

# claims ADVISOR

INFORMATION FOR TODAY'S CLAIMS PROFESSIONALS

## Corps Values

The claims industry is within 10 years of losing its veteran corps. Who's bringing up the rear?

**Dave Pelland** / Claims Advisor

Wednesday, November 24, 2010 | Categories: [Education](#)



"Retirement" may have a glorious ring to some, but to managers of insurance claims organizations, it may sound more like the final trumpet call. Trends in the labor force suggest there's about a 10-year grace period before attrition in the veteran claims corps guts the industry of its institutional expertise. Innovative recruitment efforts and training of the "newbies" are moving up on the priority list at many carriers, independent claims firms and industry associations.

"We're seeing the graying of America just like everybody else is," says Warren Aplin, CEO of independent adjusting firm Aplin Peer & Associates in Fort Lauderdale, Fla., and vice president of the National Association of Catastrophe Adjusters (NACA). "If you look at the claims business, other than at the staff level, you find a lot of baby boomers."

According to the Bureau of Labor Statistics, about 306,300 people were employed as claims adjusters, appraisers, examiners and investigators in 2008. Nearly half worked for insurance companies, and 24% were employed by adjusting firms, agencies and brokerages. The BLS projects demand for workers in claims-related functions to grow 7%, to reach 327,200 by 2018.

While the BLS doesn't break down employment statistics by age, there's a definite sense that the industry is facing a looming talent shortage. Conversations with industry participants indicate there's growing recognition of the problem and that steps are being taken to try to address it.

In addition to increasing claims recruitment and promoting education, insurance carriers, adjusting firms and other industry participants are exploring ways to make the claims profession more attractive, such as promoting flexible work arrangements and reducing the administrative burden.

"We need to change how this role is structured and the kinds of people that we're putting in the claims role," says Michael Costonis, managing director of Accenture's global claims practice. "The real question is, what does the claims workforce of the future look like?"

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*Did you originally plan on a career in insurance?*

Yes, I went to school and got a B.S. in risk and insurance. I contacted the insurance department at my school and they told me of an opening.

—Alan O., Staff Claims Adjuster, Hickory, NC  
In industry: 6 years

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### **Encountering Flak**

The recession, albeit recently declared "over" for nearly 18 months, has taken—and still is taking—its toll on hiring and training.

"The industry's had a couple of bad years, and it's common for companies to cut back on training and recruiting when times are bad," says John Langan, a Chicago-based executive recruiting consultant. "That's an economic decision that can help address short-term concerns, but that can also hurt a company later."

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*Did you originally plan on a career in insurance?*

No, my original plan was to build affordable middle-income housing. I stumbled into the industry when answering an ad for a roofing company looking for an estimator. It turned out they were looking for someone to manage the claims they were working on with their clients. I then went on to become an independent adjuster working on the four hurricanes that struck Florida in 2004.

—Chris G., Independent Claims Adjuster, Whitehouse, TX  
In industry: 6 years

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Ronald Papa, president and CEO of National Fire Adjustment Co., says the claims profession's traditional transfer of knowledge from veteran adjusters to younger colleagues is becoming less common nowadays.

"I can think of few insurance companies that would send out two adjusters on a loss today," Papa says. "By not having a mentoring program, they're putting the next generation of adjusters in jeopardy." He says when insurers reduce training opportunities for claims professionals, those cutbacks are reflected five or 10 years down the road in a smaller pool of experienced adjusters.

"Most of the senior adjusters I speak to agree that it's difficult to find and hire qualified talent," he says. "It seems odd with unemployment at record highs [to have talent shortages], but you need people with specific skills to fill these positions."

Even when companies are hiring, it's hard to find takers with the right skill sets.

Did you originally plan on a career in insurance?

No, I studied in medical school with a biochemistry major. I entered my present job after working for an engineering consultant.

—John G., Independent Claims Adjuster, Pittsburgh, PA  
In industry: 10 years

Part of that problem is the image of the insurance industry, which often isn't compelling to college students or others in complementary niches who use words such as "boring" to describe it. Students who are now insurance professionals were recently highlighted in *Leader's Edge* magazine using the same language. Derek Butts, a former intern at Allstate and now a young actuary associate at Aon, told LE he regularly hears the words "not exciting" used about the industry by college students he tries to recruit at his alma mater, "And that's from accounting majors!"



The glitch may be in the sales pitch, especially on the commercial lines side.

"If you look at the personal lines companies, a lot of them have advertising that's tailored to the Millennial generation or recent graduates," Langan says. "The ads are fast and funny and have a lot of animation that speaks to the audience. Who do commercial insurers advertise to? People watching golf."

Accenture's Costonis says even those students interested in insurance careers often see stronger opportunities in revenue-generating roles than in claims.

"Claims is usually viewed as a cost center, and sales and underwriting are viewed as the people who bring home the premiums," Costonis says. "That's a perception problem, but when you're competing for talent, it's a dividing line."

Langan says the industry needs to emphasize to potential claims recruits that, as they gain experience, a number of opportunities can emerge. For instance, someone with five to seven years of experience may develop a specialty in a niche product line or be positioned for a management or underwriting track.

NACA's Aplin says recruiting young catastrophe adjusters can be challenging and that the profession is often a second career for people who bring experience and an entrepreneurial spirit from other sectors.

"A lot of adjusters didn't grow up in the insurance business," Aplin says. "Adjusters may have specialized experience in an outside industry or some other discipline, and a lot of them are mature by the time they get into this business."

Additional challenges in attracting cat adjusters include the long hours as well as the job's requirement to spend considerable time traveling and living in motels near catastrophe sites. Aplin says those factors can reduce the appeal of adjusting for young people with families.

### **Taking the Bull by the Horns**

As in any battle, when the going gets tough, the tough get going. Some companies and organizations

are meeting the challenges head on, providing innovative training and enhancing job attractiveness.

"We are taking steps to bring talent into the organization, specifically into the claims area," says Anne King, vice president of human resources at Motorists Insurance Group in Columbus, Ohio.

Four years ago, Motorists started an advanced training initiative known as the ACT program. Every year, about 10 (and as many as 13) graduates, experienced professionals or existing Motorists employees with high potential are sent through a six-month intensive training and mentoring program. Over the program's first four years, the vast majority of trainees have been assigned to the company's claims department.

"We're preparing our claims division for potential retirements," King says. "The industry has a lot of baby boomers and more long-term employees than many other industries. It's helped us be better prepared."

King says the company primarily recruits recent grads for the ACT program but has also selected existing employees with varying degrees of experience. "We want to be open-minded and take people at different stages of their careers," she says.

Similarly, NACA has developed a mentoring program and often invites young professionals to its conferences to introduce them to catastrophe adjusting. NACA explains opportunities, provides basic training and helps young people network within the industry.

Insurers and adjusting firms are also changing the nature of claims-related jobs to increase flexibility and improve the profession's appeal. Accenture's Costonis says that, over the next three to five years, insurers are likely to expand pilot programs that use a blend of shared service centers for administrative support and home-based workers who serve as claims professionals.

"The claims function may not be contained within the four walls of an insurance company," Costonis says. "The composition of the workforce will look very different in the near future. The way companies structure the workforce, where they find the people, and how they keep them connected and motivated will change."

*Did you originally plan on a career in insurance?*

**No, I sought a career change from being in retail.  
I answered an ad for an intake position at a non-  
standard company.**

*—Michael D., Independent All Lines Adjuster, Margate, FL  
In industry: 13 years*

Some companies are increasingly permitting claims professionals to spend more time outside traditional offices. Motorists' King, for instance, says the company's call center staff is increasingly home-based and the carrier allows claims associates to work from home one or two days a week.

"We think that's helped increase morale and flexibility," King says.

Another hiring change likely to emerge in the near future is an emphasis less on attracting applicants

with insurance-focused training or experience and more on recruiting candidates strong in characteristics such as decision making and analytical talents that are likely to make them successful as claims professionals.

"We've seen a shift toward hiring for behaviors and attributes and building the [insurance] skills, as opposed to trying to hire for the insurance expertise," says Costonis.

"A lot of it depends on the level of the organization at which they're entering. If you're looking for someone with deep expertise in a specific coverage or parts of the process, you'll tend to hire for the skill. If you're looking for someone that's more customer-facing, you'll hire for the behavior and build the skills behind it."

King says Motorists Insurance Group has developed a pre-employment testing and assessment tool that was formed based on discussions with, and testing of, high-performing adjusters to identify strengths and successful characteristics. New candidates are tested to compare their scores for similar attributes against those of established performers.

Along with increasing the educational opportunities and flexibility of the claims profession, participants say another key to attracting young professionals is highlighting the satisfying elements of the claims industry.

"The job in and of itself can be quite rewarding," says Costonis. "You have a high degree of customer contact, and your job is essentially to help restore people to where they were before the loss. There's a lot of innate satisfaction that can be derived from the job."

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**Dave Pelland** is a contributing writer.

## Better Than Boot Camp

Universities and industry associations prepare new talent.

Despite the potential image-related challenges, insurance companies and trade groups are increasing their cooperation with educational institutions to attract young recruits and expand the industry's potential talent pool.

"I think the industry is starting to respond," says Maureen Furlong-Weber, director of the School of Risk Management at St. John's University. "Schools like ours are working with various associations and companies on recruiting for claims professionals. We've seen companies seeking to fill claims-specific positions." For example, the International Association of Claims Professionals sponsors a scholarship with the School of Risk Management and invites past recipients to the association's annual conference. In addition, the association has created mentoring programs for junior claims professionals as well as outreach efforts to attract current students to the profession.

Furlong-Weber says the industry's recruitment efforts and mentoring initiatives have increased in recent years. "We're seeing an uptick of students going into claims internships and a stronger relationship with the industry," she says. "Students who have been interns tell us the placements have been meaningful in terms of grounding them in a good understanding of the industry."

At St. John's, Furlong-Weber says claims and adjusting are woven into the school's insurance-related curriculum. Courses covering specific lines include claims as part of the courses' foundation.

The Katie School of Insurance and Financial Services at Illinois State University is another big name in the industry. Its curriculum addresses claims in a variety of its insurance operations and risk management courses and arranges student internships with area insurance companies.

Industry groups also offer educational seminars aimed at new entrants as well as professionals with continuing education requirements. The National Association of Catastrophe Adjusters, for instance, made "Catastrophe Adjusting for a New Generation" the theme of its 2010 annual conference and offered a variety of basic courses to attract new people to the profession. Similarly, The National Association of Professional Insurance Adjusters' First Party Claims Conference offers several introductory and continuing education courses targeting the range of prospective claims pros and experienced adjusters.