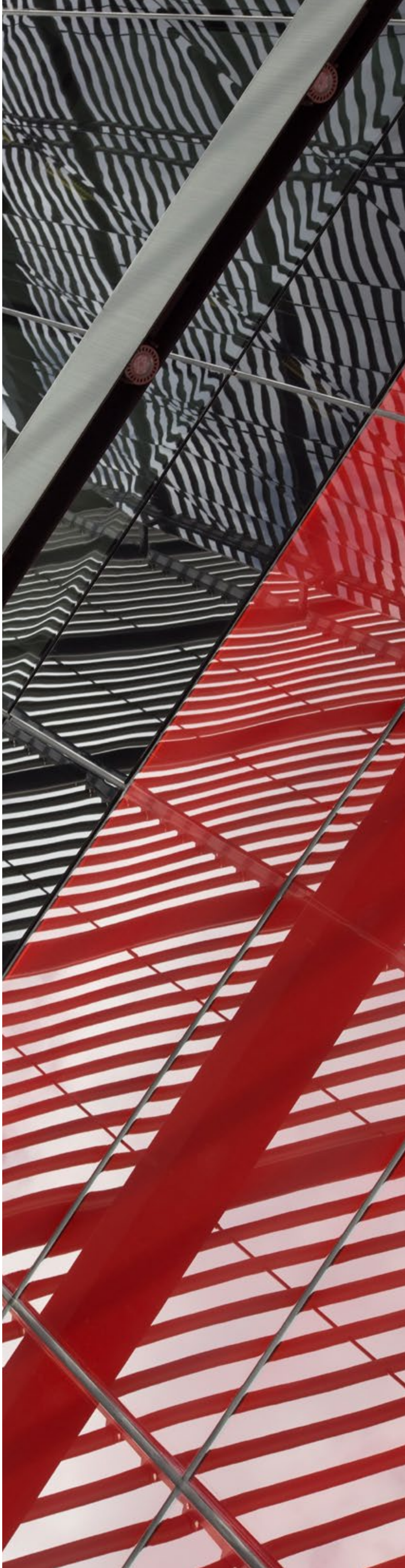
SpencerStuart

Financial Services

UK Insurance CEO: Route to the Top

An analysis of the experience and skill sets of top industry executives



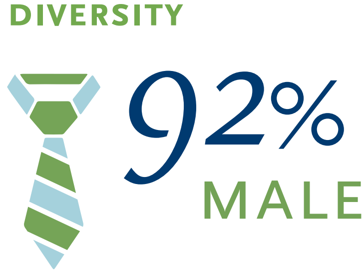
INTRODUCTION

The UK insurance market is facing turbulent times. The impact of demographic changes, evolving customer needs and the opportunities afforded by digital technology are having a disruptive effect on the industry. Combined with increasing regulatory scrutiny and financial reporting requirements, these changes are challenging traditional insurance business models. Many insurers are responding by modernising their internal operations and business strategies.

This report aims to shed light on the current population of chief executives of UK-based insurance companies and to provide insights about where the next generation of leaders are likely to come from.[1]

1 Each individual whose career we analysed is the most senior executive in the UK business. We refer throughout to CEOs, although not every UK leader has that title.

DIVERSITY



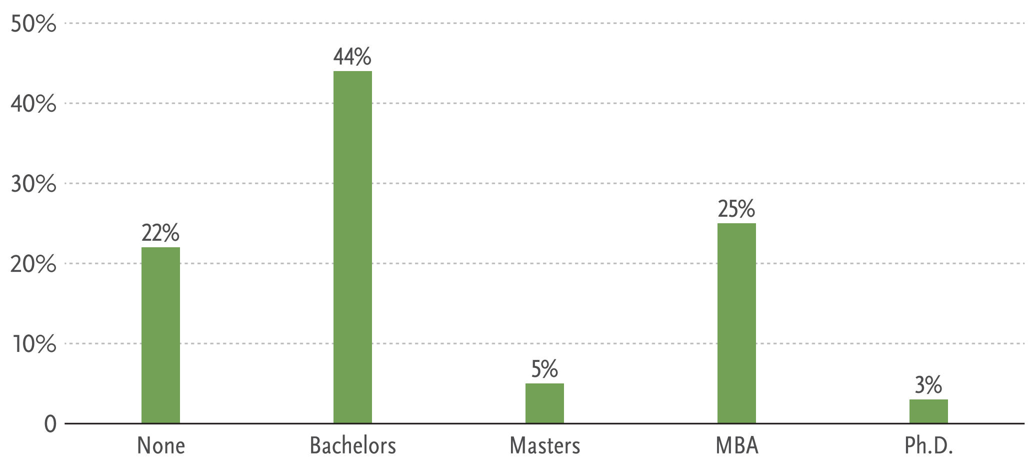
UK insurance CEOs are a strikingly homogeneous group. The overwhelming majority (92%) are men and there is very little ethnic diversity at senior leadership level in the industry. The average age of CEOs is 53 years.

Current CEOs are predominantly UK citizens (76%), with a handful of other nationalities in the mix, including South Africa (3 CEOs), USA, France, New Zealand, Ireland (2 each), Greece, India and Spain (1 each).

EDUCATION AND QUALIFICATIONS

The academic backgrounds of insurance CEOs vary widely. Whereas the majority of CEOs (78%) have a bachelor's degree, only a quarter have an MBA. 22% of CEOs do not have any higher education degree.

Educational background: highest degree earned

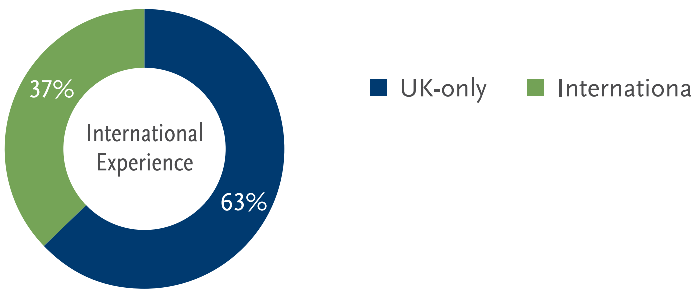


Further investigation into their career trajectories reveals that 13 current CEOs started working in the insurance industry straight from school and obtained diploma qualifications in actuarial science while in employment. These executives have stayed within the sector for the majority of their careers, with an average of 20 years of insurance experience. This pattern is only found among male executives; all female CEOs have either a minimum of a bachelor's degrees and four out of the five female CEOs have worked outside the insurance sector at some point in their careers.

INTERNATIONAL EXPERIENCE

63% of current CEOs have spent their entire careers inside the United Kingdom during their careers. Of the 37% of CEOs with international experience, the most common countries in which they gained that experience were US (5), Australia (2), New Zealand (2), Japan (2), Singapore (2), South Africa (2), Switzerland (2), and France, Germany, Spain, the Netherlands, India (one each). On average, these executives spent 11 years outside the UK.

International experience



PREVIOUS EXPERIENCE

CEOs have an average of 29 years' experience in professional life, of which 19 years have been spent in the insurance industry. 75% of CEOs had experience of the insurance industry prior to their appointment. 25% of CEOs were new to the industry at the time of their appointment. CEOs have worked for three other companies on average prior to their appointment, although 7% of CEOs have been at the same organisation since the start of their careers.

Current CEO tenure

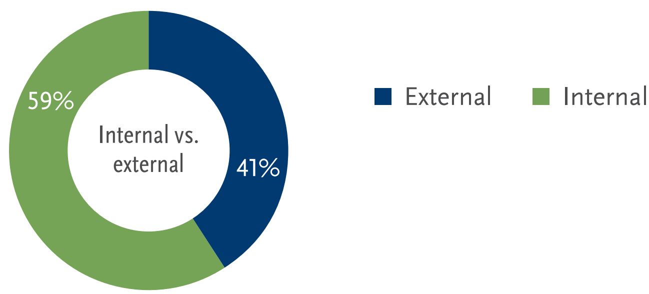
The average tenure of CEOs in the UK insurance industry is 4.2 years. By contrast, the average tenure of CEOs running the top 150 FTSE companies is 5.5 years.[2]

2 Source: *Spencer Stuart UK Board Index 2017*

INTERNAL APPOINTMENTS

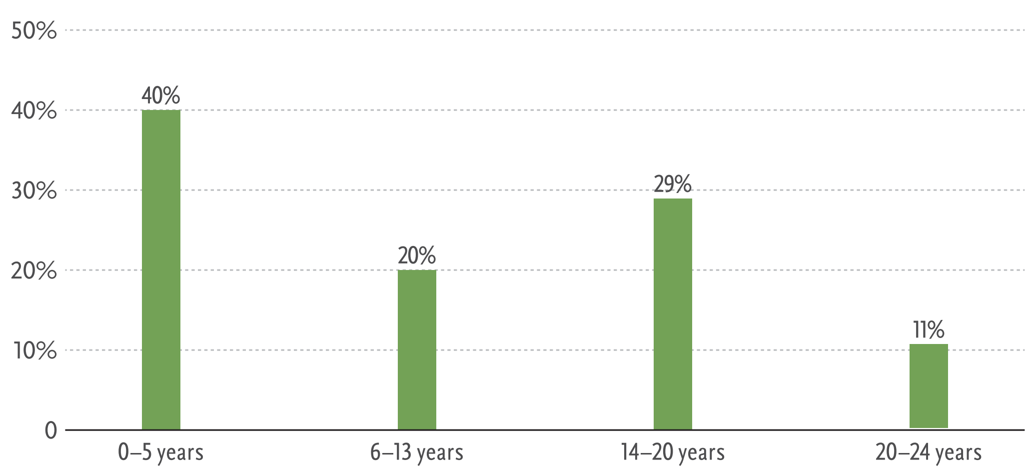
One of the most compelling findings shows that 59% of current CEOs were promoted from inside their respective organisations — a higher proportion of internal appointments than is found among FTSE 350 companies. Internal appointments are more common in large multinational insurance companies, which tend to offer executives more development opportunities including exposure to different markets and business units; this in turn results in a broader pool of internal candidates for the role of CEO.

Internal vs external appointments



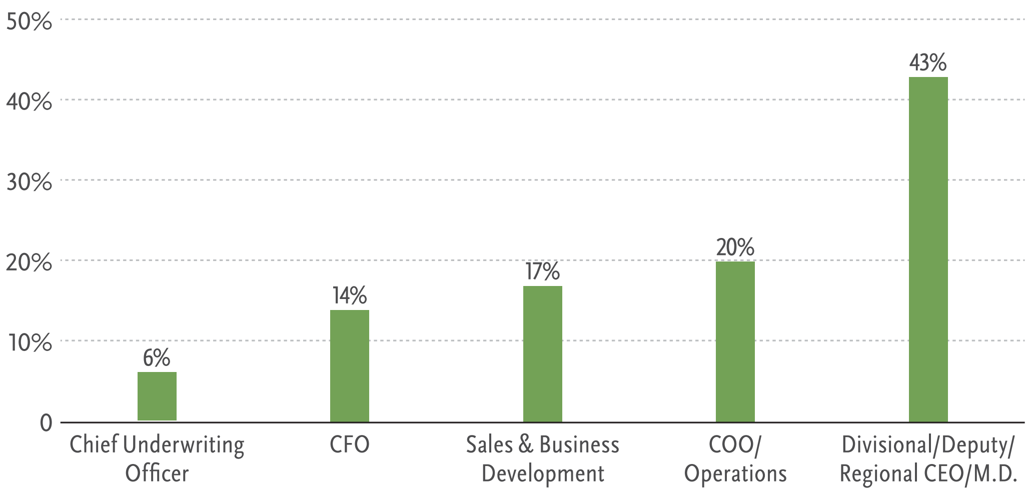
Insider CEOs spent an average of 10 years at the company before their appointment to the top job. As mentioned above, 7% of CEOs have been employed by the same insurance group since the beginning of their careers which have spanned 29 years on average.

Tenure at the company before CEO appointment



Before assuming full responsibility for group or UK-based activities, organisation internally promoted executives had been in some kind of general management role with regional or divisional responsibility.

Role held prior to appointment as CEO

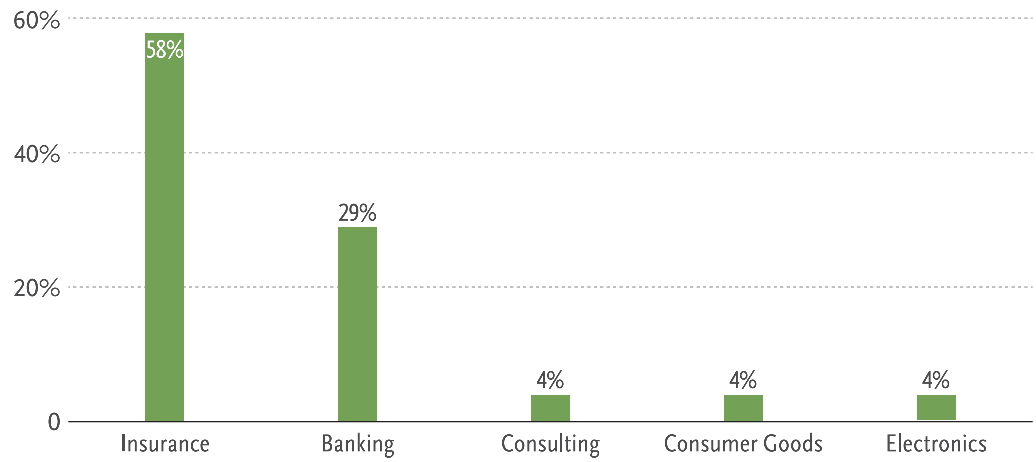


Other C-suite roles have also been stepping stones to the CEO job, most commonly COO (in seven cases) and CFO (in five cases). Six CEOs in the cohort had been responsible for a combination of retail insurance, sales and business development. Only two CEOs had previously served as a chief underwriting officer.

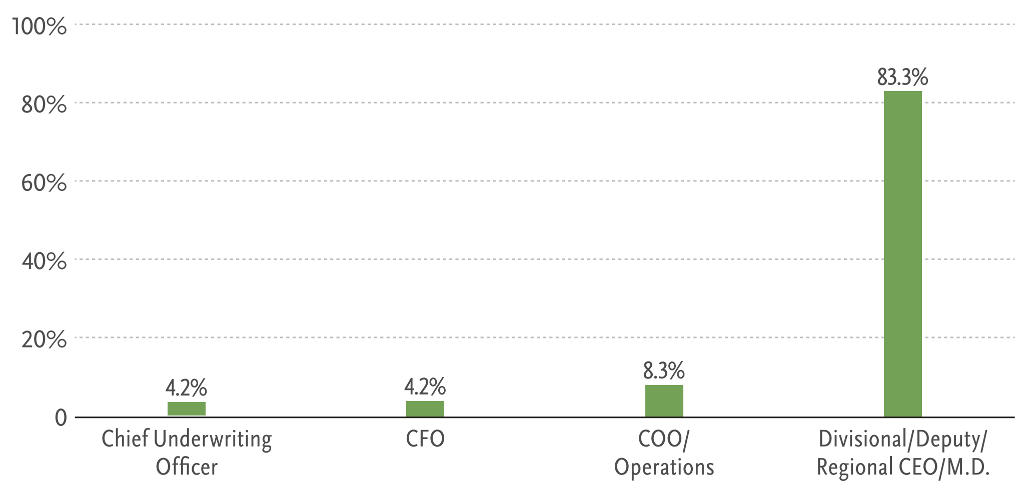
EXTERNAL APPOINTMENTS

Of the 41% of CEOs who were external appointments, 58% came from other insurance firms. Other industry backgrounds prior to appointment included banking (29%), consulting (4%), consumer goods (4%) and retail electronics (4%). As with the internally promoted executives, the vast majority of externally appointed CEOs had previously held general management roles within other organisations.

External appointment — previous industry



External appointment — previous function



Creating the right corporate culture

Culture is a critical success factor in the insurance industry. We believe it is just as important as strategy and that leaders should be spending their time rigorously managing their culture. When you align culture to strategy you get good results.

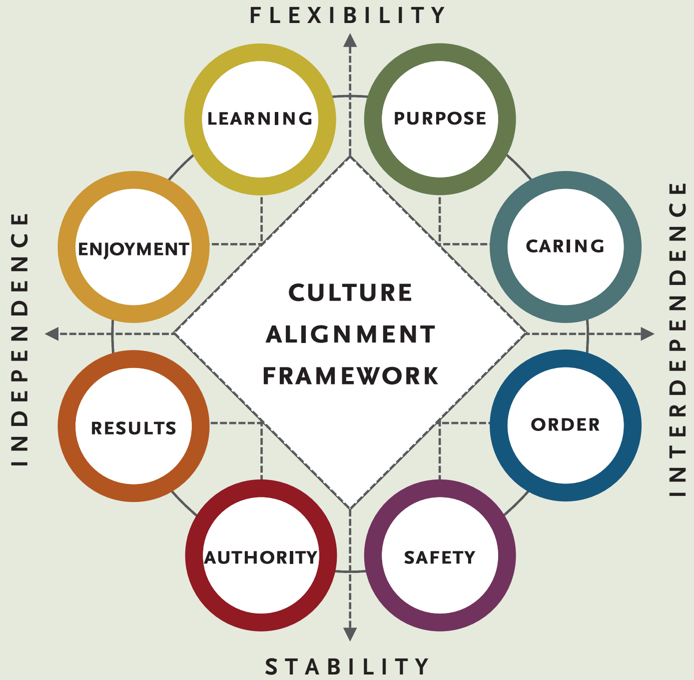
Culture is the tacit social order of an organisation: it shapes attitudes and behaviours in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted or rejected within a group. Culture can be challenging to manage because much of it is anchored in unspoken behaviours, mindsets and social patterns.

Culture and leadership are inextricably linked. Indeed, leaders can shape culture through their conscious and unconscious actions. However, before they can bring about cultural change they must first become aware of the culture that operates in their organisations and map the specific effects of their culture on people and performance.

There are two key dimensions to understanding a company's culture: people interactions and response to change.

People interactions
How independently or interdependently do people like to work? Does the organisation place greater value on autonomy and competition or does it emphasise managing relationships and group effort?

Response to change
Does the organisation emphasise stability, consistency and predictability or flexibility, adaptability and receptiveness to change?



Spencer Stuart has developed a culture alignment framework that describes eight primary and universal styles that shape all social and cultural behaviour. Each style represents a distinct and valid way to view the world, solve problems and be successful, both as individuals and as organisations. While no single style can fully depict a culture or personal style, individual styles and organisational cultures tend to be more heavily weighted in two to three styles that reflect their orientation toward people and change.

For more information on Spencer Stuart's approach to culture, read "The Leader's Guide to Corporate Culture", *Harvard Business Review*, January–February 2018.

The diversity challenge

Gender diversity remains a hot topic in the UK insurance sector. Today, only 8% of CEOs are women and considerable progress will be needed if companies are to reach the 33% target for women on leadership teams by 2020, as published in the Hampton-Alexander Review[3]. There is an increasing body of research pointing to the value of gender diversity in improving productivity and financial performance, and many initiatives have been designed to address the imbalance. Despite ongoing attention to the issue of gender disparity in leadership, progress for women remains mixed.

Based on our work and conversations with leaders from companies that are active in promoting diversity, the most effective approaches do the following:

Signal the importance of gender diversity from the top

Evidence shows that increasing diversity requires clear and consistent support from the CEO and senior management, and male leaders generally.

Remove unconscious bias in assessment

Women can find themselves at a disadvantage in hiring or promotions when subjective measures such as “gravitas” are used to evaluate candidates for senior roles — like the 5’2” female executive being compared to the 6’-plus male candidate on their “presence.”

Use data, not assumptions, to evaluate culture fit

Too often, when people think about how an individual fits with a team or organisational culture, they think in terms of similarities in backgrounds or interests — someone they recognize based on their own experience. But “sameness” is not the same as culture fit, and using it as a proxy for culture fit can put women at a disadvantage over time.

Provide support for women in leadership roles

Making progress on gender equality requires not just that women be placed in senior roles, but also that they are successful in them. This includes identifying mentors or peer mentors and encouraging women to build an intra-company network and get involved in the broader community to ensure they gain a foothold.

3 Hampton Alexander Review: Improving gender balance in FTSE leadership, November 2017. This target applies to the leadership teams of FSTE 350 companies.

Make work/life flexibility available for everyone, not just women

Ironically, well-intentioned initiatives meant to provide women with more work/life balance and flexibility can hurt women in the long run, when they have the effect of placing them outside the "norm". A better approach is to think about creating a workplace that is more flexible about how and where work is performed — for everybody.

Be bold

To truly transform the composition of a company's workforce and leadership, organisations have to be willing to disrupt the status quo.

Companies that want to increase the number of women in leadership roles need strong advocacy from the CEO, an assessment approach that minimizes bias and assumptions about culture fit, support for women hired from the outside and a willingness to take bold actions.

METHODOLOGY

Each individual whose career we analysed is the most senior executive in the UK business. Our research covers each individual's career history prior to their appointment as CEO. Any additional roles assumed thereafter are not considered in the study.

We analysed the career profiles of 59 CEOs through a combination of information in the public domain, data from BoardEx and Spencer Stuart's proprietary research.

Our results are based on data from the following companies:

Companies

Admiral
Aegon
Ageas
AIG
Allianz
Aon
A-Plan
Arthur J. Gallagher
Aviva
AXA
Beazley
Berkshire Hathaway
BGL Group
Brit Insurance
Bupa
Canopius
Chaucer
Chubb (UK)
Direct Line
Domestic & General
Ed Broking
esure
Everest Re
Hannover Re
Hastings Direct
Hiscox
HSBC Insurance
Jardine Lloyd Thompson
Just Group
Legal and General
Liberty Specialty Markets
Lloyd's of London
LV=
Marsh
MS Amlin
Munich Re
NFU Mutual
Old Mutual
Phoenix
Prudential
QBE
Rothesay Life
Royal London
RSA
Saga
SCOR
Scottish Widows (part of Lloyds Banking Group)
Standard Life Aberdeen
Swinton
Swiss Re
Tokio Marine Kiln
Towergate
Vitality
Wesleyan Assurance
Willis Towers Watson
XL Catlin[4]
Zurich

4 At the time of writing, AXA is in the process of acquiring XL Group.

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Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 57 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

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