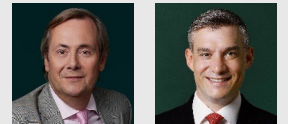




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Insurance faces a talent crisis, here's how to fix it

Many traditional insurance players are struggling to develop a talent pipeline. This is vital to serving the digital consumer and competing with insurtechs, so, what needs to change?



By Alain de Borchgrave & Pierre Fel, October 25, 2022

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1. Introduction

1.1 The rise of insurtechs

Recently, the ability of traditional insurers to offer products that best serve their customers has been challenged by rapid technological advances and the rise of insurtechs. An exponential increase in the speed of innovation, fuelled by digital and data-led services, has seen the evolution of new business models, fresh approaches to traditional insurance activities and greater competition.

The focus on enhanced customer relationships, both for consumers and businesses, has been intense. Customer expectations are sky-high with many traditional insurance players now going head-to-head with newer insurtechs with a focus on digital services and experiences. Huge amounts of capital has also flooded into the industry, especially for disruptive models of operation.

Total investments in insurtechs have reached new heights across all forms of insurance. And the digital transformation of the industry is now in high gear, embedded insurance is also coming to the fore. It is upending the sector, with the likes of Amazon to Grab, Alibaba to Uber, Deliveroo to Tencent offering revenue-generating insurance products seamlessly within their ecosystems. The market is in a period of transition and effects how businesses function.

1.2 An era of expectation and change

However, many insurtechs that have gone public recently have dramatically underperformed the market.¹ It is still hard for insurtechs to get series A and B funding, since the wider investor community is not as familiar with this complex sector. Many insurtechs also struggle to become successful.

The flow of capital has been drying up, as investors grow nervous about frothy valuations. Global investment in insurance tech firms totalled US\$2.4 billion in the second quarter of 2022, down 50% from a year earlier.²

Insurtech firms have also found it tough to compete with established players.³ What the rise of the insurtech market has shown is that there are new models for market growth including direct to consumer, embedded insurance and insurance-as-a-service.

1 The Funding Streak in Insurtech Continues, Boston Consulting Group
2,3 Insurtech investment drops by half in Q2, Reuters

There are now shining beacons of change in the global insurance space including Lemonade, ZhongAn and Alan who want to reinvent how we buy insurance using data. The idea that insurance could be offered seamlessly alongside other services in a more dynamic market has sparked innovation and a rethink about how insurance is delivered, consumed and processed.

Look at Allianz , one of the oldest European insurance firms, it has created Allianz X, a fund that has reached two billion euros of assets⁴ with a focus on insurtechs, with a view to feeding in partnerships and knowledge to Allianz itself. From mobile apps to robo-advisors, there are also many new ways customers can interact with insurers.

The greatest innovation and disruption is occurring in markets where there are super-apps that are all encompassing -- Asia is the centre of this evolution. Embedded insurance can be dovetailed into super-app, business ecosystems seamlessly and easily. Grab and Chubb's team up in Singapore is a case in point.

1.3 Incumbents still favoured

Despite the upheaval, traditional or incumbent insurers have some significant advantages that will not disappear overnight. Many insurtech start-ups will look to partner or be bought up by large incumbents, this is their main route to success. Very few will go it alone, especially since they have limited experience in risk evaluation and tariff setting.

In reality, many players in the insurance sector are still conservative, sensitive to risk and slow to move, wholesale reinvention involves complex and resource intensive work within a highly regulated industry. It also involves changing how a whole ecosystem of companies function.

“Right now, who owns the customer will win ultimately. It's why you need a talent strategy that's fully focused on finding those who can serve the customer.”

Alain de Borchgrave, Partner, Eric Salmon & Partners

4 Allianz X increases fund size, Allianz SE

All these changes have had an impact on the pipeline of talent. There are some stellar digital insurance firms like Wefox in Berlin.⁵ It is now valued at US\$4.5 billion.⁶ The German insurtech has been snapping up employees. They've also been successful with over two million customer, doubling revenue yearly.

They are not the only ones, insurtechs the world over attract talent, but incumbent insurers are still favoured employers. In this report we explore the dynamism of this evolving market and how it impacts talent management, as well as the people you want to attract or currently employ.

US\$7 trillion

Global insurance premiums are poised to surpass this for the first time in 2022 on the back of 6.1% growth, [Swiss Re Institute](#)

US\$4.3 trillion

Global property/casualty premiums are expected to more than double by 2040 from US\$1.8 trillion in 2020. [Swiss Re Institute](#)

US\$15.8 billion

Investment in the insurtech sector by the end 2021.
The highest annual capital inflow ever.

564 deals

were done in 2021
in insurtech a record
breaking total

US\$9.4 billion

was invested into property
and casualty insurtechs

US\$6.4 billion

on Life & Health companies

[Gallagher Re's Global Insurtech Report](#)

10%

Insurtech firms now make up this proportion of the whole fintech sector.

[Reuters](#)

5 Wefox hits two million customers, Reinsurance News

6 German 'insurtech' Wefox valued at \$4.5 billion, Reuters

“The real winners will be those that leverage their competitive advantage. This will involve those businesses that have the best people, not the best technology or processes.”

Pierre Fel, Partner, Eric Salmon & Partners

2. The war on insurance talent

In recent years, insurtech companies have needed a lot of talent to supercharge their growth. Having raised record amounts of funding they have been able to appeal to new and younger employees, including Gen Z, as well as a more diverse talent pool from outside insurance.

Insurtechs have been snapping up talent from across the globe, touting themselves as innovative companies with flat structures and dynamic cultures, in order to attract new employees. The offer of equity, in the case of a jackpot buy-out, is also seen as an attractive proposition and is worth working hard for. However, talent that moves from incumbents to insurtechs often has to take a pay cut.

The talent that could help insurance incumbents meet the needs of digital customers is flocking to insurtechs instead. At the same time, traditional insurers lag behind more attractive, dynamic industries, this partly includes insurtechs, in attracting and retaining the best employees.

“The sector is being disrupted, just look at the rise of embedded insurance, it's why firms have to disrupt their business models, you can only do that with the right talent.”

Alain de Borchgrave, Partner, Eric Salmon & Partners

Historically, the industry has had an image problem. It is perceived to be conservative, less progressive or exciting than others. The sector's workforce is also ageing.⁷ Younger people have also not traditionally gone into insurance as a first choice, it means that incumbents have felt insecure about their appeal to high performers. However, once individuals are deployed, they tend to stay in the industry for much of their careers.

Increasingly, incumbents want talent from outside of insurance, from advertising to tech firms, fintechs to ecommerce. They realise that diversity of thought increasingly matters and can make a difference to a business, how it thinks, the culture and problem solving.

Since the industry is quite conservative and has not been disrupted for a generation, talent strategies have taken a back seat to business or digital strategies. This is rapidly changing, with the democratisation of technology solutions – a lot of innovation can now be bought off the shelf – human capital, rather than any other asset, is now the scarcest and most sought-after resource.

This means that human resources and top talent can no longer be an after-thought, thus the sector will need a more considered approach to talent.⁸

3. New focal points for traditional insurers

Recently, talent has been moving more freely within the insurance-insurtech space. At the same time, insurance incumbents have been struggling to attract the digitally savvy and dynamic talent it needs to drive innovation. The insurance industry must look at the dynamism within insurtech organisations, structures and culture to help it attract and retain talent.

Insurance businesses will also require different kinds of talent than in the past. Partnerships are a recent theme in the insurance-insurtech space. These are needed to realise embedded insurance and other innovation capabilities. The right talent is needed to orchestrate new tie-ups. People who have a strong 'black book' and network of contacts, as well as those who are 'business ecosystem players' are now highly sought after.

7 [The Future of Insurance, Bye-Bye Boomers, Hello Digital Natives](#), Applied and Invest

“With the accelerated pace of change in the global Insurance industry you need to reboot your talent strategy. This requires the same focus, rigour and energy as other strategies – business or digital.”

Pierre Fel, Partner, Eric Salmon & Partners

The business models of insurance incumbents and insurtech firms are likely to change substantially over the coming years, firms will need talent that can adapt to this change, be agile yet resilient, and evolve at pace. Those that are good at lifelong learning and have shown adaptable skill sets in their careers will therefore flourish.

Talent that has primarily worked in insurtech can have a higher risk profile than those that have either come from traditional insurance players or from other sectors. Finding talent that can balance both the conservative and risk averse nature of the insurance sector, with the need for transform, will be vital.

4. Survey on insurance companies

Eric Salmon & Partners conducted a survey among 25 insurance and insurtech companies in Europe and Asia to gauge their views.

1. Are insurtechs a threat to your business?

- Insurtechs are not a threat to our industry
- Insurtechs are complementary to incumbents and bring new life blood into the industry
- The key focus is on partnerships, and is proving to be the most effective model today
- Insurtechs will open new markets by bringing new services to the advantage of us all
- Insurtechs are better suited to the non-life segment where the advisory part is less important
- Insurtechs need incumbents because of their customer base, which can monetise technology
- Insurtechs are not a threat to the business but to customer engagement
- Insurers fundamentally lack the tech in-house to meet the customers in flexible ways
- In theory they are a threat, in practice, they are accelerators of change
- Data is the name of the game and they do not have the data
- Some who said they were going to 'transform the slow insurance industry' are finding it harder than expected.

2. What is your strategy towards insurtechs, build, buy or partner?

- One key focus has been on partnering with insurtechs
- We have struggled to keep up with their speed of change with customers, this is failing us
- It will be a mix of build, partner, and buy, depending on each party's relative strengths
- Traditional insurers struggle dealing with entrepreneurial risk
- Partnerships are easier for those who have experienced JVs
- Partnerships with insurtechs can struggle as insurers are slow due to internal compliance, regulation and a mindset hindering the 'speed' of change.

3. How has the emergence of Insurtechs increased the need to offer a client digital experience?

- Yes, it's been a catalyst and was needed by customers
- Digital as it can be, but always human – says an insurer
- Customers expect the same digital experience with insurers as they enjoy with banks
- Expectations not driven by Insurtechs, but by online experiences from Amazon to AliExpress
- Insurtechs have pushed insurers to have a strong omnichannel strategy
- It has been an accelerator of change and allowed us to structure data along our value chain.

4. Is the insurtech emergence enticing you to:

A. Increase your data analytics coverage

- Yes, particularly in the areas of customer behaviour such a contextual marketing
- Data is a hot topic. The focus on data is increasing, only 2% of data is used today
- On the risk assessment side, we're able to integrate external data such as geo-data, telematics.

B. Increase your data analytics coverage

- To change the legacy systems is very difficult, although much needed
- We're now more willing to open tech stacks through APIs, microservices and other tools
- We're taking a modular approach, selectively upgrading where the immediate need is.

C. Reduce your operating model complexity

- The world is changing towards fully digital value chains
- There is a tendency to simplify the customer journey
- Insurtechs increase our risk exposure and add new layers of complexity, vis-a-vis regulators

D. Import some of their ideas or best practice

- Yes, especially customer-focused elements, that engage customers and capture relevant data
- Personalisation
- Simplicity of product offerings
- The concept of using real-time constant data analysis and response.

5. Do you feel disruption from other industries?

- Potential from platform companies with massive user bases who are trusted
- Potential from platform companies offering “bite-sized” insurance that can be embedded
- Super apps that offer robust payment systems in their ecosystems with embedded insurance
- Car manufacturers and utilities are coming into insurance using the power of data.

6. Is the insurtech industry hindering you in attracting key talent?

- It is now very difficult to attract the good talent, real entrepreneurs prefer insurtechs
- If talent has had a bad startup experience they will look for stability in a traditional insurer
- Yes, insurtechs suck up data specialists, but there is now more of a revolving door for talent
- Challenge is to retain good talent who are bored with incumbents and leave for insurtechs.

7. Are you able to integrate tech talent effectively into your organisation?

- No, culture and compensation structures don't align
- Culture is the key, incumbents have had a reputation for being staid and fixed
- Partnering with tech talent externally is more effective than trying to replicate in-house
- The problem is managing this talent, they need more autonomy.

5. Main take aways from Eric Salmon & Partners

Tapping into non-traditional talent pools is vital, especially those from beyond the insurance industry. There is now a greater need and demand for cross-fertilisation from different sectors. Insurance businesses must therefore go global in their hunt for top talent. Talent is much more dispersed than in the past. Pockets of expertise exist around the world, these must be tapped.

There are certainly many more opportunities globally from Europe to Asia, Asia to Europe – insurance is not limited by jurisdiction, as in the past. This makes the sector more appealing if talent has a greater opportunity to travel, relocate and be successful in different geographies.

The talent battleground for insurance incumbents is now on marketing, product, pricing, and business development because insurtechs are now adding people with this kind of relevant frontline experience.

The traditional insurance industry has to be more attractive, especially if it is to bring on board top digitally savvy talent that would otherwise go to what are perceived to be more dynamic sectors – fintechs, ecommerce, telecoms. The expectations of top talent are also much higher now, compensation is an issue.

Globally insurance as a market is risk-averse in nature, yet those businesses that have a higher risk appetite are making headwinds. Incumbents must therefore rethink their talent strategy and approach to business – marrying both resilience and agility -- how to balance long-term, secure and less risky, trust-based concepts with short-term, agile, insecure, yet risky strategies and the people needed to articulate them should be considered. The right culture is crucial.

Traditional insurance players and their management teams must also shift their culture if they are to accommodate an influx of non-insurance talent. Attracting, nurturing and sustaining pipelines of good people involves change.

“In this age of innovation, successful insurance companies will be those that address the scarcity of human capital and at the same time transform their talent strategy.”

Alain de Borchgrave, Partner, Eric Salmon & Partners

Profile grid – How insurance incumbent culture must evolve

If traditional insurance players are to attract talent they must change:

Past	Present	Future
Analogue	→	Digital
Siloed	→	Collaborative
Functional	→	Strategic
Command and control	→	Ecosystem player
Hierarchical organisations	→	Flat organisations
Risk averse	→	Risk taker
Industry-centric	→	Customer-centric
Reactive	→	Proactive
Slow-moving	→	Agile
Conservative	→	Free-thinking
Trust in continuity	→	Trust in change

6. Conclusions

Eric Salmon & Partners understands the insurance and insurtech world intimately. We are fully versed in the needs of these sectors, the evolution of the industry and how best to handle talent for key players.

Our team are constantly analysing how this industry is transforming in the face of unprecedented change with the rise of digital-only players, restructuring and innovating.

Here at Eric Salmon & Partners we also appreciate the new, elevated role that key talent is now playing within insurance businesses and what these individuals can bring to the table.

This means we are best positioned to find potential new chiefs of industry and key staff that can shift the dial on your business.

The PPT framework - People, Process, Technology -- are now a stronger focus for every business in insurance. However, innovation in technology is increasingly being democratised, so are the processes that are delivering this. It means people are now the most important part of that framework.

If you find the right managers today, this will power your business, and eventually give you the successful leaders for tomorrow.



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