



Risk Management and
Insurance



Gamma Iota Sigma

GIS

International Risk Management, Insurance
and Actuarial Science Collegiate Fraternity

2017 MICHIGAN INSURANCE EMPLOYERS SURVEY

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ABSTRACT

Report and analysis of results from employment-related data collection for the Michigan locations of insurance industry employers surveyed during February-March, 2017.

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PURPOSE OF SURVEY

The Michigan Insurance Employer Survey (MIES) is a survey of insurance related firms in the state of Michigan. The survey aims to gauge the employment market in the state and identify emerging trends within the market for insurance talent. By analyzing collected data, the survey seeks to analyze employment trends among Michigan's insurance related firms. The hope and intention of the authors is that this survey and resulting report will be the first of an ongoing series in the years to come.

In a 2016 report titled, *The Economic Footprint of Michigan's Insurance Industry*, the Anderson Economic Group found the state to have over 41,000 individuals employed in insurance related fields. Comparatively, the United States Department of Labor lists the nation's number of insurance related jobs at 2,566,200 for February of 2016 (the same month of publication for the AEG report). This means the state of Michigan makes up approximately 2% of the entire insurance industry in the United States.

The average compensation of employees in Michigan's insurance industry as reported by AEG is over \$85,000 (measured in total compensation) with about \$81,000 being earned in wages. The AEG report also lists the average total compensation for any Michigan worker at \$59,250. This difference in earnings is due in part to the high level of skill required of employees for insurance jobs in Michigan. Yet, despite the large earnings available, Michigan insurance firms still struggle to attract and retain top talent. Some of the reasons for this are discussed in this report as identified by respondents.

In order to study the current employment landscape, the 2017 Michigan Insurance Employer Survey invited employers to respond to an online survey and requested they provide some quantitative information such as:

1. What is your current Michigan employee headcount and what was your headcount 12 months ago?
2. How many of your Michigan Employees separated from your firm within the last 12 months?
3. What is the average age of your Michigan workforce?
4. How many external hires has your business made in Michigan within the last 12 months?

In addition, the survey collected qualitative information through open-ended questions, for example:

1. What characteristics, skills, and attributes will you most desire in your hires over the next 12 months?
2. What are your greatest challenges in meeting your talent needs at this time?

Twenty respondents from around the state of Michigan provided answers to these and other questions. It is our fervent hope that the information gathered from these companies will be valuable to draw comparisons from year to year in employment trends throughout the Michigan insurance industry.

The survey team would like to acknowledge the assistance of the Insurance Institute of Michigan and the Michigan Association of Insurance Agents for the distribution of the survey among their members.

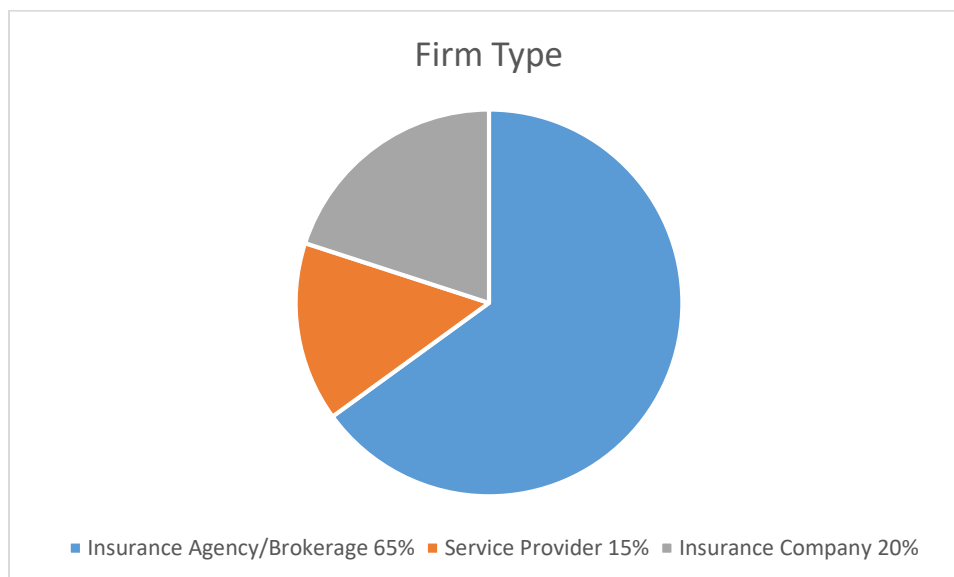
KEY FINDINGS

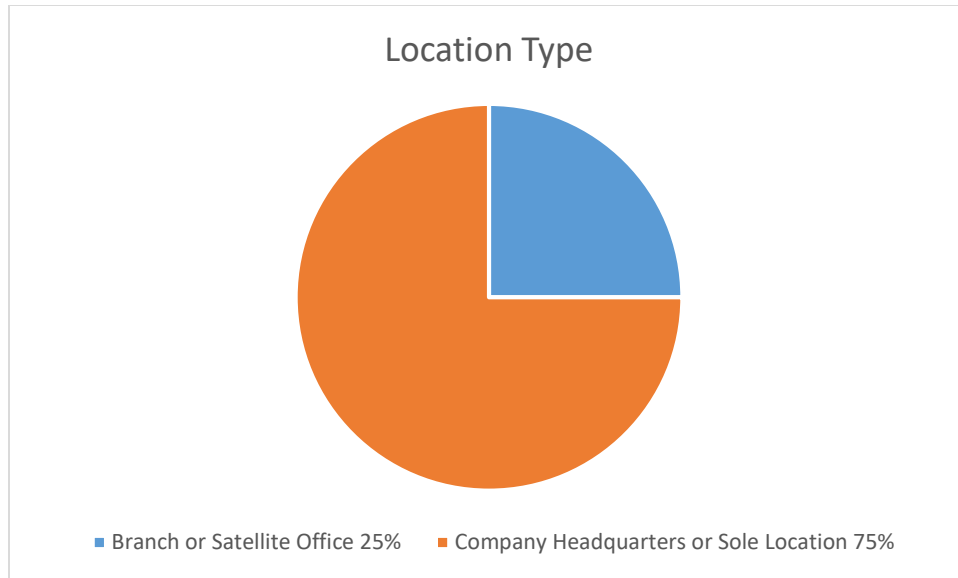
Here are some key findings in the 2017 Michigan Insurance Employers Survey:

- Michigan insurance employment headcount was up a little over 5% in the past year and is projected to grow again in the year ahead.
- Service providers on average are significantly younger compared to the rest of the Michigan Insurance industry.
- The majority of jobs available in the insurance industry are in claims, underwriting or information technology.
- The top five attributes a candidate needs to possess is an ability to multi task, being a self-starter, versatility, being committed to growth, and team-oriented.
- The three main challenges in hiring new employees are finding candidates with business acumen, competition with other firms, and allocation of enough resources to bring candidates on board.

METHODOLOGY & DEMOGRAPHICS OF RESPONDENTS

Gamma Iota Sigma's Upsilon Chapter invited insurance employers throughout Michigan to respond to an online survey of which 20 firms completed. The survey used a convenience sampling method. Survey invitation letters were distributed in the exhibit hall at the Michigan Association of Insurance Agents annual convention in February 2017. The online survey link and invitation was also shared on various social media platforms such as Facebook and distributed to members of the Insurance Institute of Michigan. Respondents consisted of three types of employers: insurance companies, insurance agents/brokers, and service providers. Of these respondents, 13 were agencies and brokerages. The remaining respondents were composed of four insurance companies and three service providers. Of these firms, five were branch or satellite offices and 15 were company headquarters or the sole location in Michigan. The following graphs offer a visual representation of respondents.





Geographic distribution of respondents



CHANGE IN HEADCOUNTS

With the purpose of the survey to be an analysis of the employment patterns of Michigan insurance firms, the team would be remiss to not include some inferences on the change in head counts. The table below shows the headcounts for Michigan firms from February 2016 and 2017 as well as the projected headcount for 2018. The projected headcount was calculated from respondents' answers to

projected new hires for the coming year. As the table shows there is large overall growth in Michigan firms, which is a positive sign for those looking to enter the insurance industry in the coming years.

Firm Type	12 Months prior Head Count	Current Head Count	Project 12 Month Head Count	2 Year Change in Headcount (as percentage)
Service Providers	83	91	101	22%
Insurance Companies	3326	3479	3820	15%
Agents/Brokers	168	193	229	36%
Total	3577	3763	4150	16%

Granted, the headcount projections ignore the effects of separations that may occur in the next 12 months. It is noteworthy that headcount has increased by 5.2% in the preceding 12 months which would include separations that have occurred. Respondents reported 237 separations (voluntary and involuntary) in the preceding 12 months, which is equivalent to a 6.5% turnover rate based on the average headcount of the preceding 12 months. With 387 projected hires in the next 12 months, and assuming an identical turnover rate, this implies real employment growth of 4% in the next 12 months.

In the table above it is important to note that the headcounts have been aggregated by firm type rather than presented as an average percentage change among the respondents. The survey team did this intentionally because three of the respondents reported over 50% change in employee headcount. While these are important findings to note, with nine of the respondents reporting a less than 5% change in employment it would skew the interpretation of the data too much to use an average in this instance. The table above is supported also by the findings that 85% of respondents reported headcounts that were either higher or the same as the previous year. Furthermore, our data indicate that 35% of the respondents saw their headcount grow by 10% or more in the preceding 12 months.

Change in Headcount from Last Year to This Year			
2017 Michigan Insurance Employers Survey from Ferris State/Gamma Iota Sigma		The 2017 Insurance Industry Employment and Hiring Outlook Survey	
Grew or Stayed The Same	85%	Grew or Stayed The Same	87%

A similar study conducted nationally by GreatInsuranceJobs.com reported very similar findings in their report published in February 2017. *The 2017 Insurance Industry Employment and Hiring Outlook Survey* makes it apparent that trends in the insurance industry nationwide are concurrent with what the Ferris State/Gamma Iota Sigma Michigan Insurance Employers Survey found.

AVERAGE AGE OF THE INDUSTRY

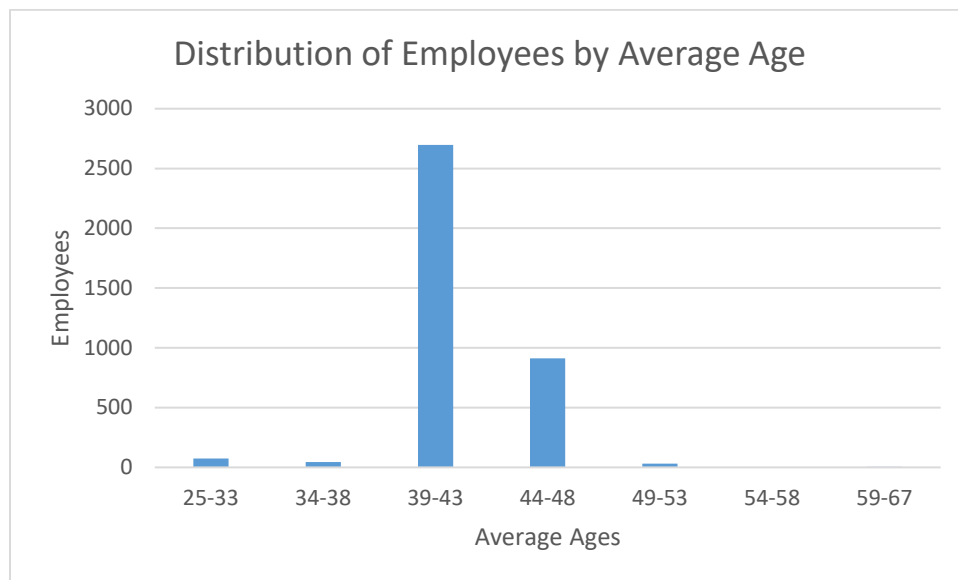
For years, the industry has acknowledged that it is an aging workforce with many skilled employees approaching retirement age. In the survey, respondents were asked to provide the average age in their office. Reported average ages ranged from 29 years up to 60. (The survey team adjusted a response of 600, which is clearly incorrect, to 60 on the assumption that this was the particular

respondent’s intent.) Using the average age and current headcount responses, the survey team computed the following overall average employee ages by the type of firm:

Average Age of Employees	
Service Providers	32
Insurance Companies	41
Agents and Brokers	43
Overall	41

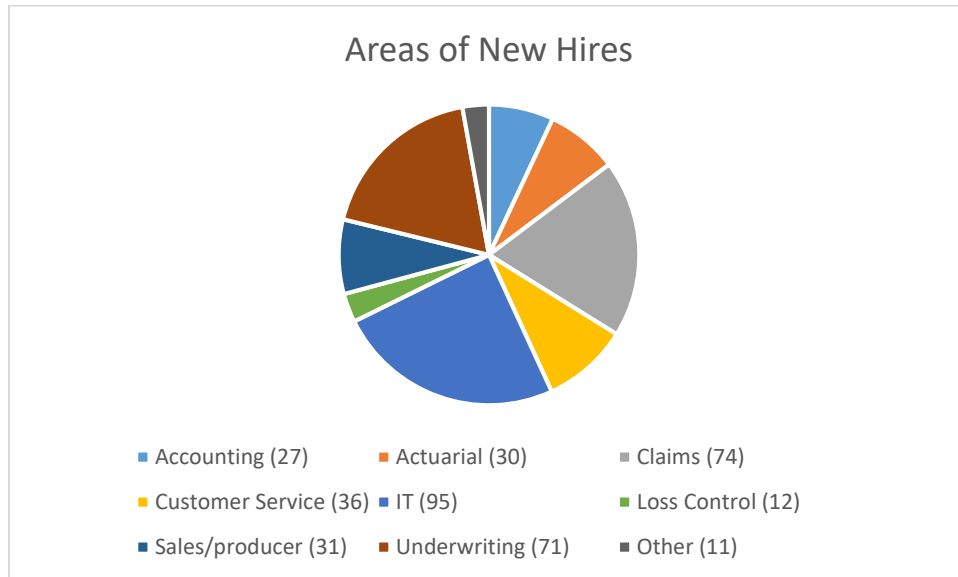
As the data shows, service providers have a significantly younger average age compared to the majority of respondents in this year’s survey. Unfortunately, the survey was unable to collect enough data to analyze why these types of firms may be successful in attracting younger talent as opposed to the rest of the industry. However, one theory is that service providers are often technology driven and able to experiment more within an evolving industry. Much of the generation currently entering the workforce has grown up with various technologies their entire lives making the continuation to work with emerging technologies attractive. However, the narrative that the insurance industry is aging is supported in the average age of insurance companies and insurance agents/brokers.

The chart below offers a visualization of the average employee age among the respondents. This is not a true representation of the age distribution of Michigan insurance employees as all we requested from respondents was the overall average age of their Michigan workforce. This chart plots those average ages weighted by the current headcount of the respondent. If we had access to the ages of individual employees at each respondent, we could have produced a true age distribution, but this depiction of workforce age is telling nevertheless.



BREAKDOWN OF NEW HIRES OVER LAST 12 MONTHS

One question MIES asked respondents was in what functional areas they had hired employees over the last 12 months. The following graph breaks down this information. As shown, 387 employees were hired over the last year with the majority in claims, underwriting and information technology.



With headcounts expected to show a larger increase within the next year it will be interesting to see if this data stays proportional or if it skews differently in the year to come.

SEPARATION RATES THROUGHOUT MICHIGAN

Another aspect that makes up the employment market is the separation of employees from their employers. In the survey, respondents were asked to report the number of separated employees over the last year from their companies. The following table shows the separation rates as broken down by the firm type. Service providers and insurance companies saw only single percentage separation rates while insurance agents and brokers had much higher separation rates at 16%

Firm Type	Separation Rate
Service Providers	8%
Insurance Companies	6%
Agents and Brokers	16%

One reason that may explain why the agent and broker separation rate is so high is that the majority of agencies and brokerages had smaller headcounts than the service providers and insurance companies. Based on that the impact of a few employees separating creates a larger impact on these firms.

EMPLOYEE TURNOVER AROUND THE STATE

Every industry has their ups and downs in employment. While the firms surveyed showed an overall growth of 5% as a whole in the last year that does not necessarily tell the entire story. The size of the insurance companies was able to have a large influence on that percentage. The table below shows that service providers and agencies/brokerages grew in double-digit percentages and that overall turnover is relatively low.

Changes in Employee Head Count					
	12 Months Prior Headcount	Current Headcount	Change in Head Count (as percentage)	Total of Separated Employees (as percentage)	Workforce Volatility
Service Providers	83	91	10%	8%	18%
Insurance Companies	3326	3479	5%	6%	11%
Agents and Brokers	168	193	15%	16%	31%
Total Industry	3577	3763	5%	6%	11%

This data is somewhat difficult to interpret based on the limited number of responses to the survey. What can be said is that there was relatively low employee turnover in this year's data. The workforce volatility column shows the change in headcount added to the percentage of separated employees. This provides a measure of the "churn" or the total change of the firm's employees throughout the year. We acknowledge that these numbers may be somewhat skewed by respondents with smaller headcounts and the low number of total respondents to the survey. For example, if a company has three employees and one separates, a company just had 33% of their employees leave. This is why the numbers used were the change in aggregated totals of each firm type rather than averages of the firms in their respective categories.

WHAT CHARACTERISTICS, SKILLS, AND ATTRIBUTES ARE NEEDED

The survey asked employers to list the most important attributes an ideal candidate should possess when applying to their firm. The following ten terms were brought up by multiple employers in reference to what they are looking for. Interestingly enough, technical skills such as being computer savvy or having prior industry experience were expressed by very few of the respondents.

Here are the top ten most important proficiencies a qualified candidate in Michigan needs to possess:

1. **Multi-Tasker** – Job candidates need to be able to multi-task. Developing this ability takes an understanding of time-management, another proficiency that surfaced in employer's responses. The need to handle multiple tasks at a time is critical in an ever-changing insurance industry where every day brings different scenarios.

2. **Self-Starter** – Employers want “go-getters.” To make it in this industry a candidate must be proactive. Being able to work independently is a valuable attribute that allows firms to achieve maximum efficiency with their time and resources.
3. **Versatile** – As mentioned previously, this industry changes often. Employers want versatile employees that are easy to train and willing to try new things. Cross training is becoming the norm among smaller operations and large companies alike.
4. **Growth** – A commitment to growth is an important personality trait for potential candidates. Firms want candidates that are committed to continuing education and further development throughout their careers in insurance.
5. **Team-Oriented** – Candidates need to be able to work in a team as well as independently. Many firms operate with teams, which collaborate to solve the various complexities in insurance. In doing so firms succeed together and need members that are committed to the success of the overall group not just the individual.
6. **Motivated** – Firms want candidates that are driven. A reoccurring theme in responses was the need for candidates that work hard and are self-motivated. Firms want candidates that earn their keep and produce results.
7. **Problem-Solver** – As everyone in the industry knows so well, insurance is all about solving different problems and finding ways to create opportunities for new business. In doing so, it takes candidates that can step back and think outside the box. By finding unique solutions, firms are able to not only generate revenue but also create value in their firm’s brand.
8. **Communication Skills** – Critical in all situations, candidates need to possess strong communication skills. Both written and verbal skills are required when working in insurance as policies are written with many technical, industry-specific terms.
9. **Personable** – Employers want employees that are professional. Possessing basic business etiquette is important when working with potential clients and insureds.
10. **Passionate** – Firms want candidates that care about what they are doing. They want employees that are confident and have a high attention to detail. It is important that employees want to be at their job and have a desire to contribute.

The following word cloud illustrates the emphasis of the attributes that insurance employers seek.



GREATEST CHALLENGES IN RECRUITING TALENT

For some time now, the insurance industry has been talking about the talent gap that is approaching. That gap is largely due to the retirement of skilled professionals that have years of industry experience. As addressed earlier the average employee age among the survey respondents was 41. This need for new talent in the Michigan insurance workforce creates difficulties for firms to fill their open positions. Below are a few of the reoccurring challenges for employers looking to hire throughout the state of Michigan, according to survey respondents.

- The most common challenge for respondents is **finding capable, skilled candidates**. Employers are in need of applicants that possess the basic business skills such as proper etiquette and strong communication skills. These are relatively small yet important parts of the job that if not learned can cost firms business. Teaching these necessities can also be frustrating, tiresome, and expensive for managers.
- **Competition for talent** within a geographical area is a pressing issue for firms in Michigan. With a small pool to find talent from firms are often pitted against each other for qualified candidates. One example of this is on the technology side of the business. According to the research published by Anderson Economic Group, there are about 7,000 information technology jobs in the Michigan insurance industry. This is about 17% of the total jobs in the industry in the state. With a relatively small group of candidates to choose from, firms are stuck competing for the same candidates with each graduating class.
- Another challenge for the firms surveyed was the **allocation of resources**. It is expensive to train new hires and teach them the technical aspects of their job. Many firms are limited because of training cost and time requirements. One respondent noted that it takes three years for their firm to begin to turn a profit on a new hire. With this kind of commitment of resources, it is critical that new hires be committed to working for the firm for an extended period of time.

CONCLUSION AND A LOOK AHEAD

In conclusion, the Michigan Industry Employers Survey indicates that the overall employment opportunity in the Michigan insurance industry is growing, as expressed by the data collected. It will be interesting to see if the industry can continue this pace or if it will level off in the years to come. However, with an aging workforce it seems the industry may be forced to hire in large numbers and volumes it has not seen before. With the emerging risks that can be seen in today's news headlines (e.g., cyber, terrorism, internet-of-things) it is a great time to be entering the industry.

As a final question, the survey asked respondents what information they wish the survey to explore in future iterations. One area that was mentioned was an examination of the workforce reaching retirement within the next five years. This is an interesting inquiry to explore in the future as the data does show a middle-aged workforce, but this being the first iteration of this report, we have no prior data to determine a trend direction. By all accounts, anecdotal and from other studies, the evidence suggests an aging insurance workforce. Another area for future study that was suggested was

evaluating the concentration of employees working on personal lines versus commercial lines insurance when talking about firms dealing with property and casualty. This is an inquiry that would be interesting to examine however, it may not fit well within the scope of this survey as firms focused on health and life insurance are included within the survey's respondents.

Another lesson learned from this survey project has to do with the project timeline. In future iterations, we recommend a fall data collection period with wider dispersion of the survey invitation in order to gather more responses. This would also facilitate a longer period of time between when the survey data are collected and when the survey is published in the spring to allow for more in-depth analysis, follow-up, and clarification.

One area the Michigan Insurance Employer Survey looks to grow is by developing a longitudinal study of Michigan insurance employment information. It is our hope that by creating an annual or biennial survey the Gamma Iota Sigma Upsilon Chapter at Ferris State University hopes to be able to establish trends and draw meaningful connections over a longer time horizon.

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