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THE CHANGING OF THE GUARD

The Times They are a Changin' for Insurance Company Boards

Last week I was one of three people who retired from the board of an insurance company I had long and proudly served, because we had reached the company's mandatory retirement age for directors. I am just one of hundreds of Baby Boomers who have aged out of their insurance company board seats in recent years. The enormous size of the Boomer age cohort has produced a flood of board retirements at insurers, and this trend will continue for several more years as the youngest Boomers move into their 70s. As a result, the industry is experiencing a significant "brain drain" of highly experienced board members.

New Ideas and Perspectives

This age wave has, in turn, resulted in a surge in new board members at insurance companies. New people, new ideas, fresh perspectives. All good. But this changing of the guard is different than in years past. Insurers are seeking to build more diverse boards than those traditionally dominated by white male former CEOs. Armed with solid empirical support that diverse boards produce better governance, companies are proactively seeking diversity not only in gender and race, but in age, skill sets, and perspectives as well.

One of the diversity characteristics that insurers increasingly seek in board candidates is experience in other industries, to enhance insurers' understanding of technology, the consumer experience, product and distribution channel preferences, and other non-traditional insurance areas of focus about the changing world around us.

Adding a Chief Technology Officer, an economist, a consumer products executive, a marketing executive from another financial services sector, for instance, can bring valuable new perspectives to an insurer's board. I've seen this happen many times, and it can energize a board to have fresh eyes look at their concerns. The board member's value to the company can be enhanced and accelerated, though, by having them receive focused education on the unique issues of insurance company governance.

Understanding the Business of Insurance

Insurance company directors don't need to become experts in insurance accounting or taxation, develop the knowledge to settle a workers' compensation injury claim or underwrite a cyber risk policy. There are issues of insurance company governance and management oversight that are

different from other industries that they do need to understand. If learned from experts in the field, this education can make a board member more effective in a shorter period of time. The objective is, after all, about governance capability, not management skills.

Drawing on its unique membership of insurance thought leaders from around the world, the International Insurance Society has developed a board education program specifically tailored for existing and prospective insurance company board members. From its insurance executive, risk management academic, consultant, accountant, actuary, asset manager, and regulator members globally, the IIS has assembled ideas, experiences, and perspectives that constitute the best practices of insurance company governance.

The program launched in 2022 and was led by a teaching panel of industry experts with complementary skills and insurance board experiences. Modules included how various insurance functions and issues can be best understood from the board perspective, recurring areas of insurance oversight challenges, and lessons learned regarding board successes and failures in dealing with major issues. Participants included both life and property/casualty insurance directors from companies ranging from giant multinationals to regional mutuals and were enthusiastically favorable in their reviews of the two-day program.

The participants were all chosen for a board position by their companies because of their notable success in a wide range of career fields, but felt strongly that the insurance-specific curriculum made them better able to do their job as board members of an insurer. They benefitted not only from exchanging ideas with the faculty panel, but with each other as well.

We heard from the attendees about the value they felt they gained, and subsequently heard from their sponsoring companies that the program was a good investment for them as well: the program accelerated the timeline of getting board members up to speed and fully able to understand the critical issues facing the company sooner.

What Attendees Say

“The faculty were able to provide real life scenarios that demonstrated the responsibilities of governance as a board member versus responsibilities as executives in insurance companies. The faculty did a good job pointing out the unique financial considerations that board members should monitor. It was also very helpful to interact with the other attendees, all of whom had different experiences and were most willing to share,” said Dorie Culp, member of the Board of Directors for Utica National Insurance Group.

Perry Hines, independent member of the Board of Directors of Horace Mann Educators Corporation, said, “The program was highly interactive and it was great to interact with industry legends facilitating the program. It was an impactful two days that really solidified an understanding of insurance and governance.”

Gisselle Acevedo, psychotherapist, educator, and member of the Board of Governors for Farmers Insurance recommends the program for insurance board members with all levels of industry experience. She said, “I was so impressed by the training that I ensured other board members also attended. In addition, the material that was covered was relevant and has continued to help me. There were in-depth dives that, in all the training I have had throughout my many years, I had not received before. It is essential for any insurance board member to attend, no matter how seasoned they are.”

Explore the Experience

Please contact Jason Terrell at jterrell@internationalinsurance.org at the IIS to reserve a spot for yourself, or to nominate an existing or prospective director of your company, for the next IIS Board Education program. You and your company will both benefit.



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About the Author:

Mike Morrissey is the Chairman of the Board for Protective Life Corporation and a former Independent Director for Selective Insurance Group. He has decades of insurance industry experience including serving as the past President and CEO of the International Insurance Society.