

Insurance Practice

Charitable giving in the insurance industry: Stakeholder roles evolve

Corporate social responsibility in the insurance industry is becoming more professionalized and responsive to employees' interests.

by Riya Chhabra and Ido Segev



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Foreword

A new preferred model of corporate social responsibility (CSR) has emerged for the insurance industry. This model, focused on benefitting communities, provides innovative opportunities for all stakeholders—particularly employees—to participate. Thanks to the expanded influence of millennial employees, the industry is evolving traditional approaches to charitable giving and putting more emphasis on volunteerism as the industry seeks deeper community connections.

For the third time since 2011, we have asked McKinsey & Company to survey and report on charitable giving in the insurance industry. In 2019, we broadened the scope of our survey beyond property and casualty to include life insurance and wealth management, another vital segment of the industry. This piece compares our most recent insights against previous survey results. It offers a glimpse of the industry's philanthropic commitment and highlights opportunities to expand programs and fuel community engagement. Charitable giving in the insurance industry continues to be an important focus and is an expectation for both carriers and brokers.

Our business of insurance and risk management involves communities, businesses, and individuals. Measuring and developing a clearer understanding of our community outreach strategies allows the industry's stakeholders to better collaborate and make a greater impact. It is our hope that these findings will be helpful as you continue to enhance your CSR programs.

We thank the companies who continue to participate in this critical survey and McKinsey for their expertise and leadership.

Bill Ross

Chief Executive Officer

Insurance Industry Charitable Foundation

In 2019, Business Roundtable, which includes the leaders of seven large insurance companies, stated that corporations must support the communities in which they work.¹ This public acknowledgment of the value of corporate social responsibility (CSR) dovetails with the work of the Insurance Industry Charitable Foundation, which partnered with McKinsey to assess the state of charitable giving in the American insurance industry. A follow-up to the foundation's previous work in 2011 and 2015, the goal of this research was to identify trends in charitable giving and highlight opportunities for the industry to achieve greater impact through giving. In 2019, the survey was expanded beyond property and casualty companies to include responses from life insurance and wealth management companies for the first time.

In the survey of 22 companies, including insurers and brokers that represented more than \$200 billion in premiums, six results stood out:

- *Industry support for collaborating to further a single cause has grown.* Respondents' support for industry collaboration on a single cause increased significantly (33 percent expressed support in 2019 compared with 17 percent in 2015). Those who didn't explicitly support the industry working on a single cause expressed openness to collaboration for "causes that are business related."
- *The level of giving has remained consistent, with a focus on education, health and social services, and community.* One key factor behind this finding is industry consolidation, which has lowered the number of companies engaged in corporate giving. Insurers are also orienting philanthropy more around volunteerism. As a result, industry-wide giving has held steady between \$560 million and \$600 million in cash, grants, and other donations since 2015.
- *Companies more evenly value a balance of business needs, stakeholder interests, and community needs for their charitable programs.*

This year, 22 percent of respondents named each of these three factors as their top consideration. This alignment of business, stakeholder, and community needs facilitates a strategic approach to charitable giving. Specifically, insurers can merge their giving with their core business offerings, as when a P&C provider works on disaster relief. What's more, respondents seem to plan their giving: 95 percent of respondents set their contribution budget periodically (often annually), and 87 percent give to preselected causes and charities.

- *Measurement of the impact of charitable giving has increased.* The share of respondents that use key performance indicators to evaluate the benefits of their philanthropic activities has increased from 26 percent in 2015 to 41 percent in 2019. More respondents are also interested in engaging third parties to measure the impact of their philanthropy.
- *Millennials' preferences have begun to influence charitable giving.* Millennials prefer to work for companies that are involved in charitable causes, indicating a greater desire to make a social impact through their work compared with previous generations.² In addition, their tendency to share these values on social media, including by documenting volunteer work, may be a factor in their preference for volunteering (over monetary giving).
- *The CEO's role in charitable giving is becoming less hands-on.* Instead, the CEO is now focused on setting direction for giving programs and communicating efforts with internal stakeholders. Meanwhile, the leaders of charitable giving, such as chief giving officers and corporate foundation heads, are now the primary setters of strategy.

Key findings

Although charitable giving within insurance has remained steady since 2015, a greater share of

¹ "Our commitment," Business Roundtable, January 9, 2020, [opportunity.businessroundtable.org](https://www.opportunity.businessroundtable.org).

² This finding has been replicated many times; for more, see *Resources Blog*, "Want to Engage Millennial Employees? Prioritize Giving Back," blog entry by Kim Peters, November 20, 2019, [greatplacetowork.com](https://www.greatplacetowork.com).

respondents says that the industry's charitable giving now meets the public's expectations. Cash donations or grants continue to make up the bulk of giving, representing 65 percent of total funding. Among respondents who participated in both 2015 and 2019 surveys, company-organized employee volunteering increased to 17 percent in 2019.

Health and social services, community, and education have continued to be the top causes for giving. Within these top three areas, contribution to community causes has increased (from 11 percent to 22 percent), while contribution to education has decreased (from 34 percent to 22 percent), and health or social services contribution has remained consistent.

AIG's philanthropic programs supported employees' interests and generosity. Our Matching Grants Program matches donations to any 501(c)(3) nonprofit organization 2:1, and our Volunteer Time Off Program allows our employees to volunteer with the nonprofit organizations of their choice, including schools. Millennials want to work for organizations that not only invest in their communities but also support their personal philanthropic endeavors, and AIG does both. We communicate AIG's social impact and target young professionals via our social media channels.

—AIG

Geographically, about 30 percent of respondents prioritize giving to communities where employees live and work and where significant business is already done. While the top three factors in determining focus of corporate giving have not changed since 2011, respondents' focus on alignment toward business needs is up from 14 percent to 22 percent (Exhibit 1).

Goals for giving have also shifted from improving customer relations to building employee and leadership capabilities and skills—likely a reflection of millennial employees' values.

Following millennial employees' lead

Insurers are responding to social trends that center on personal passion and volunteerism, ideas championed by many millennials. Indeed, respondents have noted millennial preferences, such as a desire to work for companies that are involved in charitable causes, to support philanthropic causes that relate to personal interests, and to volunteer instead of making monetary contributions.

Our millennials are shaping how we share the charitable giving we are organizing and/or participating in. There has been an increase in how much social media and online coverage there is on this subject, and we are continuing to develop new ways of sharing how our employees and the industry at large can get involved in the community.

—Topa

Another sign of millennial employees' influence could be the shift from improving customer relations toward goals related to building employee and leadership capabilities. Aside from making a social impact, 41 percent of respondents cited enhancing their corporate reputation or brand as the most important outcome of philanthropy. Meanwhile, 36 percent of respondents cited improving employee recruitment, engagement, and retention as the top goal, an increase from 2015, when only 23 percent of respondents placed that goal in their top three. Only 5 percent of respondents said improving customer relations was their most important goal, compared with 2015, when 12 percent of respondents identified the factor as a top-three goal.

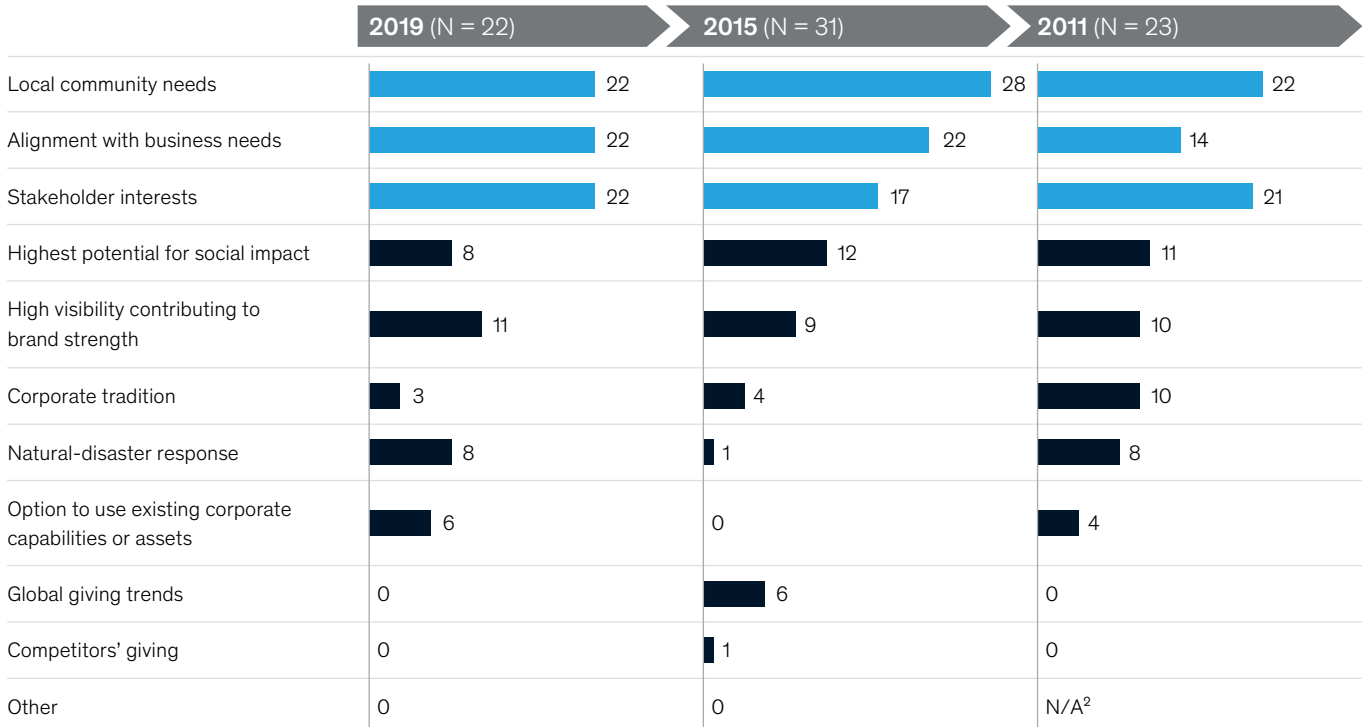
Millennials want to work for a company that is charitable, and they are actively involved in charitable causes.

—NCCI

Exhibit 1

Top considerations in corporate giving have been consistent since 2011.

Factors determining focus of corporate giving,¹ %



¹ Corresponds to the survey question, "Which three of the following considerations, if any, have the most weight in determining the focus of your charitable giving programs?"

² Option not included in 2011 survey.

Decision making and measurement

The number of companies that measure the benefits of their philanthropic activities has steadily increased. In 2019, 41 percent of respondents stated that they use metrics or key performance indicators to assess the impact of charitable giving, compared with 26 percent of respondents who said so in the 2015 survey (Exhibit 2).

A growing share of insurers also mentioned commissioning external assessments to track the outcome of their giving efforts (9 percent of respondents in 2019, compared with none in 2011). At the same time, the share of insurers that do not track or measure social impact decreased

from 43 percent in 2015 to 16 percent in 2019. This increased monitoring is likely driven by a growing awareness of the importance of transparency over charitable outcomes—73 percent of respondents think it's important to communicate charitable-giving efforts to the public. Since 2011, insurers have also believed that the level of recognition around giving has stayed the same or improved: 9 percent of respondents believed they received "full recognition" for their efforts in 2015; 36 percent of respondents believed so in 2019.

A notable trend is the decrease in the CEO's involvement in giving since 2011. Specifically, the CEO is no longer heavily involved in making

specific funding decisions and instead focuses on setting the overall direction of charitable efforts.

In 2019, 68 percent of respondents said that CEOs set the overall direction and 18 percent said that they make specific funding decisions. These figures are a near reversal from 2015, when 48 percent of respondents stated that the CEO set the overall direction and 61 percent said the CEO made specific funding decisions. This shift in the CEO's role away from direct involvement and toward one of overall guidance points to the evolving skills in insurers' CSR leadership. Indeed, CSR and corporate foundation teams have assumed a more strategic

orientation, with increasingly skilled staff and leaders at the helm.

Opportunities to achieve greater impact

For organizations looking to amplify either the impact of their philanthropic efforts or the range of causes, our findings point to a few key opportunities:

- Plan for greater employee engagement, with a special focus on millennials, to further employee-focused giving strategies.
- Measure the impact of philanthropy to identify and build on charitable successes and refine metrics and giving standards.
- Rethink roles across the giving organization as CSR leadership and employee-driven engagement become increasingly common and CEOs continue to set broad direction.
- Consider the value and benefits of a united, collaborative industry approach to CSR.

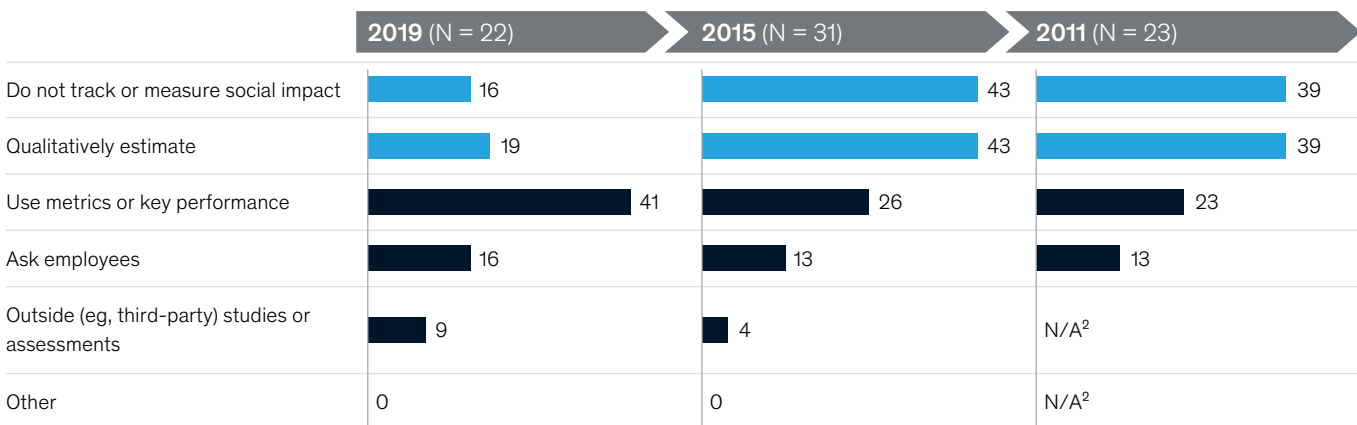
We are expanding our matching-gifts program to be able to support associates and their personal passions for giving back. We review the data and factor it into plans for annual corporate campaigns and events.

—State Auto

Exhibit 2

The share of companies that track the impact of their giving has increased.

How companies track and measure the business benefits of their philanthropic activities,¹%



¹ Corresponds to the survey question, "How does your company track and measure the business benefits of your philanthropic activities?"

² Option not included in 2011 survey.

Source: Insurance Industry Philanthropic Survey

- Align CSR with business objectives to create greater value for all stakeholders to support common causes.

Although total industry charitable giving has been consistent, the care and consideration devoted to CSR—which insurers increasingly treat as an important function—has increased. Indeed, charitable-giving leaders seem to hold increasing decision-making power, which allows insurers to

be more responsive to stakeholder needs such as volunteer opportunities for employees and industry collaboration on philanthropic initiatives. Expanding efforts to track and measure the effects of philanthropy will help CSR leaders more easily identify areas of focus and highlight successes. These successes—backed by data and institutional resources—could light the way for the next change-making initiative that benefits the industry, employees, and (most importantly) communities.

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