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The Insurance Industry Talent Crisis: Investing in Risk Management and Insurance Graduates

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There is a talent crisis in the insurance industry caused largely by impending baby boomer retirements. About half of the industry's work force will retire within the next 15 years, and a scarcity of employees in the 30-to-40 age range is causing a demand for new talent unlike any the insurance industry has experienced in decades. Making matters worse, practically every other industry in America is in the same boat, and the insurance industry must compete with them for this new talent.

Of course, a primary source of talented new employees is always the local or regional university. Historically, many insurance organizations have used general college recruiting programs, attempting to persuade students from all disciplines to consider a career in the industry. Indeed most baby boomer insurance professionals are quick to admit that they "fell into the insurance industry" quite by accident. While this recruiting approach may have been

successful in the past, it is likely to prove more difficult in the future as the insurance industry competes with businesses in industries that enjoy superior public images and that appear to offer more interesting and rewarding work.

This is the reason why insurance organizations should consider placing a significant hiring

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preference on students who have chosen to obtain a risk management and insurance (RMI) education. Students who have chosen this major have already been recruited into the industry by their college or university, and their education typically qualifies them to work in most any insurance career track, including underwriting, claims adjusting, production, and risk management.

This article explores why there is value in seeking to hire RMI majors versus other degree holders, the curriculum typically taught by the best programs, how to select a quality RMI undergraduate program from which to recruit, and how you can become involved in supporting risk management and insurance education at colleges and universities to help both your company and our industry in the future.

Why Hire RMI Majors?

The simple answer to this question is that recruiting and hiring RMI majors is likely to be a better investment than taking a shotgun approach in your recruiting and hiring effort. There are at least three reasons that recruiting and hiring young people with a risk management and insurance education is a good investment.

First, these students have already been sold on the industry so you don't need to do it. You simply

need to show them that your company and the opportunity you offer is superior to the other insurance organizations they may be considering. Hiring eager RMI majors is an investment in people who have dedicated a significant portion of their collegiate studies, and thus their tuition dollars, to learning about insurance. It is a safe assumption that they have a strong underlying interest in the insurance industry.

Second, their dedication to the insurance industry translates into a bottom-line windfall for the company through reduced turnover. It is estimated that some companies spend as much as \$100,000 on a new hire the first year, with salary, benefits, and training. Given that figure, isn't it logical that investing in someone who has already committed to the RMI profession just makes good business sense?

You may wonder if hiring someone with an RMI degree guarantees that the employee will never change industries. Of course not; no one can make that guarantee. But after taking as many as six to eight insurance and risk management courses, they are much less likely to decide they dislike the industry than someone who has never taken even one.

Third, RMI students have already progressed along the industry learning curve. Students with a risk management and insurance education walk in the first day of work with at least some

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knowledge of what the organization, its business partners and clients do, and they understand the basic concepts and most of the terminology. This makes them easier to train and allows for faster and smoother integration into the existing workforce than otherwise might be possible. As a result, they are likely to become productive members of your organization much sooner than most new employees without the education RMI majors receive.

What Do Risk Management & Insurance Majors Learn?

To begin with, most RMI programs reside in business schools that will have core business curriculum requirements (e.g., accounting, economics, finance, management, and marketing). Thus, RMI majors should have a good understanding of fundamental business concepts with concentrated knowledge in risk management and insurance.

Of course, the extent of the RMI curriculum varies considerably from school to school depending on the number of students and faculty involved with the program. Smaller RMI programs will generally require students to take four or five courses that deal directly with topics in RMI, while the larger programs may require six to eight.

All RMI students will have taken a principles of insurance class that focuses on basic concepts. From there they will typically take a selection of property/casualty, life, and health insurance courses, the quality of which will vary from school to school.

Some schools offer a senior-level capstone course that requires students to analyze a case situation involving either a hypothetical or a

real business. The written projects produced in these classes can range from 10 pages to over 50, depending upon the professor, the student, and the breadth and depth of all the other course offerings in the program.

Two examples of curriculums are shown in Tables 1 and 2. Table 1 lists the course requirements for the forthcoming (Fall 2009) insurance program at East Carolina University. Because this program is brand new, its course offerings are more limited in scope than that found at Indiana State (Table 2).

Table 1
East Carolina University's
Risk Management & Insurance
Curriculum

Required Courses

- ◆ Principles of Risk Management and Insurance
- ◆ Corporate and Financial Risk Management
- ◆ Commercial Property and Liability Insurance
- ◆ Employee Benefits and Retirement Planning

Students then choose two of the following courses:

- ◆ Insurance Law
- ◆ Internship
- ◆ Services Marketing
- ◆ Investments
- ◆ Financial Markets
- ◆ Principles of Real Estate
- ◆ Topics in Finance

Table 2
Indiana State University's
Risk Management & Insurance
Curriculum

Required Courses

- ◆ Introduction to Risk and Insurance
- ◆ Life Insurance
- ◆ Health Insurance
- ◆ Commercial Property Risk Management and Insurance
- ◆ Commercial Liability Risk Management and Insurance
- ◆ Risk Management and Insurance

Students then choose three of the following courses:

- ◆ Principles of Investments
- ◆ Employee Benefits
- ◆ Planning for Business Owners and Professionals
- ◆ Financial Planning
- ◆ Insurance Internship
- ◆ Individual Study in Insurance and Risk Management
- ◆ Contemporary Issues: Readings in Insurance and Risk Management
- ◆ Personal Selling Principles

Additionally, it is not unheard of for some of the RMI majors at some universities to have passed at least one component of an industry designation program, such as CPCU. Some professors even provide grade incentives or study sessions to help students prepare for such exams.

Ensuring the Best Hire

Many risk management and insurance professors can predict, with considerable accuracy, which RMI majors will succeed and which are likely to drop out of the industry. Their insights can be invaluable. The key is to find those professors, and maintain communication with them, before making any job offers to candidates. Some of the biggest hiring mistakes result from not checking with the faculty in the major field of study.

Many years ago, a young man came into my classroom with considerable bounce in his step and what can only be described as an extremely cocky edge to his demeanor. He bragged profusely about his new job with First Fidelity Mutual Auto Insurance Company.¹ Since I knew the student and was familiar with the insurer's corporate culture, the fact that the company hired him was somewhat of a surprise.

It took 3 months, some rumors of possible sexual harassment, and the threat of a lawsuit for the company to learn what this professor could have told them in the beginning: that particular student lacked the maturity required to succeed in that corporate culture.

Even the largest RMI programs in the country are still small enough that most faculty know their students pretty well. Educate those faculty a bit about what you're looking for, and odds are there's a professor who can point you in the right direction. They want to find the perfect match for students, not only because that's essential for the student's success, but

¹Company name changed to protect the innocent

they want you to come back again and again to hire more of them.

Where Are the Risk Management & Insurance Programs?

Some colleges and universities offer insurance or risk management courses as part of their business education curriculums. At most of these schools, there might be one or two courses offered that allow a student majoring in accounting or finance, for example, to gain some exposure to risk and insurance topics. A much smaller number of schools actually offer a degree or full major in RMI. Obviously, those students who actually major in RMI will be the ones most committed to the industry and with the most knowledge of insurance and risk management concepts and terminology.

The accompanying table lists the colleges and universities known to offer a full major in RMI, as opposed to schools that merely offer a few courses in the subject. For the purposes of this list, a “full major” is defined as one that requires at least four separate courses specifically focused on risk management and insurance. Separately, IRMI has published a more detailed list of these schools containing information about their programs and how to contact them, and IRMI intends to periodically update this directory. If you have suggestions for additions, deletions, or corrections to the list, please [contact IRMI](#) and they will be considered for a future update of the directory.

Affiliation with any of these academic programs can provide first access to the best trained talent available in terms of college graduates. It’s a great investment from a hiring standpoint with the extra benefit of building your company’s brand with all those students

and professors (all of whom buy or will buy insurance in the near future for themselves or possibly even their employers).

Table 3 Colleges and Universities Offering an RMI Major*	
Appalachian State University	Olivet College
Ball State University	St. Cloud State University
Baylor University	St. John’s University
East Carolina University	Temple University
Florida State University	Troy State University
Gannon University	University of Central Arkansas
Georgia State University	University of Georgia
Howard University	University of Louisiana, Lafayette
Illinois State University	University of Louisiana, Monroe
Illinois Wesleyan	University of North Texas
Indiana State University	University of Minnesota
Middle Tennessee University	University of Mississippi
Mississippi State University	University of South Carolina
Missouri State University	University of Pennsylvania, Wharton
Ohio State University	University of Wisconsin, Madison
*See the separate IRMI Directory of Risk Management and Insurance Undergraduate Programs at U.S. Colleges and Universities for more information on these programs and links to their Web sites.	

If you are not concerned about hiring actual RMI majors but would like to try to find students who may have taken a course or two as part of another business major, see the more expansive list of schools offering risk management or insurance courses on the [American Risk and Insurance Association Web site](#).

Assessing the Quality of an RMI Program

There is no magic measure of quality when it comes to any college degree program. Some business periodicals attempt to rank programs in RMI and other fields each year, which begs the question, "What is really important in assessing the quality of a collegiate program?" The quality of an education is difficult to measure until after-the-fact, but there are certain factors that will provide an indication of a program's quality.

Accredited College or University

At a minimum, any school under consideration should at least be regionally accredited. There

are several regional accrediting bodies that oversee universities for quality and academic rigor. There is also an international accrediting body that typically has more rigorous accreditation standards. The international accrediting organization for business schools is the Association to Advance Collegiate Schools of Business (AACSB). A list of regional and national accrediting agencies is available on the [U.S. Department of Education's Web site](#).

Long-Term Career Success of Graduates

The best source of information about the quality of a program is the graduates who have been through it. Ask for the names and contact information for previous graduates you may contact as references for the program.

An assessment of career success at 5, 10, and 15 years after graduation, coupled with an analysis of how many people still work in the business, would give some indication of how well the faculty are training students and how much they are costing in turnover. Such data is difficult, if not impossible, to obtain. But speaking to

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graduates of the program is probably the next best thing. Most any reputable program should be able to provide the names and contact information of a few alumni who can speak about the program and its merits.

Quality of Faculty

As every practitioner knows, no amount of degrees or letters at the end of someone's name makes them real-world savvy or assures an ability to provide a solid, quality education to a 20-year-old college student.

Frankly, many universities (especially the top-tier, "big" schools), don't encourage faculty to pursue practical training in business fields. What those schools expect is basic research that is published in academic journals, and much of that has no practical application in the RMI world.

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The best way to gauge the faculty is simply to meet them. Talk about what's important, including the other factors that are listed here, their background and education, and learn about their philosophy on teaching. Here is a key question to ask yourself. Do the faculty members seem happy to meet you and excited about sharing the program information with you? Or were they too busy to meet with you, talk on the phone, or at least correspond with you by e-mail?

Who Teaches the Classes?

Another area for consideration is who teaches the classes. Get a list of the required courses, find out who usually teaches them, then check their credentials. There are typically three types of instructors used at the college level: full-time faculty, adjunct faculty, and graduate students.

- ◆ **Full-time faculty.** Full-time faculty usually have tenure or are on the track towards achieving tenure and hold a Ph.D. or a D.B.A.² Some hold advanced professional designations (e.g., CPCU, ARM, or CIC), which is a good sign.
- ◆ **Adjunct faculty.** These are part-time faculty hired to teach a particular course or courses. At an accredited school, they will either have a master's degree or they'll have many years of relevant practical experience coupled with some advanced professional designations.
- ◆ **Graduate students.** Graduate students are typically pursuing a Ph.D. and are often used to teach undergraduate classes. Many have real-world experience they can bring to the classroom and some have obtained

²Ph.D. is Doctor of Philosophy, and D.B.A. is Doctor of Business Administration.

or are working towards advanced professional designations.

There is no magic formula to be cited that X percent of classes should be taught by full-time faculty, and Y percent should be taught by adjunct faculty. A Ph.D. who has never worked in insurance may have taken steps to get educated about the “real world” enough to be very valuable in the classroom. An adjunct lecturer with 20 years experience may be a poor communicator who cannot transfer his or her wealth of knowledge to the students. A graduate student may be pursuing a Ph.D. for the sole purpose of becoming a researcher and thus may have very little interest in dealing with undergraduates. So how do you assess the quality of the instruction?

In addition to talking with former graduates of the program, there are sites on the Internet that allow current students to rate their professors. Understanding that these sites tend to generate the most positive comments as well as the most negative ones (a student has to feel pretty strongly about someone to take the extra step of evaluating a faculty member online), these can provide some valuable information about the quality of the teaching. The most commonly noted ones are [Pick-a-Prof](#) and [Rate My Professors](#), but others exist.

Many professors now put their curriculum vitae online. Peruse those and look for evidence of outstanding teaching awards and commendations. Also look at any posted course syllabi and project instructions to get a feel for the kind of rigor the professor is demanding from students.

Lastly, at many schools a faculty member’s teaching evaluations are available for viewing

(they are usually subject to the Open Records Act). It is possible to ask to see those.

When reviewing records of opinion on a professor’s teaching, remember that professors who demand a lot may take an inordinate amount of criticism from students who have no desire to work hard in school. The best way to judge evaluations across different classes or semesters is to look for recurrent themes in the comments. If you constantly see, “cares about her students” or “really knows his stuff, very smart guy,” that’s far-preferable to “Why is this person even a teacher?” or “refuses to help students understand the material.”

Job Placement

Ask this simple question: “*Of the students who are employable,³ how many have jobs at graduation?*” While the current economic downturn is having an effect, the demand for young people in our field has been at a record-high. Thus, except perhaps in unusually trying economic times or in a tough market for the particular region served by the school, RMI programs should be placing 90 percent or more of their students into industry jobs. If the number isn’t in the 90 percent or better range, the next questions to ask are: “Why is it lower than 90 percent?” “How much job placement assistance do you offer your students?” and “What kind of career services do you offer them before and after graduation?”

³Someone who is unemployable and whose success really shouldn’t be factored into the school’s placement rate, might be a person with a felony record or who has demonstrated a refusal to grow professionally in terms of ethical behavior. There should be very few of these.

Other Considerations

Other factors to inquire about are the typical starting salaries for graduates, where graduates end up working, and if internships are readily available for students to gain work experience and course credit while in school.

By the way, internships offer a great way to “test drive” students before actually employing them. You can put students to work in your organization for a very small financial commitment to see how they perform and how well they fit into your culture. This also allows the student to learn your organization and gauge whether or not it is one by which he or she would like to be employed. If they like your organization, you will have little trouble recruiting them upon graduation. If they don’t fit in, you avoid an expensive hiring mistake. Internships offer win-win propositions to both employers and students.

Why the Scarcity of RMI Programs?

Consider these statistics⁴ about the entire insurance industry:

- ◆ Insurers, brokers, and agencies combined employed over 2.3 million people.
- ◆ Premiums written were over \$1 trillion.
- ◆ Premiums equaled 6.3 percent of total household spending.

Given the role that insurance plays in the economy, doesn’t it seem strange that there are

⁴*The Insurance Fact Book 2009*, Insurance Information Institute, New York, NY.

only a handful of truly dedicated RMI programs in the United States?

Of critical importance to the future of our industry and its talent supply is to encourage the ongoing success of the existing RMI programs, as well as encourage new programs when and where we can.

Insurance, like real estate or financial services, is considered a “specialty” program in academia. Sometimes referred to as a “boutique” program, these are easy to cut when budget crunches hit. Most public universities look at only the number of warm bodies in the classrooms today, rather than how quickly and easily the students find employment, the potential for growth of an academic program, or where alumni ultimately end up working.

There appears to be some growth in RMI programs for the first time in decades. In the fall of 2008 the University of Southern Maine started offering RMI courses. East Carolina University will begin its RMI major in the fall of 2009, and University of Houston—Downtown has made great strides towards opening an insurance center in the near future. This is encouraging.

In each of these cases, the schools created a program in RMI because the insurance industry demanded it. The agents, brokers, and insurers all spoke, in a unified voice, to say “We value this; we need it; and we’ll support it.” East Carolina, for instance, begins its program with a sizeable endowment from the Independent Insurance Agents of North Carolina.

If you care about keeping programs like these alive, start making your voice heard. There are many ways to do that, but from a professor’s point of view, here are the ways you can really

make a difference in supporting and encouraging risk management and insurance education.

- ◆ Find the program in your area, get to know the faculty, and make sure they know who *you* are. Ask to sit in on a class sometime and meet some students. Invite a professor to go with you to a local professional association monthly meeting. Even just an occasional e-mail or note that includes an interesting article about trends in the industry will keep your name in their minds.
- ◆ Give the students their first shot at any part-time or temporary jobs for which they might be qualified. Send the job posting to the professor, and ask him or her to post it. Students often need extra money, and are willing to perform a variety of tasks. I have seen students bartend and serve at private parties, help with moving a house or an office, babysit, and even save the day when an emergency receptionist was needed. You might become some student's new hero, and you might find a steady worker in the process.
- ◆ When you have full-time positions to fill, include the professors in those postings. They may know an alumnus who has just the amount of experience you seek. But don't sell short an "inexperienced" college student, either. You may find exceptional maturity and refined skills where you least expect them. Even if you don't find the right person this time, you've still done a service in terms of promoting opportunities in our industry and with your firm. When students sense there is a good chance for rewarding employment associated with a particular major, they will gravitate toward that major. Therefore, hiring RMI majors—or even *attempting* to—will encourage younger students to consider pursuing an RMI degree.
- ◆ Participate in school-sponsored events *even when you aren't hiring*. Be as visible as you

can on the campus, so that administrators, professors and students are reminded there is opportunity and interest in the insurance industry for great talent. This provides the added benefit of promoting your brand with these young people.

- ◆ Volunteer your time and your company resources when you can. The following are a few examples of ways to help.
 - ◇ Offer to host an intern for a day or a summer.
 - ◇ Mentor a student by inviting him or her to lunch once a month.
 - ◇ When litigating a claim, invite a class of students to sit in the courtroom and observe how "real" insurance law works.
 - ◇ Talk to the faculty and find out exactly what projects and activities need funding and make that support a regular part of your company's charitable, marketing, or recruiting budget.

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- ❖ When you've just wowed a group of employees or investors with a presentation, send a copy to the professors. See if they need that same presentation given to a class, but don't be offended if they decline your offer. Professors are bombarded with these offers, and have to say no to most, but sometimes the topic you can present is exactly what the course curriculum calls for.
- ❖ Share the juicy details of a really bizarre claim (names excluded, of course) with a professor who can use it as an example in class.
- ◆ Make it a periodic habit to write a letter to one university administrator expressing your support for dedicated RMI education programming. Copy the chancellor, the president, the provost, or college of business dean, and even the members of the board of regents.

If the school has an RMI program, tell them how much you appreciate it. If the school does not have one, tell them how much you would appreciate one if they built it. At the very least, encourage them to offer an introductory principles of insurance course to start teaching students about this fascinating industry that offers formidable career opportunities. The benefits of such a course offering are more informed consumers, enhanced industry image, easier recruiting, and better job candidates.

When you've run out of people to write letters to at the local universities and community colleges, start on the high schools and the career counselors at them. Let them know about all the opportunities there are in this industry that the uninformed consider to be "unsexy," and make yourself available to visit with students who may be good candidates for jobs in the field.

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Let your state's board of higher education and your state legislators know how important these programs are, too. Either send a letter directly to them or copy them on the letters you send to others. Be diligent about this exercise because the squeaky wheel in an education bureaucracy often gets the grease.

- ◆ Encourage your trade groups and professional organizations to support and promote RMI education in your area. Whether it's a local Chartered Property and Casualty Underwriter (CPCU), Chartered Life Underwriter (CLU), Certified Financial Planner (CFP), Risk and Insurance Management Society (RIMS), or other association chapter, there is strength in numbers. Invite students to your conferences. Treat students to lunch at your monthly meetings. Offer to develop a mentoring program for budding young RMI experts who are still finishing their degrees. Seeing a group of professionals who are enthusiastic and energetic about their careers goes a long way towards encouraging undergraduate students to choose one major over another.
- ◆ When making donations to a college or university, earmark your donation specifically to RMI programs at your chosen school. Universities do not route donations to small programs unless instructed to do so. If your chosen school has a large RMI program,

you may want to go even farther to determine which of several possible scholarship or project funds are most in need of support, and then designate your contribution for that specific fund.

And don't think of this giving as charity, but instead think of it as part of your recruiting or advertising budget. The dollars you spend on having name recognition with tomorrow's college graduates, particularly RMI graduates, will be very well spent.

Conclusion

Few insurance industry insiders would dispute the assertion that the industry is facing a major talent crisis that is likely to last at least a decade. As with most crises, a single magic cure will not be discovered to remedy this malady. However, one only needs to look at the effects that law schools and accounting schools have had on those professions to have credible evidence that the support or development of well funded and significant RMI programs at colleges and universities around the country can provide valuable assistance in the competition to attract new talent to the industry. Is your organization taking full advantage of this opportunity? If not, it may be wise to begin doing so.



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