

Empowering Companies Through Knowledge®



July 23, 2009

INSURANCE LABOR OUTLOOK

About Ward Group

- A consulting and analytical firm specializing in the insurance industry and the leading provider of industry benchmarking and best practices services for U.S. and Canada
- Expertise in staffing level analysis and expense management
- Annual evaluation of the financial performance of industry
- We help insurance companies measure results, optimize performance and be more profitable



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About The Jacobson Group

- For nearly 40 years, The Jacobson Group has been committed to providing staffing and search solutions that drive the success of insurance organizations nationwide:
 - **Professional recruiting** – candidate-sourcing services for all organizational levels and disciplines on an exclusive basis
 - **Executive search and selection** – proven search and selection methodology for executive-level assignments on a retained basis
 - **Strategic solutions** – high caliber interim and consulting talent for staff augmentation and project-based needs



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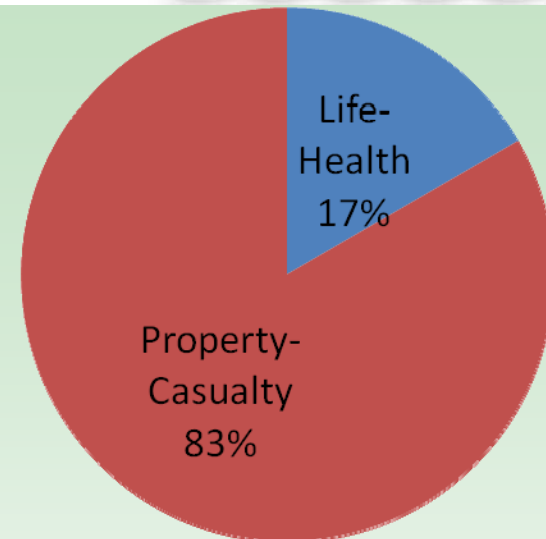
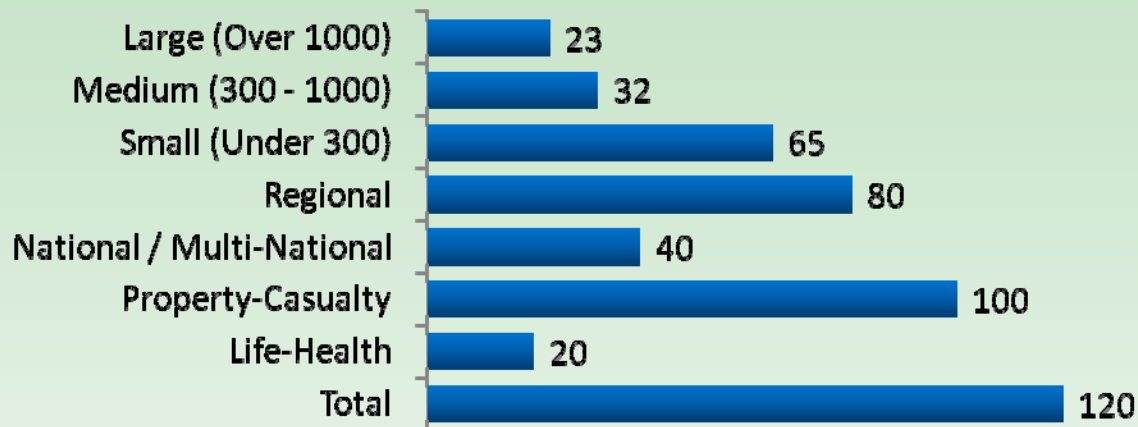
(312) 884-0407 (direct)

Study Objectives

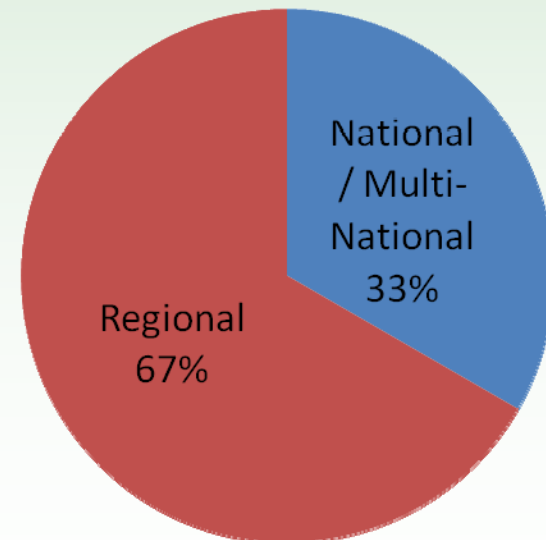
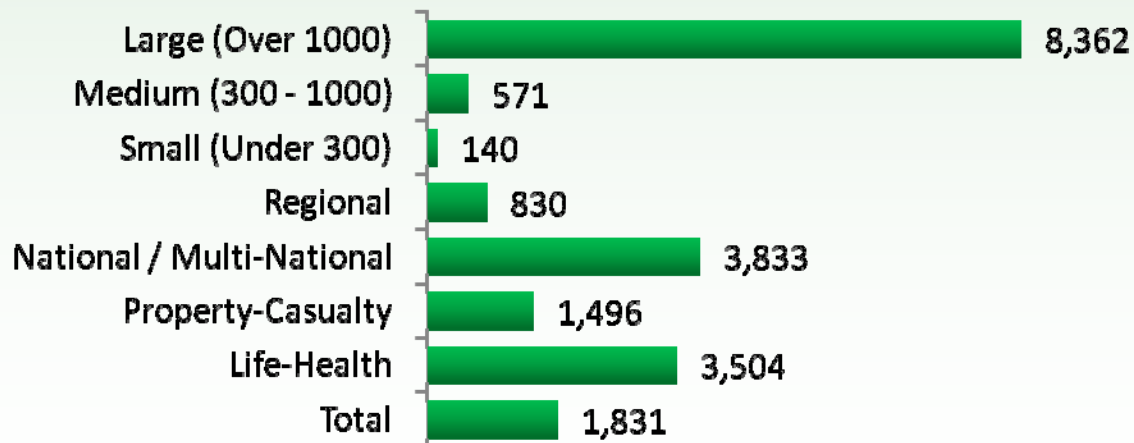
- Analyze current labor trends and future staffing expectations
- Segment companies by industry, size and outlook to determine factors affecting staffing expectations
- Provide independent perspective on market trends and considerations for strategy and staffing plans

Participant Profile

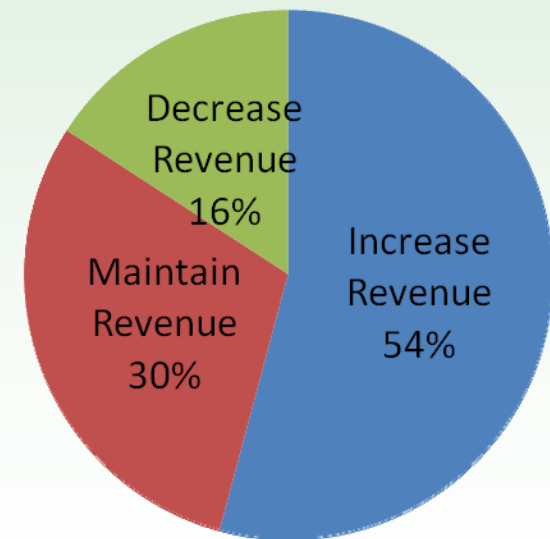
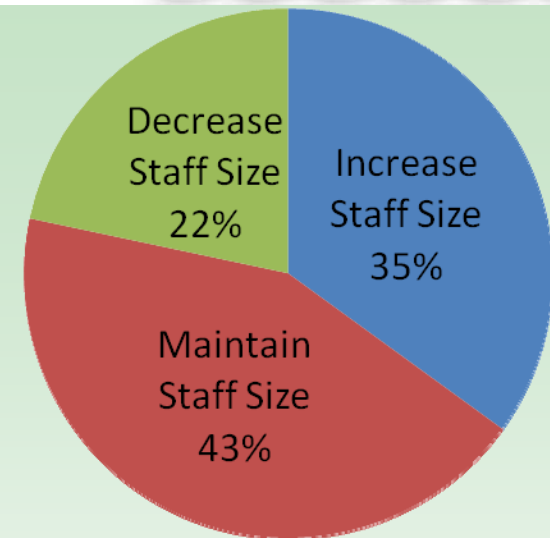
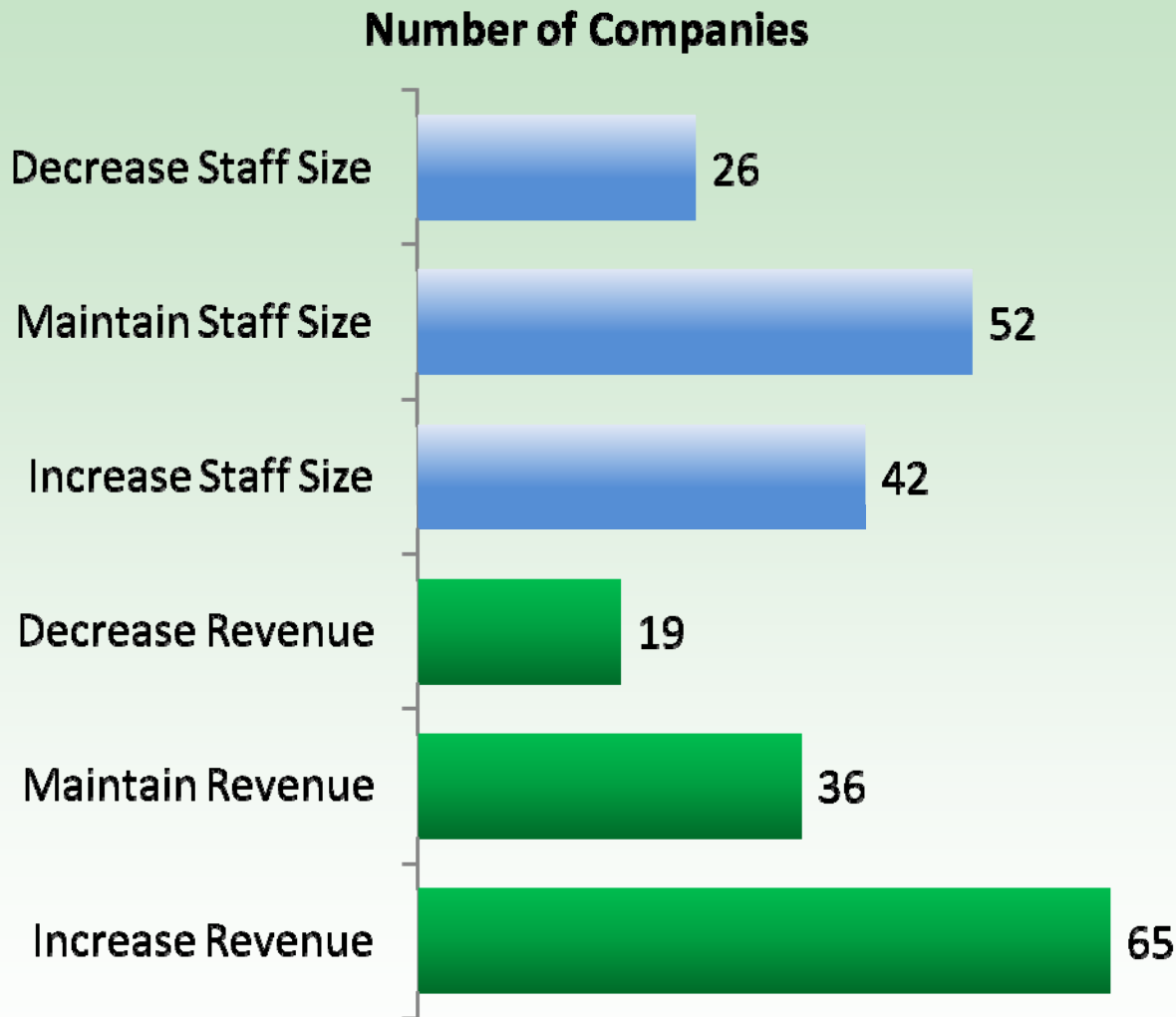
Number of Companies



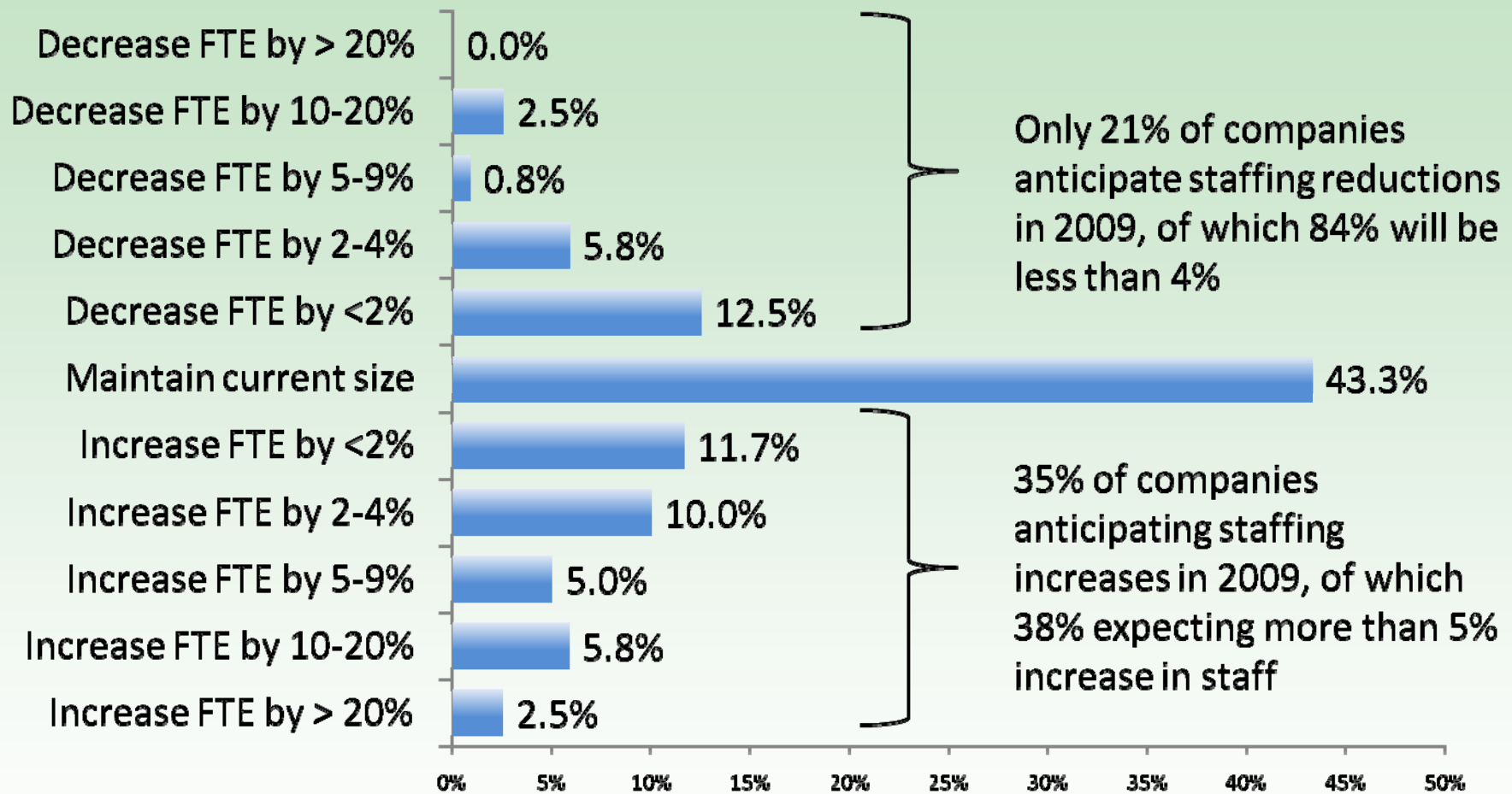
Average Number of Employees



Revenue and Staffing Expectations

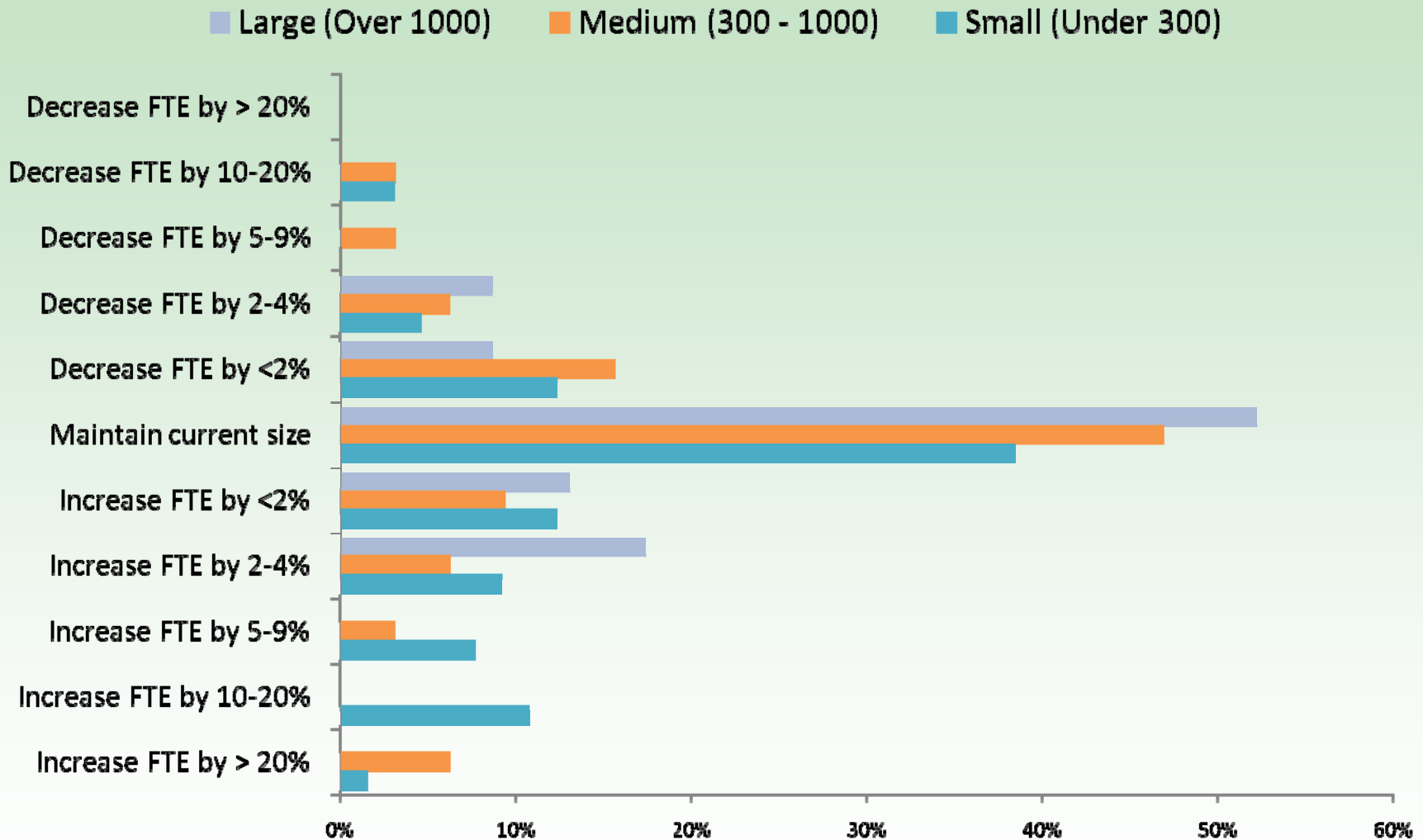


Staffing Plans for 2009



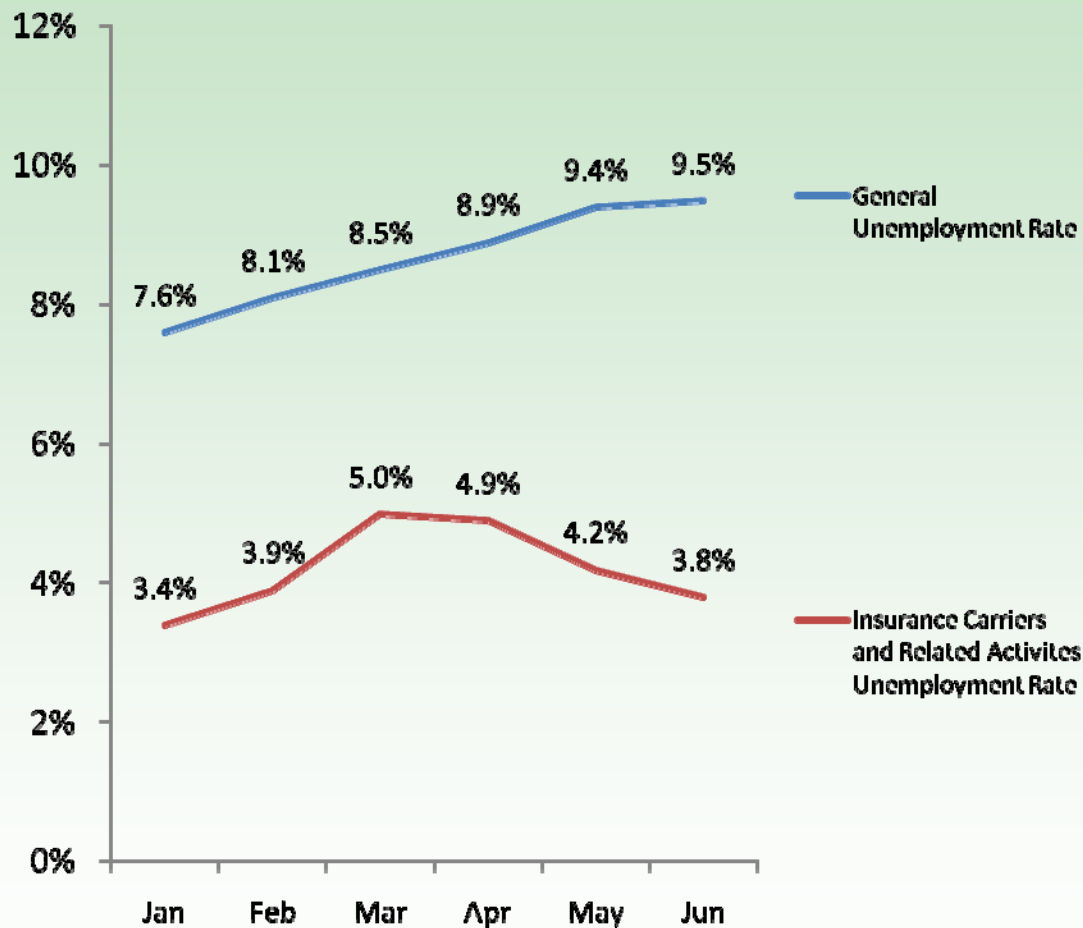
Positive trend within staffing increase may indicate companies anticipate market conditions improving.

Staffing Plans – By Employee Size



Unemployment Rates

2009 Unemployment Rates



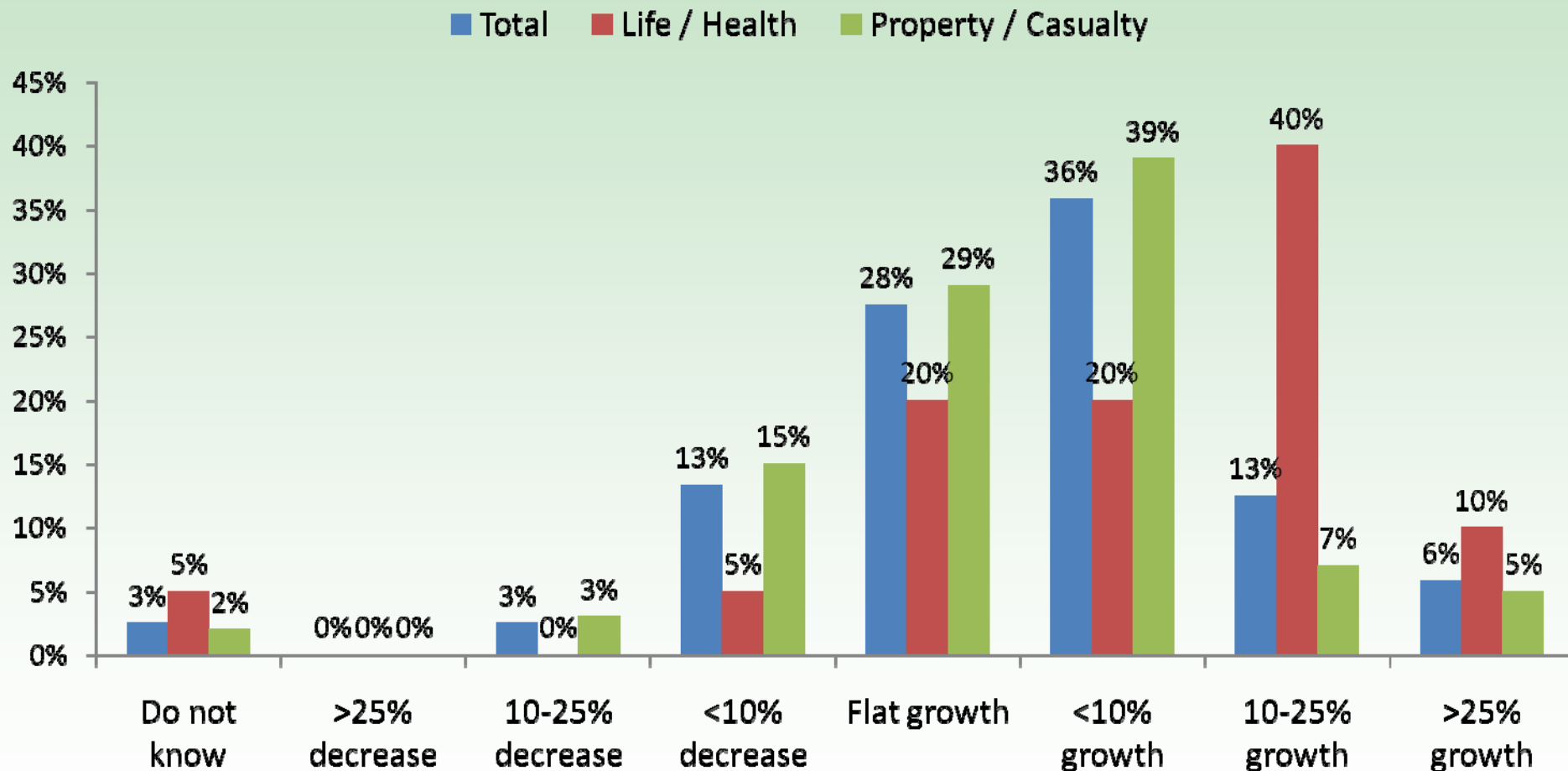
Unemployment rates according to U.S. Bureau of Labor Statistics

Insurance industry almost 3 times below overall average

Insurance industry appears to have peaked in March and improved since

Revenue Outlook

Percentage of Companies Expecting Changes



Recruiting Challenges Still Exist

Recruiting Difficulty (1 Least; 10 Most)

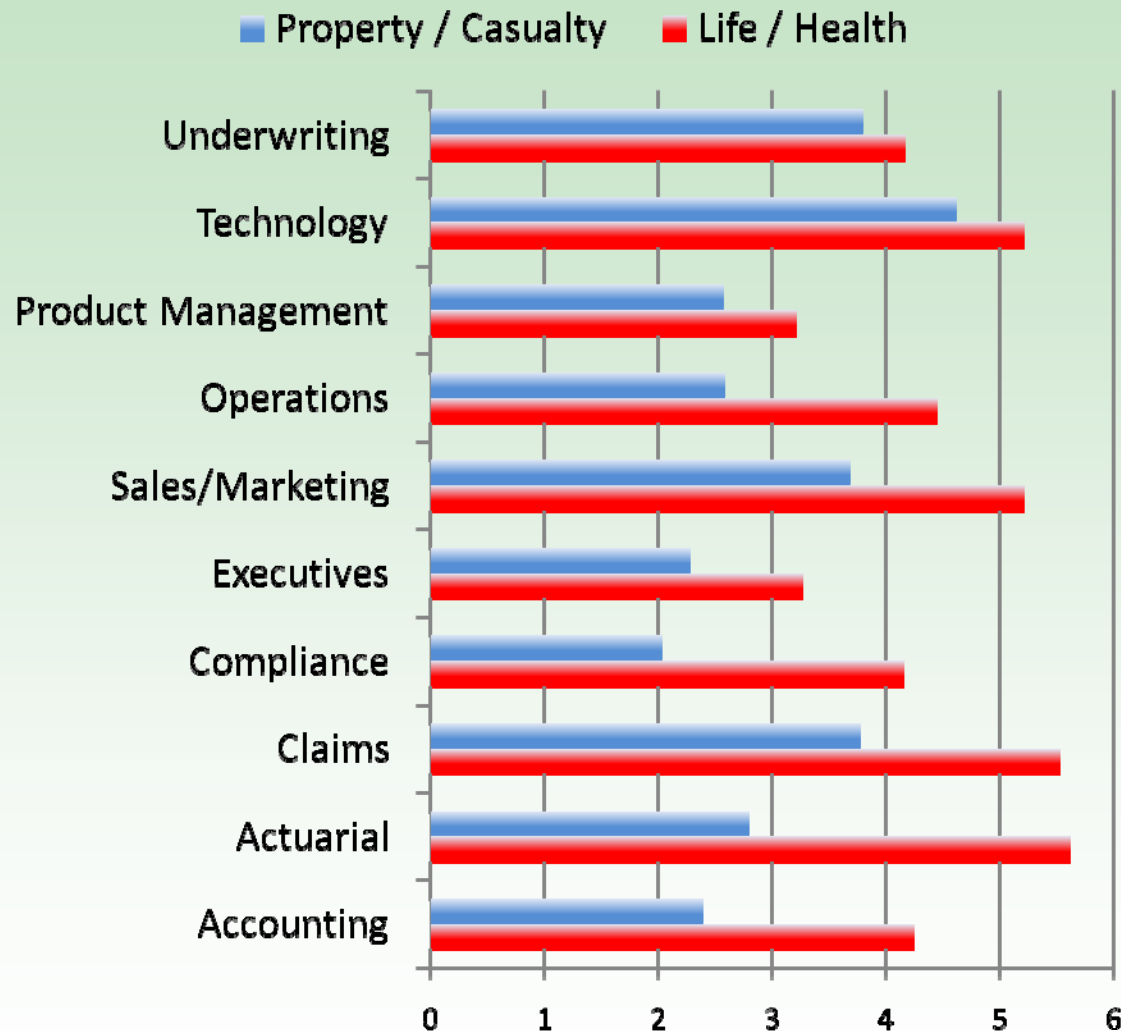


On a scale of 1 – 10 (10 being most difficult), companies responded that positions are still moderately difficult to fill.

Actuarial positions most difficult to fill (particularly for L&H companies), followed by executive positions.

Operations positions considered the least difficult to fill.

Likelihood of Increasing Staff By Function



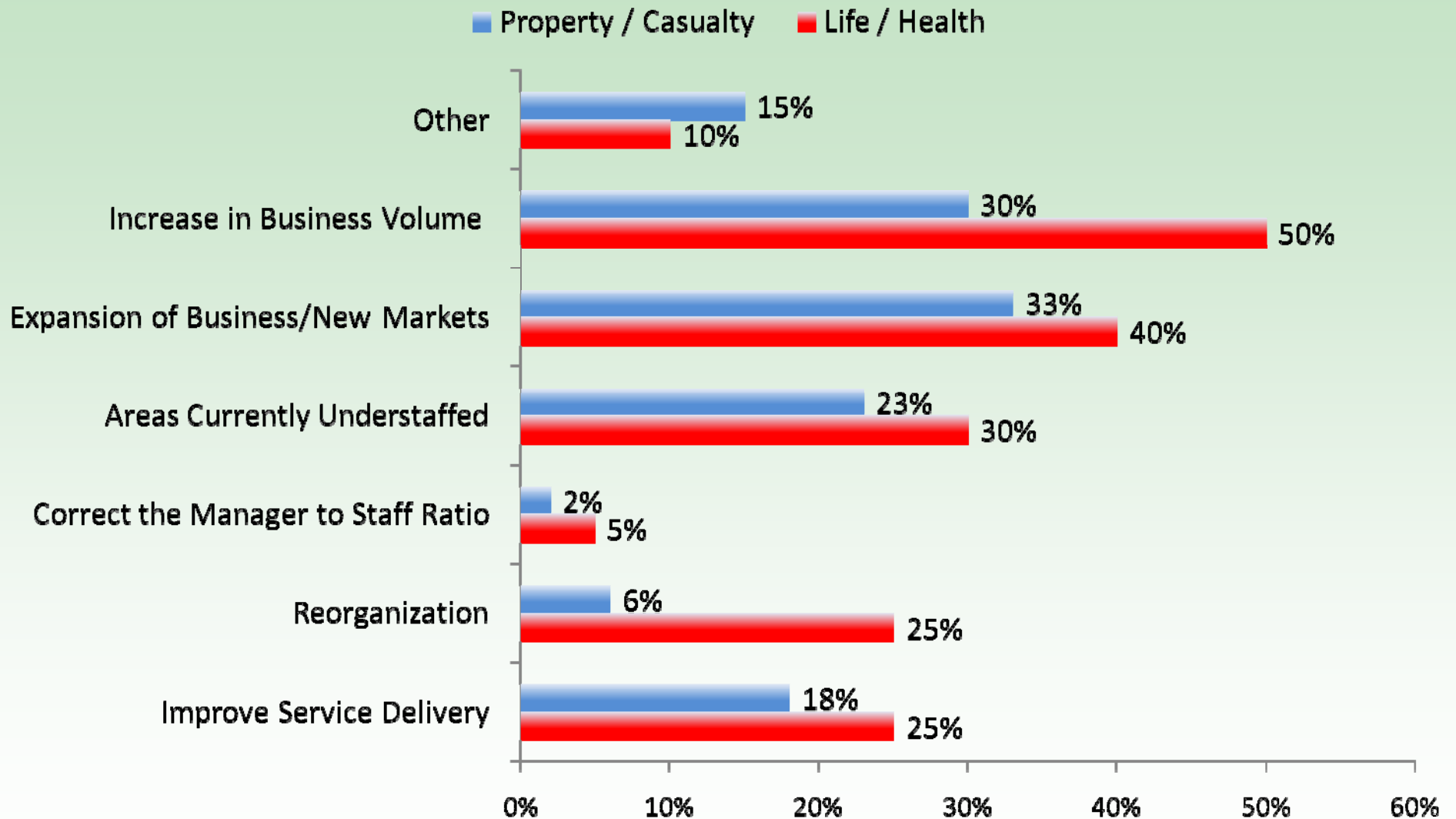
On a scale of 1 – 10 (10 being most likely), Technology and Claims positions most likely to be added. L&H companies most likely to fill Actuarial positions.

Compliance positions least likely to be increased. Executives also low, likely driven by lower turnover.

Larger companies 25% more likely to increase staff.

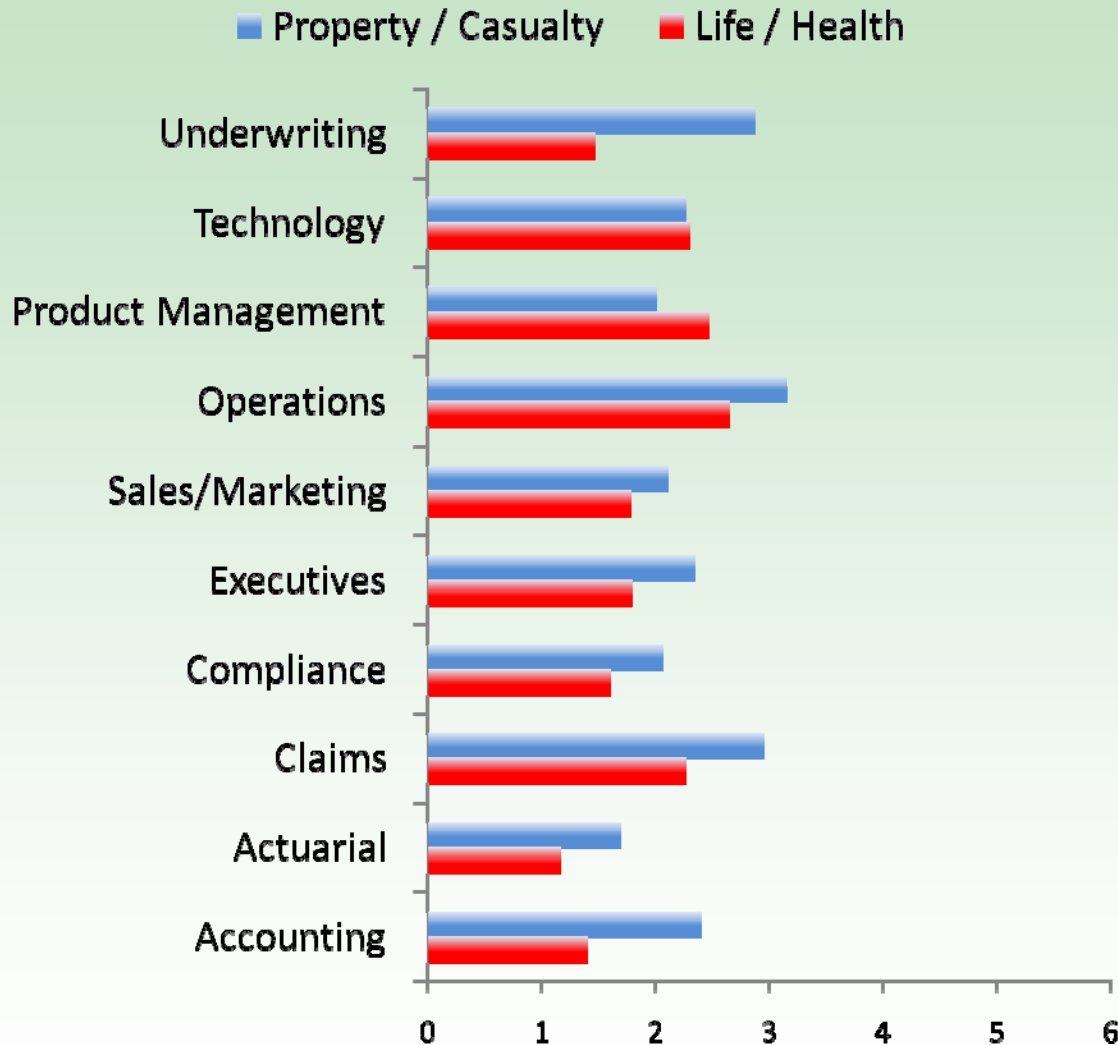
L&H companies 50% more likely to increase staff

Reasons for Increasing Staff



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Likelihood of Decreasing Staff By Function

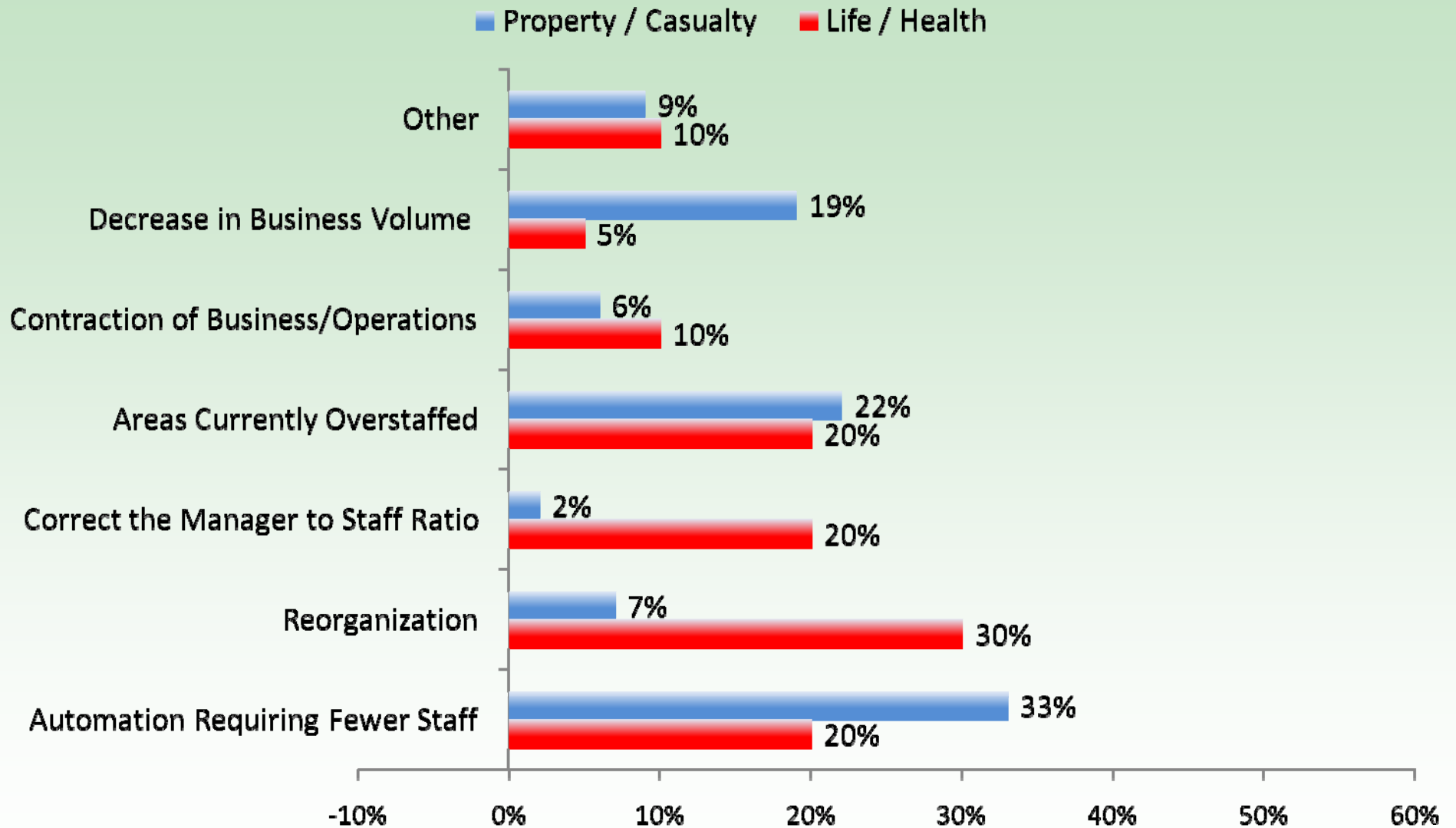


Companies 50% less likely to decrease staff than add staff. On a scale of 1 – 10 (10 being most likely), Operations positions most likely to be decreased.

Actuarial positions least likely to be decreased.

L&H companies 25% less likely to decrease staff. P&C companies more likely to decrease staff likely due to lower revenue projections.

Reasons for Decreasing Staff



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Summary and Closing Thoughts

Summary

- Overall, companies are **50% more likely to add staff** versus reduce staff.
- 55% of L&H companies anticipating adding staff in 2009. No **L&H companies anticipating staff decline**.
- **31% of P&C companies adding staff**; 43% maintaining staff; 26% expecting decline.
- **Small companies growing staff at fastest rate**, 42% compared to 25% in medium and 30% in large. Medium companies also reducing staff at greatest rate.
- Only 14% of companies expecting **revenue increase** are declining staff; 48% are **adding staff**.
- 42% of companies expecting revenue decrease are declining staff; However, **21% are still adding staff even through revenue decline**.
- Staffing changes are largely correlated to revenue changes. **74% of companies adding staff expect revenue increase**;
- Actuary positions are the hardest for companies to fill, followed by executive positions. Operations and claims positions are the easiest to fill. The **L&H companies reported more difficulty in filling all positions** compared to the P&C companies except product development.

Summary

- L&H companies are 50% more likely to add staff than P&C companies; Regional verses national comparison were not significantly different.
- **Information Technology was the most likely position** to be increasing staff. Companies growing revenue were 45% more likely to add IT staff than companies decreasing revenue. They were also 2 times more likely to add claims and underwriting staff and 80% more likely to add sales/marketing.
- Large companies were more likely to add staff in every position; **medium size companies were least likely to add staff.**
- Expansion of business and anticipated increase in business volume were most the common reasons for companies adding staff.
- Automation improvements and overstaffed operations were the most common reasons for companies reducing staff. **Only 23% of companies** cited decrease in business volume and contraction of business were cited as reasons to decrease staff, indicating this is not a primary force for staffing reductions.