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HR AND COMPENSATION BENCHMARKING AND MANAGEMENT

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Empowering Companies Through Knowledge®

Focus over past 18 months



- Staying profitable



- Managing economic conditions



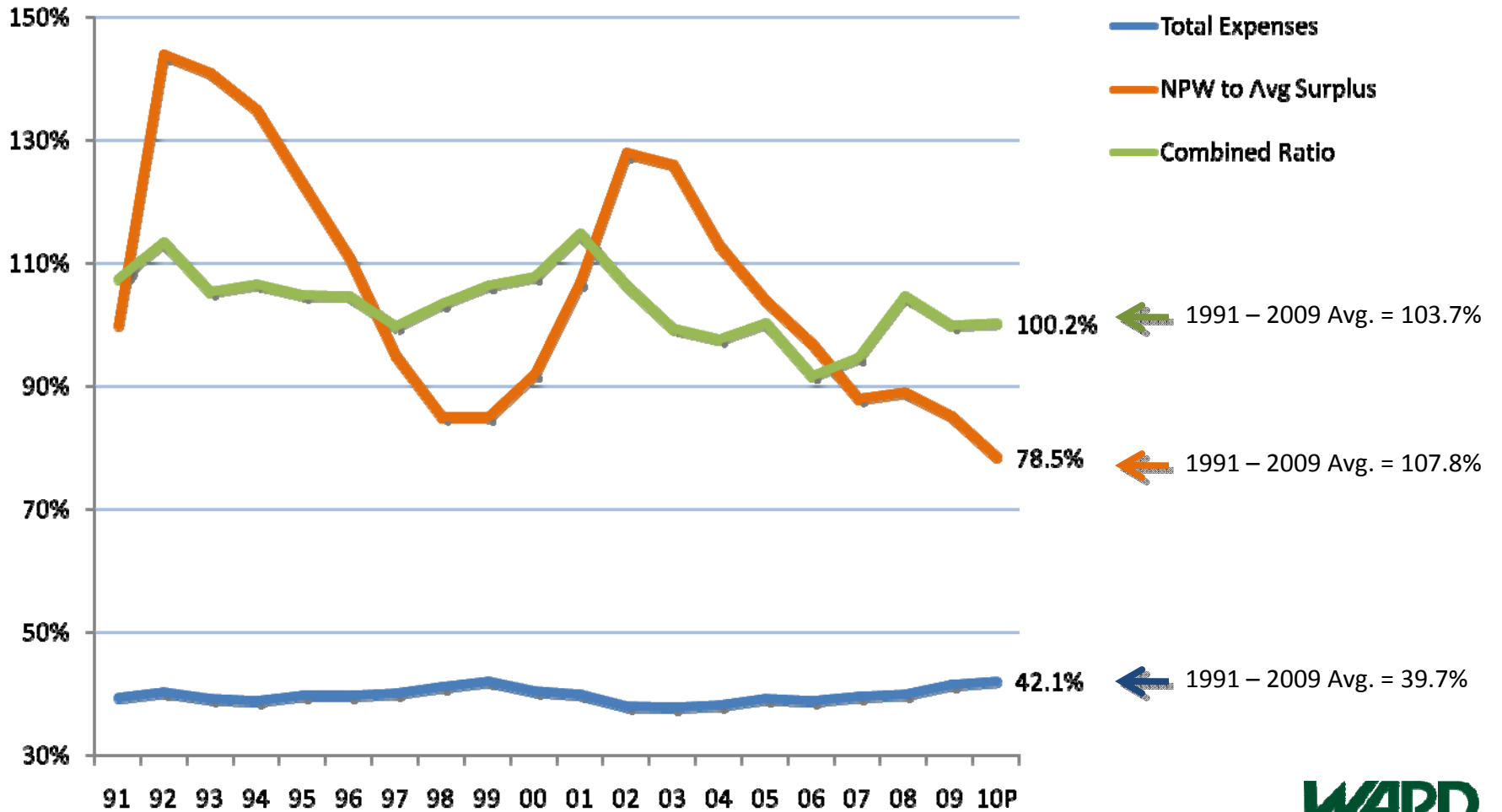
- Preparing for hard market/balancing expenses

- Mixed** • Integrating new technology – make ROI work

- Needs Work** • Improving customer services processes

- Unknown** • Increasing employee engagement

Perspective

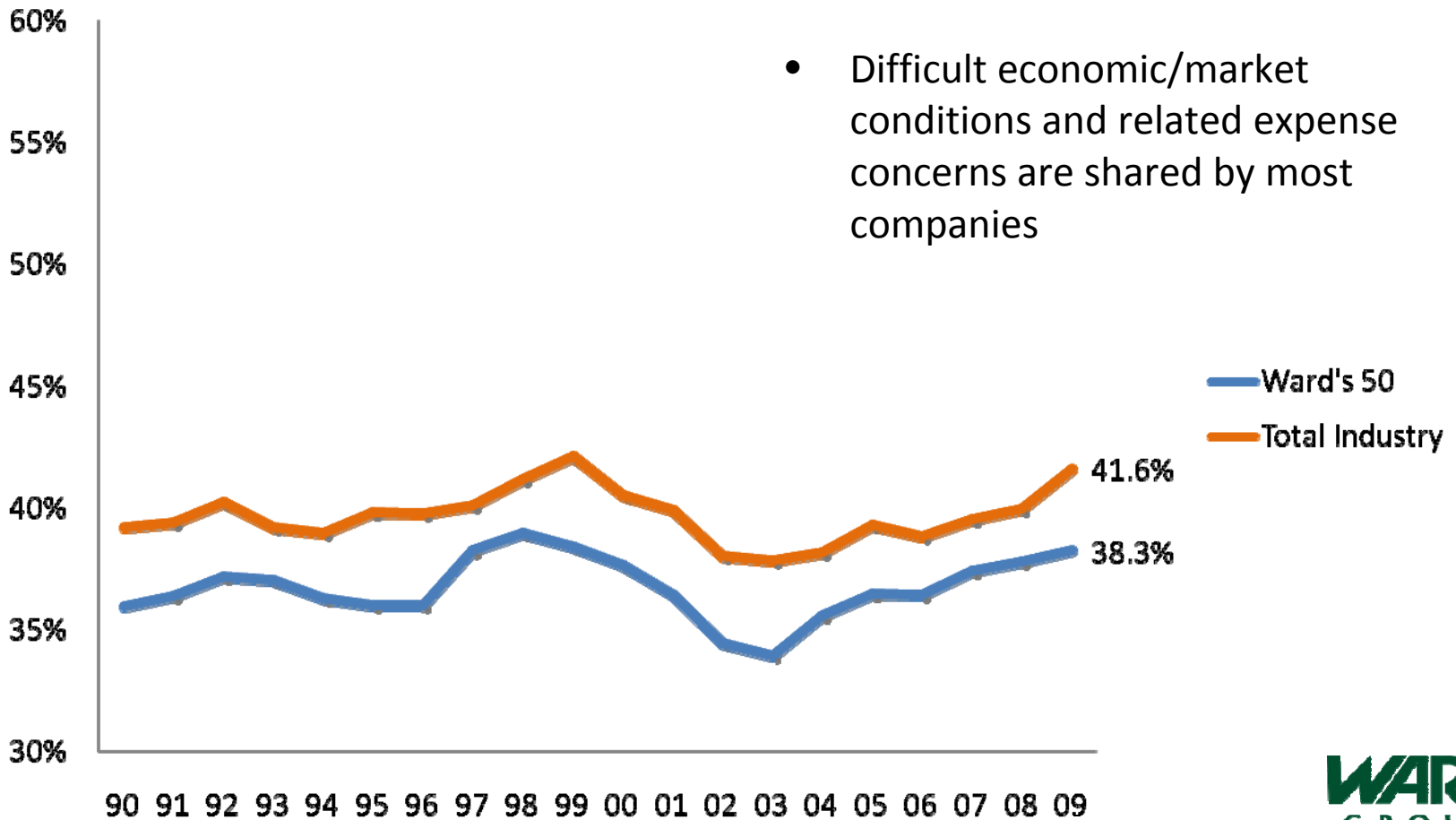


Note: Combined ratio is prior to effect of policyholder dividends

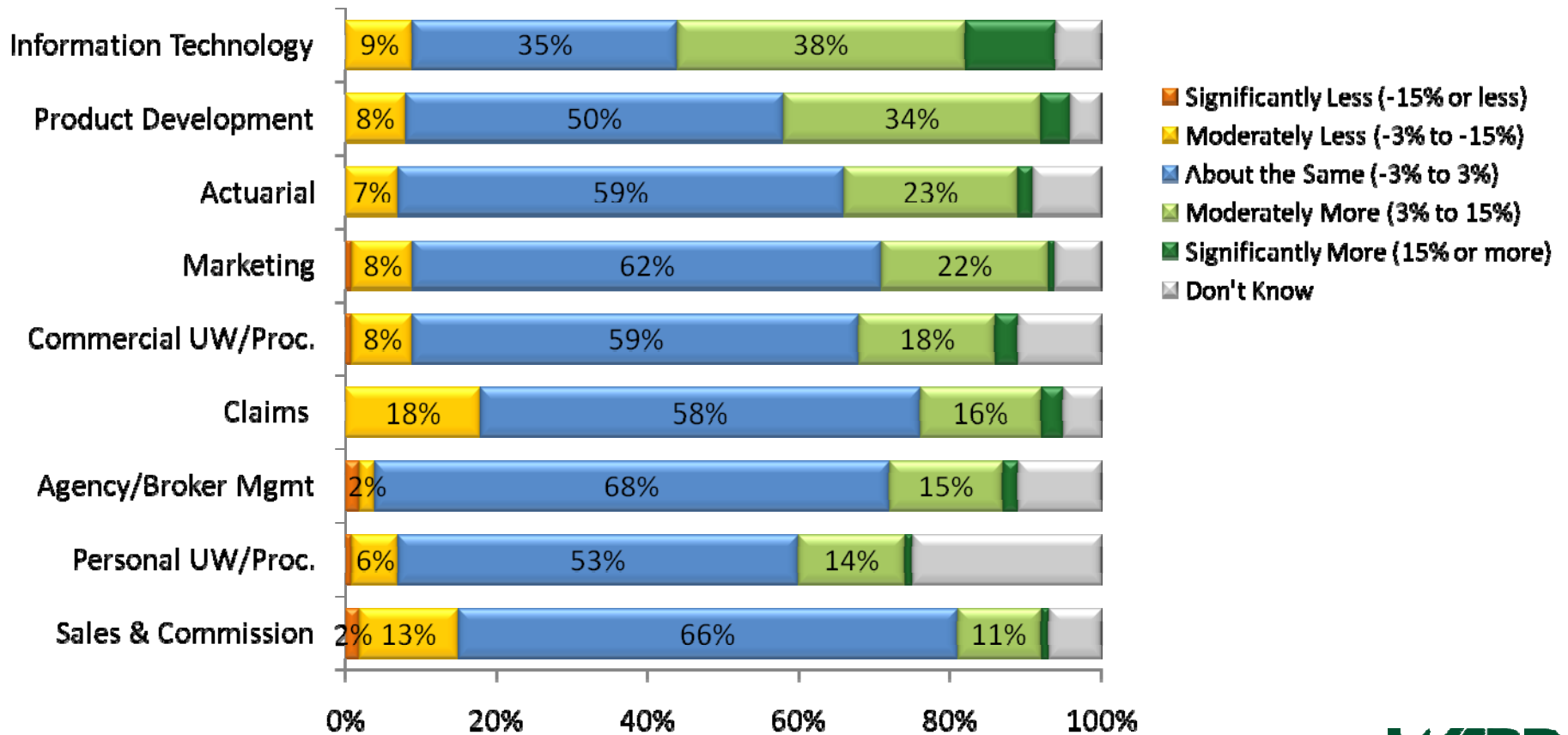
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Increasing Expense Trends

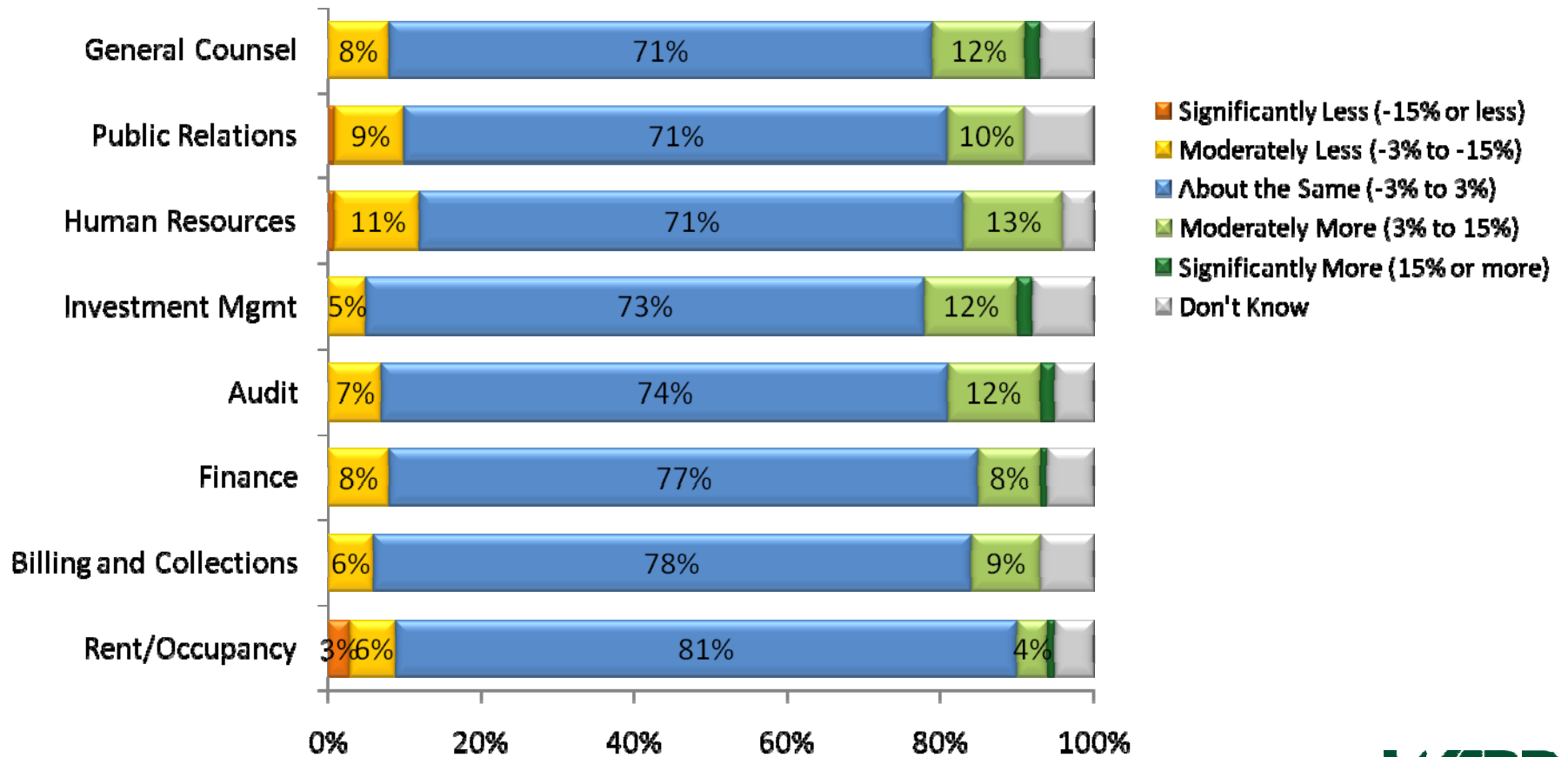
Total Expenses as % of Net Premiums Written



2010 Spending Changes - By Function

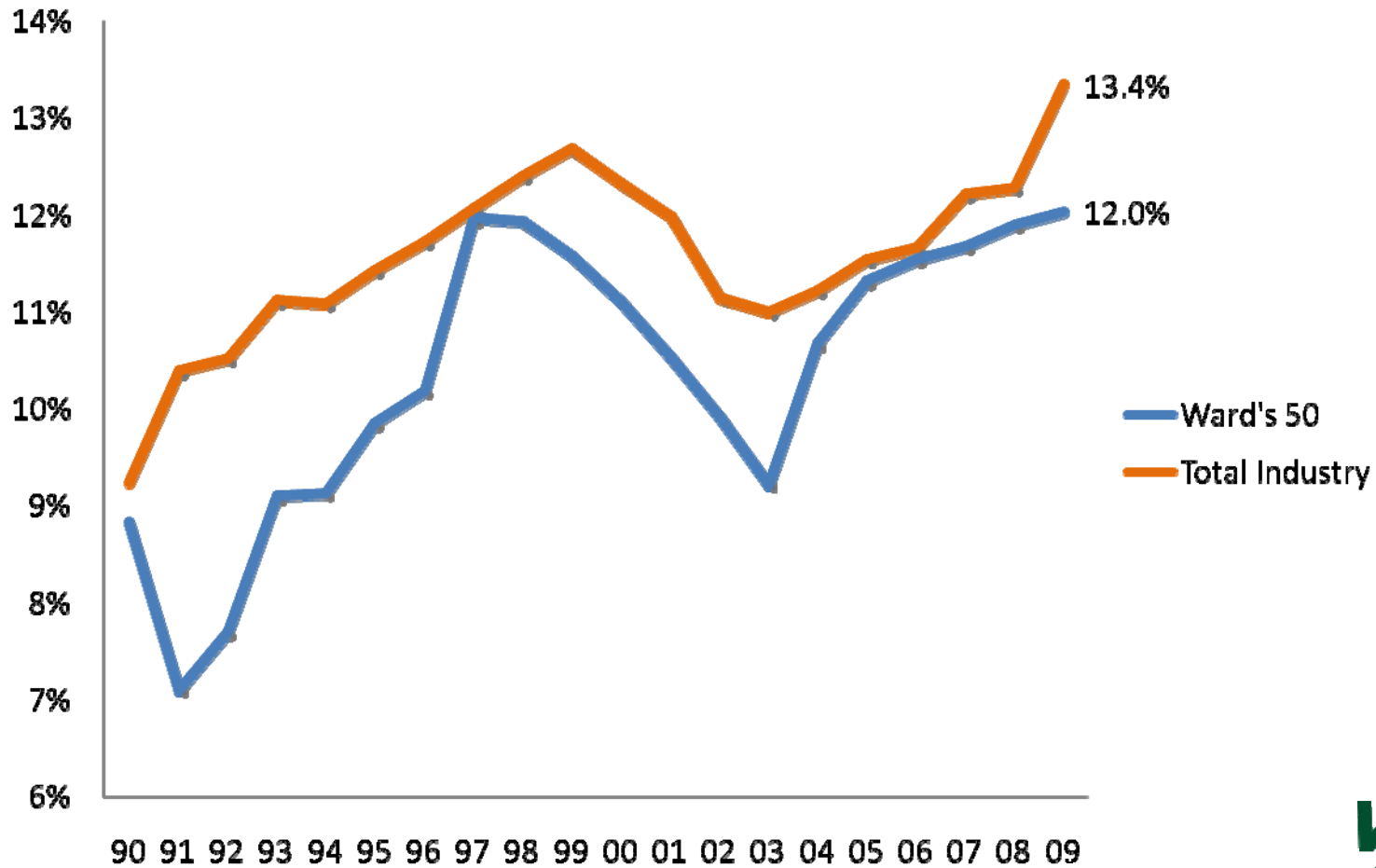


2010 Spending Changes - Shared Services/Back Office

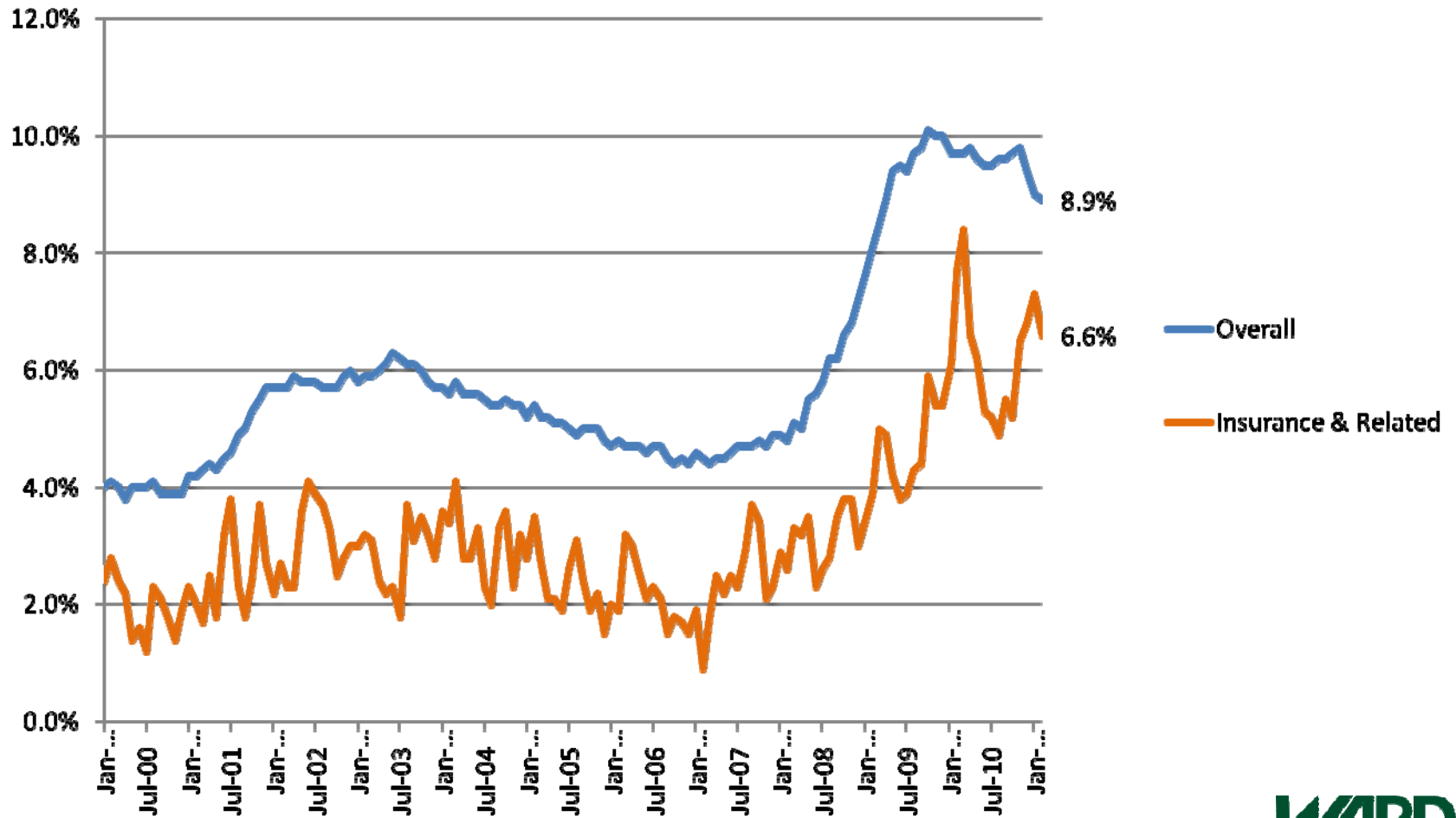


Rising Employee Costs

Salaries & Benefits as % of Net Premiums Written



Unemployment Rates – Thru 2/11

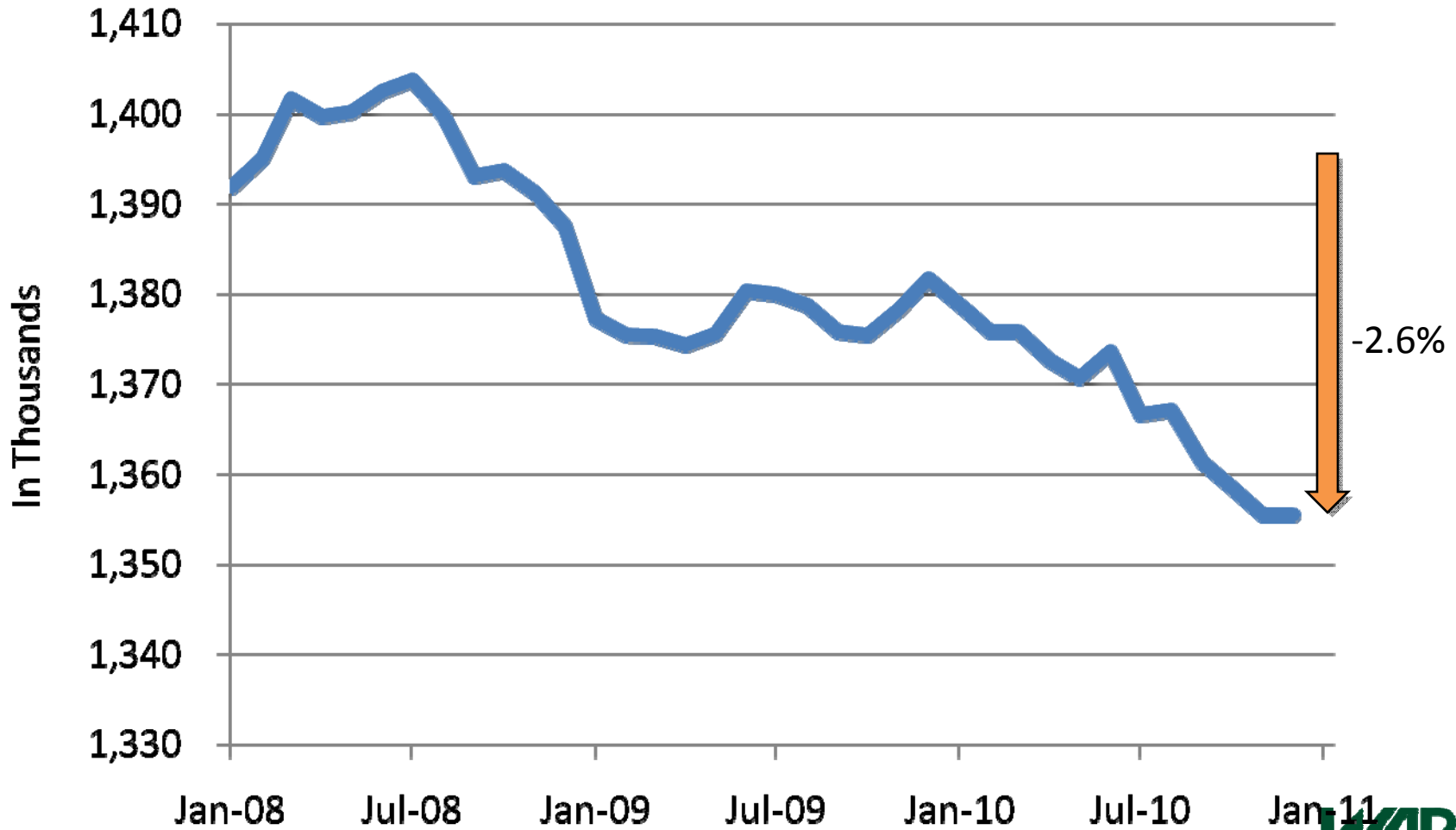


Source: U.S. Bureau of Labor Statistics

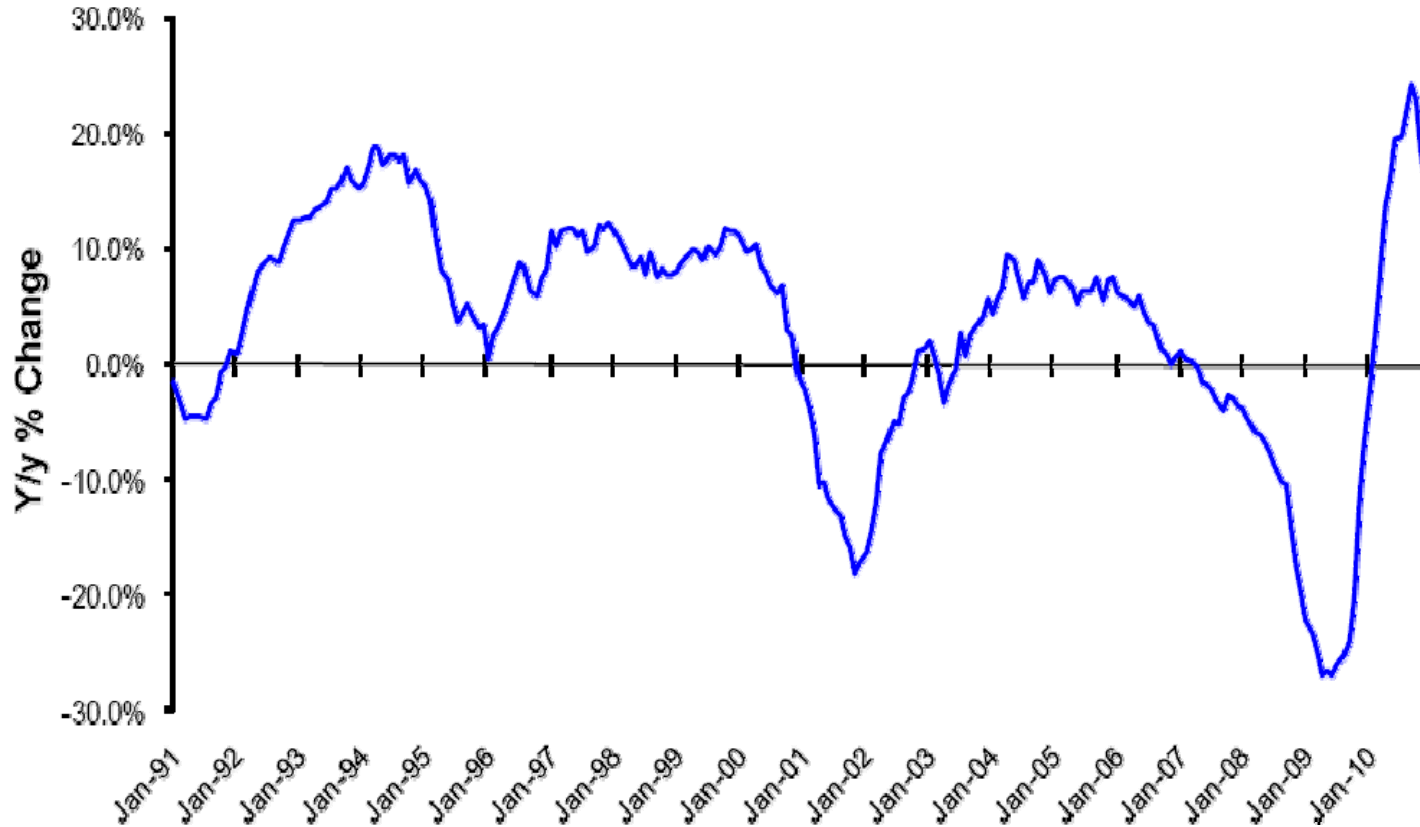


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Insurance Carrier Employment



Temporary Employment

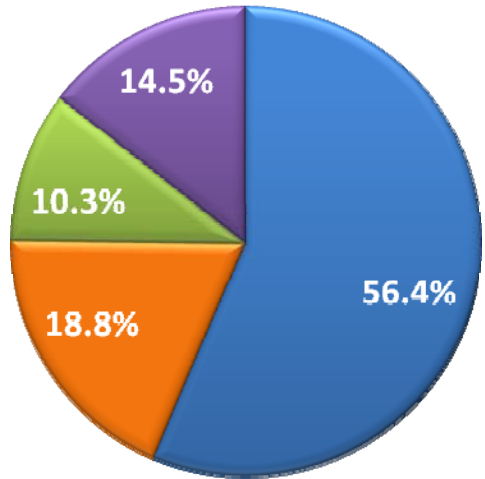


26.3% of all jobs added by private sector employers in 2010 were temporary positions.



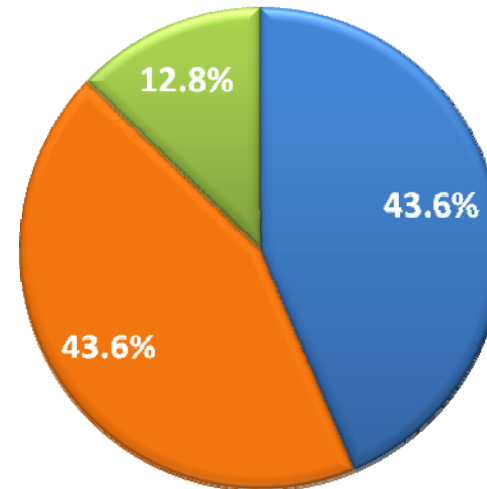
Revenue and Staffing Expectations

12-Month Revenue Plan



- Increase Revenue
- Flat Growth
- Decrease Revenue
- Don't Know

12-Month Staffing Plan

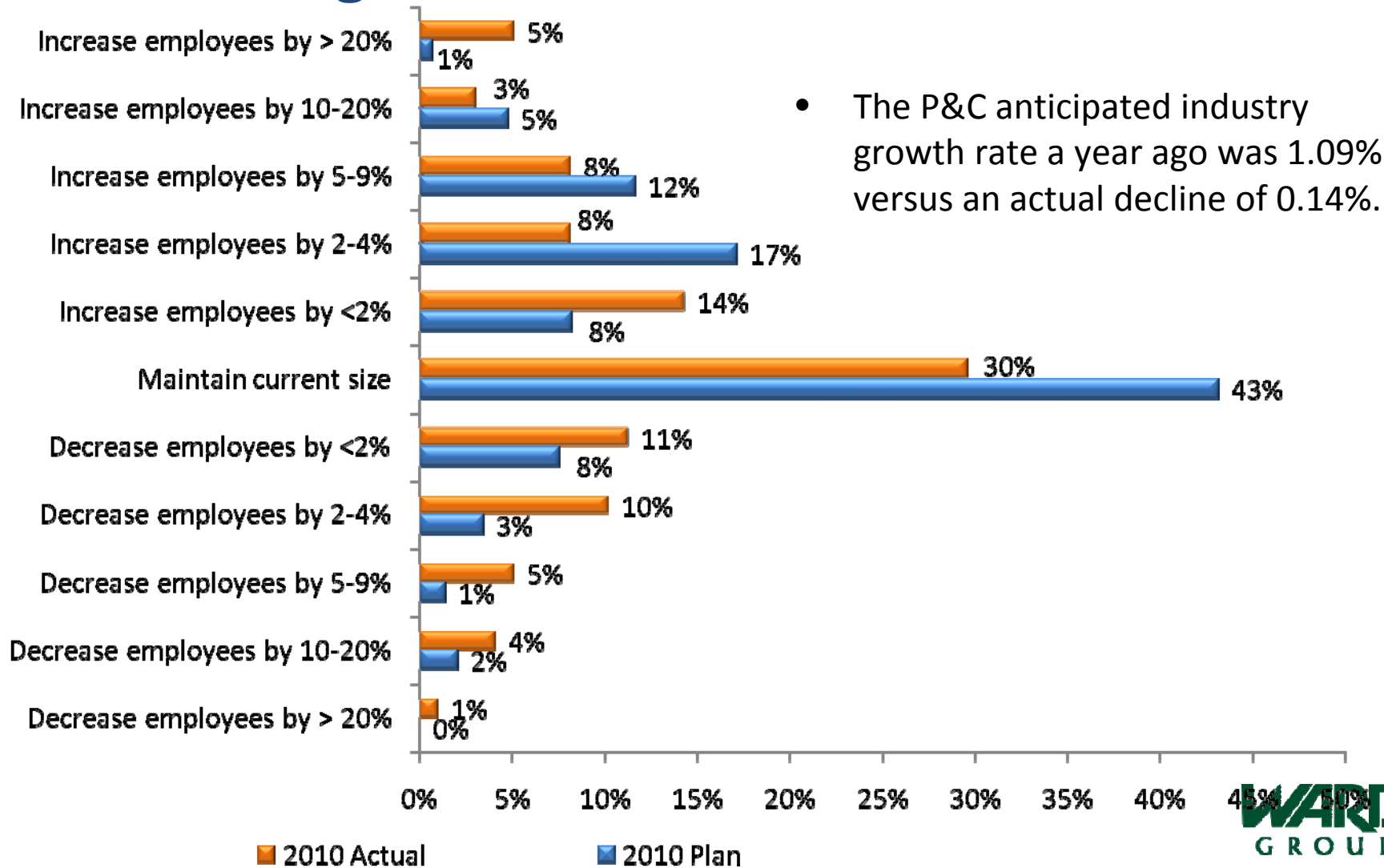


- Increase Staff
- Maintain Staff
- Decrease Staff

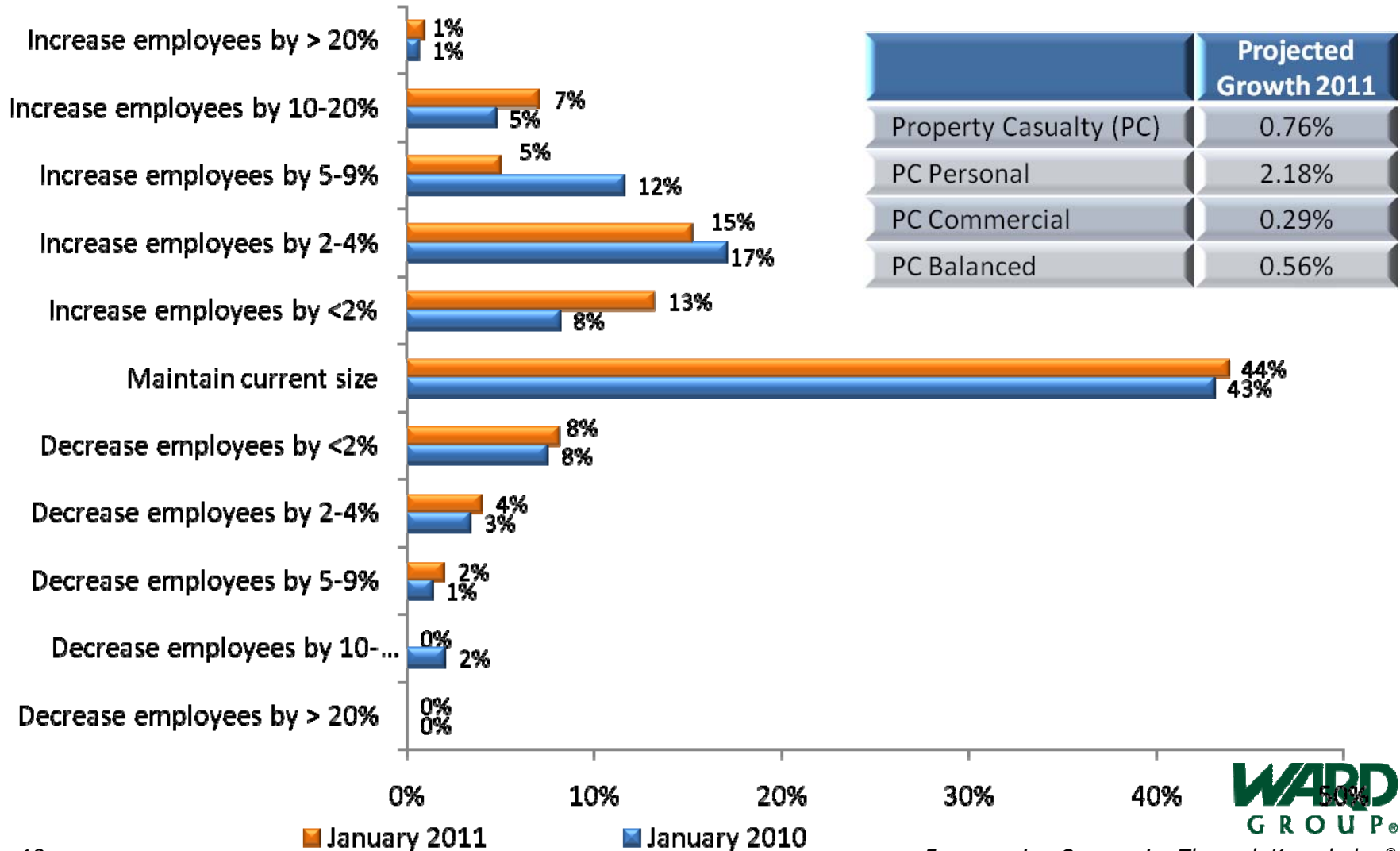


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2010 Staffing Plans vs. Actual – P&C

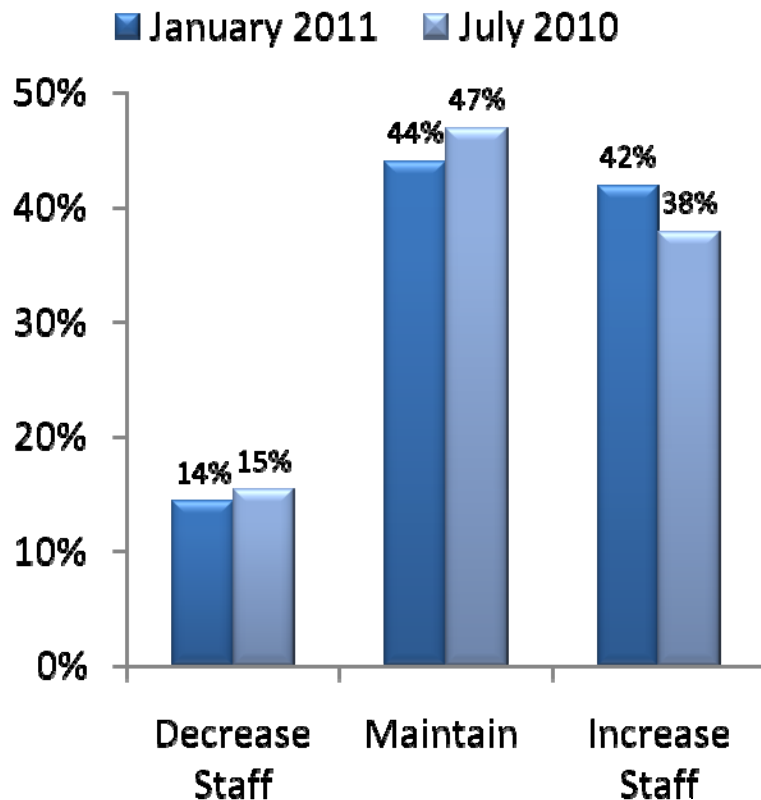


2010 vs. 2011 Staffing Plans – P&C



12-Month Staffing Plans Comparison to July 2010

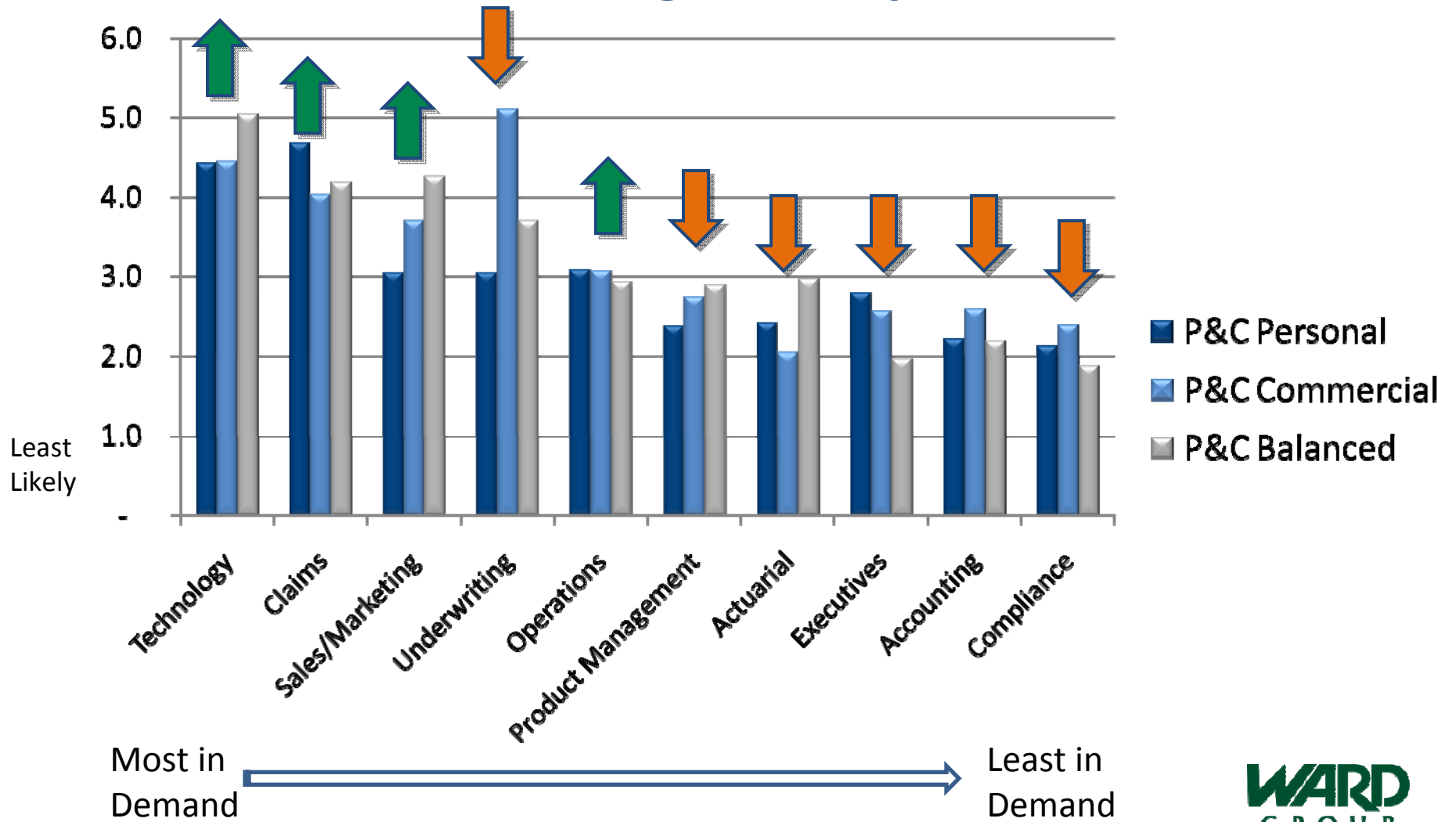
Property/Casualty



Summary

- Companies are more optimistic than they were six months ago. 42% of companies plan to increase staff during the next 12 months.
- Over the past 12 months, significantly more companies experienced a decrease in staffing than originally anticipated.
- Including temporary employees, industry staffing is slightly higher over the past year. The L/H industry drove staffing growth in 2010.
- Fewer staff reductions are expected compared to 6 months ago.

Likelihood of Increasing Staff By Function



Recruiting Challenges Still Exist



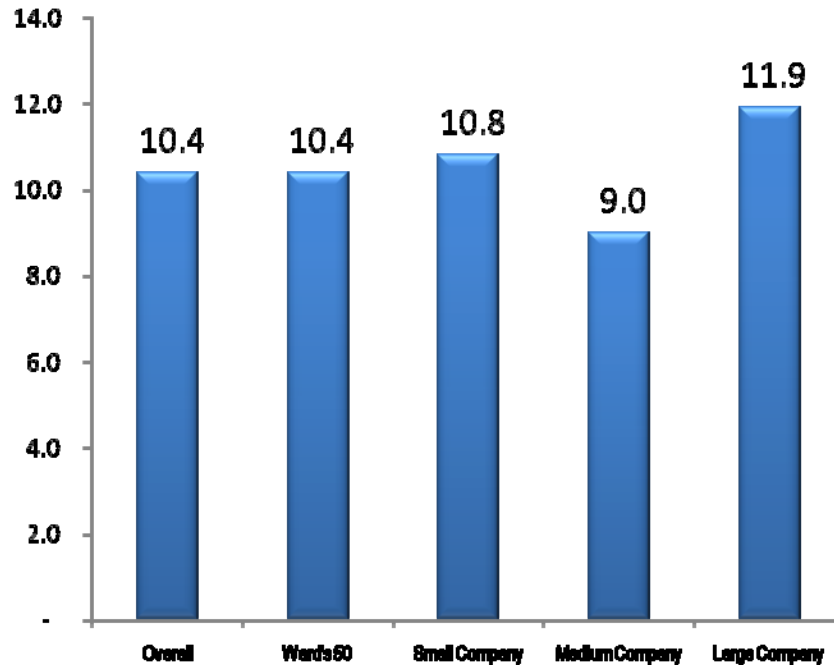
On a scale of 1 – 10 (10 being most difficult), companies responded that positions are still moderately difficult to fill; however, recruiting is slightly easier in most disciplines than it was a year ago.

Positions rated 5 or above are considered moderate or difficult to fill.

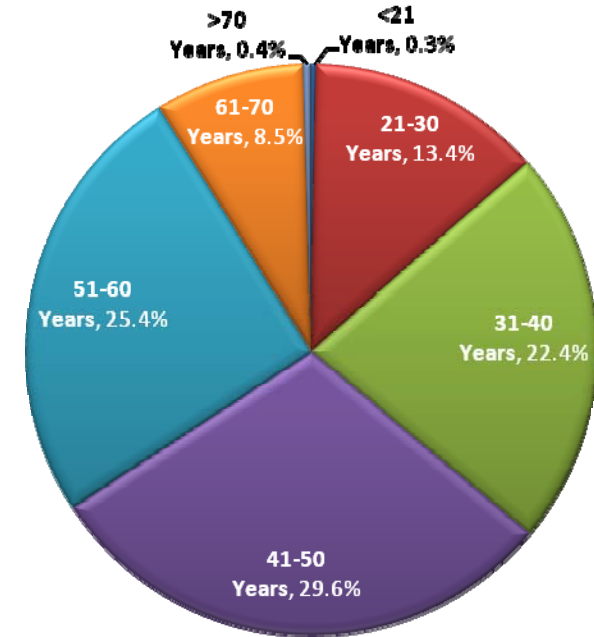
Product line has a significant impact on the ease of filling positions.

Employee Profile

Average Years of Tenure of Employees



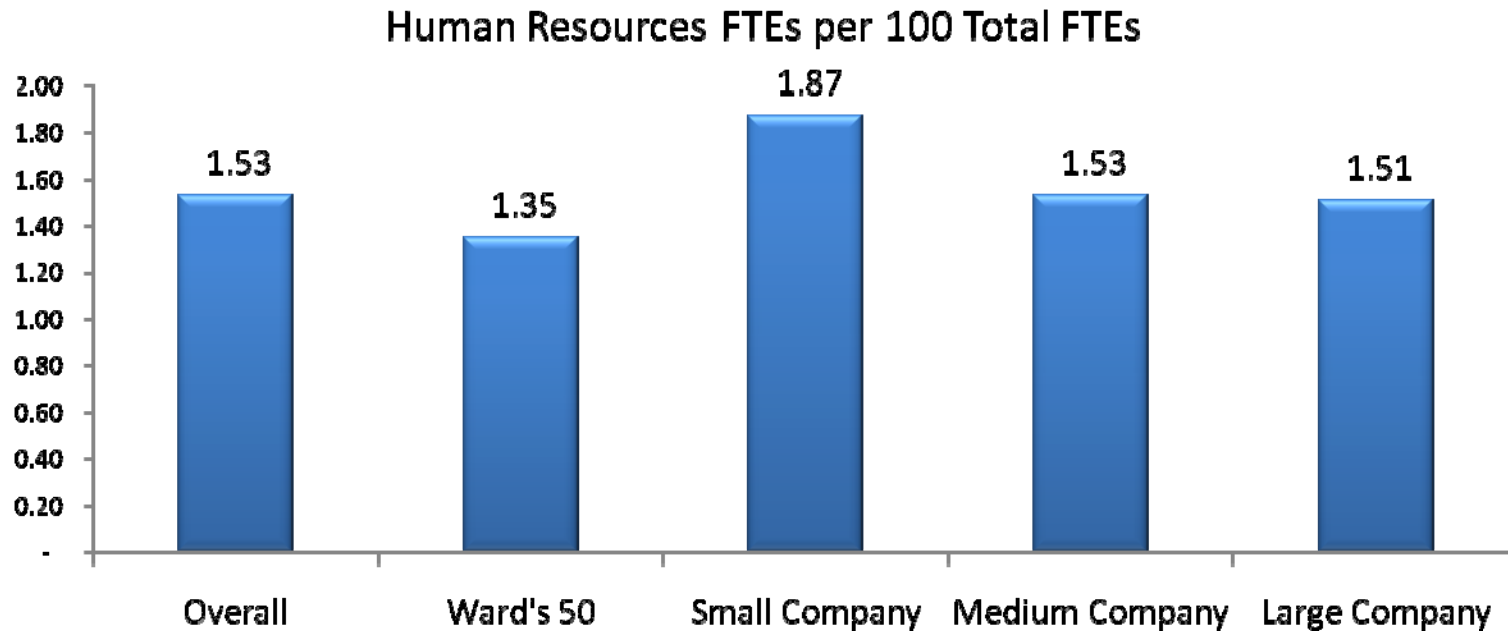
Age Ranges of Employees based on Percent of Staff Overall Benchmark



Key Points

- Impending retirements have been delayed. This can cause some redundancies for companies that are staffed at levels to prepare for the retirement turnover.
- 63.9% of employees are age 41 and older. Employees age 61-70 represent 8.5% of the workforce compared to 4.8% in 2006 and 7.3% in 2008.

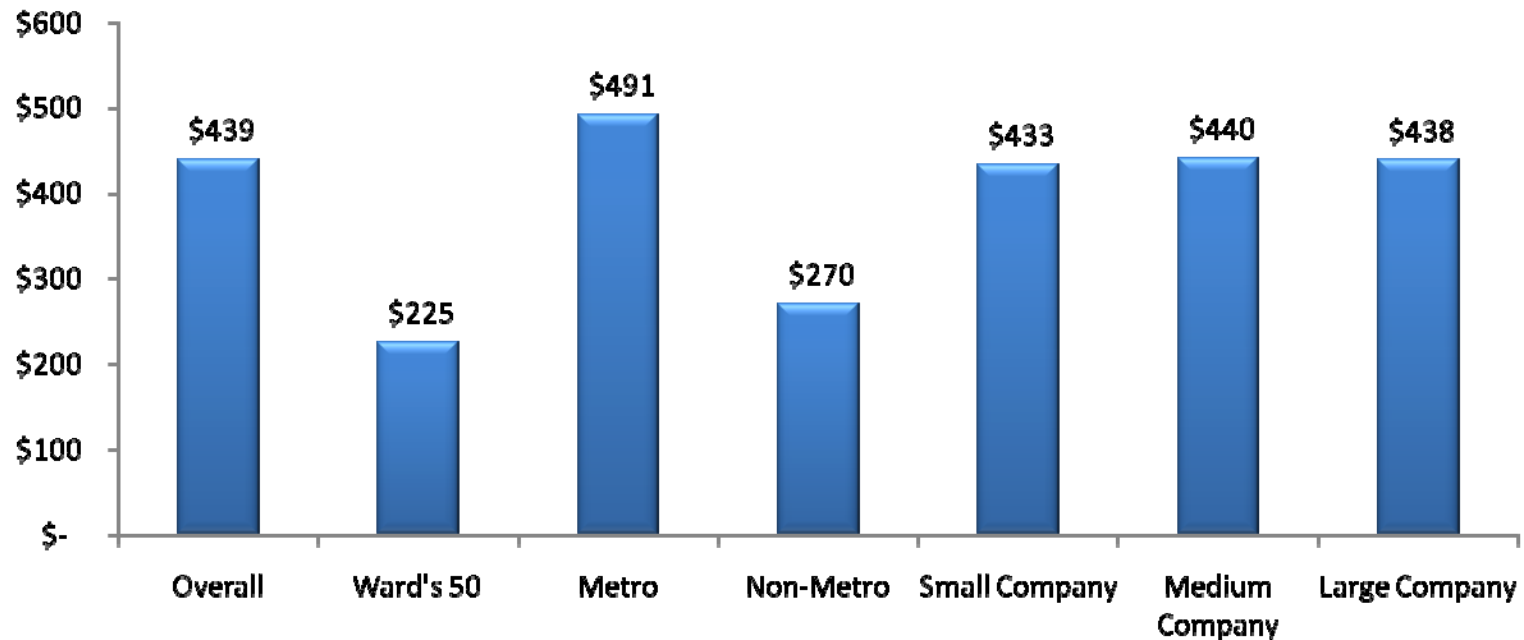
Human Resource Staffing



Key Points

- Employee education and training functions are smaller than in the past
- Ward's 50 staffed nearly 15% lower than average
- Efforts to reduce costs through outsourcing/eliminating functions are not always productive

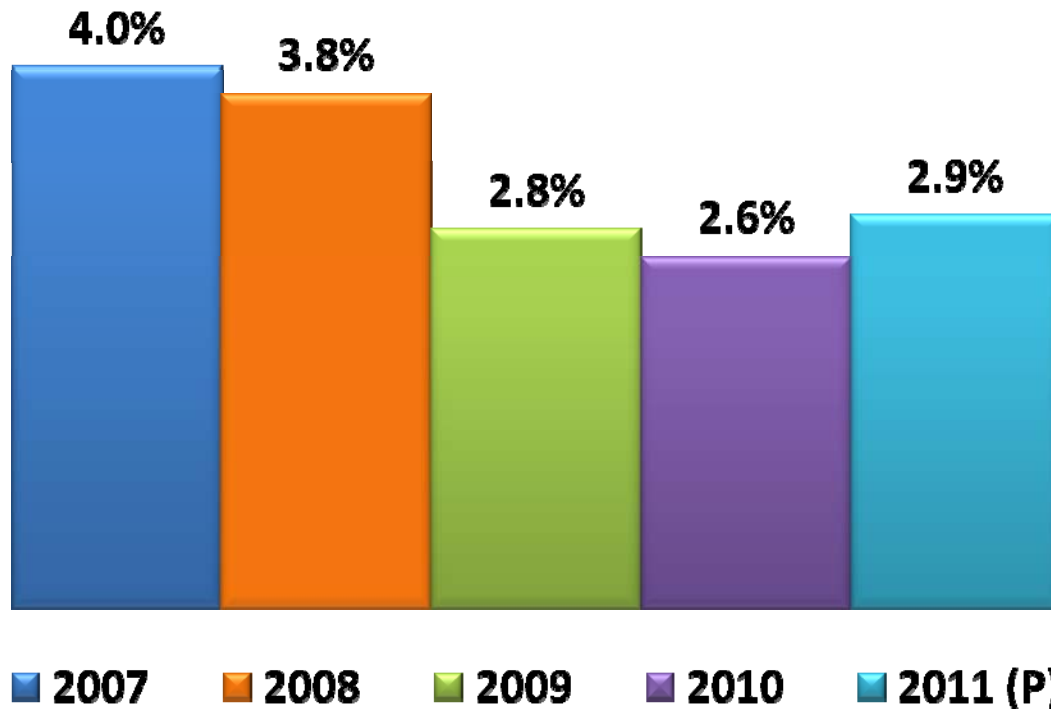
Training Costs per FTE



Key Points

- Training expenses are 50% lower than historical levels.
- Technical training and educations conference travel were hit especially hard

Merit Increases



Merit increases expected to increase slightly, but still over 25% - 30% lower than 2007.

Key Points

- Fewer companies expected to freeze salaries
- Bonuses are typically better than 2008 – 2009 timeframe
- Healthcare cost up 16 – 18% for many companies

Summary

- Personal lines growth may remain slower due to lack of buying triggers (i.e. new purchases, new home builds, etc.), but expect modest growth
- Commercial lines market not likely to harden tremendously (in terms of generating large increases), but expected to flatten out
- Although expense concerns remain, companies are making significant investments back into the operations, not making major cuts
- Growth in expense ratio to continue due to slow premium growth
- Despite high unemployment, recruiting and job placement remains difficult for talented staff
- Staffing has stabilized, merit increases will slowly rise but not quite to historical levels