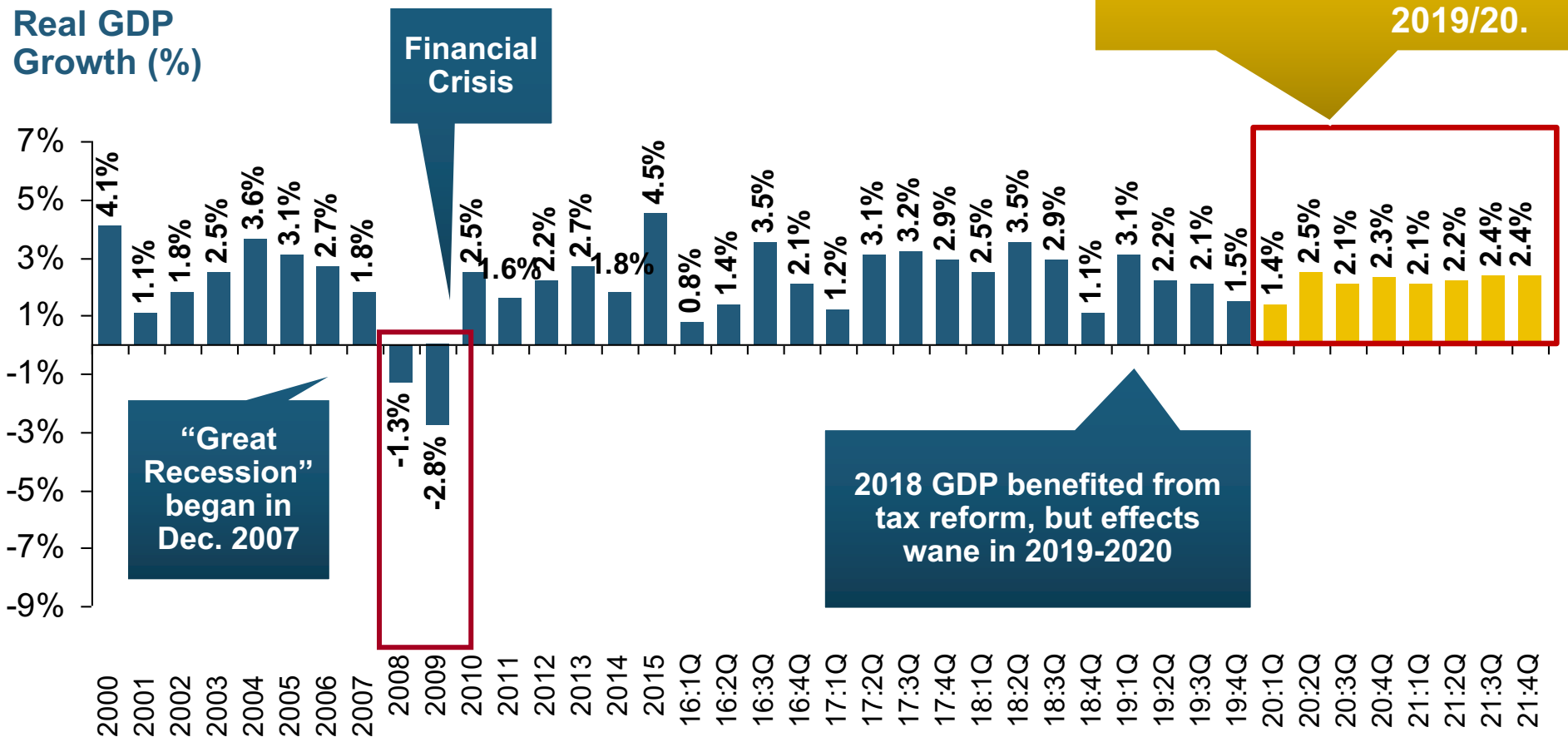
The current economic expansion (as of Jan. 2020) is now the longest in US history (began July 2009)

* As of Jan. 2020, inclusive

Sources: National Bureau of Economic Research; Risk and Uncertainty Management Center, University of South Carolina.

US Real GDP Growth*

Tax cuts help jolt growth from early 2018 to Q1 2019, but effects eventually waned. Trade war, weaker global growth are adversely affecting US GDP growth in 2019/20.



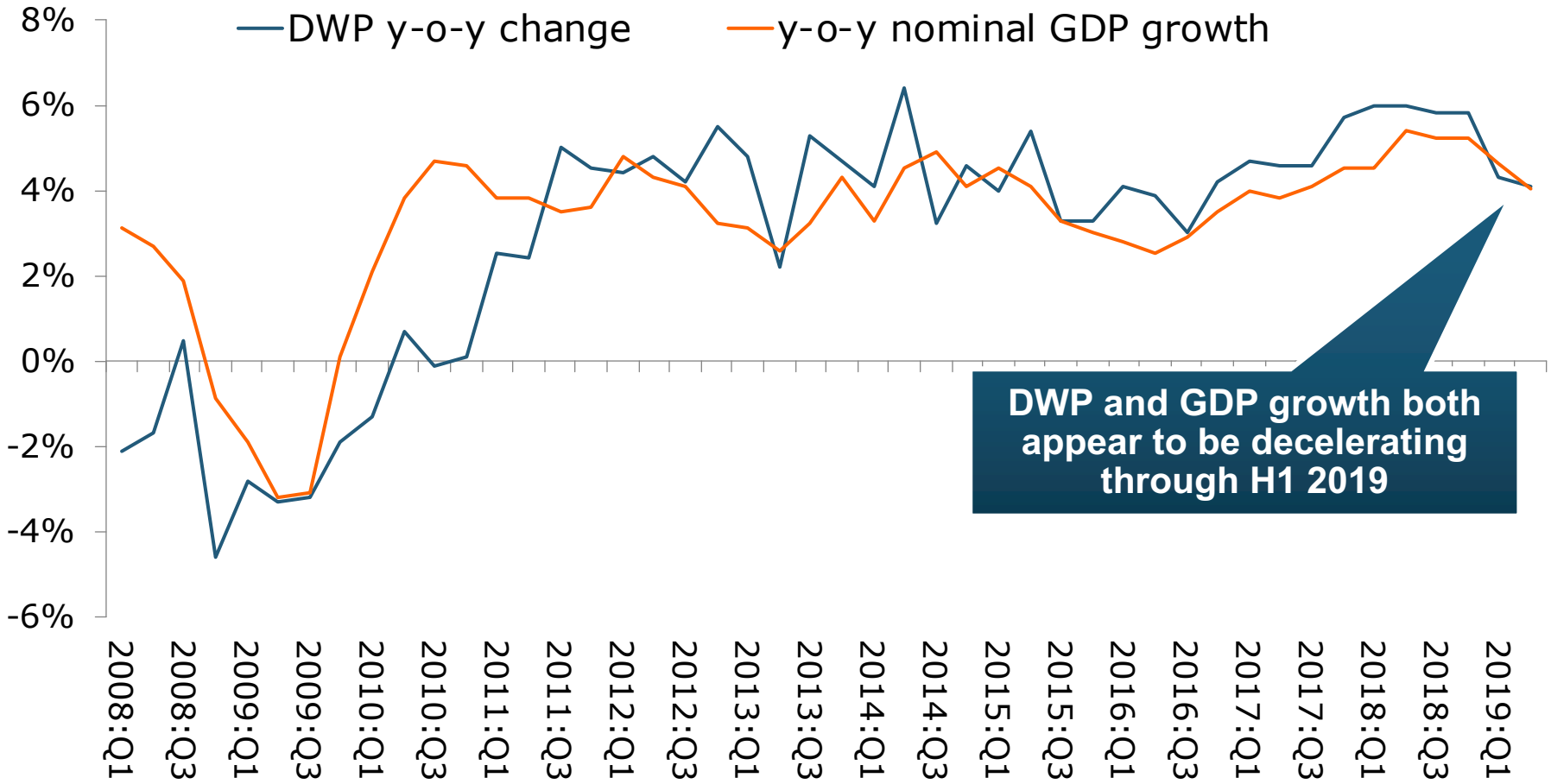
Demand for Insurance Should Increase in 2019 as GDP Growth Continues at a Steady Pace and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Wells Fargo Securities.

Source: US Department of Commerce, Wells Fargo Securities 12/19; Center for Risk and Uncertainty Management, University of South Carolina.

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2019:Q2

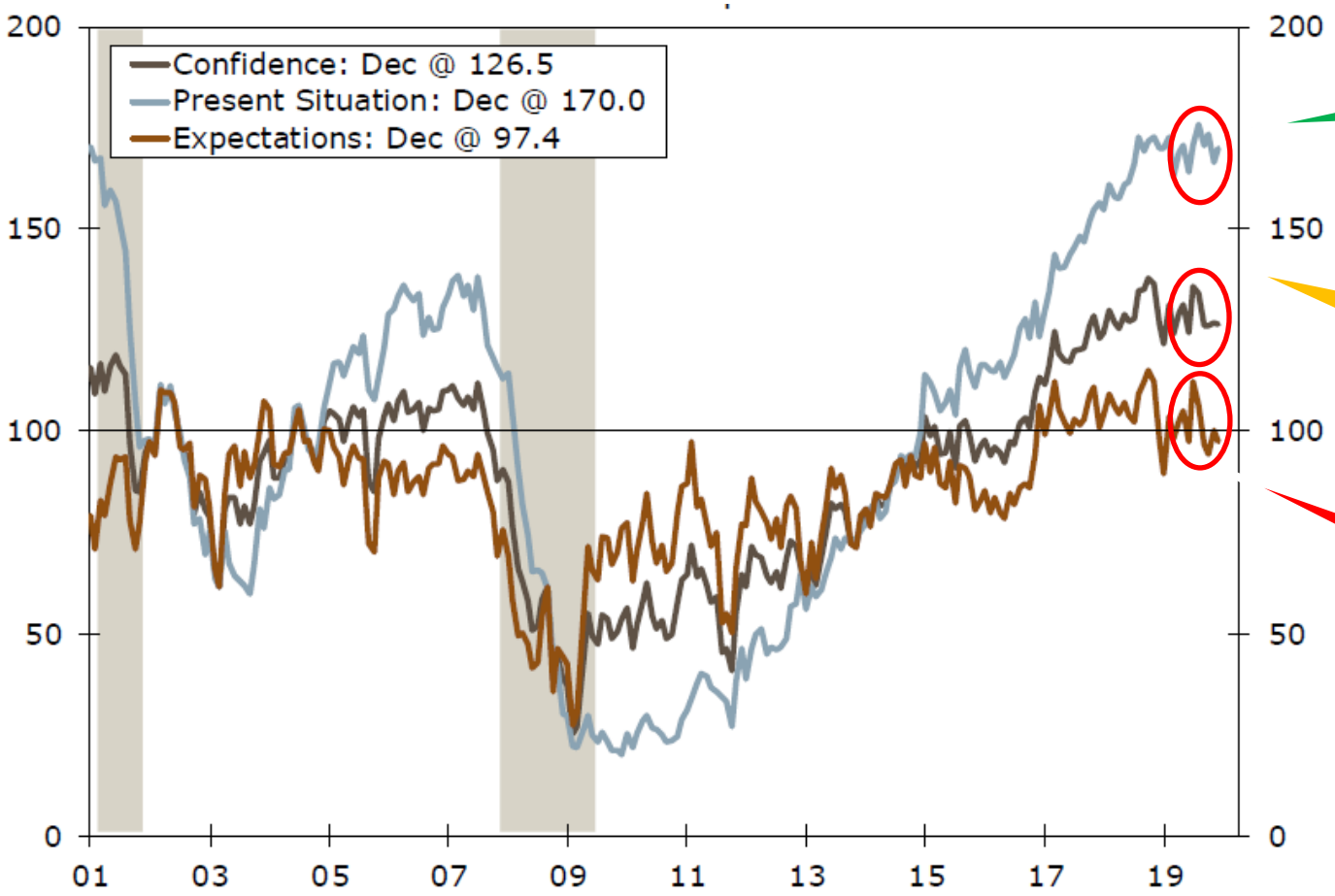
Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change



Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry's growth prospects inextricably linked to economic performance.

Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO; I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.

Consumer Confidence Index: Jan. 1987– Dec. 2019



Extremely strong labor market conditions are buoying consumer confidence related to their Present Situation

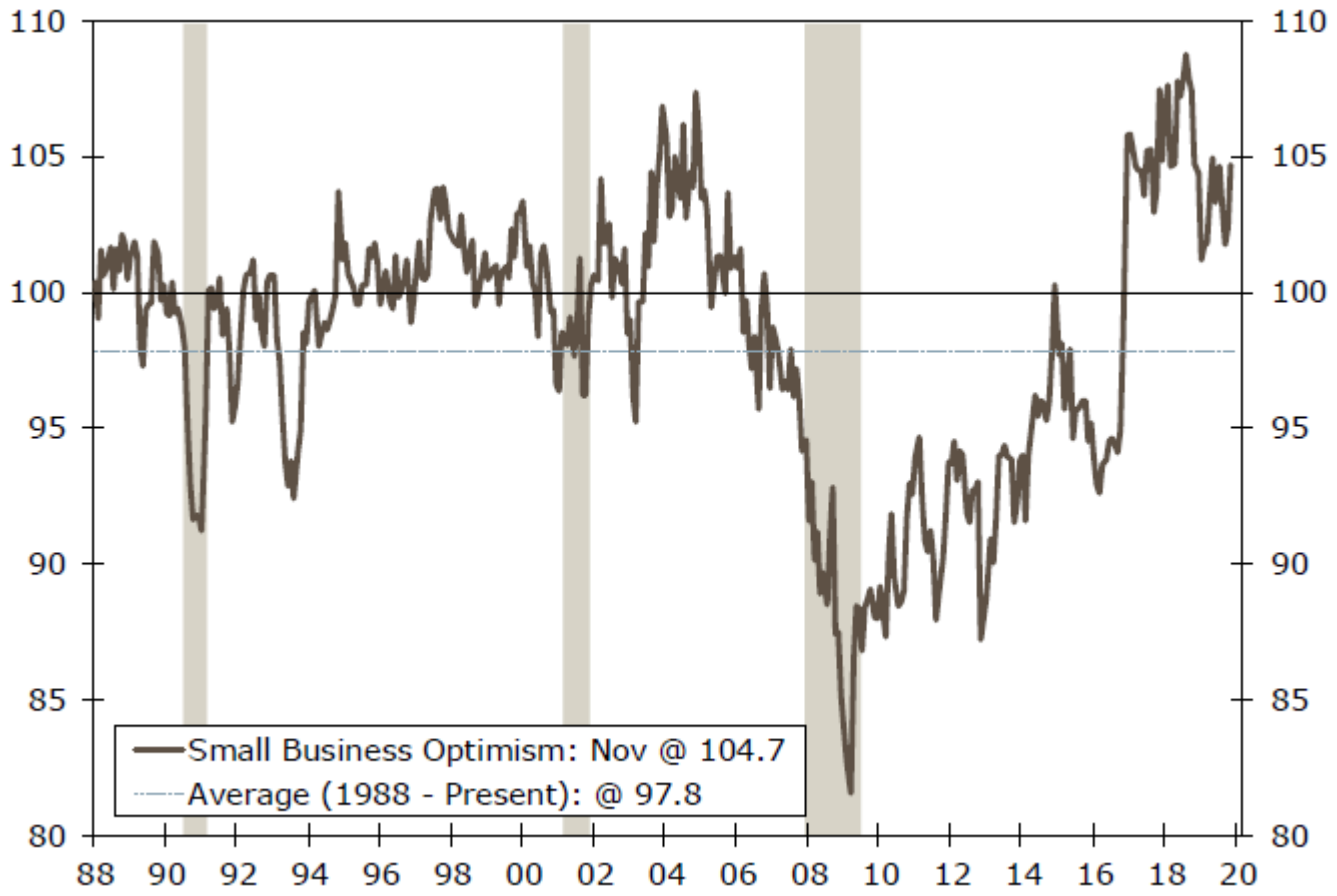
Consumer Confidence Index remains strong but has generally dropped in recent months. Mounting trade tensions have taken a toll on expectations

Consumer Expectations have been adversely impacted by trade turmoil, home price affordability

Outlook: Consumer confidence was shaken by financial volatility in late 2018/early 2019—but rebounded quickly. Consumers remain optimistic about the future, which is consistent with expectations for stronger economic growth (consumers account for nearly 70% of all spending in the economy). Should positively influence growth of insurable exposures. Mounting trade tensions are a major threat to consumer confidence.

Source: The Conference Board; Wells Fargo Research.

NFIB Small Business Optimism Index: Jan. 1988–Nov. 2019



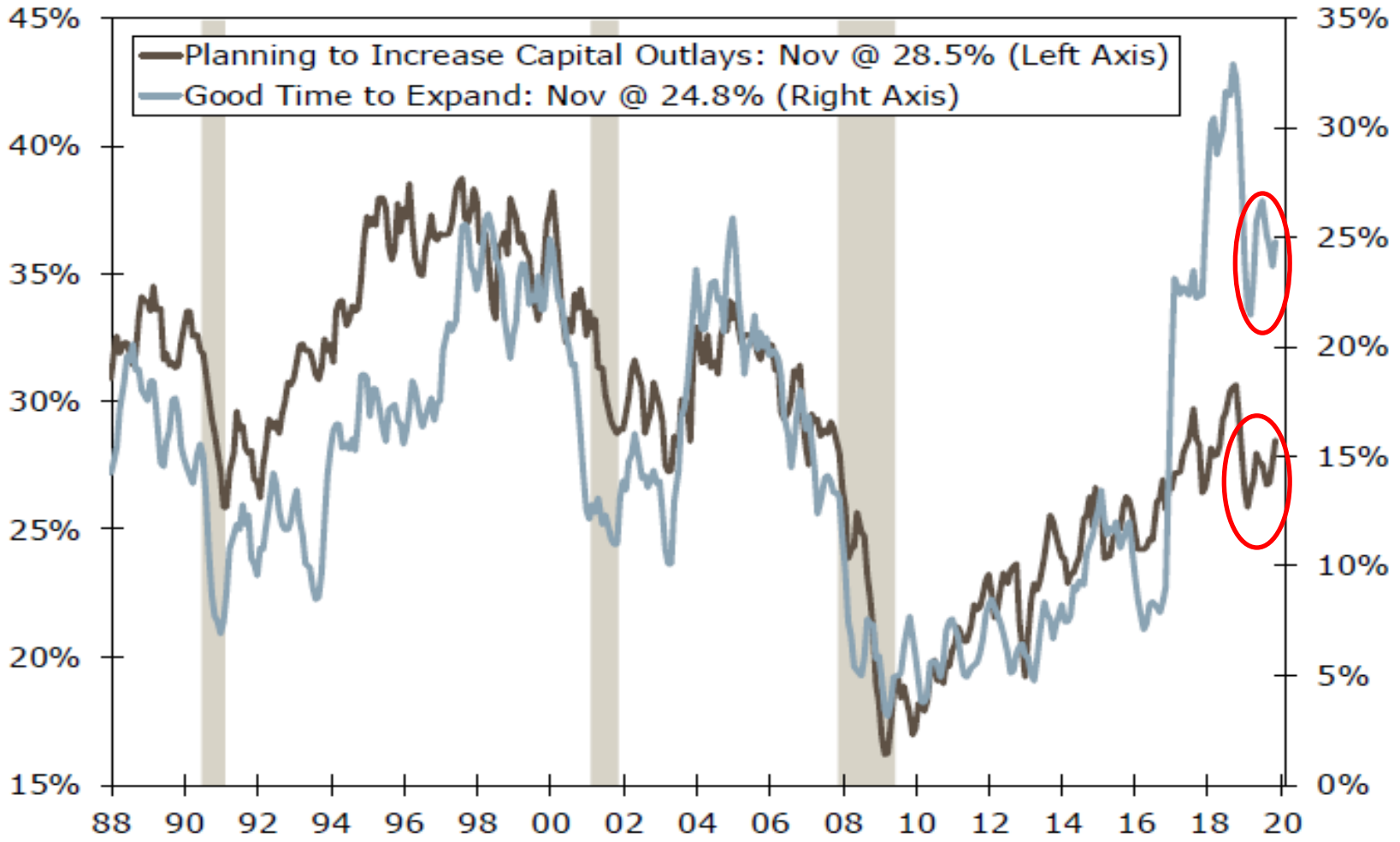
Small Business Optimism weakened in 2019 on fears of greater economic uncertainty (esp. trade war fears). Tax reform, reduced regulations and strong sales have driven investment, hiring and exposures.

Outlook: Small businesses are cautiously optimistic about the future

Trade wars and associated uncertainty introduced significant uncertainty in to the markets in 2019

Source: National Federal of Independent Business; Wells Fargo Research.

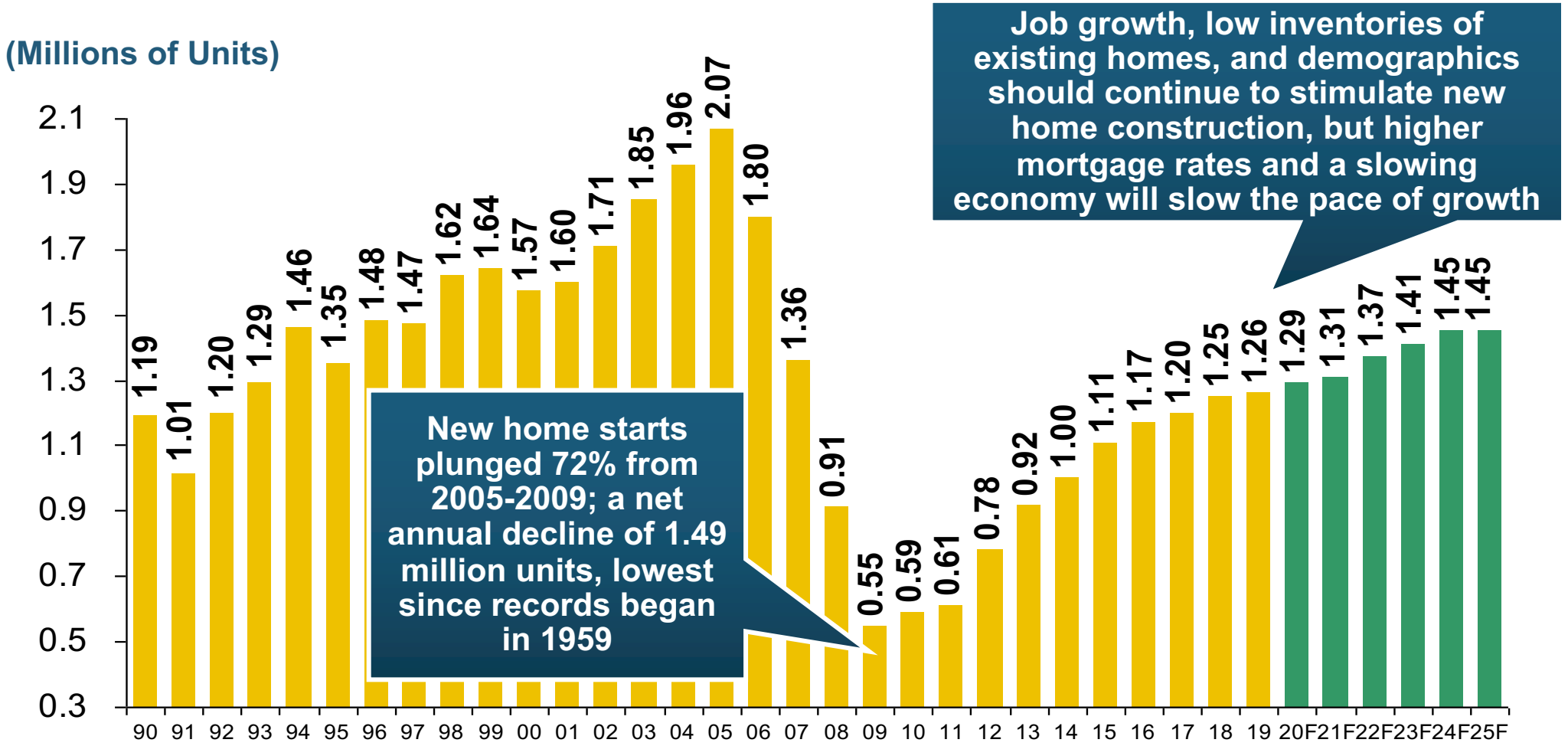
NFIB Small Business Capital Spending and Expansion Plans: Jan. 1988–Nov. 2019



Small businesses are scaling back on capital spending and hiring plans

Source: National Federal of Independent Business; Wells Fargo Research.

New Private Housing Starts, 1990-2025F



Insurers Continue to See Meaningful Exposure Growth in the Wake of the "Great Recession" Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

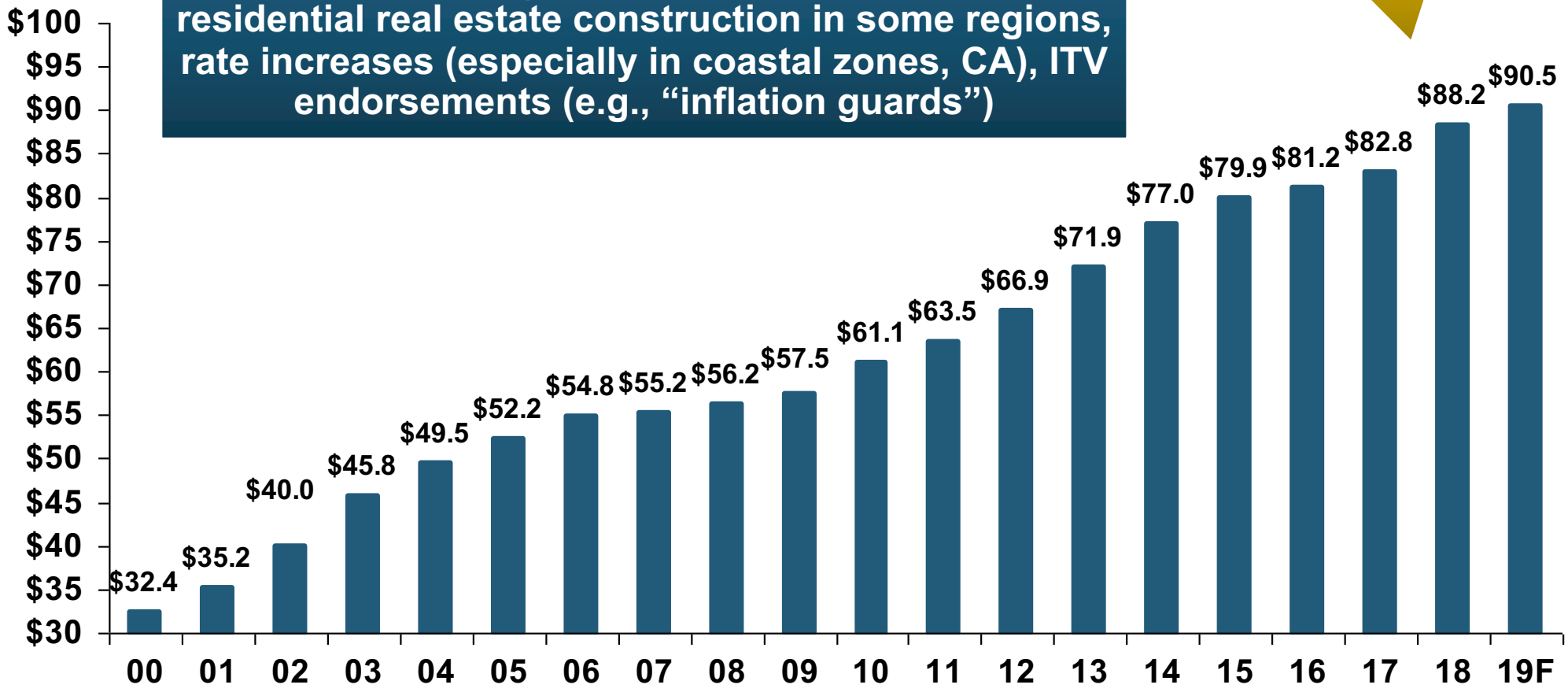
Source: U.S. Department of Commerce; Wells Fargo Securities (12/19 for 2020-21F), Blue Chip Economic Indicators (3/19 for 2022-25F); University. of South Carolina, Center for Risk and Uncertainty Management..

Homeowners Insurance
Net Written Premium, 2000–2019F

The Homeowners line will generate about $2B in new premiums annually through 2019

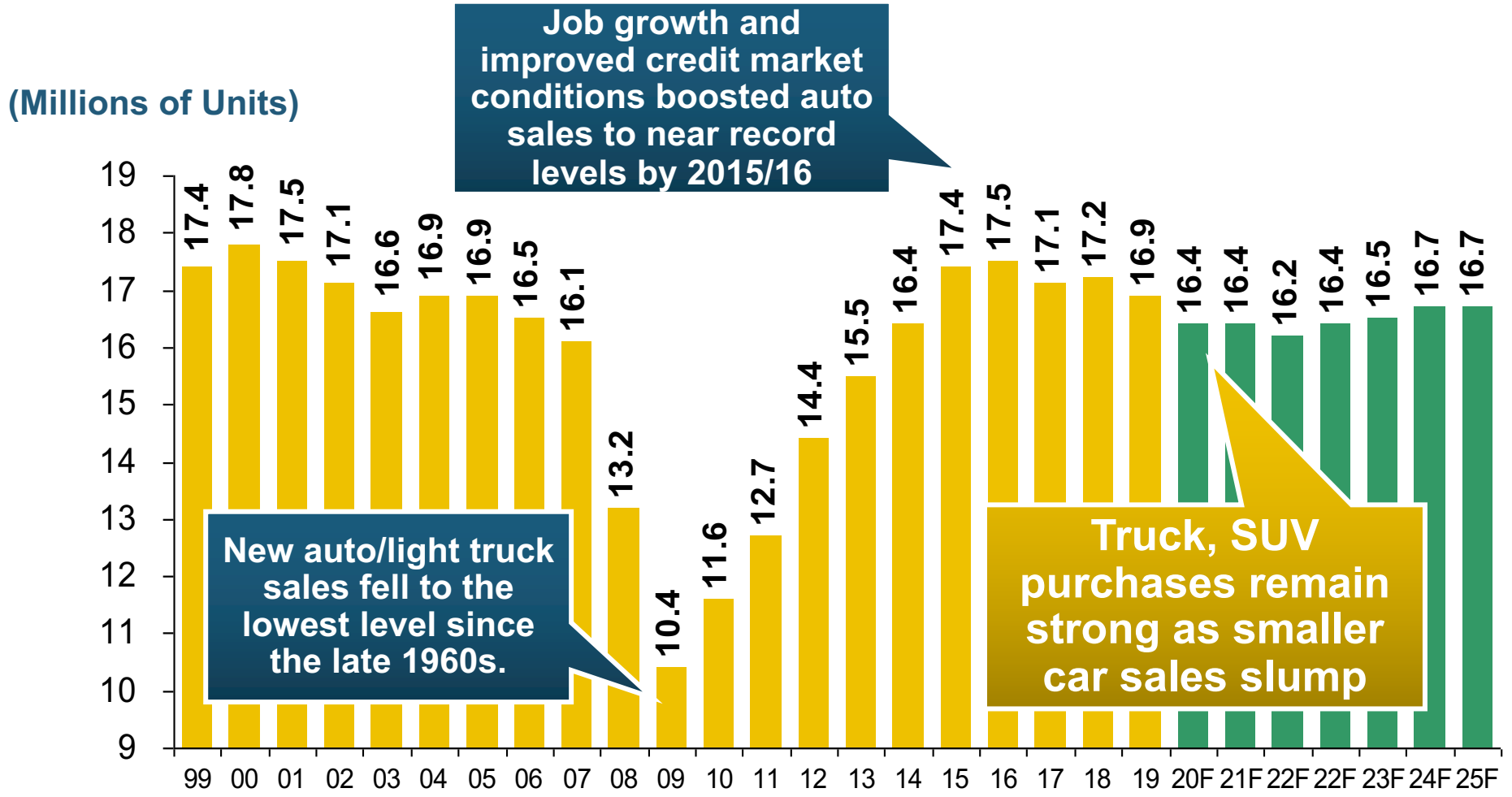
$ Billions

Homeowners insurance NWP continues to rise (up 179% 2000-2019E). Reasons include rate robust residential real estate construction in some regions, rate increases (especially in coastal zones, CA), ITV endorsements (e.g., “inflation guards”)



Sources: A.M. Best; USC RUM Center.

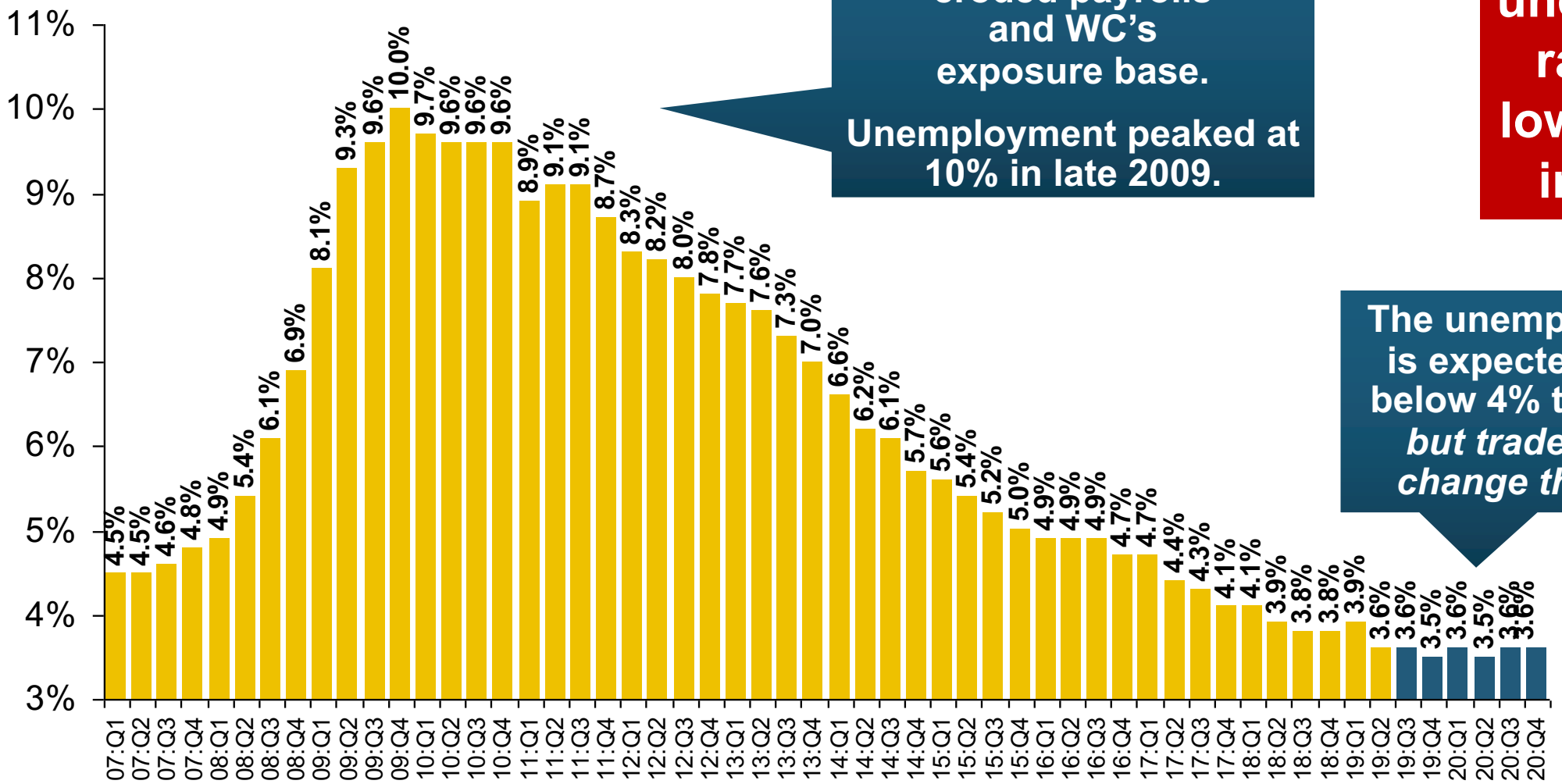
Auto/Light Truck Sales, 1999-2023F



Yearly car/light truck sales are slowing slightly, as demand tapers. But shifting consumer preferences for more expensive trucks, SUVs and crossovers will contirbue continued exposure growth. PP Auto premium might grow by 3.5% - 5%.

Source: U.S. Department of Commerce; Well Fargo Securities (12/19 for 2020-21F); Blue Chip Economic Indicators (3/19 for 2022-25F); Univ. of South Carolina, Center for Risk and Uncertainty Management.

US Unemployment Rate Forecast: 2007:Q1–2020:Q4



Sources: US Bureau of Labor Statistics; Wells Fargo Securities (12/19 edition); Risk and Uncertainty Management Center, University of South Carolina.

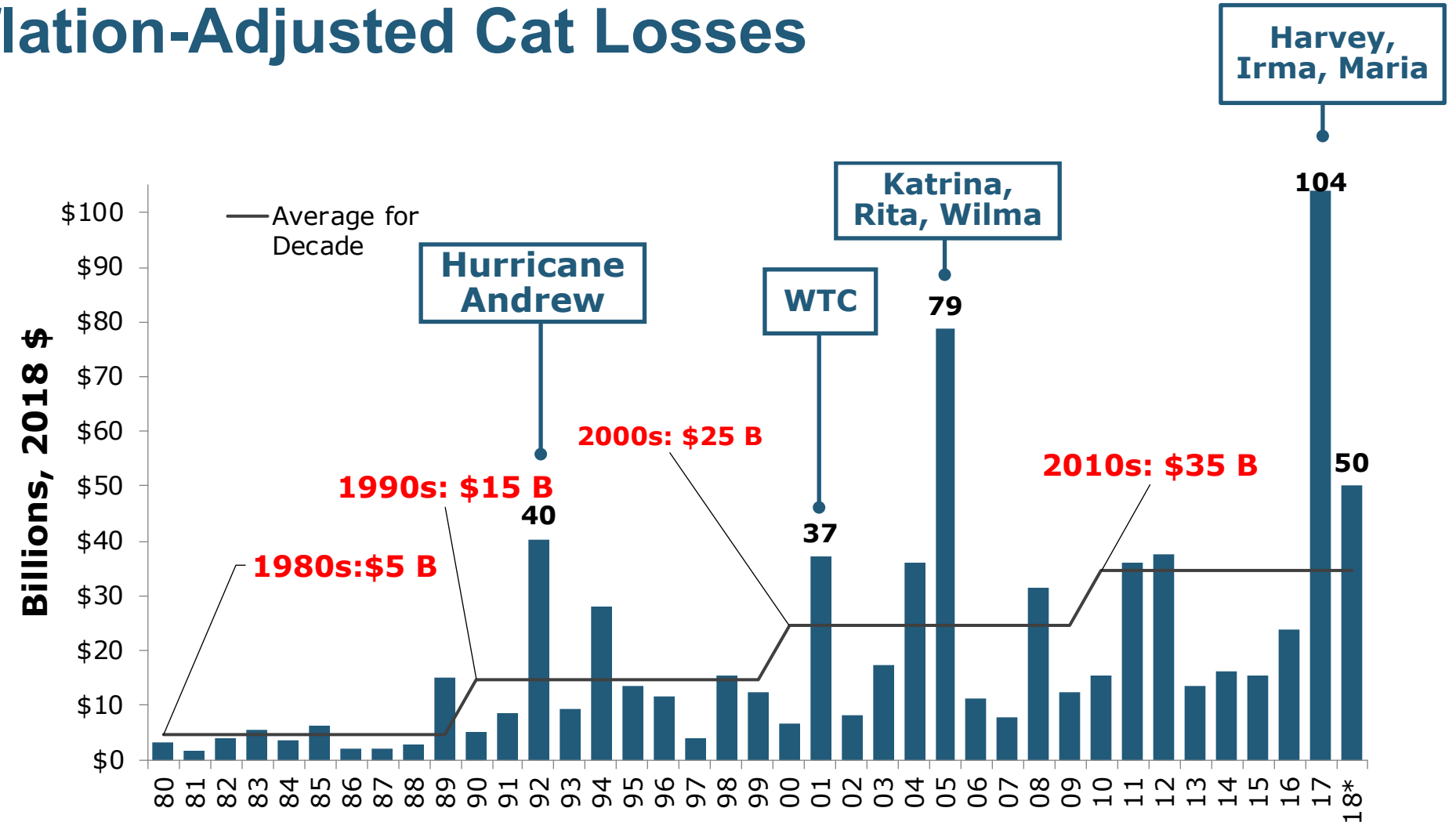
Catastrophe Loss Update: *Major Driver of Rate Pressure*

CAT Losses for the Decade Just Ended Were Up Materially—Costliest Ever

Primary, Reinsurance and Retro Markets All Impacted

63

U.S. Inflation-Adjusted Cat Losses

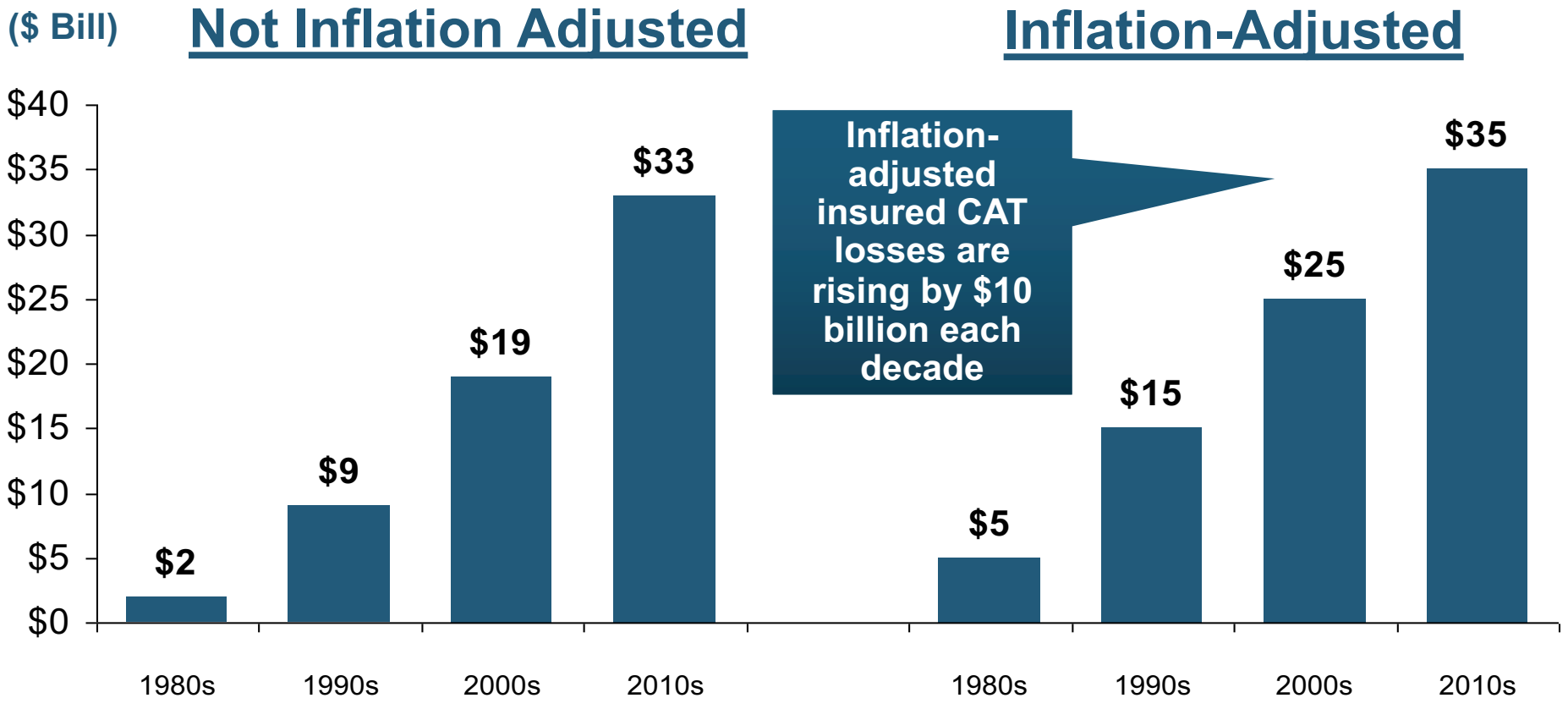


2017 – Worst year of the decade and EVER for U.S. Insured Catastrophe Losses. Average Insured Loss per Year for 1980-2018 is $19.3 B.

*2018: Inflation-adjusted estimate, subject to change. 2010s is average of 2010 to 2018.

Sources: Property Claims Service, a Verisk Analytics business; Insurance Information Institute.

US Insured Catastrophe Losses by Decade: 1980s – 2010s*

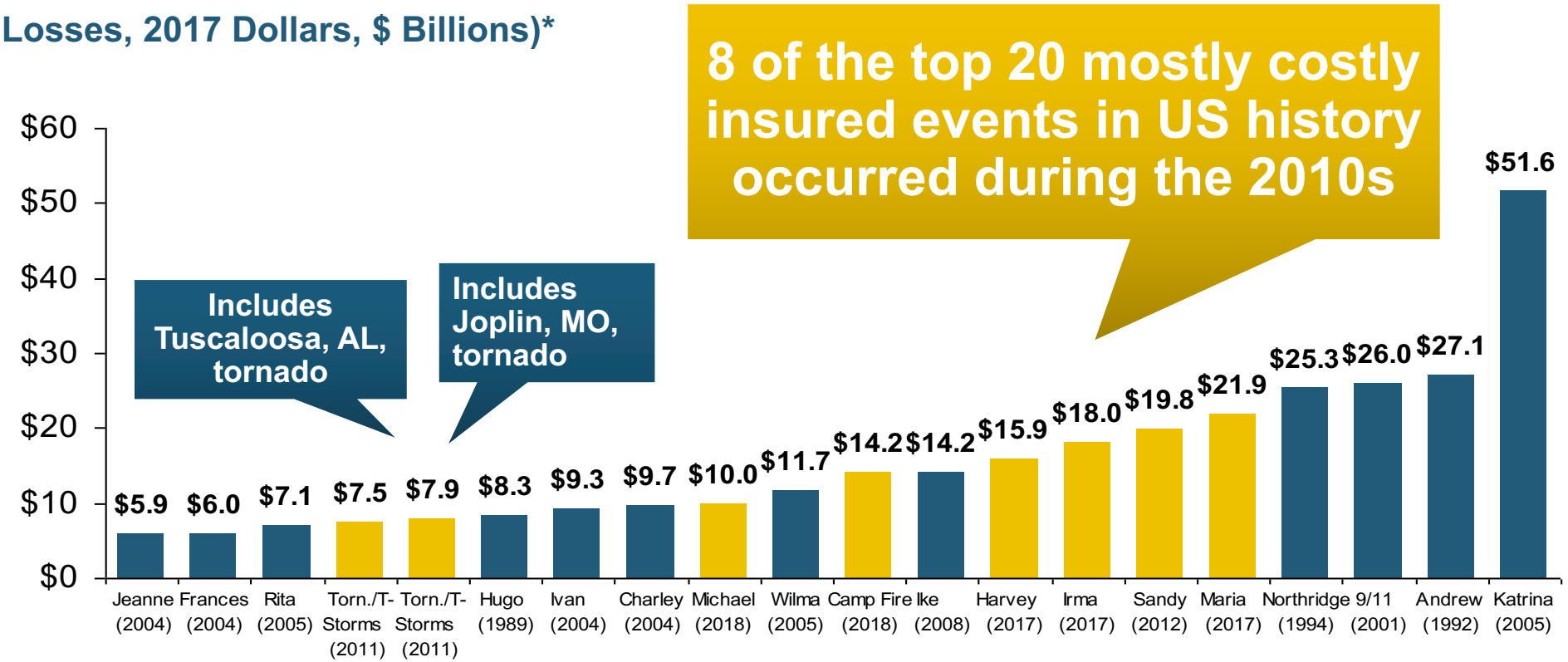


Serious efforts to mitigate against climate risk must be led by government at all levels. Requires enormous long-term infrastructure investments that funded primarily through debt

*2010s figures is the average of the years 2010-2018.
Sources: Property Claims Service, a Verisk Analytics business; Insurance Information Institute.

Top 20 Most Costly Disasters in U.S. History—Katrina Still Ranks #1

(Insured Losses, 2017 Dollars, $ Billions)*

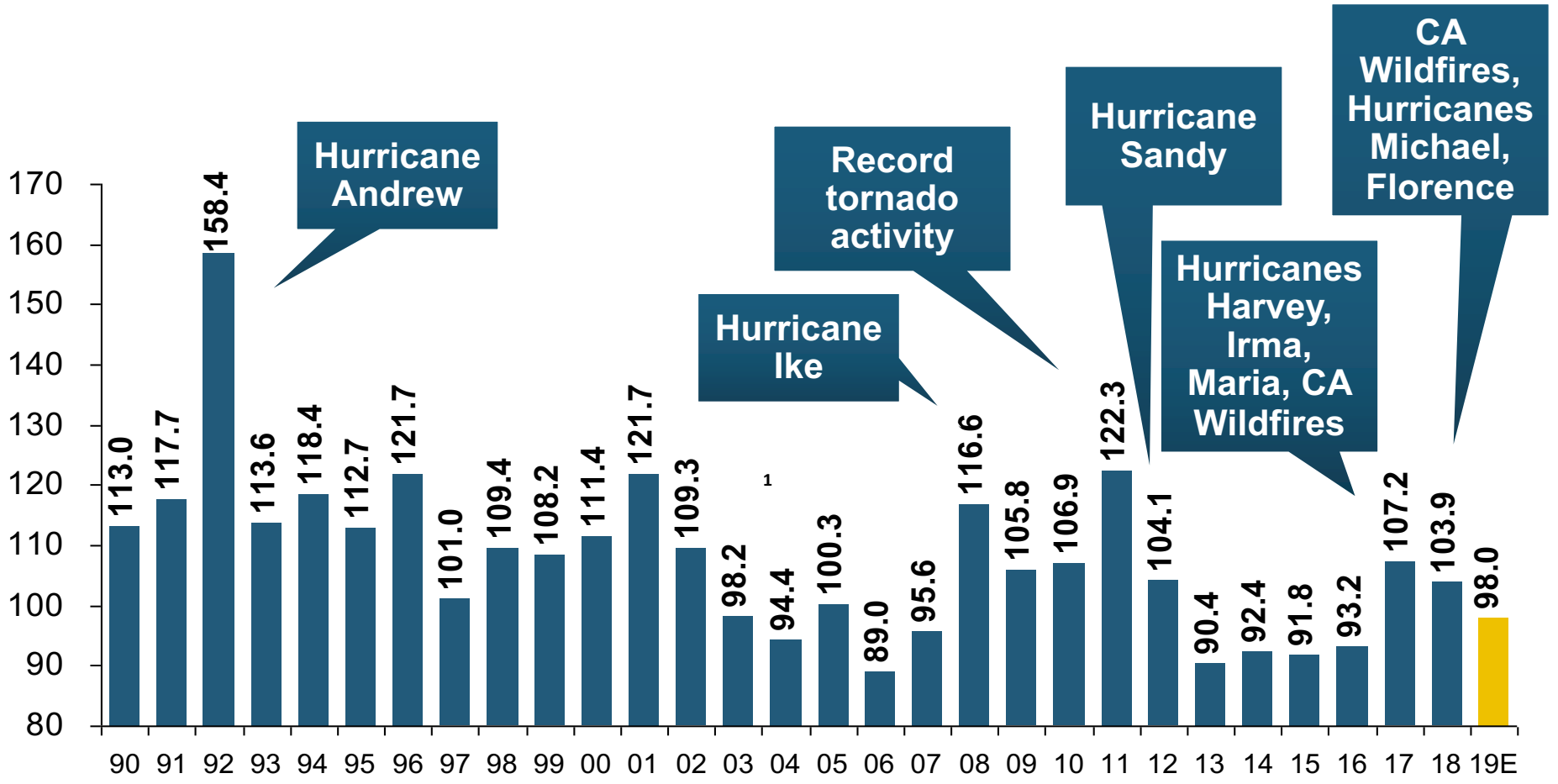


17 of the 20 Most Expensive Insurance Events in US History Have Occurred Since 2004

*Estimated.

Sources: PCS, RMS, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2017 dollars using the CPI.

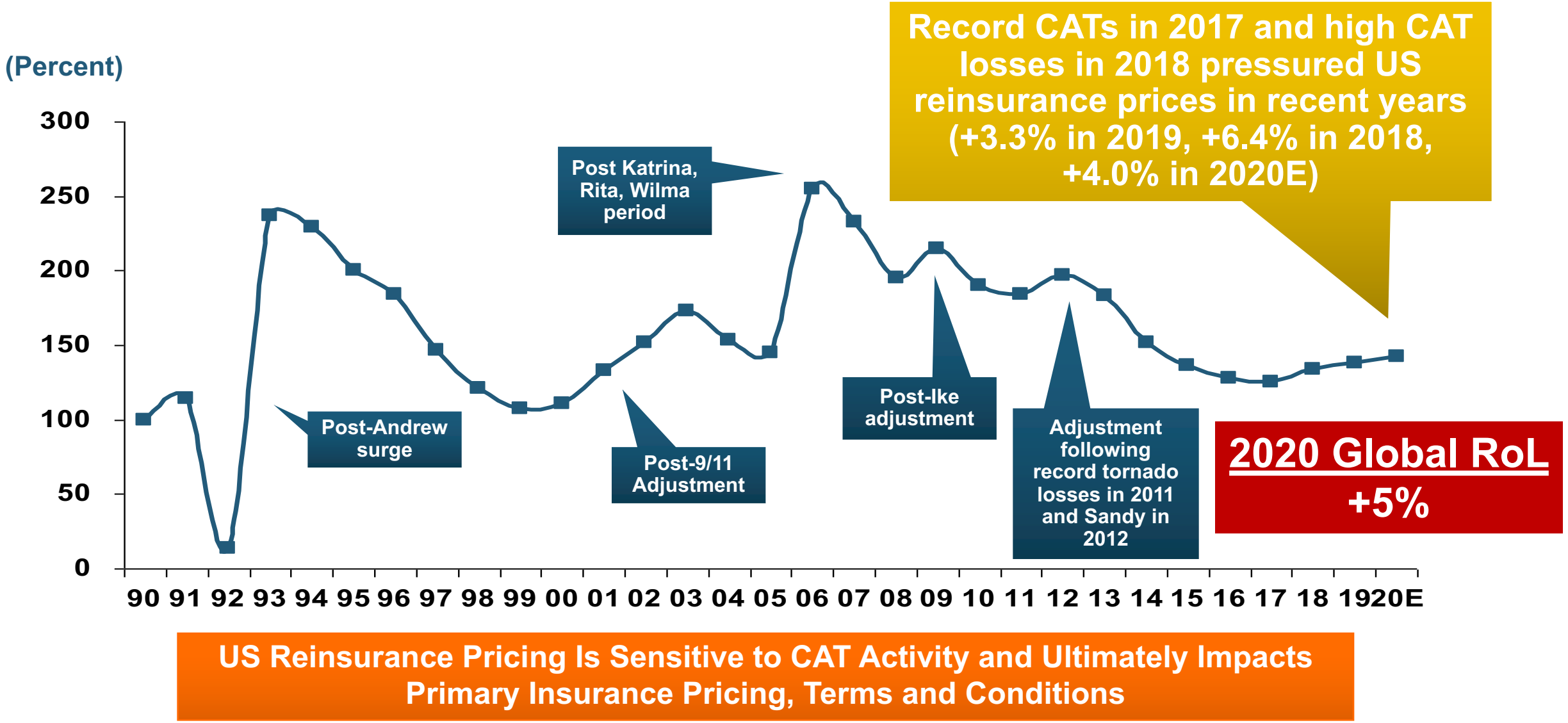
Homeowners Insurance Combined Ratio: 1990–2019F



Homeowners Performance Improved in 2019, Following the Cat-Impacted Years of 2017 and 2018

Sources: A.M. Best (1990-2018F); USC RUM Center for 2019E.

US Property Catastrophe Rate-on-Line Index: 1990 – 2020E*

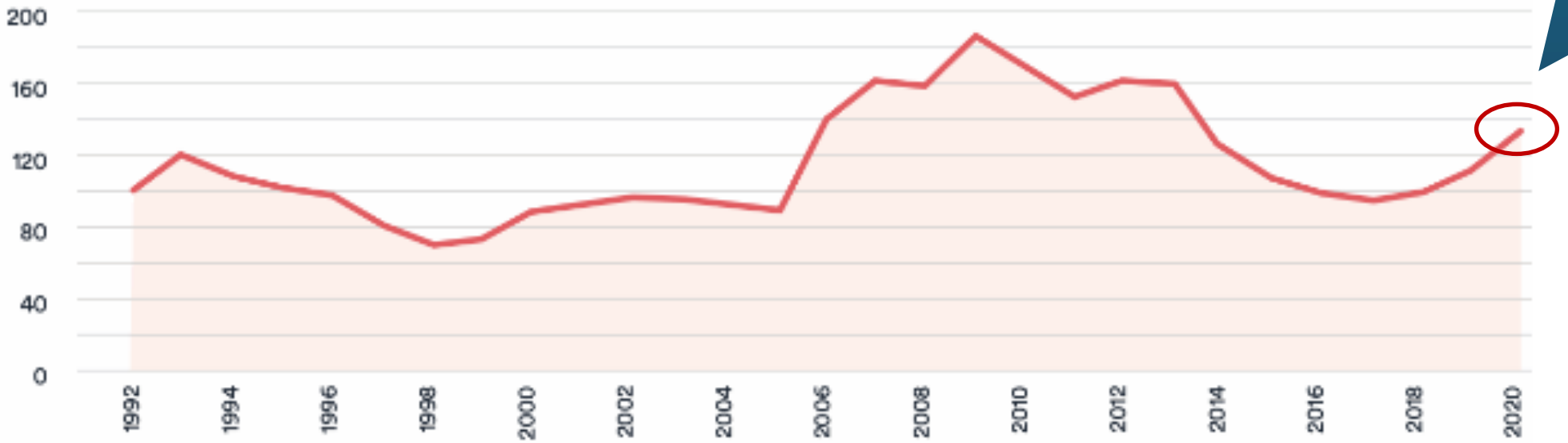


US Reinsurance Pricing Is Sensitive to CAT Activity and Ultimately Impacts Primary Insurance Pricing, Terms and Conditions

*As of January 1 each year.

Source: Guy Carpenter; Artimes.bm accessed at: http://www.artemis.bm/us-property-cat-rate-on-line-index

Non-Marine Retrocessional CAT Excess-of-Loss Index, 1992 – 2020*



Average XoL Rate on Line up ~ 20% in 2020. Factors driving increase include reduced availability of capital, ILS losses, trapped collateral

*Risk adjusted.

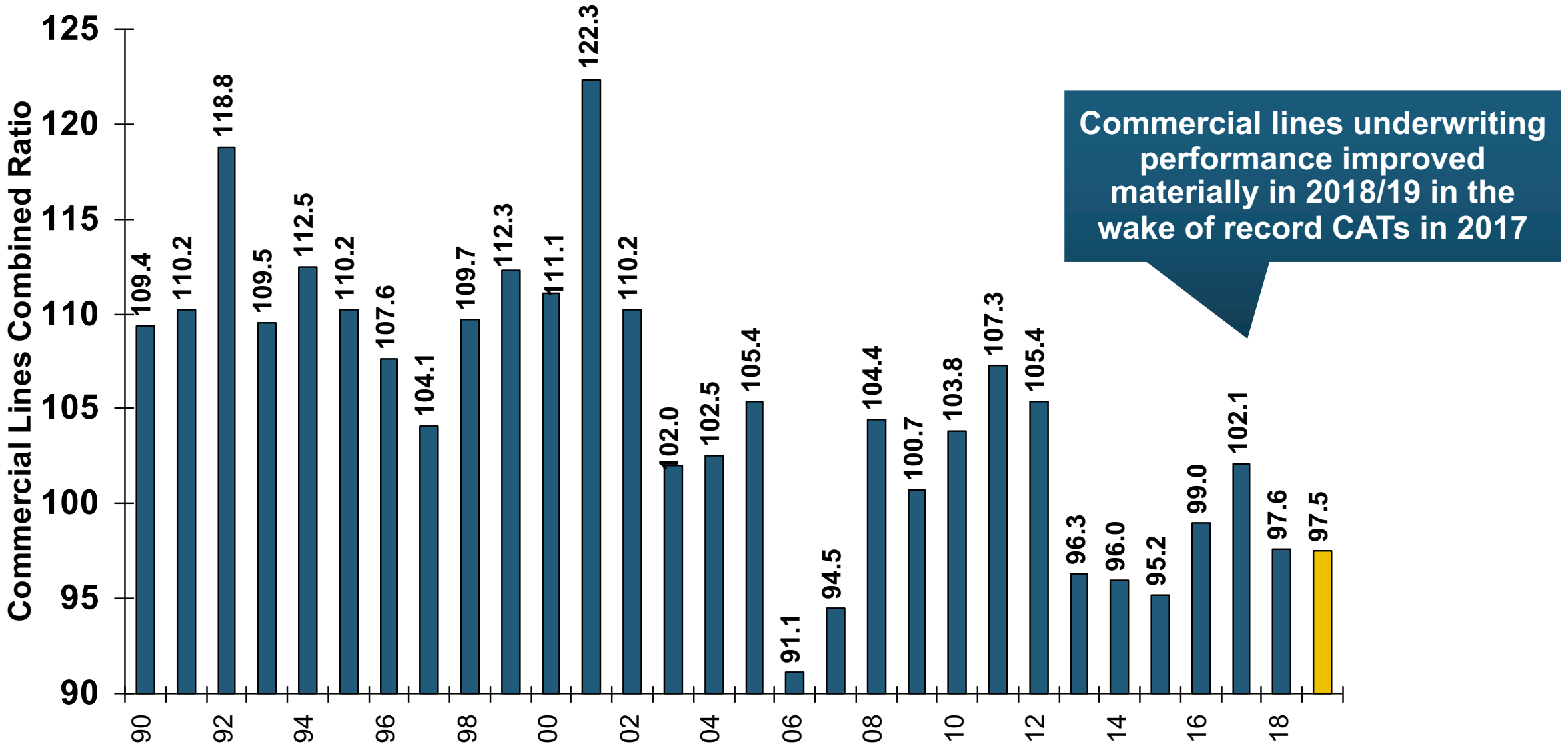
Source: Hyperion X via Artemis.bm accesses 1/12/20 at: https://www.artemis.bm/news/retrocession-rates-up-as-much-as-40-in-january-renewals-hyperion-x/

Commercial Lines Pricing & Cyclicality

Pricing Pressures Are Intense but Rational

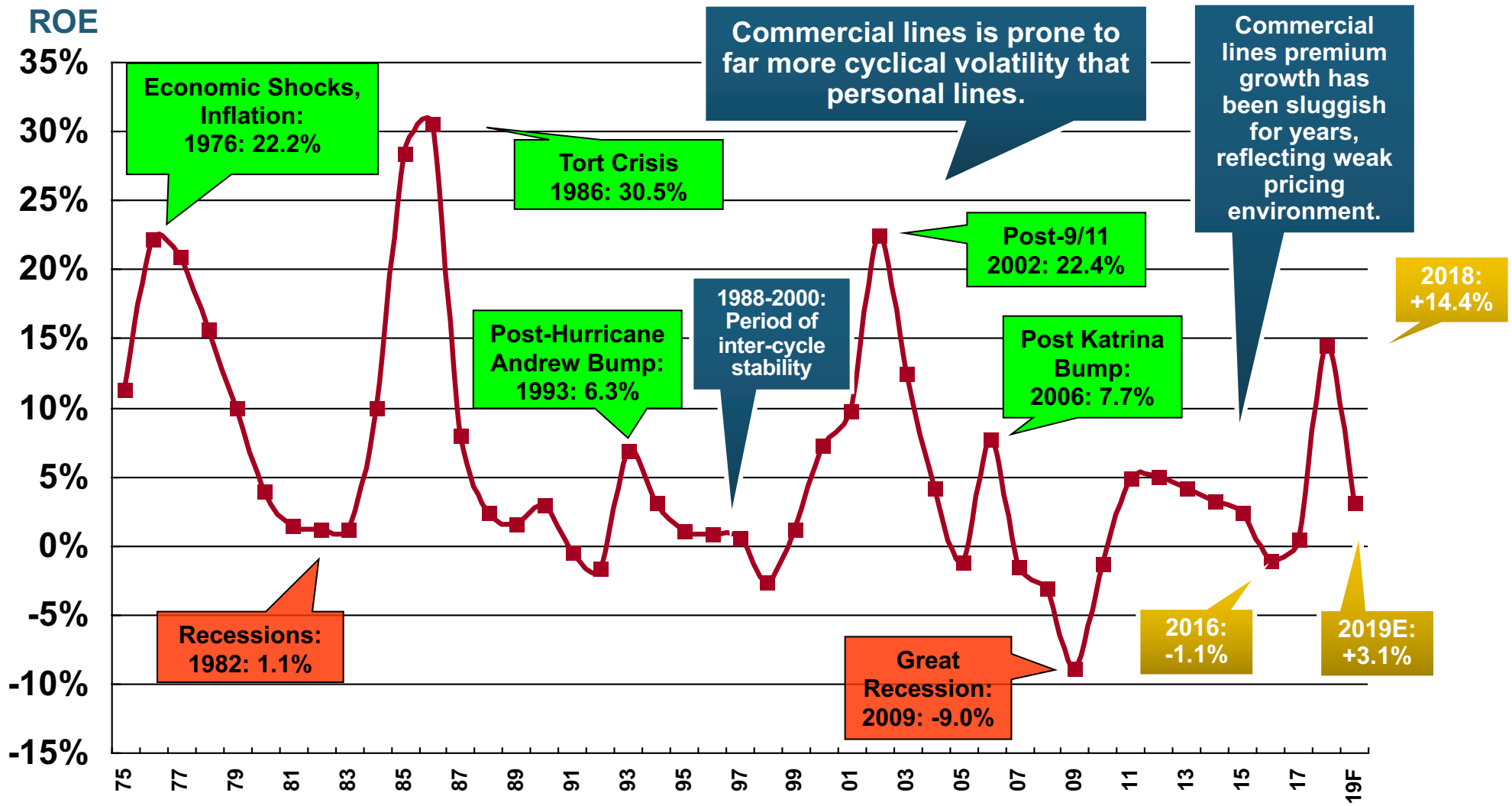
73

Commercial Lines Combined Ratio, 1990-2019F*



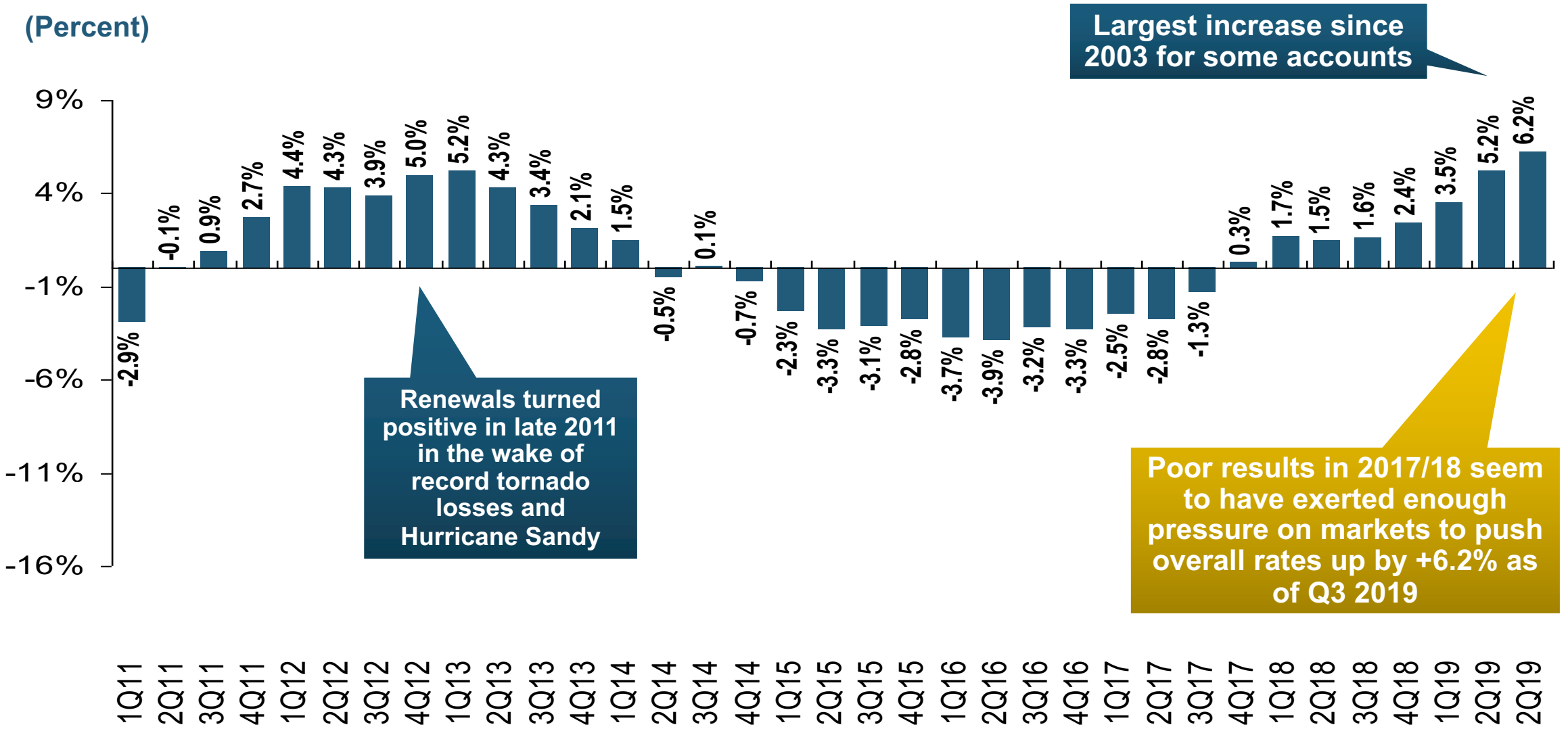
*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2018). Risk and Uncertainty Management Center, Univ. of South Carolina (2019F).

Commercial Lines NPW Premium Growth: 1975 – 2019F



Note: Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute; Univ. of South Carolina Center for Risk and Uncertainty Management, ISO.

CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2019:Q3*

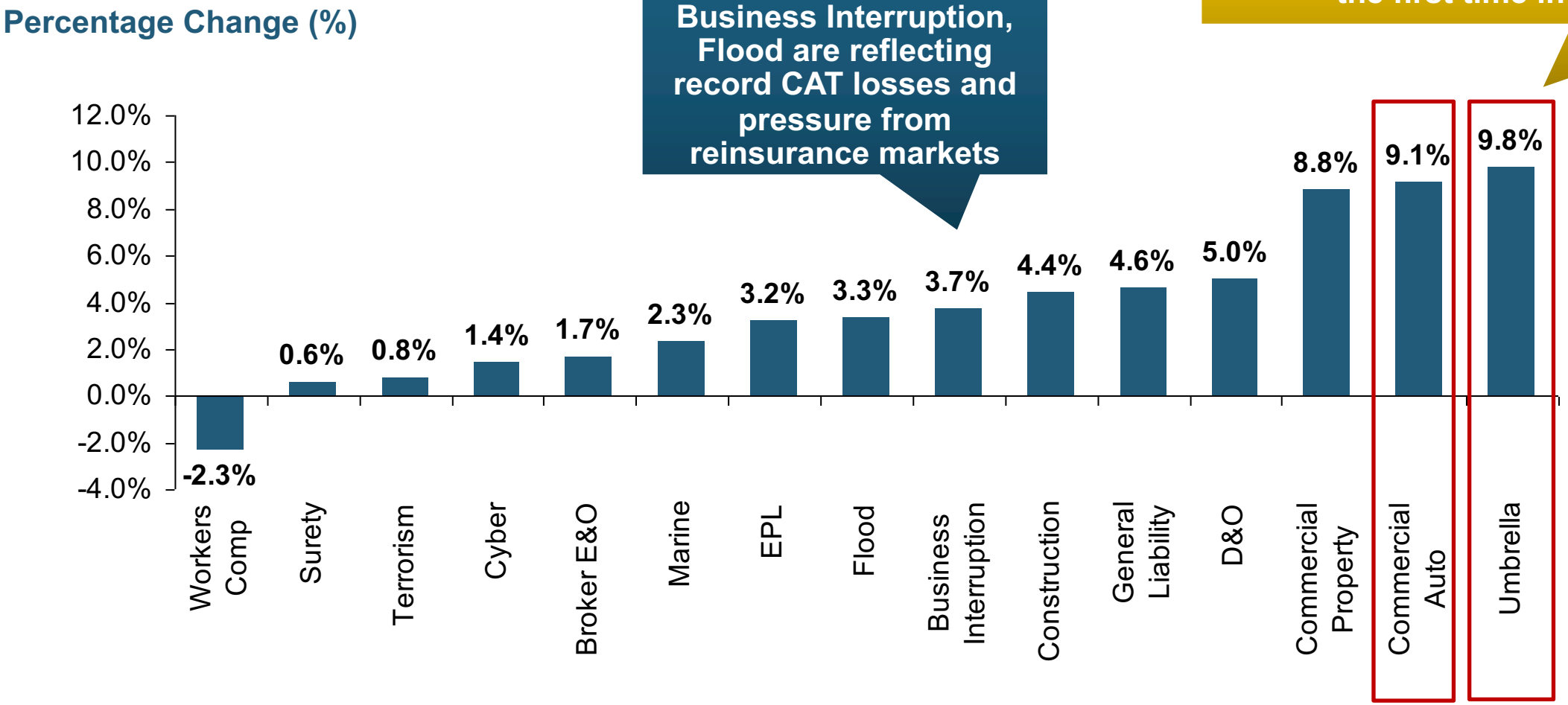


*Latest available.
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Change in Commercial Rate Renewals, by Line: 2019:Q3

Umbrella now leads all major commercial lines in terms of rate gains, exceeding Commercial Auto and CP for the first time in Q3 2019

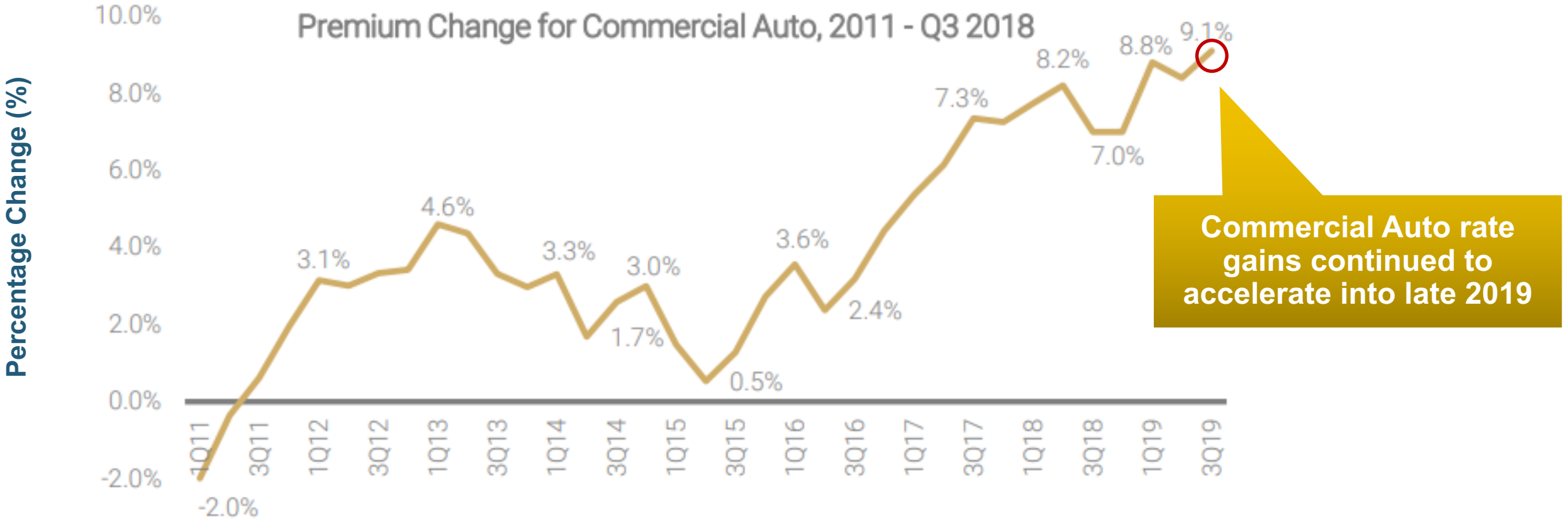
Commercial Property, Business Interruption, Flood are reflecting record CAT losses and pressure from reinsurance markets



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

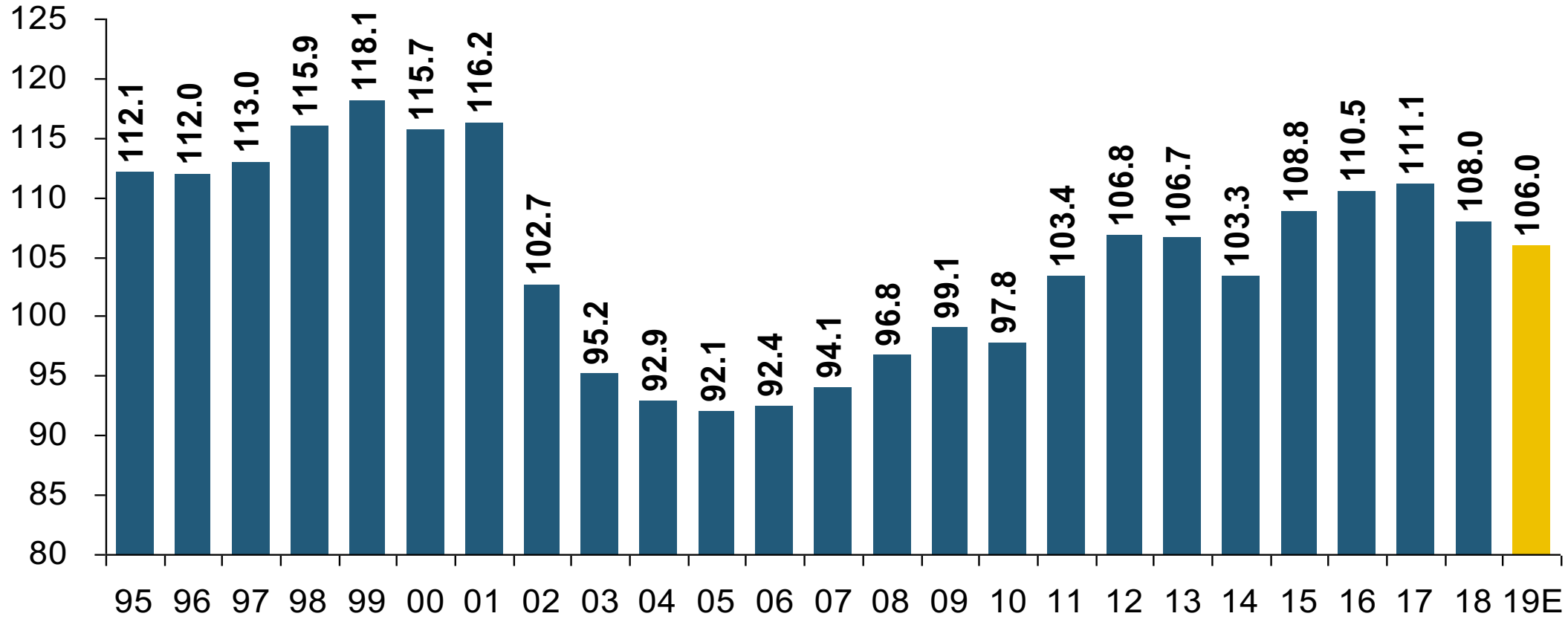
Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

Change in Commercial Auto Rate Renewals: 2011:Q1 to 2019:Q3



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital.

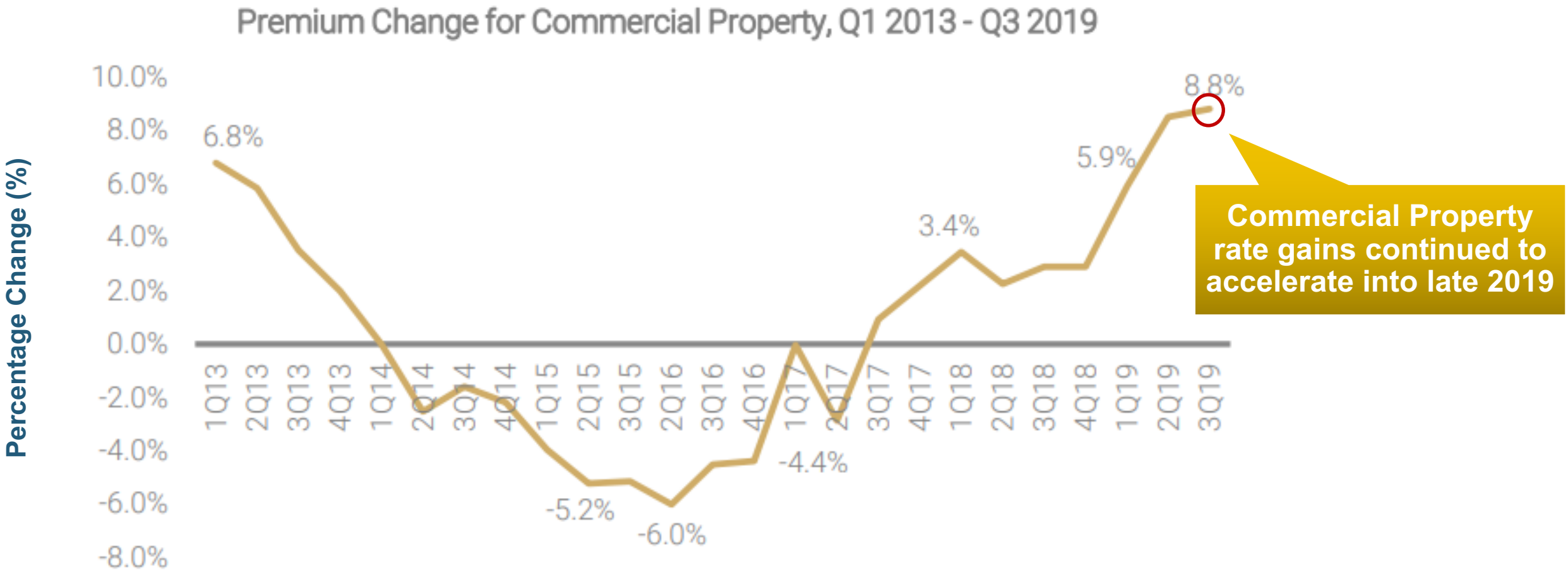
Commercial Auto Combined Ratio: 1993–2019E



Commercial Auto Results Are Challenged as Rate Gains Have Yet to Fully Offset Adverse Frequency and Severity Trends

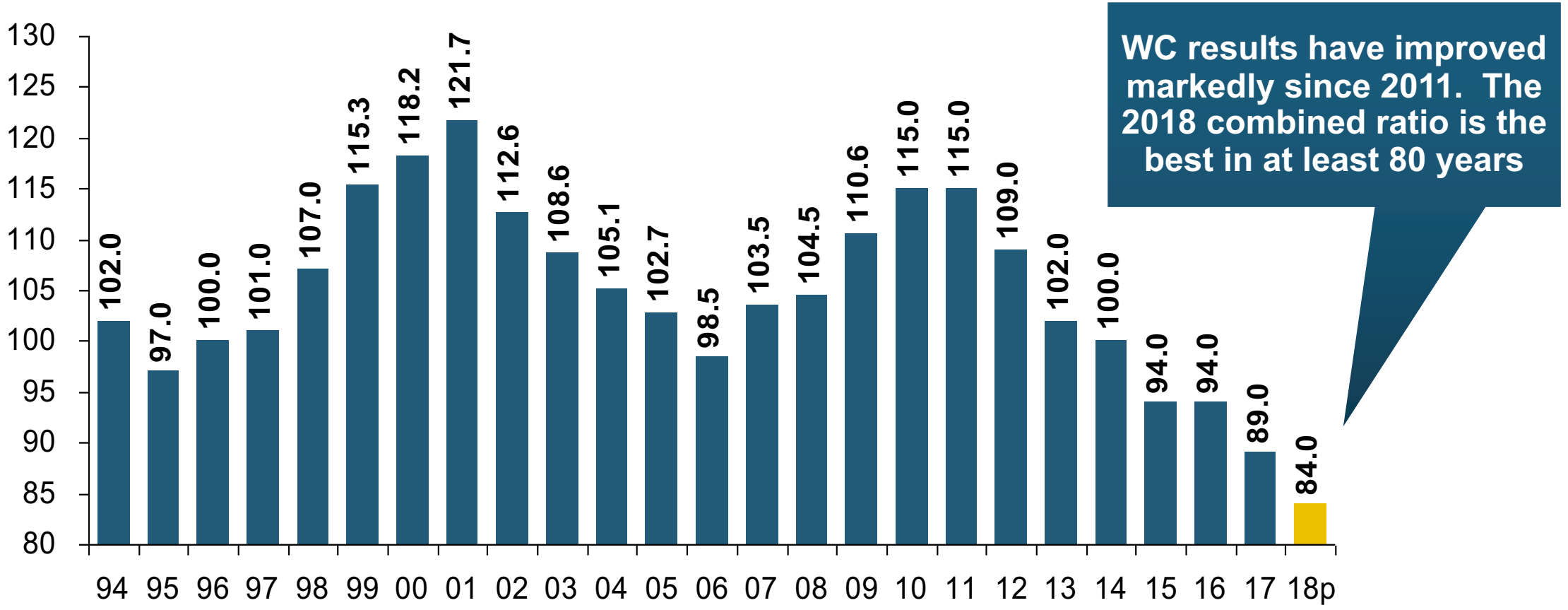
Sources: A.M. Best (1990-2018); Center for Risk and Uncertainty Management, University of South Carolina (2019E).

Change in Commercial Property Rate Renewals: 2011:Q1 to 2019:Q3



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital.

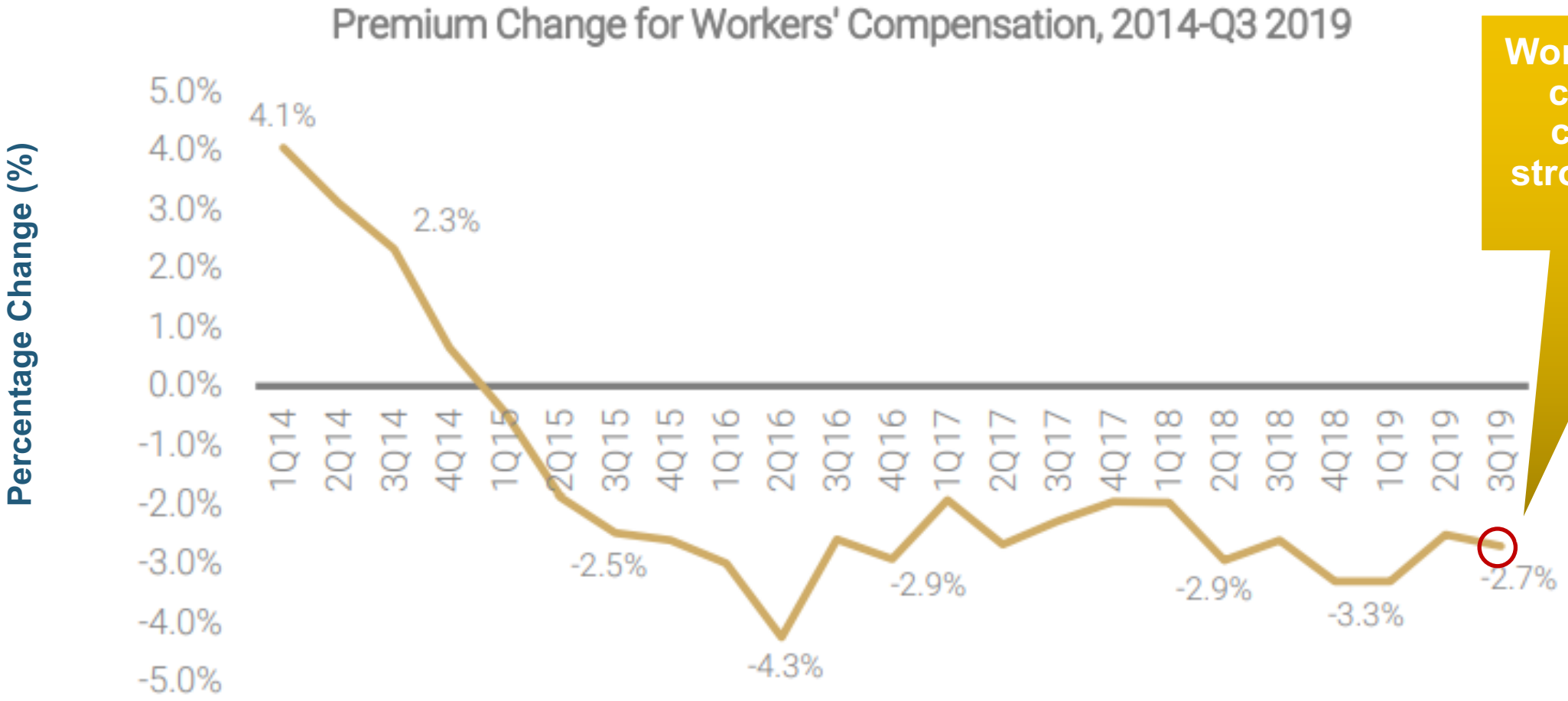
Workers Compensation Combined Ratio: 1994–2018P



Workers Comp Is an Example of a Line that Was Recently Restored to Health Through the Return of Rate Adequacy as Well as Declining Claim Frequency

Sources: A.M. Best (1994-2009); NCCI (2010-2018P) and are for private carriers only..

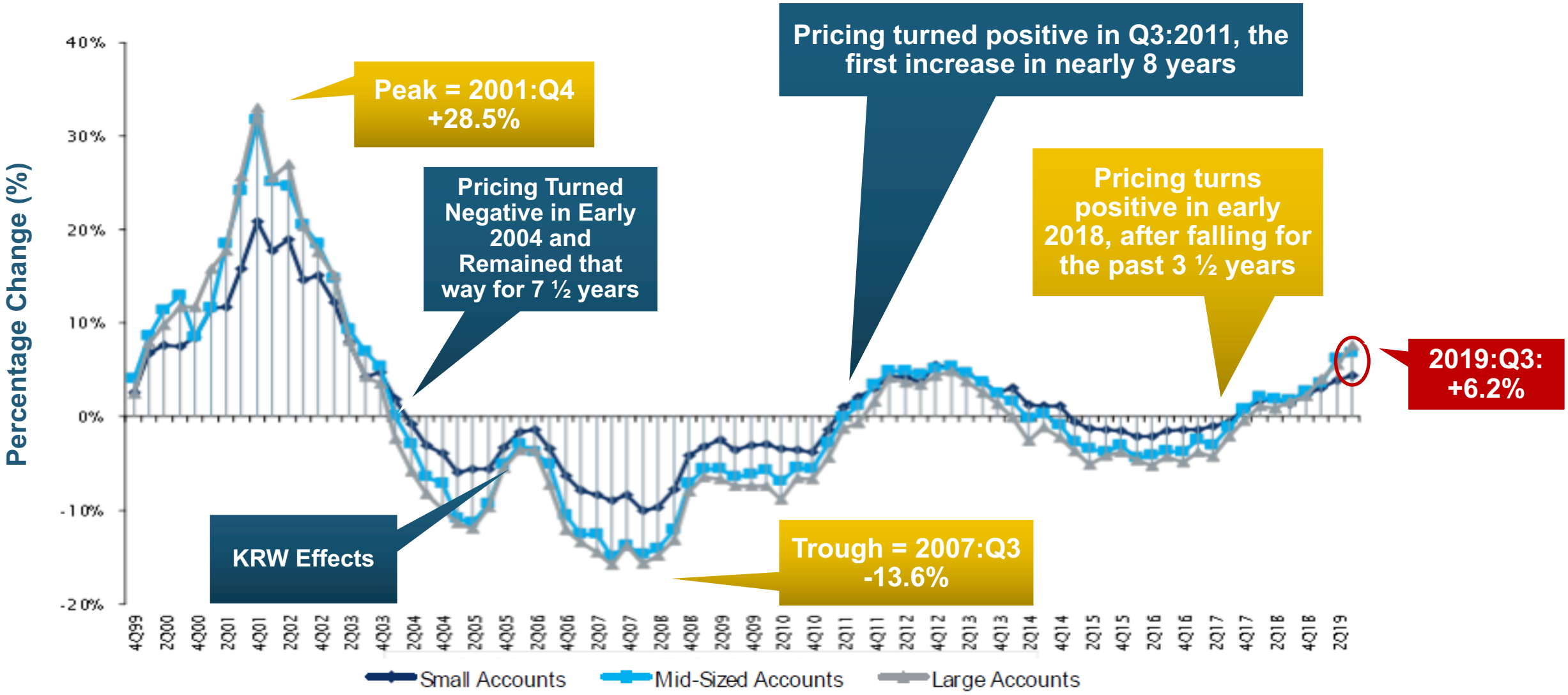
Change in Workers Comp Renewals: 2011:Q1 to 2019:Q3



Workers Comp rates continue to fall, consistent with strong underwriting performance

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital.

Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2019:Q3



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

Source: Council of Insurance Agents and Brokers; Barclay's Capital. University of South Carolina, Risk and Uncertainty Management Center .

Tort Environment: The Return of Social Inflation?

Tort Costs Are Under Pressure from a Variety of Different Factors

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The Nation's Judicial Hellholes: 2019 – 2020

Watch List

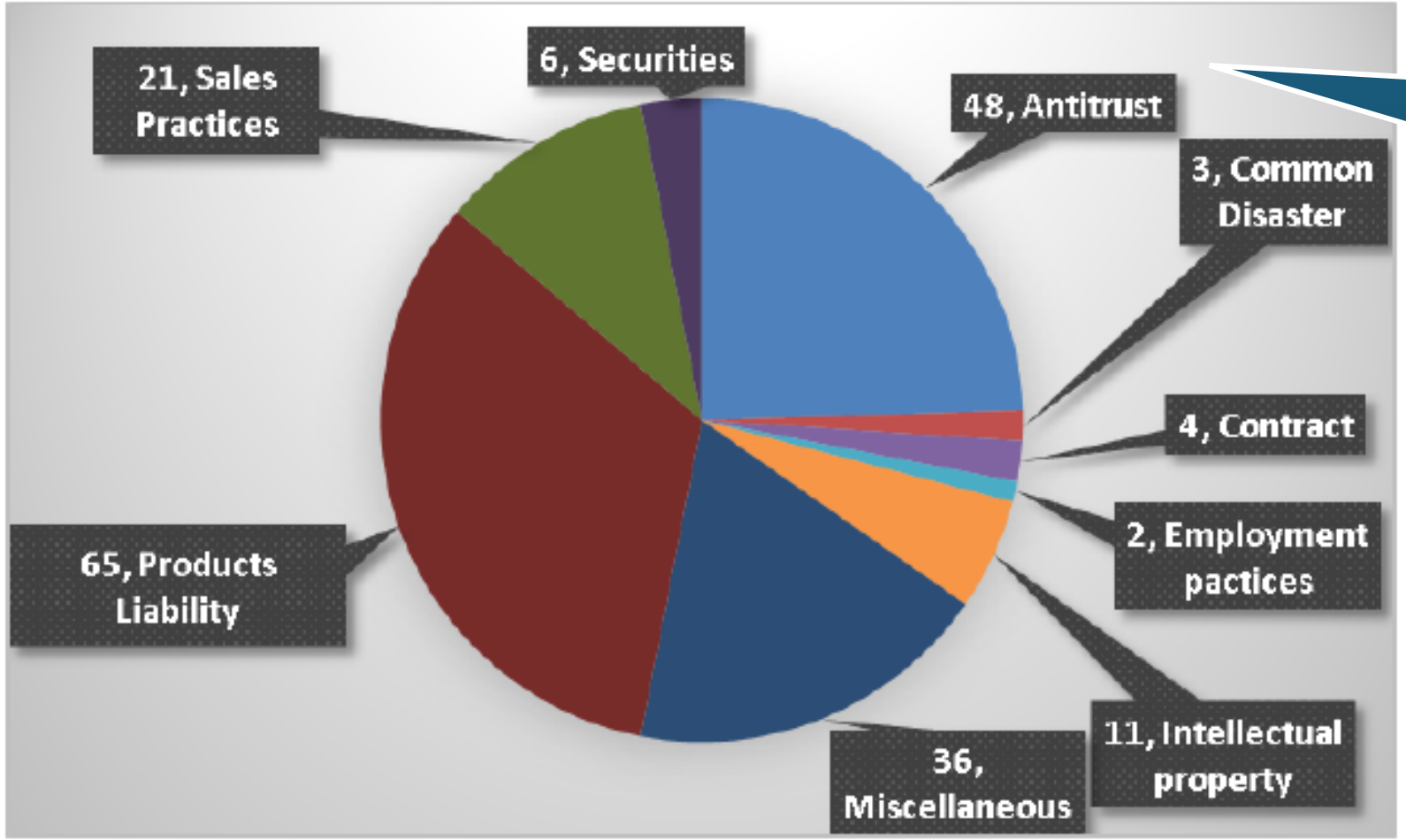
- CO Supreme Court
- Florida
- MD General Assem.
- MT Supreme Court
- PA Supreme Court
- WV Supreme Ct.

Dishonorable Mention

- AK Supreme Court
- KS Supreme Court
- OR Supreme Court

Source: American Tort Reform Association; Risk and Uncertainty Management Center, Univ. of South Carolina.

Multi-District Litigation (MDL), Current Cases, as of Oct. 2019



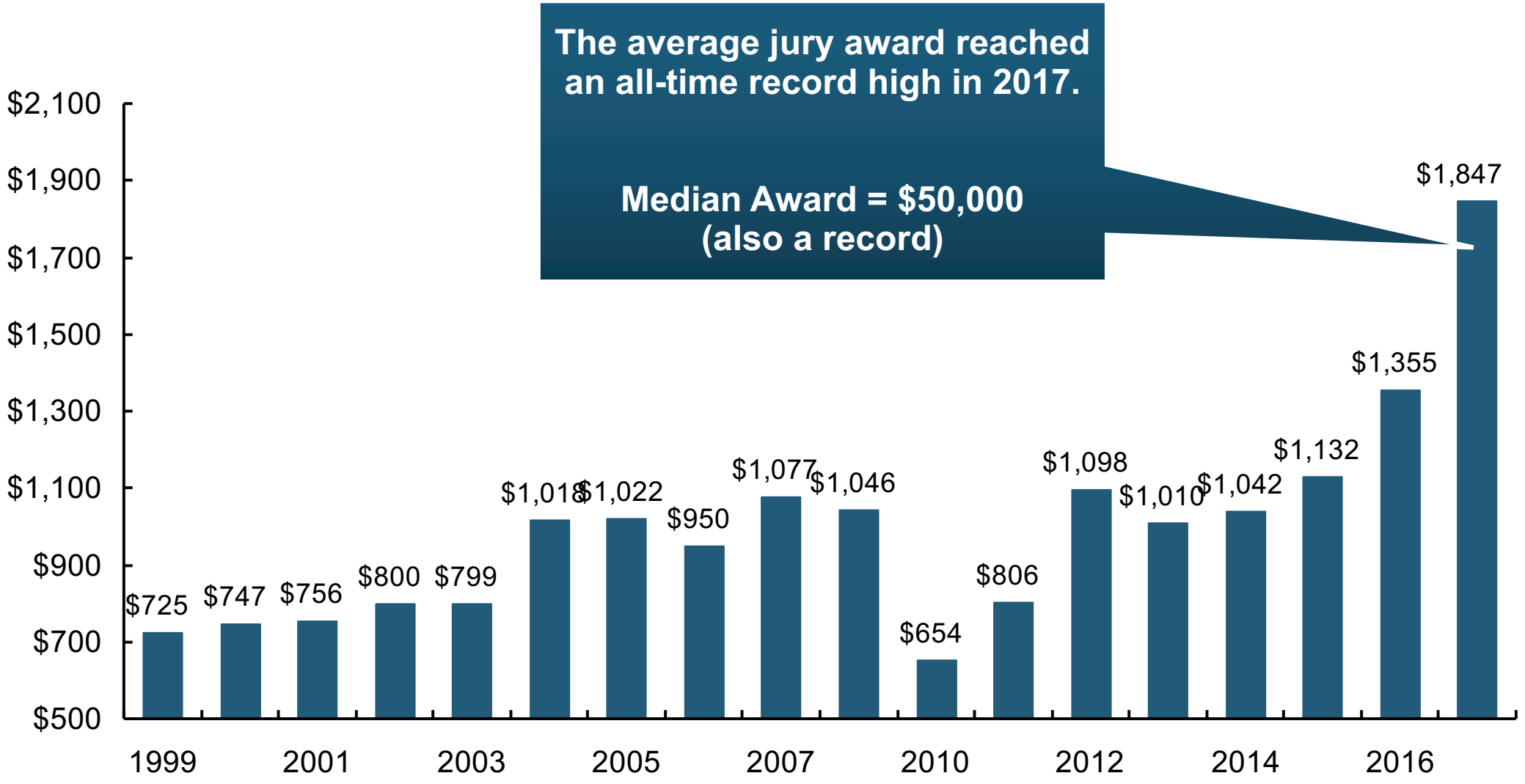
65 out of the 195 current MDL are related to Products Liability, with antitrust coming second at 48 (25%)

Examples

Roundup (Monsanto)
Talcum Powder (J&J)
Opiates (Purdue, etc.)
Deepwater Horizon (BP)
Diesel Deception (VW)

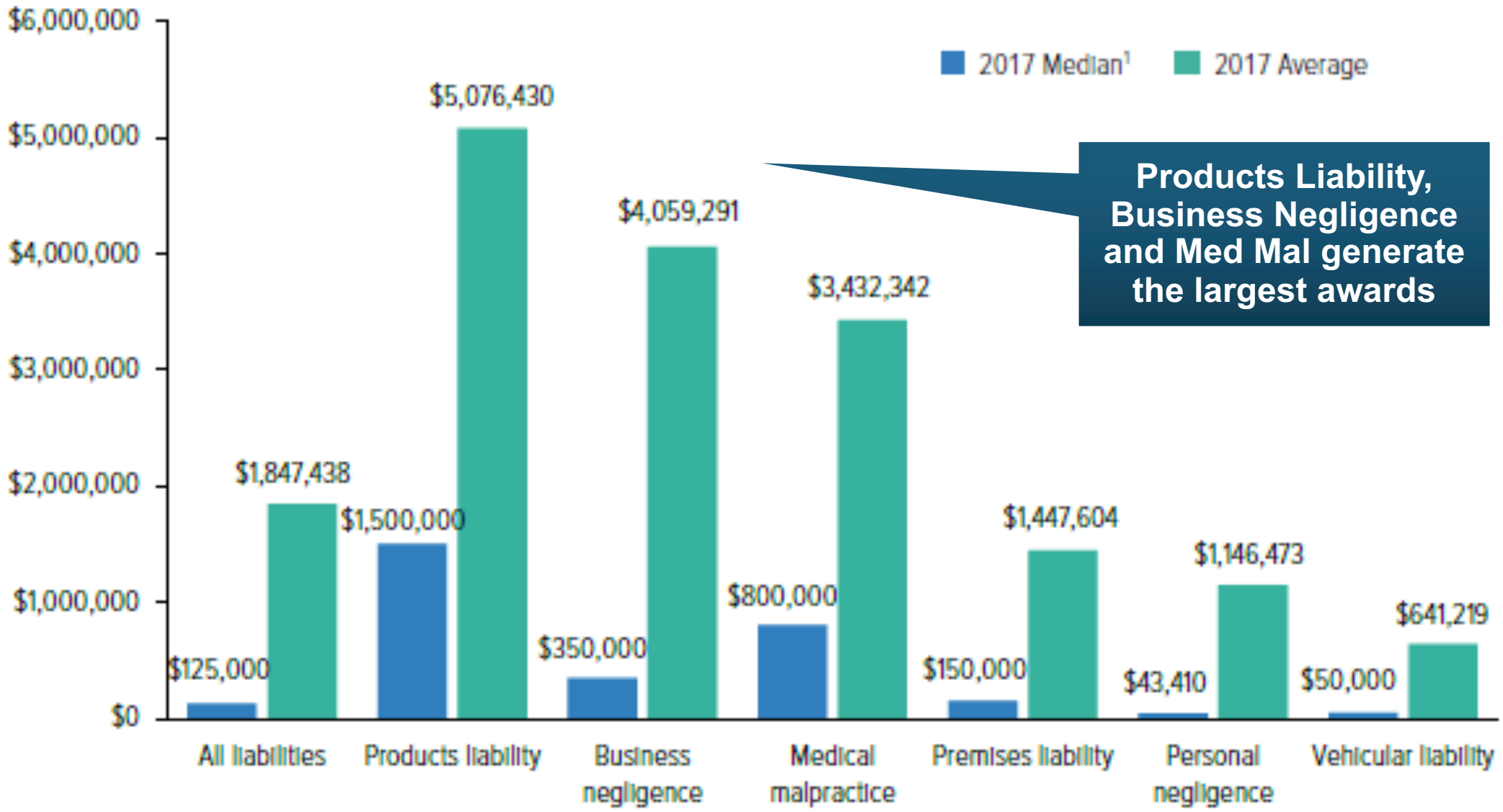
Source: Judicial Panel on Multidistrict Litigation from Assured Research,12/19; Risk and Uncertainty Management Center, Univ. of South Carolina.

Average Jury Awards, 1999 – 2017 (latest available)



Source: Jury Verdict Research; Risk and Uncertainty Management Center, Univ. of South Carolina.

Average Jury Awards, 1999 - 2017



Source: Thompson Reuters, Current Award Trends in Personal Injury (58th ed.); Ins. Info, Inst.; Risk and Uncertainty Management Center, Univ. of South Carolina.

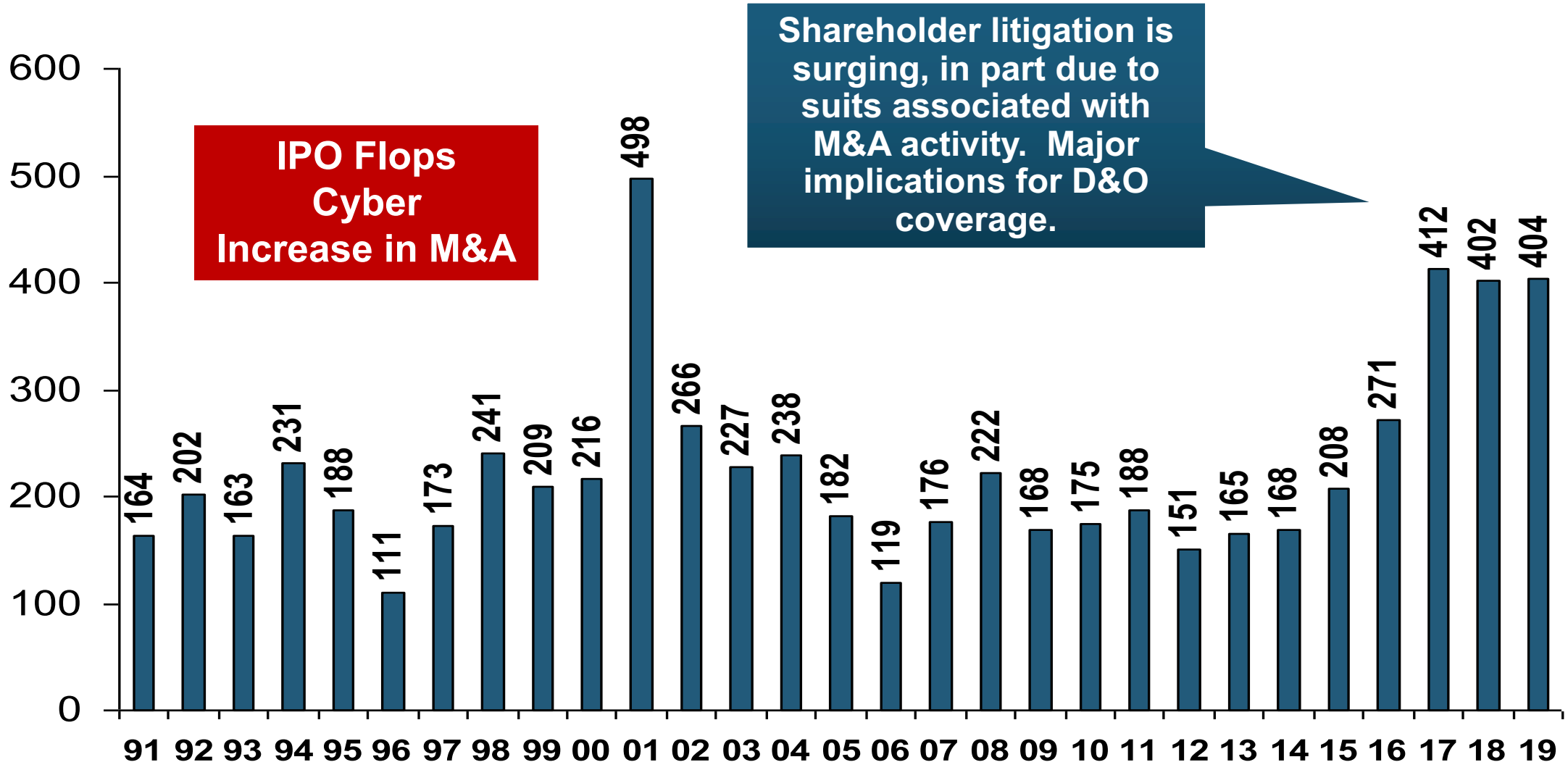
Defense Costs and Cost Containment Expense as a Percent of Incurred Losses ($000), 2016 - 2018

	2016		2017		2018	
	Amount	As a percent of Incurred losses	Amount	As a percent of Incurred losses	Amount	As a percent of Incurred losses
Product liability	$844,606	102.5%	$645,190	68.6%	$861,155	66.4%
Medical professional liability	1,920,552	50.3	1,660,939	43.7	1,690,271	41.8
Commercial multiple peril[2]	2,152,076	35.0	2,117,223	34.8	2,276,024	31.2
Other liability	4,066,992	15.4	5,167,731	21.9	4,573,280	14.9
Workers compensation	3,270,001	3.7	2,956,635	3.3	3,065,540	3.3
Commercial auto liability	1,487,106	9.9	1,746,182	11.2	1,823,716	10.2
Private passenger auto liability	5,008,575	20.9	5,380,006	24.8	6,007,796	27.9
All liability lines	**$18,749,908**	**11.4%**	**$19,673,906**	**12.1%**	**$20,297,782**	**11.6%**

Personal Auto has seen the sharpest increase in recent years

Note: Figures are net of reinsurance and exclude state funds.
Source: NAIC sourced from S&P Global Markets; Ins. Info, Inst.; Risk and Uncertainty Management Center, Univ. of South Carolina.

Shareholder Class Action Lawsuits*



Source: Stanford University School of Law (securities.stanford.edu); Risk and Uncertainty Management Center, Univ. of South Carolina.

Talent Wars

Can the Insurance Industry Win the War for Talent?

Insurance is Not the Only Industry that is Interested in Hiring New Talent, Especially those with Data/Analytics Skills

95

Can Insurers "Win" the War on Talent?

- **Hiring Needs:** The industry has a stated need of hiring some 400,000 people over the next several years
- **Job Market is Tight:** Insurers are doing a better job focusing their efforts—which need to be concerted
- **Inclusive Approach:** The industry's approach has been to suggest that virtually everyone, from any background can build a rewarding career in the insurance industry
- **So Far, So Good:** To date, the industry's diligence and efforts seem to be meeting with success
  - *Insurers seem generally to be successful in their overall recruiting efforts*
- **But What Really Works?** A few key insights

Dr. Bob's Top 5 "Do's" for Recruiting RMI Talent

1. Articulate a Career Path (at First Contact w/Student)

- Students want to see opportunities for career advancement and that you're planning to make an investment in them
- Suggestion: Include an experienced employee on recruiting trips (5-15 years of experience, though not necessarily all with the recruiting company), not just HR people. Students can identify better with these individuals and experienced employees can share their personal experiences and career paths. Students love this.

2. Get an Early Start

- With the unemployment rate hovering around 3.5% (<2.5% for college grads), the best students are getting jobs sooner and sooner. Top students now have multiple strong offers in September of their senior year. By December, the "cream of the crop" has been recruited.
- Get into classrooms! Career fairs can be a zoo. Getting into the classroom, usually when students are juniors and first-semester seniors can be very effective for recruitment of new grads as well as interns. Social media is helpful too.

Dr. Bob's Top 5 "Do's" for Recruiting RMI Talent

3. Institute a Formal Training Program for New Hires

- Students want to hit the ground running and a formal training program after hiring is one of the best ways to quickly acclimate new hires to their new work environment while also making them feel welcome and comfortable with their new duties a co-workers

4. Institute an Internship Program

- Many employers today have internship programs, but not all. An internship program—even if very small—gives you a leg up on recruiting and many of the top students accept positions with a company for whom they interned.

Dr. Bob's Top 5 "Do's" for Recruiting RMI Talent

5. Support RMI Education—Consistently

- Students who major in RMI are already indicating an interest in an RMI career
- Support RMI programs and education through scholarships, internships, targeted contributions to a university's RMI program, executive visits to classrooms, participation by industry executives in courses taught partly by faculty and partly by the executive (e.g., one week). A larger step would include endowing a faculty chair or professorship dedicated to the study of RMI, which would then bear the name of that company.
- Get to know a professor or two! Nobody knows these students better. This will give you an edge in recruiting new hires and interns. This relationship can also help you get into classrooms when students are making key decisions related to careers and employers.

Dr. Bob's Top 3 "Don'ts" for RMI Talent Recruiting

1. **Don't Fail to Recognize that Students Will Hedge Their Bets with RMI-Industry Recruiters**

   - You're not recruiting in a vacuum. Most business school students double major and will have had two internships. In today's tight job market, understand that you're not just in competition with other insurers and brokers, you're in competition with banks, investment banks, accounting and consulting firms, pension funds, investment advisory firms, real estate management firms and increasingly technology firm—and many more

Dr. Bob's Top 3 "Don'ts" for RMI Talent Recruiting

2. Don't Pigeon Hole Students

- Limiting entry level hires to a claims and underwriting track is costing you quality talent. Consider more direct hiring into Accounting, Finance, Marketing, Data Analytics and other functions. Exposing students to the core underwriting and claims functions is critical to learning the business, but if the student's major (or second major or minor) was in another discipline, the attraction of a competing offer from a bank, investment firm, accounting firm or consulting firm may be too much to resist. Help them apply and channel their skills, talents and interests while also training them in the "art" of insurance.

3. Don't Be Parochial

- An astounding number of insurers—even large ones—don't look too far beyond their headquarters or primary bases of operation for talent. This is true both for internships and entry level positions. There is sometimes a bias to recruit at local universities (perhaps because it is easier and less expensive to do so) which can lead (inadvertently) to a bias against hiring quality talent from other institutions. Sometimes also a bias to hire from same school managers attended.

Who's Hiring the Most RMI Grads (Includes Double Majors)

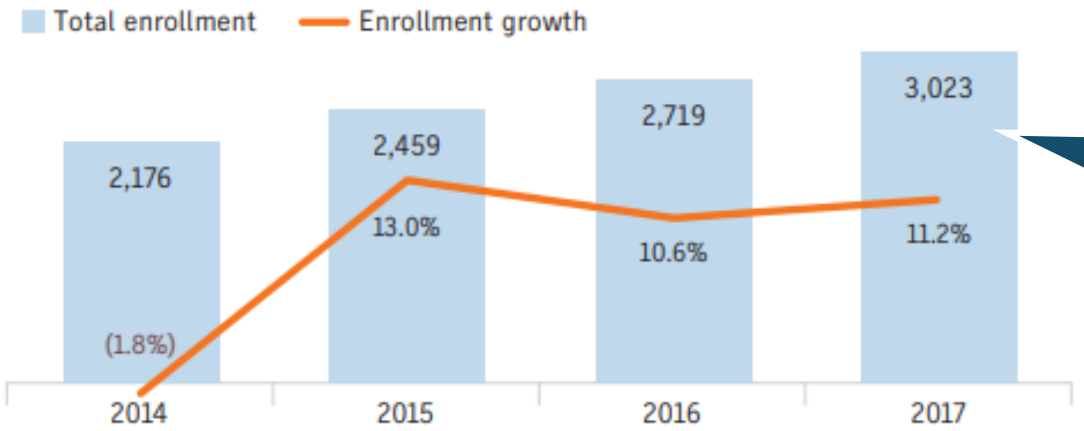
1. P/C Insurers (Multi-Line, Commercial, Specialty, Personal Lines, Lloyd's Syndicates)
2. Banks & Lending Institutions (National/Rgnl. Banks, Ford Mtr. Credit→Credit Risk Functions)
3. Brokers (National, Regional, Specialty, Wholesale)
4. Life/Health/Disability/A&H Insurers
5. Consulting Firms (E&Y, PwC, Deloitte, Bain, etc.→financial services/tech risk)
6. Wealth Management Firms
7. Real Estate Management Firms (e.g., Cushman & Wakefield)
8. Government & Defense Contractors (e.g., Boeing, Northrup-Grumman)
9. Logistics Firms (e.g., UPS)
10. Tech Firms (e.g., IBM, Amazon, Start-ups)

- ***Biggest Problem Area: Independent/Captive Agencies***

Can Insurers Win the War for Talent?

ENROLLMENT TRENDS

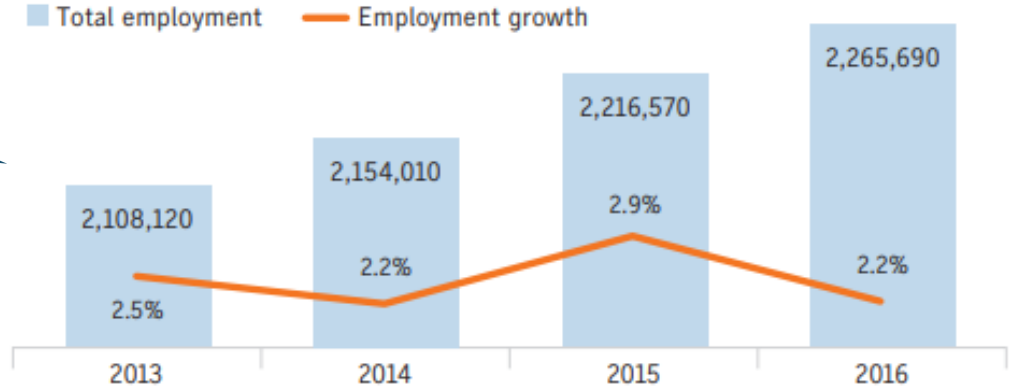
Based on the annual enrollment of students majoring in risk management and insurance programs for the *BI*'s largest 10 undergraduate programs, 2014-2017.



The number of RMI majors is up sharply

EMPLOYMENT TRENDS

Industry-specific national employment figures for insurers and related activities sector, 2013-2016

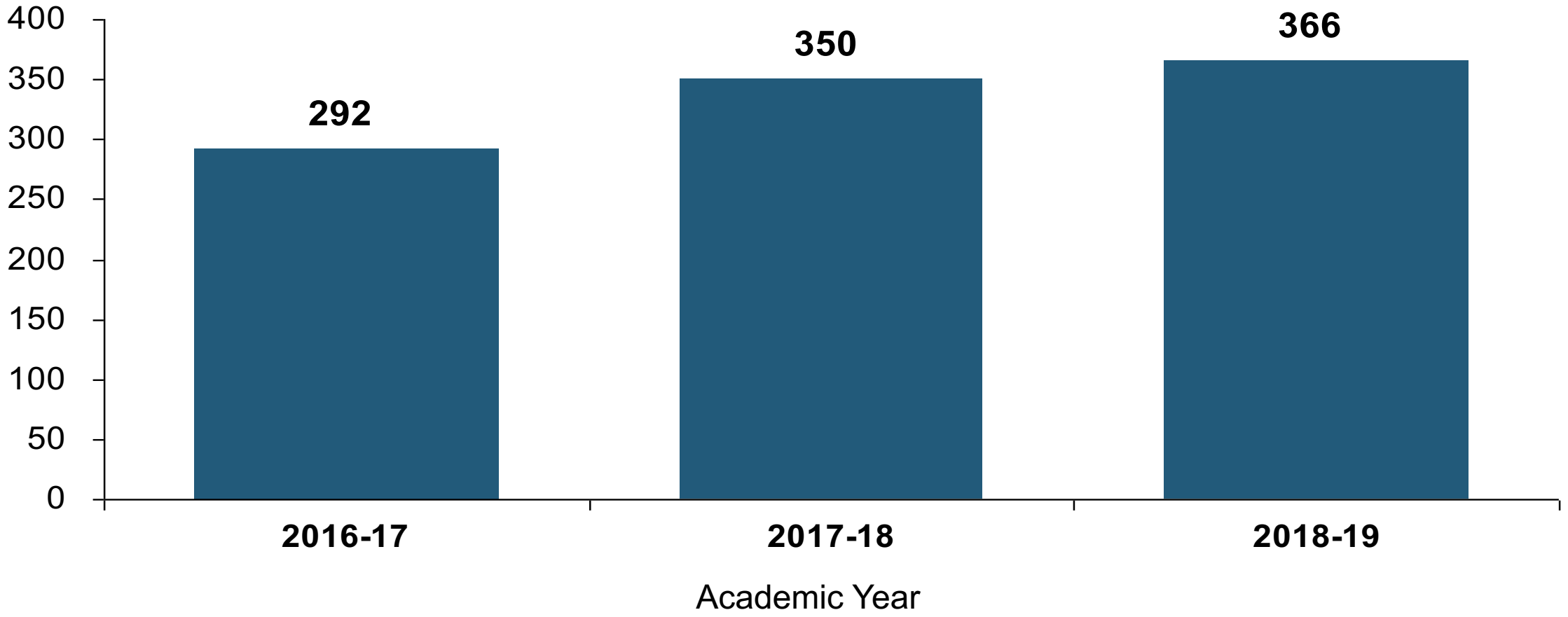


Overall employment is up too

Source: *Business Insurance*, 2017 Risk Management and Insurance Schools Ranking and Directory,

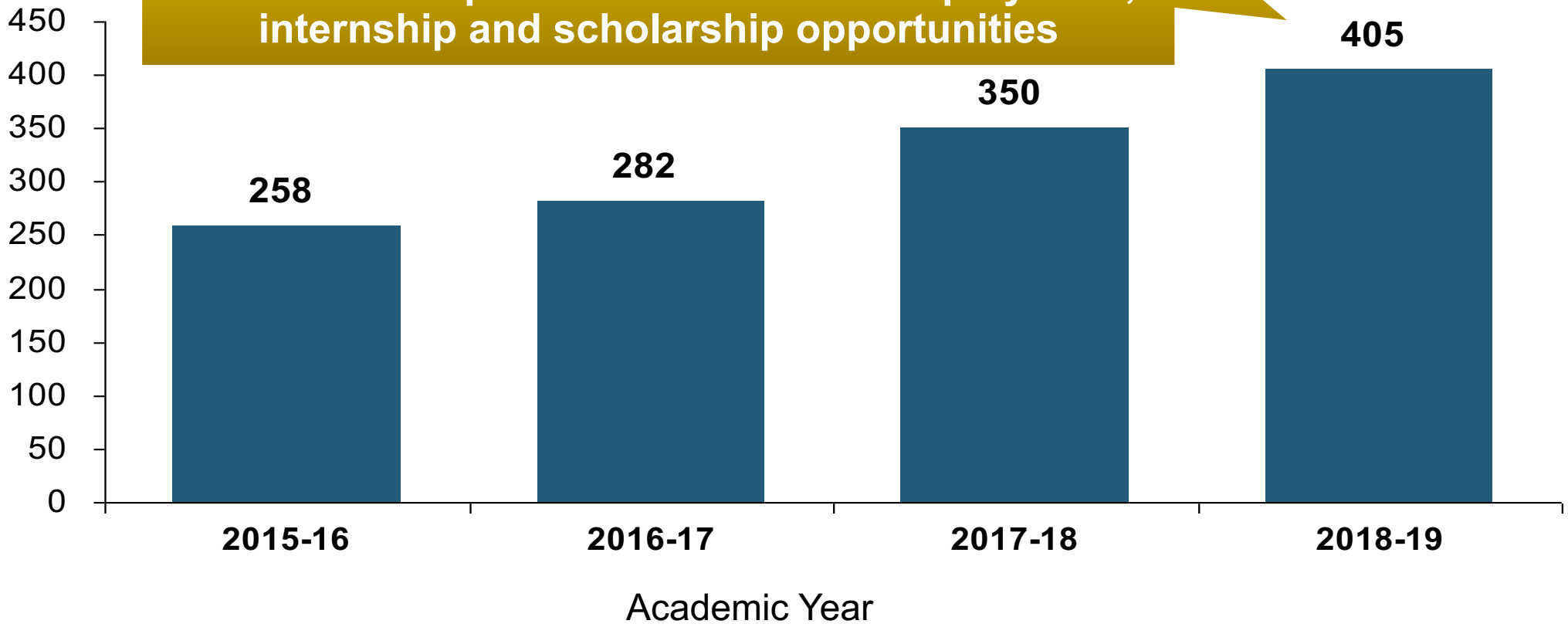
Number of RMI Majors at USC, by Academic Year

USC's RMI program has experienced significant growth in recent years, becoming the 3rd largest program in the US, according to *Business Insurance*



Enrollment in USC's Intro to RMI Course

Enrollment in USC's Introduction to Risk Management & Insurance course is at a record high—up 57% over the past 3 years. This reflects growth in the number of RMI majors, increased awareness of the importance of RM across all business disciplines and increased employment, internship and scholarship opportunities



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Thank you for your time and your attention!

Twitter: twitter.com/bob_hartwig

For a copy of this presentation, email me at robert.hartwig@moore.sc.edu