

A LOOK INSIDE THE RECRUITMENT OF INSURANCE LEADERS

Craig Lapham, Chief Executive Officer of The Lapham Group, Discusses the Nuances of Recruiting In the Insurance Sector



Like virtually every other industry, the insurance sector is being transformed by digital automation, data analytics and science. These innovations are driving meaningful changes across the underwriting, distribution, and claims models of the industry's insurance carriers. The impact is manifesting itself across all segments of the industry, and at this stage most visibly in the more consumer / customer centric lines of business like personal auto and certain segments of life insurance.

In the following interview, Craig Lapham, CEO of The Lapham Group, reveals the details of a recent CRO search his firm recently completed. He also addresses why a client's culture is the single most important factor in a successful search and how specialist firms are increasingly gaining more senior level assignments than ever before.

Mr. Lapham has served as CEO of The Lapham Group since 1997. Under his leadership, the firm has successfully conducted senior executive search engagements on a global basis for multiple Fortune 100 insurance clients and smaller emerging insurance / financial services firms across both P&C and life insurance. This includes board of directorship and CEO search engagements, as well as executive searches across finance, risk management, legal, claims, actuarial, underwriting, technology / digital, and marketing / distribution. Prior he served from 1992 to 1997 as an attorney with global insurer American International Group within the corporation's U.S. property & casualty business.

How critical was your background and experience in the insurance sector before you shifted over to executive search 20 years after having served as an attorney for AIG?

My motivation to leave AIG in 1997 was to partner with my father in building an entrepreneurial, family owned business. My father had 40-plus years of retained search industry experience when we came together 20 years ago as The Lapham Group, to include having led his own generalist boutique and prior having led a large-scale practice with Peat Marwick & Mitchell in the 1960s and early 70s, when the Big 8 still had search practices. My father was the classic founder entrepreneur... independently motivated, relentlessly positive, laser like customer focus, and a deep conviction his business model was superior to the competition. Specifically, he felt an independently owned boutique search firm offered tremendous competitive advantages to his clients in terms of higher quality talent access without the layers of internal and external conflicts of the major search firms. It also offered the opportunity to build deep and longstanding relationships with clients in order to truly understand an organization's culture and persuasively market a client opportunity to top tier executive talent.

As a specialist recruiter, is having prior experience in the industry you now recruit for a must?

My prior industry experience working for one of the top tier global multiline insurance corporations does provide a sophisticated perspective and multinational network of C suite relationships that bring significant value to a client engagement. I also believe insurance to be the most complex segment of the diversified financial services industry and my prior industry experience allows me to hit the ground running on the most complex engagements. With that said, I believe the ultimate value add to a client is my expertise in the access, identification and recruitment of premium senior executive talent vs. my technical skills as an insurance attorney, underwriter, actuary, etc.

The insurance sector, like many other industries, is experiencing meaningful disruption and transformation in business models today. Tell us what's happening within the insurance sector that supports this observation.

Like virtually every other industry, the insurance sector is being transformed by technology and related innovations in digital automation, data analytics and science. These innovations are driving meaningful changes across the underwriting, distribution, and claims models of the industry's insurance carriers. The impact is manifesting itself across all segments of the industry, and at this stage most visibly in the more consumer / customer centric lines of business like personal auto and certain segments of life insurance.

Under its most recent CEO, your former employer, AIG, was said to have taken its “eye off the ball” so to speak. It is said that what happened at AIG over the past several years was too much focus was put on radical transformation. Is AIG symptomatic of what is occurring throughout insurance and, if so, how does this disruption affect senior level talent acquisition?

AIG is a situation unique unto itself and not representative of the industry as a whole. AIG lost a very longstanding and hugely successful CEO who led the company for 30-plus years as a quasi-founder, followed several years later by its near collapse during the 2008 perfect storm financial crisis, and subsequent government assistance and restructuring. Its most recent CEO was a non-insurance industry executive who put too great an emphasis on long term transformation without realizing the key to profitable growth in the P&C insurance industry remains focused and disciplined underwriting, which still requires human intuition and leadership and can't be totally automated.

Using a specific example of a recent search assignment your firm conducted take us through a typical assignment.

A recent CRO search engagement for client Allstate Corporation is representative of the type of search we're conducting for insurance industry clients. In developing the position description with our client at the commencement of the engagement, a decision was made to identify a candidate with a broad risk management background covering market, investment, model, and financial risk to include experience with sophisticated risk related concepts such as economic capital and ALM. Given this very broad and highly sophisticated experience base, a decision was made to expand our targeted search beyond the P&C and life insurance industry and into other segments of diversified financial services to include banking and investment management. Where historically a CRO search for an insurer may have focused solely on career insurance executives, likely with a classic actuarial background, the scope of our engagement became much broader into the risk management functions of the largest and most complex financial institutions globally.

Discuss the senior level talent pool in the insurance sector. Are you finding enough qualified professionals to fill open positions or are you having to look to other sectors where a lateral move is necessary to find the right candidate?

The quality of the senior level talent pool in the insurance sector varies by line of business and functional expertise. The more traditional lines of business have greater depth of talent. Once you get into newer emerging P&L sectors like cyber insurance, you need to look beyond the core insurance industry. We are currently conducting a president of global cyber insurance for client Chubb and the search's scope has gone well beyond the insurance industry and into fintech and even government to identify highly strategic global thought leaders in cyber risk. Also, from a purely functional perspective, there is greater appetite to look outside the insurance sector. Per my prior example of our Allstate CRO search, we're looking to broader diversified financial services and the larger SIFI banks where you may find a more sophisticated experience base than may exist in a traditional insurer.

How often are you called upon to assess internal candidates at insurance companies and do you think companies today tend to hire more from within? Is this type of benchmarking against external candidates common?

On the majority of our client engagements, there is some type of assessment of internal candidates during our search process. I believe when a client engages our firm on a C-suite search, a fiduciary duty exists to the company and its shareholders to ensure the most qualified executive assumes the role, whether internal or external. Our role is to provide them the greatest access to whatever segment of the marketplace they seek to target, and then conduct an unbiased evaluation of internal and external candidate slates.

To what extent does understanding the culture of a client company play in the recruitment process?

The understanding of a client's culture is the single most important factor in the successful identification and recruitment of a candidate who will succeed long term in the organization. Our firm's entire boutique model is designed

around meaningful client interface by the most senior members of our firm. Leading a boutique permits us to work deeply with a limited number of clients. This benefits all aspects of the search process to include broader access to talent due to less conflicts, and the ability to dedicate more time to fewer searches.

Boutique or specialist firms used to be the second choice when companies were considering firms to handle a C-level assignment. Increasingly, however, firms like yours are winning more senior level assignments. What's changed?

It's for a couple of reasons. First, a boutique firm simply through its smaller structure comes to any search engagement with a tremendous competitive advantage in terms of greater access to talent in the marketplace. A big search firm may use its large team of search professionals as an effective marketing tool, but when it comes time to actually conduct a specific client search engagement, the larger firm becomes encumbered with conflicts both internal and external. We've often said the best client is an organization that has prior experience in using retained search. They have seen the challenges and dysfunction of the larger firm's search models and are blown away by our boutique's responsiveness and quality of talent we're able to put in front of them. The second reason boutiques are winning more senior-level engagements is the continued rapid diversification of our larger firm competitors away from pure retained search and into ancillary HR related services. Again, these multiple services help in marketing pitches and their recurring revenue streams smooth out P&Ls, particularly for publicly traded firms, but they also exacerbate conflicts and present ethical dilemmas for any type of retained search being conducted. Is a major search firm going to poach talent from its non-search clients for

which it's providing ongoing HR related services? Our firm in 2016 conducted a successful C-suite search for a Fortune 100 publicly traded insurance client and, once the finalist candidate was identified, the executive assessment was done by a division of one of our largest retained search competitors. We chuckled at the irony of that situation, but that is the reality of the search industry today.

Looking ahead a decade, what are the biggest challenges for the insurance sector and will this change the way in which recruiting at senior levels might be approached?

Continued innovations in technology are both the biggest challenges and opportunity for the industry. I met recently with the president of one of the leading insurtech platforms in the industry. He was discussing technology's impact on distribution of all types of personal insurance, both life and P&C, particularly as it pertains to younger generations like Millennials. His comment was, "Forget about an insurance agent, Millennials don't even want to talk to a direct phone rep. Everything needs to be purely digital / mobile based." Insurance touches every segment of our lives, from both a business / professional and personal perspective. While technology will disrupt certain legacy structures of the industry, it will also allow the nimble and strategic to create and deliver new and innovation solutions to mitigate risk. In addition to continued advancements in technology, and depending on what happens with inflation and interest rate environment, you may see the continued influx of third party capital sources seeking greater returns. Whether these are hedge funds or other types of investment vehicles, the inflow of capital will put pressure on all segments of the industry, both primary and reinsurance, to remain relevant and competitive.