Sector overview and 2022 outlook

The pandemic’s impact on the workforce has exacerbated longtime talent challenges facing insurers, requiring significant reinvention of the industry’s approaches to recruitment, retention, training, and the future of work itself.

Even prior to the coining of the term “The Great Resignation”—the insurance sector faced a growing talent problem. With an aging workforce and increasing demand for more highly skilled workers in IT, cybersecurity, and data science, organizations struggled to upgrade and upskill their talent base—both existing and new hires—to keep pace with the pressure of technological change. With advances in data analytics and emerging technologies, it has been an ongoing challenge for organizations to leverage the new data into actionable insights.

While the big players of the insurance sector surprised many at the beginning of the pandemic by swiftly shifting to virtual work and thereby disproving their reputation as technology laggards, it came at a mounting cost of talent.

In a double-edged sword, the enablement of remote (and now hybrid) work expanded the battlefield in the war for talent to a global scale as organizations no longer required (or were pushed to reconsider the need for) employees be need within commuting distance of their home offices.
Remote, flexible and hybrid work also increased pressure for those already in-demand technology talent by the need for digital knowledge and agility. This persistent pressure continues to mount as many insurers look to partner, align with, or acquire cutting-edge InsurTechs to provide data and insights and enable more personalized, accessible coverage while driving down costs.

Driven primarily by rebounding economies coming out of pandemic lockdowns and closures, re-employment returning to pre-pandemic levels, and consumer spending soaring as pent-up demand is released and more people spend the extra savings many accumulated during the pandemic, the growth of the industry does not appear to be slowing down any time soon.

With the global fintech market expected to grow to +$190 billion by 2028, the push for digital skills is only starting to crest. Add to all of this the increased competition for top tech-related talent from higher profile, non-insurance Financial Services Industry (FSI) firms (and higher profile tech companies), along with the historic struggle to sell high school and college students on a long-term career in insurance, and you have quite the challenge on your hands.

Nonetheless, after two years and counting of the pandemic, with a heightened awareness for personal and professional safety, the insurance sector is experiencing unprecedented growth and demand. The worldwide insurance industry has proliferated into a +$6 billion industry, with the global market continuing to rise into 2022, especially in the Asia Pacific region.²

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The future of the insurance sector rests on organizations’ ability to attract and retain talent, to rethink their talent strategy to keep pace with their business strategy, and to reconsider where and how to source talent. It’s about curating an employee experience that is focused on high-value “human” work and one which celebrates upskilling/reskilling to complement technology—by changing the role of the agent to become more customer-focused, and by emphasizing the insurance sector’s role as a harbinger of social good.
Current labor situation

While the quit rate remains similar to pre-pandemic levels and is lower than other parts of FSI, the number of job postings (in the US) jumped four-fold: from 12,000 postings in May 2020 to 40,000 postings in November 2021. And this trend does not appear to be slowing down. 56% of companies who participated in the 2021 Insurance Labor Market Study plan to increase their workforce in the next 12 months, primarily driven by the life/health segment. If this comes to fruition, this will result in a 1.8% increase in overall sector employment.

Nonetheless, in the same study, 13% of organizations said that they plan on downsizing through reorganization and automation. The probability of that scenario depends on an organization’s ability to rapidly integrate technology and hire the right talent to complement it. The ability to continue this “technology forward” approach largely depends on their access to talent and, in some cases, the ability to integrate InsurTechs into their legacy infrastructure.
Drivers of staffing challenges

In the current war for talent, the insurance sector faces a multitude of challenges:

**AGING WORKFORCE:**
Even before the pandemic, the insurance sector had an aging workforce. With an average age of 45 in 2021 (highest second only to Public Administration and Agriculture, Forestry, Fishing, and Hunting), and an average age of a life insurance agent of 59 in the US, and 56 globally, the pandemic only exacerbated the growing exit of older employees, many of whom saw the pandemic as an opportunity for early retirement.7,8

**LIMITED TALENT PIPELINE:**
There has been a long-held “tradition” for “family and friends” to make up much of the talent in the insurance sector. With many insurance agencies in the US being private family-owned organizations, the pattern of filial hiring is a significant driver of pipeline. However, with shifting millennial and Gen Z interests, the industry sectors’ continued ability to attract and retain talent based on family-driven ideals alone is waning.

**DEMOGRAPHICS:**
This trend of hiring “family and friends” has led to a sizeable diversity issue:

- **Gender:** While the industry sector has fairly-balanced male and female representation overall in comparison to other industries—with females comprising anywhere from 37-60% of the industry worldwide—equal representation stalls at the higher levels of the organization, with just 23% of executives and officers identifying as female.9,10
• **Race:** According to the Bureau of Labor Statistics in the US, Black employees make up just 13.2% of the 2021 insurance workforce, followed by Hispanic/Latino employees at 11.8% (compared to 77.9% White).\(^\text{11}\) This disparity becomes even starker at the top leadership levels with representation in the single digits.\(^\text{12}\) And the US is not alone in this—for example, the UK insurance sector reports that 93% of employees are white (compared to 86% of the population overall).\(^\text{13}\) While this number has grown since the 2020 racial protests, especially as industry organizations incorporate specific diversity recruiting mechanisms and hire Chief Diversity Officers, there is more to be done.

• **LGBTQ+:** In January 2022, the Human Rights Campaign rated almost all of the large US insurance carriers as top-rated places to work for LGBTQ+ employees; however, just 4% of all life insurance agents identify as LGBTQ+.\(^\text{14}\)

**Consumer Sentiment:**

The lack of diversity influences the current talent pipeline and translates into downstream impacts as younger generations look at metrics such as Diversity, Equity and Inclusion (DEI) at the leadership level and overall inclusive practices/workforce norms in their future employment prospects.
SKILLS GAP:
Insurance companies are tangling with the growing skills gap to enable a technology transformation for a digital economy. The market has high competition for tech talent, with “analytics” and “Microsoft Skills” appearing in a combined 62% of job postings for insurance roles. But insurance companies are, obviously, not the only industries fighting for this same talent. Without the ability to attract, retain and/or upskill employees with technology/digital skills, the investment in technological infrastructure may go unrealized.

INDUSTRY BRANDING:
Finally, the industry has long faced a branding problem. With almost all industries competing for the same skills, especially data analytics, insurance companies are fighting an uphill battle against “sexier” industries. 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.

Our Deloitte 2021 Human Capital Trends: Special Report focuses on the importance of the Social Enterprise and Purpose, of emphasizing both the business impact and the social good of work, to attract younger workers. The insurance sector is well positioned to brand themselves through a lens of stakeholder capitalism as a method for attracting and retaining new, younger talent—yet this messaging is not prominent in the market.
Implications for the organization

These factors, all present before the pandemic but exacerbated over the past two years, are resulting in an overall staffing shortage. In the short term, while many organizations are working to evolve their hiring practices, results have been slow, and the drive towards increasing integration of emerging technology and automation has exacerbated the skill gap, especially for older workers. Growing competition from InsurTechs, leading the investment in technology-driven, AI-powered strategies only amplifies this skills gap.

One interesting implication has been the integration of more technology-focused upskilling. With organizations focused inward in the face of skills shortages, many are increasing their learning and professional development programs for data and analytics. However, this investment often goes unrealized as many employees, once upskilled, are leaving for other industries—resulting in the insurance sector playing the role of “training ground.”

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While demand is certainly booming, insurance companies risk continued oversight of untapped employee and customer bases resulting from the lack of diversity in the long term. Without concerted efforts to attract diverse talent, the sector will continue to overlook a considerable swath of potential employees. It will also continue to overlook potential customers who are increasingly socially conscious (and want to see themselves in the industry they invest and buy in end-to-end).
It’s time to take action

The opportunities to reshape and reconfigure the insurance sector are endless, driven by the rapid embracement of technology and continued consumer pressure for services and products.
#1 REIMAGINE WORK TO ELEVATE HUMANS:
The increased focus on technology and automation allows organizations to amplify their digital presence in terms of how work is done. They should start with rearchitecting the work to focus on which parts can be automated or amplified through technology/automation, thereby creating capacity for employees to refocus on more “human” activities. This trend started prior to the pandemic with the “exponential underwriter,” forging a path for increased use of AI and automation to humanize work.

#2 EXPAND THE APERTURE OF POPULATIONS FROM WHICH TO SOURCE TALENT:
With just 3% of industry respondents stating that all employees will be returning to the office full-time, the insurance sector should leverage this opportunity to consider under-utilized talent pipelines which may be attracted to flexible work models and a family-focused environment. Working mothers, retirees, gig workers, and neurodiverse candidates represent untapped labor pools that could increase labor participation and overall representation in the industry through flexible or part-time roles.

The older workforce provides an especially promising workforce to engage given their institutional knowledge and experience, their invaluable insights as role models and teachers of the craft. Working mothers, retirees, gig workers, and neurodiverse candidates represent untapped labor pools.

The flight of many older workers poses a threat to the longevity dividend that could be realized by targeting this population through curated and exceptional employee experiences and alternative talent models to fit their needs.
Accessing these populations requires targeted outreach through diverse communication and recruitment channels as well as modifications to current ways of working, policies and practices, and digital infrastructure to ensure an equal and equitable employee experience for all.

In addition, evaluating current job descriptions for unnecessary degree or experience requirements could open new talent channels by refocusing on skills-based hiring. There is an obvious business play as well—buying insurance is a personal activity, and customers buy from someone they trust and whom they think understands and knows their whole journey. The more diversity in thought present in the workforce, the more possibilities for widening the breadth of services and products to suit diverse customer experiences and needs.

#3 UPTAKE AND RESKILL WHILE FOCUSING ON THE EMPLOYEE EXPERIENCE:
The need to upskill and reskill in-house will continue in the face of continued competition for the same talent. To retain the investment in skills development, organizations should rethink the employee experience after the skills are obtained. There is a need to rethink career pathways and recognition models to match the level and competition for these in-demand skills. There's also a messaging play here—organizations should communicate the uniqueness of technology-focused talent in the industry and “sell” impactful growth opportunities as well the potential to drive organizational strategy.

#4 CURATE ECOSYSTEMS:
Amplifying technology-driven transformation and automation coupled with upskilling/reskilling can lead to people doing what activities they are good at. By redefining the work, and automating or reorganizing low-value activities, organizations can unlock human capacity to focus on more “human activities,” such as communication, customer service, and customer experience.

This will allow organizations to refocus on the consumer, and avoid commoditization, while incorporating “concierge services” beyond their top-tier customers. It will free up agents to become more present in peoples’ lives beyond renewal time, expanding customers’ knowledge and access to services that suit their specific situation. The role of agents as trusted advisors will be amplified and accelerated by removing tasks that can be otherwise automated.
#5
REBRAND THE SECTOR:
The pandemic provided two real opportunities to rebrand the industry. On the one hand, nine out of 10 insurance companies reported increasing investments focused on environmental, social, and governance efforts on climate sustainability, enhanced diversity hiring, increased availability and inclusivity of products and services at the community level, and more ethical decision-making.¹⁷

As an industry admittedly lagging in these areas, employees with talent and focus will find ample opportunity to create impact. Promoting this side of the business focused on creating climate change impact and community development through financial services, could serve as a catalyst to attract socially conscious candidates, especially from younger talent pools.

On the other hand, the insurance industry has long underplayed its role as the “economy’s financial first responder” in this context.¹⁸ There is an opportunity to refocus on the underlying mission of insurance as a social safety net, an invisible backup plan for when things go wrong.

By rebranding through a global, community-focused, and socially conscious lens, insurance companies shift from their current public image to one that attracts talent interested in similar missions. There is a clear link between what insurance companies do and their positive role on international stability, community development, emergency response, and individual safety—and that connection needs to be elevated and amplified.
READY TO REIMAGINE WHAT’S NEXT?

1 Analysis using Deloitte’s fintech interactive tool, accessed 2022.
3 LinkUp; Data Analysis: Deloitte
5 Ibid.
6 Ibid.
10 Catalyst, Women in Financial Services, June 2020
13 Chartered Insurance Institute, Attraction and retention of diverse talent in Insurance, 2020.
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18 Ibid.
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