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**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**  
**Geneva**

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**HUMAN RESOURCES DEVELOPMENT  
IN THE FIELD OF INSURANCE**

SEMINAR HELD IN LISBON, PORTUGAL  
28 NOVEMBER TO 5 DECEMBER 1990



**UNITED NATIONS**  
**New York, 1991**

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## ACKNOWLEDGMENT

The Seminar was organized by UNCTAD with the collaboration of the Ministry of Foreign Affairs and Co-operation of the Government of Portugal, the Portuguese Insurance Association and the Calouste Gulbenkian Foundation. Financial support was provided by Aliança Seguradora, Fidelidade, Mundial Confiança and Portugal Previdente. Some participants from the least developed countries received financial support from UNDP/UNCTAD technical assistance programmes.

## FOREWORD

The first Seminar on Human Resources Development in the field of insurance was held in Lisbon, Portugal, from 28 November to 5 December 1990. Sixty-four participants representing 45 countries attended the Seminar.

The aim of the Seminar was to help developing countries to improve the terms and conditions of insurance and reinsurance services in their respective markets through the recognition of the importance of education and training. The overall objective of the Seminar was to pool ideas on problems encountered by various countries on the subject of human resources development and training in the insurance sector.

The Seminar was designed for officials and managers from the public and private sectors who are responsible for the organization and management of training services in insurance, and for those directly involved in career development in the insurance industry.

Seventeen papers were presented by UNCTAD and by lecturers from eleven different countries. The main themes of the Seminar were the following:

- Human resources development policies and strategies;
- Training needs analysis;
- Training development methodologies;
- Training of trainers;
- Professional qualifications and examinations;
- Evaluation of training;
- International co-operation in training;
- Role of insurance education in universities.

Papers presented in morning sessions were discussed during the afternoon in four working groups (two English-speaking groups, one French-speaking and, one Portuguese-speaking).

The main themes of discussions were the following:

- (1) Human resources development strategies and policies;
- (2) The management of training and training of trainers;
- (3) Training development and international co-operation;
- (4) Evaluation of training.

The conclusions of the discussions are summarized in group reports annexed in this document. The main conclusions and recommendations were drafted by a Committee composed of the President and Rapporteur of each working group.

The organizers would like to thank particularly the Chairman of the Seminar, Mr. João Rodrigues Da Silva, Director of the insurance training centre in Lisbon (CEFOS), the secretarial staff and all the participants who contributed to the success of this seminar.

## **WELCOME ADDRESS: UNCTAD SECRETARIAT**

### **I. INSURANCE EDUCATION FOR DEVELOPING COUNTRIES**

On behalf of the Secretary-General of UNCTAD, I would like to convey through His Excellency, the Secretary of State, our gratitude to the Government of Portugal and to the Portuguese Insurance Association for having accepted to host this seminar in Lisbon and to provide all the facilities required to organize it. Without such assistance, this first seminar on human resources development and training in the sector of insurance would not have been possible.

In welcoming the participants I would like to state that we are very pleased to see that representatives from about 50 countries have come from all over the world to attend this seminar. This augurs well for success, as their input will contribute to the overall objective of this meeting, which is to pool ideas so as to identify ways and means to respond to the increasing demand for technical assistance to developing countries in the field of training and human resources development in the sector of insurance.

On the occasion of this opening ceremony, I would like to place this discussion in the general context of the evolution of the insurance sector in developing countries and, for this purpose, examine the following points:

- The role and image of insurance;
- Education and training in the insurance sector;
- The problems to be solved.

### **II. THE ROLE AND IMAGE OF INSURANCE**

Insurance, like other financial services, has grown in quantitative terms as part of the general development of financial institutions. It has



also become qualitatively more important, owing to the higher risks and uncertainties of modern societies.

The reasons for greater uncertainty may largely be attributed to side-effects from the technological base on which the structure of modern societies rests. The changing patterns of risks and of attitudes towards risks, the optimal use of insurance and financial instruments as a means of dealing with risks and uncertainties and the efficient management of financial institutions have become major concerns.

Despite this growth, insurance specialists generally complain that the insurance industry in most countries of the world has been suffering an image problem in the eyes of the public. The reasons for such a situation appear to have the same causes in both developed and developing countries. One is the misunderstanding or mistaken perception of the economic role of insurance; another may be the tendency on the part of the insurance industry to focus on short-term interests.

One way to improve the image is through education, training and professionalism. Clearly, the pattern of training and education in the insurance industry has changed considerably in recent years. Management has realized the high cost of not training practitioners systematically to match agreed standards at a time of rapidly increasing competition.

Furthermore, there is now general agreement that supervision is a fundamental requirement for the sound development of insurance activities, and that properly supervised insurance activities play an important role in the process of economic growth in every country. High quality, extensive educational programmes are therefore a common meeting-ground for regulators and industry people.

Education and training in insurance, as in any discipline, must be broad rather than purely technical. It must encompass not only the legal and social context in which the industry works, but also reflect an awareness of standards of behaviour which are integral to the sound practice of a service industry such as insurance. The connection between education and professionalism is vital to the insurance industry's operation and credibility with the public.

### III. INSURANCE EDUCATION AND TRAINING IN DEVELOPING COUNTRIES

In UNCTAD the assumption is that, with appropriate personnel, developing countries could develop sound national insurance markets in which national companies would play a dominant role. This idea was already put forward by the UNCTAD Committee on Invisibles and Financing Related to Trade (CIFT) at its sixth session in July 1973. Against this background, UNCTAD's work in the field of insurance has been guided by the objectives of strengthening the national insurance industries of developing countries and promoting regional co-operation among developing countries. To achieve these objectives, the UNCTAD Insurance Programme has addressed over the years various ways and means of improving education and training in insurance. Some with great success but some with less.

In examining these issues, at the present juncture one must consider the rapid transformation of insurance markets since changes have occurred in the policy orientations adopted by many developing countries, particularly orientations towards competitive markets through privatization and/or liberalization. The most obvious implications for the future of this industry are both improvements in the technical excellence of those engaged in insurance activities and adaptation of training facilities to the growing demand for trained people.

Closely allied to the need for technical expertise on the part of staff already in place is the need for education and training, especially for the younger generation joining the industry. Very little work has been done to quantify the need for insurance education although the requirements in developing countries are large and they are growing. It is recognized by all specialists that the benefits of capital creation are marginal if the necessary human resources are not present to organize and move the economy forward. The need for competent personnel is particularly acute in developing countries.

#### IV. THE PROBLEMS TO BE SOLVED

Insurance education and training programmes are widely available throughout the world and are provided through a fairly large number of institutions in developed and developing countries. The academic standards set by certification institutions are recognized by the industry in many countries; however, in large measure, these standards are a function of the level of education of personnel in the insurance industry.

High priority should be placed on the availability of a well-designed certification programme in every country. The needs may not be the same in all developing countries and so they cannot be met simply by importing the programmes which developed countries have already established. However, possibilities for co-operation do exist. It can be based on the exchange and adaptation of materials, the transfer of resources and the training of trainers. One of the main objectives set for the seminar is to define ways and means of implementing such international co-operation for the benefit of developing countries.

In addition, education and training will be more efficient in a context in which the manpower requirements have been evaluated and career development schemes have been elaborated. Educational and training structures should be adapted to the changing needs. Once the need for insurance education and training has been evaluated and the proper curriculum has been selected, the main obstacle to the setting-up of proficiency certification in some developing countries may remain the lack of availability of existing local human-resource development services. The seminar will thus have to identify ways and means of providing technical assistance which will take into account how appropriate methods of developing human resources can be made available to the countries concerned.

The quality of an insurance education or training programme is very much a function of the quality and quantity of resources, both human and material, that are brought to bear on it. The ways and means of implementing such a programme of action will vary, of

course, according to the conditions prevailing in each country of a particular region.

The tasks before the Seminar are important while the time available for discussion is relatively short. Participants are expected to give the discussions and decisions that element of pragmatism which is necessary if the work is to prove of relevance to the insurance industry of the future.

## **CONCLUSIONS AND RECOMMENDATIONS OF THE SEMINAR**

From the discussions which took place, the Seminar agreed that:

- Human resources development responsibilities should be dealt with at top management level;
- Training should not be undertaken in isolation but should reflect the needs of the various partners and the changing characteristics of the market.

For this purpose:

- All the users of training capabilities should be encouraged to meet regularly to formulate HRD policies and strategies;
- HRD managers should take advantage of all opportunities to improve the industry image with a view to encouraging better quality recruits;
- Existing training centres and functions in all countries should devote more resources to the training of trainers and to the development and adaptation of programmes and training material particularly designed for middle and junior level staff. These should include staff of companies, intermediaries and regulatory agencies;
- The insurance industry should be convinced that investment in HRD and adequate training capacities will provide benefits to the entire industry and positive return on its investment.

The Seminar proposed that a network of training/educational centres co-ordinated by UNCTAD should be established so that:

- An exchange of information and documentation can be facilitated;
- A central databank of validated training material can be developed;
- A system of trainer exchange between participating countries can be implemented;

- A methodology for evaluation must be progressively implemented within the network which, ultimately may include agreed international standards of qualifications.

For the needs of supervisory authorities in developing countries, the Seminar identified the following areas for priority action:

- Description of organizational structures of insurance regulatory offices with identification of the main functions and a full description for each job;
- Types of recruitment/training procedures required to fulfil the needs of each position;
- General overview of resources available to supervisory authorities in developing countries for human resources development; and
- Sources for regulatory authority funding.

In order to implement the foregoing it is recommended that UNCTAD creates an *ad hoc* committee drawn from participants of this Seminar (representatives from different regions would be invited to serve).

The Seminar recognized that to undertake the recommended measures extra-budgetary resources for UNCTAD will be required, and because of the cost effectiveness of the network approach to HRD, the participants agreed to seek the necessary supports in their respective countries.

## **INSURANCE SUPERVISION IN DEVELOPING COUNTRIES: A CASE FOR HUMAN RESOURCES DEVELOPMENT**

*J. François Outreville*

### **I. AIMS AND OBJECTIVES OF INSURANCE SUPERVISION**

There is today general agreement that insurance supervision is a fundamental requirement for the sound development of insurance activities, and that insurance activities, properly supervised, play an important role in the process of economic growth of every country. The principle of State intervention has been generally recognized and adopted in almost all countries. When the volume of insurance transactions reaches a certain level, legislation must be enacted to provide for some degree of supervision of insurance activities. The few exceptions which exist do not invalidate the rule. The spectacular growth of the insurance industry during the past half century may be said to be closely related to the existence and efficacy of the legislation and supervision to which the State has made it subject.

Insurance supervision, while playing the traditional role for which it has been originally established - namely the protection of policy-holders, beneficiaries and third parties - should always take into account the general economic, social and other national interests. Certain countries carry the principle of protecting the insured further, particularly as regards the supervision of premium rates and the limiting of profits of insurance concerns.

In developing countries, an additional specific and very important task of insurance supervision is to provide for measures to establish and strengthen the national insurance market. At its first session in 1964, the United Nations Conference on Trade and Development (UNCTAD) formally acknowledged that "a sound national insurance

and reinsurance market is an essential characteristic of economic growth". Since then insurance laws and regulations have been enacted establishing stricter supervision and control. Today, most developing countries have dominant domestic insurance industries subject to local supervision as, increasingly, nationals have acquired control and management.

## II. DEVELOPMENT OBJECTIVE

The growth of the insurance industry and the increasing sophistication of the markets require the presence of an efficient body of supervision. When one considers the range of difficulties which can arise in relation to insurance and the problem of precisely assessing all the factors which the supervisor must take into consideration, it becomes readily apparent that there is no easy way to make supervisory services efficient. In fact, however, it is these very difficulties which make supervision necessary.

Since the developing countries have been moving progressively towards more detailed supervision of the operations of insurance concerns, administrative services responsible for this supervision are becoming better equipped to cope with complex tasks. Where the supervisory services are for whatever reason unable to carry out the tasks for which they were set up, the resulting distortions are likely to render the law inoperative; the purpose of legislation is thus then frustrated.

Inefficiencies are often less a function of ownership than of government regulation and market structure. Adequate regulation of an industry requires so much information about that industry's costs and technology that outright ownership is sometimes likely to be more efficient. In some cases, costs are considerably higher for state regulation; establishing effective regulation of privatized firms may prove more demanding to the state's administrative capabilities than outright ownership. However, if the supervisory personnel is highly qualified, both personally and professionally, it can compensate for gaps in the legislation and become, especially in developing countries, one of the main instruments available to the State for promoting the rational development of insurance concerns.

## III. DEVELOPMENT PROBLEMS

Such heavy responsibility calls for as a corollary, high technical qualifications on the part of the staff of the insurance supervisory authority. In developing countries, it is often difficult to undertake such training at a national level, especially as regards the senior staff of the supervisory authority. It is, therefore, necessary to explore the possibilities of organizing training for this purpose on a regional, or even an inter-regional basis.

Most personnel up to the level of senior management are not adequately educated in insurance. The need for education is even greater than the number of present positions would indicate. In any case, the projected increases in middle managers in functional areas will be outstripped by increases in junior grade personnel. A great deal of attention has been devoted to the need for insurance education in developing countries, but very little work has been done in trying to quantify this demand.

It has sometimes been suggested that the solution to the problem of insurance education in developing countries would be for the countries to import the programmes which have been created in developed countries. Although this solution might appear superficially quite attractive, it does not, however, withstand careful scrutiny. Generally speaking, there are too many differences between the conditions found in developing and developed countries for imported programmes to serve as anything but a stop-gap solution.

The proper approach which has been pioneered in some places would be for the developing countries to establish programmes to meet their own needs. It is necessary to assign priorities which may differ among various countries. It is recognized that in some countries, even at the level of department heads, most persons are inadequately trained and should probably begin their education with basic insurance fundamentals. Once the people for whom the programme is intended have been identified, the level of difficulty and the methods of teaching carefully surveyed, then the organization and institutionalization will follow almost automatically. Schematically, an education loop will begin with

the determination of needs, that is the identification of the discrepancy between the quantity and quality of education required and that which is available. Curriculum development, criteria for evaluating a programme, and instructional design will then determine the form that programmes in developing countries would take.

#### **IV. FUTURE DIRECTIONS AND CONSIDERATIONS**

So as to achieve instructional effectiveness and management training, there must be a match between the learning goals of a training programme and the degree of competence required in order to perform a service successfully. Future work is called for in systematically evaluating programmes and resources available. Such an agenda should include a commitment and willingness by external sponsors and programme planners to evaluate and document learning from all training programmes conducted in all parts of our multi-cultural world.

## **HUMAN RESOURCE DEVELOPMENT, DEREGULATION AND GLOBALIZATION OF INSURANCE ACTIVITIES**

*Jo Ann Howard*

### **INTRODUCTION**

Many authors who write about "EC 1992" use Columbus' discovery of America five hundred years earlier as a metaphor for what will happen in Europe. These authors predict that Europeans will discover themselves; barriers will fall, and new markets will open up. The subject is so new that the Harvard Business School is conducting a multi-industry study on "World Trade and Global Competitiveness". "EC 1992" is viewed not as an event but a process. Trends can be identified and milestones marked but there are no maps to show the way.

This process of rediscovery is compelling from the standpoint of insurance regulation as well. How will regulators respond to the challenges presented by the globalization of insurance? What skills, knowledge and abilities do regulators need in order to do their jobs effectively? The purpose of this paper is to explore these questions from the perspective of one of the 50 States of the United States of America.

### **I. INSURANCE REGULATION IN THE UNITED STATES**

Two principles are essential to an understanding of insurance regulation in the United States. The first is the over-arching system of federal and State jurisdiction. Unlike other large industries, the insurance industry in the United States is regulated primarily by the 50 States instead of by the Federal Government. In ceding this authority to the individual States, the Federal Government retained the right to impose federal supremacy but has exercised its primacy in only a few instances.

This multi-jurisdictional scheme of regulation presents some of the same challenges as those facing the international community today - co-operation across sovereign borders, resolution of conflicting statutes and reciprocity. The dollars and staff allocated to regulation in the United States vary from the smallest States, with fewer than 20 employees, to the largest, Texas, with a staff of 1,600.

The second notable characteristic of the United States insurance regulatory scheme is its depth and scope. Virtually every aspect of the business of insurance is subject to regulation in some form, in some jurisdiction. There are laws controlling everything from the product and its price to marketing techniques, claim settlement, agents, companies, intermediaries, residual facilities, and mandated risk-sharing pools that provide coverage when it is not otherwise available.

In the more than 100 years since the first American insurance laws were written, the breadth of regulation has grown to the point where it is generally believed that the insurance industry is one of the most tightly regulated segments of the United States economy. This intrusion of the State into the market is in part a recognition of the importance of insurance to the financial well-being of all residents. It is also seen as necessary to balance the interest of the seller (who has special knowledge and expertise) with that of the buyer (who may have very little). Finally, the intangible nature of insurance services plays a role. The consumer buys a future promise to pay. It is worth only the willingness and ability of the seller to honour that promise when the appropriate time comes.

Thus, the mission of State insurance regulation is to serve consumers and protect their interests by ensuring a financially healthy and efficient insurance industry. Effective insurance regulation depends on balancing three consumer needs: availability, affordability and dependability. While all three are important, this paper will focus on the human resources challenges presented by the demands for dependability as seen in solvency regulation. Detecting early signs of trouble, taking corrective action to restore financial health when possible, and minimizing the negative effects if financial difficulties do occur - these concerns are at the heart of State solvency regulation.

## II. THE ROLE OF THE NAIC

The National Association of Insurance Commissioners (NAIC), an organization of the chief insurance regulatory officials of the 50 States, the District of Columbia and four United States territories, helps insurance commissioners fulfil their mission by providing a forum for the exchange of ideas and formulation of policy. The NAIC serves as a clearing house for information on all aspects of insurance regulation. At regular NAIC meetings, commissioners discuss key issues as well as write and adopt model legislation which can serve as guides for State law-makers. Some States adopt the model laws as written, while others modify them to meet their needs. The model legislation forms a uniform basis from which all States can deal with common problems.

Another important regulatory service provided by the NAIC is the computerized data base of insurer financial information maintained by the NAIC at its Kansas City headquarters. Virtually all multi-State insurance companies domiciled in the United States submit their annual financial statements to the NAIC. The data base created from this information helps insurance regulators identify financially troubled insurance companies. It also serves as a source of countrywide, aggregate financial information.

The data base lets the NAIC calculate financial ratios which serve as a preliminary measure of each company's financial condition. These ratios are known as IRIS which stands for Insurance Regulatory Information System. They measure solvency, liquidity, profitability and other aspects of insurance companies' operations. If a company's financial ratios are not within acceptable limits, the company is assigned a priority ranking to indicate further regulatory attention may be needed by State insurance departments. Elaboration of the NAIC data base was possible only through co-operation among the States and development of standard financial reporting requirements in every jurisdiction.

In addition to the data base, the NAIC provides another highly specialized information resource through the Securities Valuation Office (SVO) in New York City. The SVO staff examines the credit quality and value of insurers' investment portfolios (primarily stocks and

bonds) so that States have a uniform, controlled and conservative basis on which to evaluate company assets. This feature is particularly important since many insurers are active in the private placement market and hold non-rated securities. The SVO also determines uniform accounting values and maintains a master data base of securities investments owned by all United States insurers. Recently, the SVO began implementation of a rating schedule for "non-investment grade" securities, sometimes referred to as "junk".

It is through the NAIC that States schedule field examinations of books and records of multi-State insurers. Through these joint examinations, the States stretch their resources, avoid duplication and co-ordinate efforts. Examiners in the domiciliary State take the lead on these examinations. The NAIC also has an active training programme which will be discussed later in this paper.

### III. INSURANCE REGULATION IN TEXAS

The Texas State Board of Insurance is the largest State insurance department and one of the most diverse. The agency has a three-member, full-time board which sets policy, promulgates rates for certain lines of insurance, and hears appeals from orders and decisions at the agency level. The Board hires an insurance commissioner, who serves as the agency Chief Executive Officer. The insurance commissioner has primary jurisdiction over the financial affairs of insurers and enforces the policies set by the Board. He also manages agency operations and oversees some 1,600 employees and an annual budget of \$56 million. Texas has more than 700 domestic insurance companies (more than any other State except Arizona) and licenses another 1,500 out-of-State insurers doing business in Texas. In the fiscal year 1990, these companies generated \$29.6 billion in premium income and paid more than \$500 million in related taxes to the State. The State Board of Insurance licensed more than 100,000 agents in 1990; the staff reviewed about 35,000 new life and health insurance policies and annuity contracts.

### IV. SOLVENCY REGULATION IN TEXAS

Solvency monitoring is carried out primarily in one major division of the Texas State Board of Insurance, designated as the financial programme. This programme consists of five units, each responsible for a different aspect of solvency regulation: examinations, financial analysis, holding company, reinsurance, and actuarial.

As the name suggests, the examinations unit is responsible for performing financial examinations in company offices as required by Texas State law. These field examinations are necessary to determine the financial situation of corporations, firms and persons writing insurance of any kind in Texas, including their ability to meet all their obligations. This unit also maintains and reviews annual independent certified public accountant audit reports which companies are required to submit.

The holding company unit examines transactions between insurance companies and their affiliates; it reviews mergers and acquisitions of control, and valuation of investments in insurance and non-insurance subsidiaries and their affiliates.

The financial analysis unit reviews comprehensive annual financial statements required of all insurance companies licensed to do business in Texas. This area also has responsibility for admitting out-of-State insurance companies who seek to do business in Texas.

The reserve actuaries review reserve liabilities and other actuarial matters in company home offices. They also audit and verify company annual reserve valuation reports.

In the reinsurance unit, specialists analyse reinsurance agreements to make sure that they meet the State's strict legal requirements.

### V. HUMAN RESOURCE REQUIREMENTS

The specialists who work in the financial area are front-line troops in solvency regulation. They are the ones who first review fi-



financial statements. They are the ones who travel to company offices. It is they who identify and report hazardous operations, bad management practices, questionable reinsurance transactions, improper dealings with affiliates, sloppy reserve practices and the hundreds of other factors that can contribute to insurer failure.

A number of recent insurer insolvencies in Texas have demonstrated the need to be able to view the entire company operations, not just a balance sheet. Examiners and analysts must be able to move quickly and act decisively. A situation can change so rapidly that the day is lost to those who are sluggish, inefficient or indecisive. This realization has prompted the Texas department concerned to rethink the question: What knowledge, skills and abilities do these regulators need, and how do they acquire them?

#### **A. Knowledge**

Texas department analysts and examiners must have a four-year baccalaureate degree with some course work in finance and/or accounting. While their credentials are important, prior work experience at an insurance company can be even more valuable than academic training. For example, there is a big difference between being able to read a financial statement, and having had the experience of putting one together for a company. Former insurance company managers can identify and interpret a pattern of poor management decisions much quicker than someone who learned what he or she knows only from a textbook.

#### **B. Skills and abilities**

Clearly, the most important skill for regulators is the ability to analyse information, particularly financial data. They must understand how the parts comprise the whole and how to use empirical data to predict the likelihood of insolvency and detect early signs of company deterioration. In addition to an analytical mind, they must be inquisitive. They must be assertive. They should have good intuition, or faith in their instinctive reactions. They must question what they hear and pay attention to what they see. Finally, good regulators are people who enjoy learning, and will find time to maintain their knowledge base.

They will have to track trends and current issues in an ever-changing financial and regulatory environment.

This skill has never been more important than today. In *Powershift*, Alvin Toffler's book on international trends and predictions, the bureaucratic power shift from "cubby-holes" and "channels" is described. In the traditional scheme of things, specialists keep information in cubby-holes and managers gain power through control of channels of information. The data bases and software tools available today have revolutionized information storage and analysis, making it possible to break out of this scheme. Rigid information monopolies are collapsing and being replaced with non-hierarchical communications channels that criss-cross companies, tear down departmental perimeters and link users up-and-down as well as across the organization.

The Texas insurance department is taming this information overflow through development of a state-of-the-art automated early warning information system that will give regulators throughout the department a window into previously inaccessible or remote information that can be used to form a complete profile of company operations and aid in early detection and intervention so as to prevent financial deterioration. The prototype for the Texas system is projected to be completed by February 1991.

#### **C. Training**

Once a new regulator has been hired who has the mind of an accountant, the intuition of a detective, and the curiosity of a scholar, what kind of training is needed? In general, there are six basic principles of a successful training programme for regulators.

- (1) Training must be mandatory. Meeting the requirement of a certain number of hours of in-service training each year must be part of an employee's regular performance evaluation and used as the basis for promotions and salary increases.
- (2) The best training for regulators teaches them how to find the answers to questions. It teaches them analytical skills and it teaches them where to look for answers. Regulators can no longer be

satisfied with verification of assets if they do not know how to tie the liquidity and performance of the assets to projected liabilities.

- (3) That is why cross-training also is important. Examiners need to know how the analysts will interpret the information they collect during their field exams. Analysts need to know about reinsurance.
- (4) There also must be continuous opportunities for learning. These opportunities can range from formal seminars, such as the first agency-sponsored seminar on insurance fraud held in April (1990), to informal discussions over lunch. One way this is done in Texas is through in-house staff development specialists who co-ordinate a wide variety of training opportunities. Among the courses that have been presented are sessions on basic management principles, data processing skills, leadership, customer service, communication, writing and employment law.

Training specialists also provide materials for self-paced learning about life and property casualty insurance. When the self-paced courses have been completed, national standardized tests are administered by private groups. Passing the examination series can earn staff nationally recognized certification such as that of Chartered Property Casualty Underwriter (CPCU) and Certified Life Underwriter (CLU) and designations through the Life Office Management Association (LOMA).

Professional accreditation is also an important component of the examiner career ladder. Through the Society of Financial Examiners (SOFE), employees have the opportunity to earn credentials that are recognized nationwide and help form the basis of career advancement in the insurance department. The Texas department has recently implemented a career ladder project in other areas aimed at developing staff who decide to make insurance regulation their career. A large consulting firm is analysing the "fit" between jobs and the people in the jobs. As part of this project, the consultants will develop several career ladders that include training programmes which employees will be required to complete prior to promotion.

The NAIC offers a wide variety of education programmes for insurance department staff, ranging from lectures and discussions on current topics to focused week-long programmes for key staff that teach the basics of market conduct, financial reporting, underwriting, policy forms and contracts, consumer aid, and education and licensing. Annual programmes and forums also are provided for top management and new commissioners.

- (5) Training also must be topical and responsive to emerging issues. For instance, one of the most troubling problems facing United States regulators is the prevalence of fraud and white-collar crime as a causative factor in the failure of insurance companies. A new educational programme to teach fraud detection and deterrence emerged in 1988 with the formation of the National Association of Certified Fraud Examiners. This group conducts training programmes that provide the expertise to resolve allegations of fraud, obtain evidence, take statements, write reports, testify on findings and assist in the early detection and prevention of fraud. Successful completion of the training programmes can lead to designation as a Certified Fraud Examiner (CFE).
- (6) Nevertheless, the most significant regulatory training occurs in a tutoring or mentoring relationship between a seasoned analyst and the new staff member. In the Texas reinsurance unit, the manager, who previously worked in the reinsurance division of a large insurance company, trains new staff members by reading through reinsurance agreements with them. Similarly, the manager of the Board's financial analysis unit believes there is no way a school can teach what his analysts need to know. The best way is to train people in-house, or to "grow" analysts. The method they use is simple. First, a new employee works one-to-one with an experienced analyst. Together they review the *Texas Insurance Code*, the statutes that govern insurance regulation, and discuss the meaning of terms and concepts so that the new analyst learns the basic vocabulary of regulation. Then, they work together on a financial audit. Under the watchful eye of the experienced analyst, the trainee follows the audit plan, through:

- Valuation of assets;

- Strength of reserves;
- Comparison of company assets to risks and exposure;
- Transactions with affiliates;
- Diversification of capital and surplus;
- Company operations, particularly sources of premium;
- Investment income; and
- Reinsurance agreements.

The senior analyst instructs the new analyst on each step, advising the trainee which ratios, formulas and analytical techniques to use. Then the new analyst completes a financial audit alone. The senior analyst checks the work, and offers additional guidance. Every two weeks, analysts meet to make decisions about potentially troubled companies in need of further regulatory action. From these meetings, new analysts gain exposure to a wide variety of information about the signs and symptoms of troubled companies.

#### **D. Recruiting**

A well-developed training programme can help an insurance department attract new recruits. However, a regulatory agency must do more than establish good benefits and wait for a steady stream of qualified applicants. Sometimes it is essential to go out and find candidates. That is why the Texas department has recently contracted with a recruiter who will tap into a wide variety of networks to identify the best-qualified applicants for the agency's job openings. The recruiter also will work with agency managers to identify the special skills which applicants must have for certain jobs. In addition, the recruiter will alert potential applicants to the benefits of working for the agency.

#### **E. Compensation**

In order to recruit and keep qualified regulators, they must receive compensation that is comparable with other industry groups and markets competing for their talents. Compensation is more than a pay-check. Career development opportunities, job security, and competitive benefit packages all help regulatory agencies attract the best and brightest staff.

#### **F. Planning**

Finally, succession planning must be part of a regulatory agency's human resources development programme. The Texas department suffered a tremendous loss because of a lack of succession planning. In 1988, several key managers and seasoned financial examiners took early retirement. When they left, so did hundreds of years of "institutional memory". Succession planning is common practice in the private sector. Individuals are recruited who can be specifically groomed to take over key positions. Until recently, this practice was not accepted in the public sector because it involves pre-selection. However, succession planning can work if it has a built-in mechanism to assure that people of different races, sexes, age groups and ability are chosen.

While this paper has focused on the human resources challenges in solvency regulation, there are many other needs to be met if regulators are to field a competent, motivated, well-trained work-force. The Texas insurance department has more than 200 separate job titles. These include professionals such as lawyers, engineers and accountants; data processing programmers; rate and statistical specialists; safety officers; investigators; researchers; planners; and communication and information management experts, to name a few. Any cohesive regulatory human resources strategy ultimately must recognize and plan for the recruitment, training, compensation and career development of such a diverse work-force.

### **VI. BARRIERS AND STRATEGIES**

While the experience of States such as Texas is useful for study, the international market faces certain barriers for which this model may offer little guidance. First, in a literal and technical sense, insurance regulatory agencies, American companies and international companies speak a different language. It is not enough to teach staff to speak and write Spanish, French or German. Work needs to begin at an international level to adopt a common set of definitions for basic insurance terms and concepts, such as "insurer" and "reinsurance". To be effective, countries must first be able to communicate in a common language and share a universal vocabulary. Secondly, standard reporting formats

or a uniform financial statement and standards of accounting need to be adopted. Thirdly, an agreement is needed on a standard currency (or currencies) for holding assets. Texas now requires alien companies to hold funds in United States dollars and in domestic financial institutions.

Efforts might begin through the establishment of training alliances, exchanges, or partnerships, in order to assist developing countries in building an insurance regulatory system. For example, Texas is beginning a mentoring programme with Mexico. The Government of Mexico is now allowing foreign investment in Mexican insurance companies and is delegating rate regulatory authority to the companies. This will create new opportunities and challenges for regulators in Mexico. They have expressed an interest in the way rates are regulated across the border in the United States. When a department head is named in Mexico, the Texas department has offered to begin a co-operative training and orientation effort.

## VII. CONCLUSION

The challenges and opportunities afforded by the advent of "EC 1992" are enormous. If Toffler's image of the future comes to pass, insurance regulators and insurance companies alike will have to function in a "super-symbolic, knowledge-driven" economy. To stay abreast, they will be forced to dismantle obsolete theories and customize products in an increasingly flexible financial system built on a volatile world capital market. No longer will they be dealing in a self-contained national economic setting or focusing on provincial interests alone.

For human resource managers, the challenge will be to be ready for the inevitable changes. Through their own experience of working across jurisdictions to achieve common purposes, insurance regulators in the United States have a great deal to offer in this regard. They also have a great deal to learn about the international community. Sponsorship and co-operation on human resources development under the auspices of such forums as the NAIC and the United Nations Conference on Trade and Development are ways that the international community can work together to solve common problems and achieve common goals as the world moves ever closer together.

## INITIAL TRAINING AND CONTINUED TRAINING

*J.A. Wheeler*

### BACKGROUND

The critical competitive and restructuring pressures facing the insurance business in the 1990s call for a set of responses to induction training and continued training which need to be determined now. What are the time bombs which exist in the labour market in the United Kingdom and other parts of the single Europe which are going to force more companies to improve their induction training and continued training? They include:

- The demographic situation, arising from the excess of labour demand over labour supply;
- The skills gap, arising from the increasing skills and technical content of work;
- The gender gap arising from the fact that many newcomers to the labour market will be mothers returning to work;
- The ethnic gap arising from the fact that ethnic minorities will form a growing proportion of the work-force;
- The revenue gap arising from payroll costs attributable directly to an ageing population requiring higher welfare benefits.

On top of these problems, the pace of mergers and acquisitions within the insurance industry is likely to accelerate over the next five years or so. Many of the larger multi-national insurance organizations will embark on substantial programmes of nationalization, leading to economies of scale. Companies will become more competitive in order to survive; others will improve their efficiency. Some will suffer corporate deaths.

Governments will need to be active in the areas of:

- Higher rates of participation in education;

- Extensive retraining of disadvantaged groups;
- Equal opportunities policies.

Set against this backcloth, insurance organizations could either offer higher pay to their work forces of the future or else lower their standards and qualifications but these measures will only offer a short-term solution. It is far better to improve training and development and to introduce productivity-enhancing work methods.

The three major developments which are expected to occur across Europe and which will have an impact on training needs are:

- (1) Fewer school leavers;
- (2) Increased number of older workers;
- (3) Rising female participation rate.

With this in mind, employers will need to pay special attention to both initial training and continued training.

## I. INITIAL TRAINING

As regards initial or induction training, the major task of an employer is to integrate the new employee into the business so that he or she begins to make a contribution as soon as possible. This does not mean merely providing training in the specific skills of the job but implies preparing the new employee generally for his or her responsibilities in the organization.

It was once believed that it was necessary only to show a newcomer the job that he or she was engaged to do and then set him or her to work. The assumption was that new employees would work within their own cocoons and would not be concerned with what went on beyond their particular sphere. In recent years, it has been acknowledged that employees must be better prepared to take their places as members of the community forming the organization. This means providing them with considerably more information about the business and their place in it. Most insurance organizations therefore regard properly organized initial training as essential for all new entrants.

Many go as far as to arrange talks by their top management on the first day of work or soon after.

Induction training thus consists of two main facets: introduction to the organization and its activities; and initial training for the specific job. The former is logically the responsibility of the personnel and training function, while the latter is a line responsibility. Thus managers and supervisors should be discouraged from trying to shift the burden for specific job training on to the training department.

Company rules and regulations, including absence and sickness procedures, safety policies, general services and career prospects do need to be covered. The newcomer has to be introduced to departmental colleagues and to work systems and procedures. Job performance has to be monitored and coaching is required. It will be seen that induction training does not cease on the day a newcomer joins the organization. It is important to think of it as a continuing activity. Moreover, it is unrealistic to believe that everything can be learnt in a few days. Joining a new organization can be bewildering to say the least. A quality initial training programme will produce good results.

Of the many initial training programmes studied, the best ones seen have been those which give the new entrant a thorough introduction to the organization, lasting two or three days, whereupon an appointed coach made personally responsible for the initial development of the new entrant takes over. This initial programme covers a period of six months for non-technical staff and up to two years for technical staff. A training programme is devised for the individual employee, each month the coach and the employee meet to discuss progress during the previous four weeks and to set objectives for the next four weeks. Progress is entered in the employees personal development register and signed by both coach and employee. Every three to six months, the register is reviewed by a senior manager. During this period, the employee is encouraged to study for examinations which will attest to a good basic knowledge of insurance principles and lead further into the specialized technical areas of insurance.

Management involvement and interest is vital for the initial training to be successful. Training is not a "spectator sport".

## II. CONTINUED TRAINING

With regard to the future needs of the insurance industry in countries throughout the world, it is indisputable that the know-how content of jobs will increase. The model of training, sometimes referred to as the remedial model, distinguishes between acquisition of skills for improving performance on the current job and developmental preparation for the next job; it provides a systematic and pre-defined balance between on-the-job and off-the-job training. A distinction is made between training for improved work skills and training for acquiring the requisite attitudes for teamwork. The remedial approach views individual employees as having some basic deficiencies which prevent them from being effective at work. Accordingly, training is primarily directed at overcoming these short-comings. This approach is increasingly losing ground because it is inconsistent with three developments:

- (1) The growing need for productivity improvement;
- (2) The emergence of know-how as a prime resource;
- (3) The growing need for nurturing those attitudes which are conducive to team-work.

Like musicians, employees in a business such as insurance - where know-how is paramount - have to be nurtured and their efforts orchestrated in an organizational setting that encourages creativity, professional advancement, self-expression and autonomy, while remaining within the parameters of team-work and corporate objectives. Insurance organizations must develop a culture that is open, communicative and participative such that employees are encouraged to identify their own personal interests with those of the insurance organization, in the same way that musicians identify with their orchestra without sacrificing creativity and individuality in the process.

The successful insurance organization of the future will emphasize a developmental approach to continued training. Whereas the remedial approach puts, in order of importance:

- (a) Knowledge;

- (b) Know-how;

- (c) Attitudes and skills.

The development approach changes the order to:

- (a) Attitudes and skills;

- (b) Know-how;

- (c) Knowledge,

This complete reversal reflects the emerging reality that knowledge has to be acquired continuously throughout the individual's working life because of new technologies, new products and growing competition in a dynamic environment.

Learning is, first and foremost, self-discovery: the development of love of learning, and learning how to learn.

The developmental approach needs to be focused on three areas:

- (a) The development of skills for improved effectiveness in the current job, achieved through on-the-job continued training as well as learning by doing;

- (b) Professional development to widen the knowledge base, so as to enhance intellectual and problem-solving skills;

- (c) Personal development so that correct attitude and corporate culture formation can take place.

This approach puts the emphasis on each element of education and training systems, both on-the-job and off-the-job, as well as training for skills, professional development and personal development. In the final analysis, the balance in all these respects depends upon the occupational circumstances of employees, the extent and quality of in-house training and the quality of centrally provided training.

Insurance technical know-how will probably have to be developed on an in-house basis so as to create niche players leaving central

providers of training, such as the CII College of Insurance, to provide a sound foundation on which to build continuous training and thus complement, where necessary, the corporate efforts of skills' development, professional development and personal development.

Insurance organizations will have to take enterprise-based training far more seriously than they have so far. They have not already done so because such training is expensive and the output is difficult to measure. As a result, training has usually been treated as a 'soft' area in corporate financial budgets.

Some insurance managers say they are committed to training and developing their staff but when the going gets tough, the first item cut is the training budget. Training and development of staff is essential for a healthy, competitive and successful insurance industry. Relatively, the banking sector spends more on training in terms of human and financial resources. Years ago banking was viewed as another type of financial service, but with liberalization of services, insurance is now in competition. With regard to training, a saying frequently quoted in the United Kingdom summarizes the position perfectly: "If you think education and training are expensive, try ignorance!". So as to optimize this effort, it is essential to have a framework that integrates business and human resources planning. Within it, continued training and development should be firmly focussed on business imperatives.

### **III. NEW CHALLENGES AND OPPORTUNITIES**

The new thrust of the 1990s, spearheaded by the Single Market, will accelerate the trend towards customized products and services. The next decade could be the know-how decade - the one in which business success will come to those who have the competitive edge in development, deployment and management of know-how. Those who invest wisely in training their staff to improve their skills, know-how and personal development, will stay at the forefront of successful organizations.

The requisite investment in training must confront the challenges of the 1990s and make provisions that are at once comprehensive, responsive and motivated. In the past year or two, the focus had turned away from insurance training. Training had become the Cinderella of

corporate plans. Everyone remembers that in the end Cinderella did go to the ball, and she did marry the prince. In fact, poor Cinderella fared rather better than her two sisters. It is true she had a fairy godmother who waved a magic wand but her fairy godmother did not really change Cinderella - all that happened was that people were able to see her true values.

## **TRAINING NEEDS ANALYSIS**

*Sherif H. Khan*

### **I. THE APPLICATION OF THE TERM TRAINING NEEDS ANALYSIS**

The term "training needs analysis" is a very broad one that embraces the needs analyses of several areas, entities or groups all of which impact on training. When applied to education and human resources development, in the field of insurance the analysis of training needs encompasses the trainers themselves, the individual companies, insurance industries or, in more global terms, the insurance industries of developing or developed countries. A discussion of the term could be restricted to the methodology employed in carrying out analyses, but because of the nature of the present forum this assumption will not be made; furthermore such a limited approach would exclude important aspects that impinge on needs analysis with wider implications for those attempting to carry out such an exercise.

No analysis would be complete without an assessment of training resources and the presence of existing teaching resources; their quality and availability provides the basis for any serious advance in education. This is an inherent part of any analysis.

An analysis of individual entities must take into consideration the variety of insurance organizations and companies each with needs in specialist areas. There are life insurance, general insurance and composite companies, trade and professional associations, captive companies, reinsurers, brokers, loss adjusters, claims administrators, consultants, regulatory bodies and companies which transact a single major line of general insurance business, for example automobile insurers. Further, when dealing with life, general and composite companies, it is necessary to subdivide the sales force from home office personnel. A training needs analysis confined to a company or one of the other organizations mentioned is best left to be carried out by such



a company or organization, because such analyses will deal with the specific needs of a limited number of personnel. An overall training needs analysis is more appropriate to the industry as a whole.

As it is the developing countries which lag so far behind developed countries in insurance education and available resources, this paper will be devoted to the insurance industries of third-world countries. The significant contribution made by developed countries should not be ignored, however. Their progress is always a potent yardstick by which to judge progress and it is sincerely hoped that the developed countries will continue to contribute.

This paper will not deal with the training of the field force. This is a highly specialized area where the emphasis is on sales technique and product knowledge. Progress is linked to a reward system with tangible incentives. Motivational exercises, knowledge of sales psychology and various aspects of marketing are further elements. Exclusion of this area, however, does not imply that training needs analysis for this group is unimportant. Indeed, the effectiveness of well-trained sales intermediaries is a correlative of success in the practice of many countries. For the training needs analysis in itself, the objectives are similar to those for all groups; only the information sought has a different emphasis.

The model used in dealing with the topic is that of Trinidad and Tobago; the author was the representative of this country at the seminar. On the basis of the number of insurance companies transacting business, the number of persons employed in the industry and because of the author's personal involvement in insurance education in the region, it can be said that the Trinidad and Tobago market is one of the most intensive in the region, and much of what is covered in this paper is applicable to the larger English-speaking islands in the region, as well as Guyana. The smaller islands will be treated later. Training needs analysis will be approached from the perspective of the home-office staff of the insurance industries of the developing countries in the Caribbean region.

## II. OBJECTIVES OF TRAINING NEEDS ANALYSIS

All training needs analyses, regardless of how widely the term applies to insurance education, have common objectives. They comprise:

- Assessing the quality and quantity of trainers;
- Gauging the demand for insurance education and for various types of insurance programmes;
- Planning future strategies to deliver pertinent insurance education on a cost-effective basis;
- Ascertaining demand for training at various levels;
- Eliciting the philosophy of employers towards insurance education and the development of human resources.

## III. FACTORS AFFECTING TRAINING NEEDS ANALYSIS

Of great relevance is the climate in which the analysis is carried out. Several factors, both external and internal, will affect the exercise.

### A. External factors

Some of the external factors affecting training-needs analysis include:

- International economic and political developments;
- Influence and importance of foreign insurance qualifications and changes in foreign programmes which affect local insurance education;
- The willingness of foreign reinsurers to improve the technical and training resources of the countries in which they do business;
- The marketability of foreign qualifications in developed countries.

A further discussion of these factors follows.

### **1. International economic and political developments**

International economic and political developments eventually impact on third-world countries. Tension in the Middle East and its effect on oil prices means that developing countries which are importers of oil and oil-based products must revise their national budgets to cater for these developments. The breakdown of long-established ideologies will result in a diversion of aid to those countries where the donors will realise improved returns on their investments. The freedom of insurance services and companies to establish themselves among the European Economic Community countries will render the Caribbean insurance markets no longer as important to international reinsurers. This problem will be further exacerbated because the area is prone to natural disasters such as earthquakes and hurricanes; lately civil disturbances have occurred in Trinidad and Tobago.

With limited access to international reinsurance the acceptance of large commercial risks will become difficult for the insurance industry, entraining a contraction in business. This could result in reinsurance coverage being sought in less stable markets. These concerns are not confined only to the Caribbean countries, but could also apply to most small developing countries. A training-needs analysis commissioned in such an environment must consider the impact of these factors. Given the uncertainty of the future, one other detrimental effect could be the drain on existing human resources through emigration to countries where the future is considered brighter.

### **2. Foreign insurance qualifications**

Foreign insurance programmes have long been held in high regard in the Caribbean. This may have come about because a lack of formal training programmes in the local markets had created a demand for personnel with some insurance knowledge and, in such circumstances, the irrelevance of certain parts of the foreign programmes, especially the legal aspects, was ignored. The general insurance sector and the brokers relied on British programmes, while the life insurance sector

used North American programmes, preferences linked to the traditional origins of each sector.

However, changes in these programmes and the intransigence of foreign institutions to adapt their programmes to meet the local demands have resulted in a gradual change in attitude towards them. There is a move underway to develop a Caribbean insurance qualification that will cater for national needs at all levels of an insurance company and serve in all English-speaking countries in the region. Foreign programmes will not be excluded. Many of those who have qualifications gained through foreign programmes are the decision-makers in insurance companies; their philosophy and attitudes towards a local educational thrust will affect the conclusions of a training needs analysis.

### **3. Impact of international reinsurers**

Foreign reinsurers presently make significant contributions towards enhancing the technical resources of the industry. They do this either through actual training or through tangible support. However, their training is offered in areas that optimize their returns; their partiality restricts the scope of such training. It will be necessary to analyse the effects of these inputs in an effort to harness and direct resources to areas where they will be most effective. A reduction in such inputs is also an important consideration.

### **4. Marketability of foreign qualifications**

Throughout the greater part of the present century, the Caribbean peoples have been migrating to developed countries in search of: "a better life and greater opportunities for their offspring". This urge to migrate has not diminished significantly. The acquisition of foreign qualifications provides both a career boost and further stimulation to migrate. Persons with foreign qualifications who find vertical mobility restricted in their companies may continue to work locally until they have acquired experience. With most of the countries in the region

suffering from adverse economic conditions, many qualified people are leaving, thus depleting already scarce trained human resources. With a foreign qualification matching the country to which they have migrated, they usually have little difficulty in obtaining employment which gives them better terms and conditions than they could obtain anywhere locally.

### **B. Internal factors affecting training needs analysis**

Some of the internal factors are as follows:

- Availability of human and financial resources for carrying out the analysis;
- The number and variety of insurance companies and other insurance-related organizations;
- The state of the local economy;
- The philosophy of company executives as regards insurance education;
- The presence of a group of persons for insurance education or the existence of a formal training institution;
- The general state of knowledge of insurance in the market and the knowledge and perceptions of the population regarding insurance;
- Population demographics.

These factors will be discussed further below:

#### **1. Availability of human and financial resources**

The available human resources will determine the extent and depth of the analysis of training needs. By this is meant not the training resources, but rather the attributes of persons carrying out the exercise. Finances are an essential element to consider as the costs of the exercise must be covered. Whatever method is employed for the analysis, it will entail interfacing with senior insurance personnel; persons carrying out the exercise must know how to conduct themselves. Specialists are also needed for assessment of the data collected.

### **2. Variety of insurance and insurance-related entities**

A list of the various types of insurance entities in the insurance industry was given above. In analysing the needs of the market, it will also be necessary to analyse the needs of organizations not actively trading in insurance but providing ancillary services; for instance loss adjusters. It will be necessary to find a common base for initial training; or the lowest level at which training should begin. Information concerning the educational background required for new entrants into the clerical, technical and supervisory levels of all insurance organizations will serve as a starting point for the development of training programmes.

### **3. State of the local economy**

The local economy and gross national product affects the aggregate spending power. In recessionary times or under other adverse economic conditions, general insurance companies usually suffer a contraction in business and poor underwriting results. Rate cutting often occurs at such a time as well as an increase in claims. Life insurance companies in similar circumstances have to deal with increased lapses of policies, loans against policies and policy surrenders, as well as a lack of investment opportunities. Brokers face a lack of capacity in such a treacherous market. Any laying-off of staff indicates that the company is facing problems. This engenders a lack of public confidence in the institution and leads to a downward spiral ending in closure or state intervention. In such an environment, it is better to defer any analysis of training needs because participation in the exercise will be affected and the results will not be representative. In such circumstances, companies are primarily concerned with survival.

### **4. Philosophy towards insurance education**

The educational philosophy of many of the decision-makers in the insurance business in the Caribbean leaves a lot to be desired.

While they may pay lip-service to education they are often not sufficiently committed to do much. In many cases the people involved have had no formal training nor have they ever perceived the need to educate themselves in insurance matters. Many come from economically powerful groups in the community or through racial preferences, family connections or many years of experience have found themselves in key positions. Qualified personnel in such circumstances may have little chance to progress vertically, although they may find that they are expected to extend themselves horizontally through increased responsibilities, a situation fraught with frustration. Notably there are no incentives for self-development nor are there any structured career paths. This factor has led many companies in the region to show poor growth or borderline profits and to indulge in insurance practices that are generally frowned upon in the insurance industry. These decision-makers cannot be convinced as to the value of insurance education. The writer has had first-hand experience in this regard, as head of a specialist insurance teaching institution which is supposed to be supported by the industry but which faces perennial struggle of Herculean proportions just to remain in operation.

#### **5. Existence of formal training entity**

The existence of a training institution or of a group of persons interested in insurance education is an advantage; indeed it is central to the introduction of any training programme suggested by a training needs analysis. However, the absence of such entities does not preclude the carrying out of an analysis. An analysis will certainly indicate whether there is a demand for creating some formal entity.

In the Caribbean region an association of the five existing regional institutes has recently been formed. These institutes are responsible for insurance education in the countries where they are located. One of the objectives of the association is to stimulate the development of insurance education on the smaller islands. To this end, persons on each island willing to initiate this activity have been identified. Since most of these countries cannot sustain an institute of their own, the association is willing to send lecturers to these islands on a non-profit basis in order to initiate basic training exercises. So as to do this effec-

tively, the persons selected on each island will themselves carry out training needs analyses in their own countries.

#### **6. General state of insurance knowledge of the community**

If insurance is taught at secondary school level and students can pursue insurance studies at the tertiary level, then insurance as a career can be a conscious choice. Unfortunately this is not the case in most Caribbean countries, although there are moves afoot to initiate the formulation of such a programme. The lack of any programme means that the level of insurance knowledge throughout the entire regional population is extremely limited. Indeed, the public only becomes aware of insurance either through having to take out a policy for compulsory motor insurance, involvement in a claim, or upon hearing adverse media reports about insurance. Even those who govern the area have a limited insurance knowledge. This makes the approach to Government for sanctioning the development of insurance education and its funding an uncertain one.

Government involvement in any exercise related to training is vital. Where there is a lack of knowledge of insurance in the population at large, coupled with no basic training, the training needs analysis must gauge the scope of training needed and whether there are sufficient resources to cover a wider demand than simply that of the industry itself.

#### **7. Demographics of the population**

Whereas in developed countries there is an increase in the number of aged persons in the population, with a decline in younger persons, the opposite situation prevails in the countries of the Caribbean region. There is overall high unemployment exacerbated each year by the thousands of school-leavers who are seeking employment. The region therefore has an employers' market where labour is relatively cheap.

The group of school-leavers is made up of young persons with a variety of skills, some with basic qualifications and other talents. -A

training needs analysis should take this group into consideration and explore in the analysis the willingness of insurance employers to provide and fund basic insurance education for interested persons in the group. Such a programme will enhance the image of the industry, increase the insurance knowledge of the young population and could have a potent influence on government support.

The foregoing external and internal factors need to be carefully considered in the strategy and design of the training needs analysis because they will have a significant impact on the results of the exercise.

### III. METHODS FOR TRAINING NEEDS ANALYSIS

The analysis can be carried out using surveys, interviews or questionnaires or a combination of these methods. The decision as to what method to use will depend on the available finances and manpower. The use of random-sampling techniques is inappropriate, especially for small industries. Questionnaires have been found to be the least expensive and most appropriate method for small countries.

The group responsible for the exercise must be comprised of persons who have a particular interest in insurance or insurance education. These are important motivating factors. Other personnel should include a statistician. The first priority would be to formulate objectives for the exercise. This step is important because the questions will be designed in the light of these objectives. A great deal of thought must be given to the design and content of the questionnaire. Some pertinent questions that could be included are as follows:

- Existence of formal in-house training programmes;
- Existence of in-house programmes undertaken by external lecturers;
- Amounts allocated to training;
- Presence of incentives for self-development of personnel;
- Pathways to vertical progress;
- Requirements for employment in clerical, technical, supervisory and management areas;
- Existence of persons who are able to teach; their number, qualifications and experience;

- Availability of any in-house training needs analysis done or planned;
- The importance of foreign qualifications;
- Interest in supporting and funding insurance education for school-leavers;
- Response to the development of a national certification programme;
- Preference as to the duration of programmes, the levels and scope;
- Willingness to release staff to attend external courses;
- Willingness to take advice in developing in-house training programmes;
- Willingness to support a local insurance training institution;
- Philosophy towards insurance education.

This list of possible questions is not exhaustive but is offered as a guideline. The objectives of the questionnaire prepared for Trinidad and Tobago dictated the design and content of the questionnaire. For instance, it is necessary to identify the level of the person to whom a questionnaire is directed. Such a person must necessarily be in a responsible or senior position. This step is also necessary for any future contact.

As many completed questionnaires must be collected, it will be necessary to set a date for completion and return of the questionnaire. Analysis of the responses must then be carried out and a discussion paper prepared. This is the point at which respondents are called in for a discussion of the results and to formulate recommendations. It is on the basis of the recommendations that the subsequent step would be taken.

### IV. CONCLUSION

In the foregoing paragraphs several factors affecting the commissioning of a training needs analysis for the insurance industry in third world countries have been discussed, followed by an appraisal of the most relevant method to carry out the exercise. The factors highlighted are not necessarily relevant to all countries, but many of them apply to certain countries. Unless the background against which a training needs

analysis is conducted has been thoroughly investigated and considered, the entire exercise may be undermined. As regards the method, questionnaires were found to be appropriate in Trinidad and Tobago; these will also be used in other countries of the region after slight changes are made. Each particular country must determine the most appropriate method in terms of its resources and objectives.

## **TRAINING DESIGN METHODS APPLIED TO THE CREATION OF DISTANCE LEARNING MATERIAL (SUMMARY)**

*Roberta Pittaluga*

Ideation and the development of teaching projects, coherence in the relationship between teaching methodologies and tools, the appeal to more than one sense in all educational tools, and - integration of distance teaching with classroom activities - these are the subjects of this account. These aspects may seem very technical or of concern only to specialists, but they are precisely the points on which the success or failure of a training course largely depends.

Etymologically, the French word *enseigner* (to teach) means *mettre un signe dans* (to put a sign into) and *former* (to train) means *donner une forme* (to give a shape to). How does one "put signs into" students? How do we "give a shape to" that which does not yet have one?

A good teacher, to perform his task, must have many personal qualities, some of them innate. However, a large part of successful teaching depends on the preparatory work which precedes the actual training. By this is meant the "knowledge models" selected and also the teaching methodologies and tools derived from them.

How can training courses and programmes be made always interesting, so that the persons attending never look out of the window but learn - well and with unflagging pleasure? That is the first question which a training institute must ask itself.

At IFA, the vocational training company with which the author is associated, responds to this question by investing liberally in the preparation of teaching projects. Teaching projects and plans - that is the whole set of methodologies and tools through which learning objectives can be attained - are at the very heart of the company's activities.

A course is made effective through the way in which teaching techniques are associated with the media or instructional tools supporting them. The company's basic premise is that, in order to attain maximum effectiveness, more than one channel of perception must be stimulated in students so as to induce them to take an interest in the knowledge acquisition process.

Through experiments, it has been discovered that, on average, a person retains 10 per cent of what he reads, 20 per cent of what he hears, 30 per cent of what he sees, 50 per cent of what he sees and hears at the same time, 80 per cent of what he says, and 90 per cent of what he says after discussing, evaluating, elaborating, etc. Consequently, our watchword is: "USE MORE THAN ONE SENSE".

At IFA, training course projects always begin with the identification and setting of teaching objectives; these may be divided into five categories.

- (a) Acquisition of theoretical knowledge;
- (b) Acquisition of operational skills;
- (c) Acquisition of the intellectual ability to act and to solve problems;
- (d) Acquisition of the intellectual capacity to understand complex phenomena; and
- (e) Acquisition (or modification) of interpersonal behaviour patterns (changes of attitude).

This classification breakdown is of enormous value to programme developers, because it makes it much easier to prepare teaching projects built on a coherent relationship between objectives and methods.

For the acquisition of various levels of *intellectual capacity* or in order to produce *changes in attitudes*, appropriate teaching techniques must be used.

For example:

- So as to impart theoretical knowledge (i.e. concrete, clearly defined concepts), the lessons used must be followed by text exercises based on the ideas learned;
- For the mastery of operational skills (application of rules and performance of tasks), practical exercises are chosen, preceded and/or followed by either brief introductory lessons or lessons which are more advanced;
- For the acquisition of intellectual skills of the kind needed to solve simple problems, practical exercises can be performed then reinforced by theoretical explanations;
- For acquisition of the intellectual capacity to understand complex phenomena (cognitive strategies), the case-study method is used, along with lessons to enable the student to integrate different sets of intellectual skills;
- So as to change attitudes and modify behaviour, role-playing games may be selected that highlight and evoke the theoretical knowledge.

A distance training system using the audio-book and the Socrates programme (computer testing of knowledge acquired) is an example of this. What is an audio-book? It is a distance training tool used for imparting theoretical knowledge. The principle of "listen and look at the same time" forms the basis of the audio-book, a device that offers two major practical advantages, namely:

- It can be distributed to a large number of users (and is thus particularly suitable for basic training in sales networks);
- Training costs are reduced by decreasing the number of days a student spends attending classes.

The audio-book consists of two parts: audio-cassettes on which the lessons are recorded for playback and a textbook containing numbered pictures referenced to the cassette. The student obtains this material together with operating instructions and each student then uses it according to his abilities and the time available for study. The audio-book is a very flexible instructional tool in that it is perfectly adaptable to individual rates of knowledge acquisition and can be used in quite varied ways. Students may devote only a few minutes to a lesson, or

concentrate for an hour, depending on personal habits and characteristics.

The student works as follows: he listens to the cassette, which tells him which picture to look at; as he hears the message he has before him the book containing the designated pictures. Thus he listens and looks at the appropriate pages of the book at the same time, thereby combining visual and auditory stimuli. The audio-book is divided into short lessons, each preceded by a synopsis of the subjects to be dealt with, then followed by a recapitulation of the lessons.

Techniques required for designing an audio-book comprise:

- The ability to rework technical material from the standpoint of the listener or reader;
- The ability to write the theoretical parts in any easy flowing style (the cassettes are not recordings of a random talk, but rather the end-product of patient drafting);
- Above all, the ability to design visual representations that explain and never serve merely a "decorative" function, both facilitates comprehension and stimulates memorization.

The success of the audio-book hinges on its ease of use, simplicity of equipment (all that is needed is a tape recorder), and the rigour of the teaching plan and the instructional tools selected.

The IFA model APPLIED provides for the following stages:

- (a) Identification of the subjects to be covered;
- (b) Weighting of the subjects according to the importance attached to each teaching objective in the module or lesson;
- (c) The choice and distribution of exercises, examples and pictures are made according to the importance of each subject;
- (d) Graphic ideation and drafting of the text or "story board".

Simple, practical, flexible and in line with users' requirements - these characteristics were paramount in the example tabled at the seminar. This aim can be extended to all training programmes. These

programmes have made it possible to spread knowledge of insurance in Italy over the course of the past 10 years during which IFA has been active.



## Annex 1

### EXAMPLE OF AN AUDIOBOOK IN THE INSURANCE CONTRACT

The sequence will be:

- Historical development
- Article 1882 of the Civil Code
- Distinction between life and non-life branches
- The principle of indemnity and the rule of proportionality
- The risk and the declarations of the contracting party
- The subject matter of the contract and the payment of premiums

Weighting of the subjects and distribution of exercises, examples, pictures, etc.:

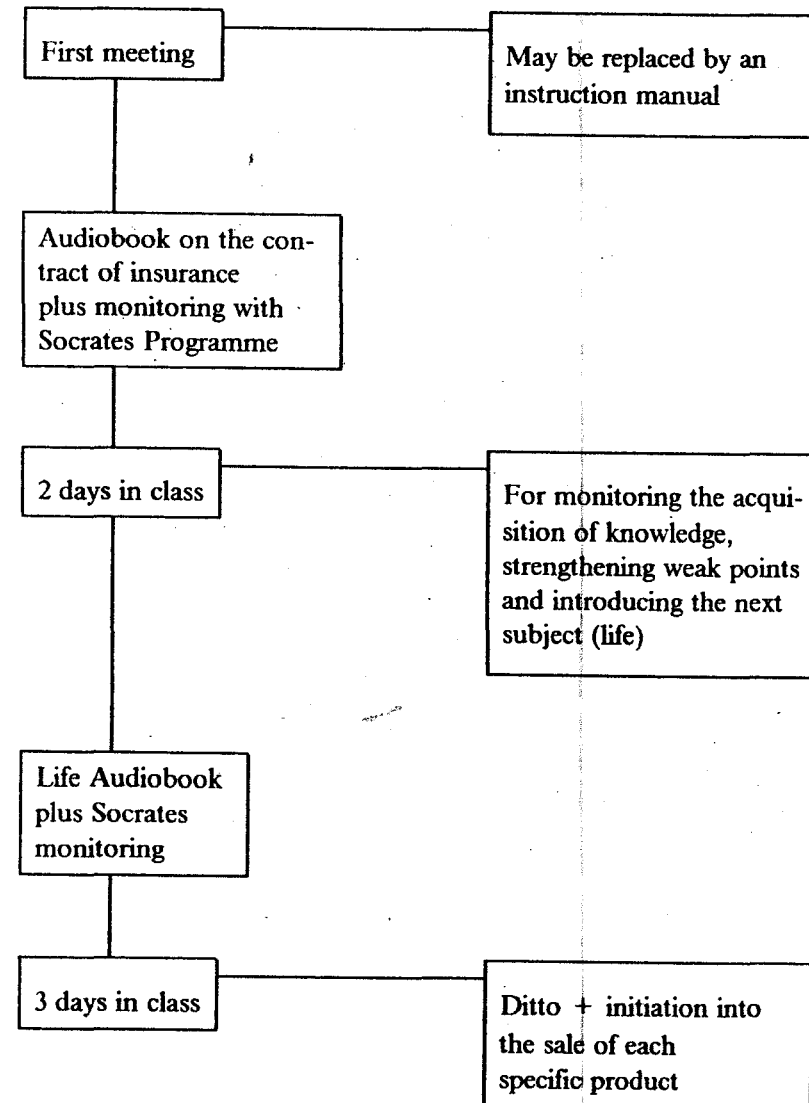
Subjects	Weighting (1-2-3)	Exercises	Exam- ples	Pic- tures
Historical development	1	-	-	2
Art. 1882 of Civil Code	3	4	4	10
Distinction between life and non-life branches	2	2	3	4
The principle of indemnity	3	6	6	15
The rule of proportionality	3	5	5	12

The author of the project then proceeds to the fourth stage (story board) by drafting the text (which will be recorded on a cassette) and, at the same time, choosing the pictures to back it up. This is generally done by teamwork with visual arts professionals.

This method of producing projects also enables us to prepare, with high precision, the part concerned with monitoring the acquisition of knowledge.

It should be noted here that, in our opinion, the best way of using distance training tools is to alternate them with classroom activities.

Here is a typical case in which the problem is solved by distance training, as shown in the following diagramme:



In effect, the student completes an electronic questionnaire which:

- enables him to check, personally and independently, his level of knowledge by obtaining from the programme an indication of the correctness or incorrectness of his replies, together with comments and advice concerning those replies;
- enables the instructor, during the "follow-up" stage in the classroom, to ascertain quickly the level of knowledge attained by students and hence to decide which subjects need to be gone over again and consolidated.

## TRAINING OF TRAINERS

*Lynn G. Merritt*

In preparing for this topic, an old proverb came to mind: "If you give a hungry man a meal, you feed him for a day; if you teach him to fish, you feed him for life". This message summarizes very well many of the activities of the United Nations. Certainly, the Organization is involved in providing immediate and direct assistance when needed. However, the United Nations Organization has recognized that long-term solutions often require education and training, so that people can improve themselves and move towards self-sufficiency.

Participants in the seminar have heard valuable presentations on various aspects of training, needs analysis, methodology, curriculum development, training techniques and media selection. All of those topics are intended to improve the learning experience for the employee. Attention will now be turned to the insurance company trainer, with a discussion of training for the trainer. In this regard, some key findings from two recent studies merit attention.

One study entitled "Insurance Industry Futures: Setting a Course for the 1990s", was conducted jointly by the Life Office Management Association (LOMA) and Arthur Anderson and Company. The study concluded that personnel at each level of an insurance company will require a very different set of skills and knowledge. Changing products and technology also will spur a need for higher expenditures on education and training. That conclusion has already become apparent in many insurance companies.

- At the management level, there is an emphasis on improved service while still controlling costs;
- At the professional level, underwriters and claim specialists work with computerized programmes known as "expert systems";
- At the higher levels of a company, word processors and personal computers are fast becoming standard items on employers' desks.

The second study, conducted by LOMA with the firm of Arthur D. Little, Inc., is entitled "Human Resources: Today and in the Future". One of its key findings states:

"Today, training is becoming the tool - possibly the only tool - that can give your organization a self-renewing human resource and a steady stream of new workers. To remain competitive and attract the winners, your company needs lifelong learning programs to support education for new roles, new tools, and new careers".

All these advances are taking place in a very difficult environment, however. Many insurance companies are going through a period of tighter budgets that are felt throughout their organizations. Naturally, the training function is not spared. Yet, it may be assumed that at such times, training becomes all the more important in raising employee productivity. Moreover, if this goal is to be attained, the trainer plays a critical role.

Some basic factors regarding the importance of training may be looked at from two sides: costs and benefits.

First, the costs of training. How much does American business spend on training? According to an estimate made in 1989 by the American Society for Training and Development, over \$200 billion a year has been devoted to such training.

As for the cost of training in insurance companies, data from a 1989 industry survey conducted by LOMA covered training budgets for home-office personnel but excluded sales training budgets. The survey categorized companies by size, in terms of the number of employees, from the smallest category with fewer than 100 employees, to the largest category with 2,500 or more employees. The results showed that a figure of \$200 was average for many companies. That is, companies of all sizes tended to spend about \$200 per employee annually for home-office training budgets. Thus for 500 employees, the average company budget would be about \$100,000 devoted to such training. For 1,000 employees, the budget would be around \$200,000. Certainly these are significant budget items. Management has a responsibility to ensure that the money is being used as effectively as possible.

Now for the other side of the coin, that is the benefits from training. The benefit of successful training, and especially of training the trainers, is often not recognized. An explanation may be given in terms of the "multiplier effect".

First, consider the normal training effect. Trainers work with various numbers of employees whether three, six or ten. When the training has been completed, those employees return to the work place ready to perform their assignments on the job.

But now, consider the person responsible for training the trainers. This person is responsible for the effectiveness of the trainers. If this person can perform the job better, that is, train the trainers better, the effect carries over to all the individual trainers who are engaged in training the employees. In short, the efficiency of the person who trains the trainers can have an important multiplier effect.

The time and effort that goes into training the trainers, making them more effective, is multiplied when the trainers work with their trainees. The potential payoffs from doing a good job of training the trainers is easy to see. That is why so much importance is attached to training the trainers.

In talking about training for trainers, it would be a mistake to concentrate solely on the trainers. If training in an organization is to be successful, it is necessary to gain a wider viewpoint and one that looks at the total structure of training.

Why is this so? There is a saying that a chain is only as strong as its weakest link. The same applies to training. Thus, training for trainers should be examined in the context of the total organization.

How well training is handled in an organization depends to a considerable degree on the management perspective of the top administration, e.g. the Chief Executive Officer (C.E.O.). That person, more than anyone else, sets the tone for the training effort. Training is not carried out in a vacuum. It functions in an environment of policies, procedures, organizational goals and objectives, and in an integral relationship with other management strategies.

For the past 20 years, LOMA has administered opinion surveys within insurance companies. One survey dealt with first-level employees. A second survey dealt with managerial employees. The surveys have addressed a number of topics, such as compensation, management style, organizational commitment, efficiency and training. Some of the survey findings related to training are discussed. These figures are the norms, based upon all the companies that have participated in the LOMA opinion surveys.

For the first-level employees, in response to the question on whether they had received sufficient training to do their job, 60 per cent gave a favourable answer. On the question of having been given a real opportunity to improve their skills, 63 per cent gave a favourable answer. Are those percentages acceptable? They might not qualify for a passing grade in a scholastic examination. The third response was even lower. Satisfaction with the company's available training and development programmes met with only 52 per cent who indicated that they were satisfied. Nearly half of the work force wanted more training and development.

Turning to the survey findings on whether managerial employees were satisfied with the training they received for managing or supervising their subordinates, less than half were satisfied. On training for written communications, the majority were satisfied. However, the data for training on managing stress showed that only 42 per cent were satisfied. Does this not say something about the nature of such jobs? Did these managerial employees believe that they received sufficient ongoing training and education? Only 48 per cent answered in the affirmative.

Finally, when asked whether there was a high level of morale among managers and supervisors, half of the respondents said "No". These were only a few of the questions asked in the surveys. The have been presented to show the remarkable degree of dissatisfaction that exists among employees and managers. Surely, top management should be concerned about such feelings among their employees. These employees, the human resources of the company, were expressing their dissatisfaction over training and development opportunities. The opportunity for improvement could be seized, provided that top management recognized the potential and showed clearly that it supported

training and development within the organization. Where such commitment from top management has been lacking, or is not perceived as genuine, the lower levels will respond accordingly. However, if top management sends a strong signal of support, the lower levels will make the effort needed to achieve success.

With that as a perceptive, attention may now be given to the training organization within a company. Typically, it may be presented as a hierarchy. Position titles can vary, of course, but common principles apply.

At the top of the training structure are the executives, the managers, responsible for human resource development and for training. One level down are the training specialists - designers, developers, media specialists, *et. al.* Then come the trainers themselves, that is the instructors, supervisors, course leaders, lecturers and moderators. These are the people who actually interface with the employees needing training.

For each of the three levels, two factors will be examined. The first factor is the role that is played by persons at the level concerned. That is it focuses on what they are expected to do for their part in the overall training process. The second factor deals with how those people can be trained for carrying out their roles effectively.

Starting at the highest level in the training hierarchy - the executives and managers responsible for human resources development or training - the question of what we want of persons at this top level in the hierarchy may be asked. We want the same abilities as other managers at that level are expected to possess, specifically: planning, organizing, co-ordinating, controlling, evaluating and communicating. But we also want something else, i.e. networking within the organization. By this is meant maintaining informal communications with other managers. This is a vital activity, because the training function extends into many organizational units over which the training executive has no direct authority.

An example may be given. It involves a training director at a major life insurance company. This person was fairly high up in the organization, but not high enough to be included in top management

meetings. However, at these top management meetings decisions were sometimes reached which affected him and the training department. For example, on one occasion top management had worked out a deal to acquire a string of agency offices from another insurer. This meant, of course, that the personnel in these offices would have to know the products and procedures of their new company. No one had bothered to inform the training director, however. He was forced into a last minute "crash" effort to train the new employees as quickly as possible. He could have fought harder to be brought into those top management meetings but, in fact he did try. He also tried something else, networking with other managers who were informed on what was happening in those meetings. He did it in a very simple way, by having lunch once or twice a month with managers from various parts of the company. Sales, for example, was important to him. In the course of one lunch, he learned about an upcoming campaign intended to increase new business substantially. He was thus able to plan a training programme for newly hired personnel brought into the company as a result.

On another occasion, the same training director learned that the company had placed an order for a completely new telephone system, a system that changed dialing procedures. With this advance information, he was able to prepare a company-wide programme on the new system.

The informal discussions also proved useful in another way. The training director was able to learn of problems in various operating units; some of those problems had training implications. When the director of underwriting commented on a problem of high turnover, by reviewing exit interviews the training director saw that employees in the underwriting department were not satisfied with the professional training they had been receiving. In response to that assessment, a continuing professional education programme was set up for underwriters. The turnover in that department then dropped sharply as a result. Such situations can be multiplied over and over; they show the importance of informal networking within an organization.

With these considerations in mind, how does one train the upper-level executives and managers who are themselves responsible for training? It is important to think in terms of general management de-

velopment, because that is really the aim. Organizations probably already provide for continuing training of executives in other functions, such as marketing, finance or information processing. Training for the executive in charge of training should parallel other executive education and training. The objective at this level is to produce an executive who is capable of performing effectively and communicating well and one who has a broad understanding of both the organization and of its external environment. By this is meant its markets, competition, society and government.

How is this training achieved? Heading the list are executive education programmes, courses and seminars given by universities. Advanced management programmes offer comprehensive training for experienced executives and managers. University-sponsored courses and seminars address specific management topics. Other sources of training at this level include associations. They may be general management associations, such as the American Management Association, or they may be trade associations, such as LOMA.

LOMA offers an annual two-week executive development programme. This is the only insurance-specific programme for top-level executives. Its distinguished faculty use lectures, discussions and case methods to present current ideas in such areas as strategic human resources planning, competitive analysis and action, leadership, management of change, and improving service quality. Commercial management-training firms, individual consultants and university faculty offer other courses.

As a final point it should be stated that executive training is not immune to continuing education. Directing the training function involves the same knowledge and skills as any other administrative function within an organization. It consists of making policy, providing resources, organizing group activities, and following up on results. This holds true regardless of the size of the organization, and irrespective of whether most training activities are carried out by company personnel or by outside consultants. Today, insurance companies of all sizes are confronting similar forces of change. If one were to stop for a moment and think about a company as it was, say, six years ago, as compared to today, the differences would be apparent. Office automation has

entrained changes. More terminals or personal computers have appeared in the work place. What about products? They too have changed. These are new products and even new lines. As for changes in the work force, the new recruits in a typical company are probably younger today and often enter the work force with a lack of basic skills in reading and arithmetic.

The position of training manager or human resources development manager is no longer a quiet haven. The sizable investments that companies are putting into training have already been mentioned. It is only natural that the companies expect top-quality management of that function.

The second level in the hierarchy of training roles is that of training the specialists. These are the technicians, so to speak, of the training discipline. Typically staff positions, the people involved are planners of learning experiences to be implemented by the trainers. In other words, these persons are a resource for the training effort. They set the stage for those who will actually perform the training.

What are the qualities sought at this level? Knowledge concerning needs analysis, principles of adult learning, curriculum development, training techniques, media selection, evaluation of the training itself are among the subjects involved.

The skills at this level are more specialized than those in the higher level in the training hierarchy, and the sources of training are somewhat different. University courses may be available. However, the need is usually for specialty courses, offered on a unique basis rather than as part of an overall programme for trainers. Such a course might cover, for example, computer-assisted instructions or simulation models. Trade associations are often active in presenting seminars, developed on a local basis. Panel discussions are also common.

LOMA offers a number of programmes which include the "Middle Management Program"; "Managing for Productivity"; "Telephone Customer Relations"; "Improving Written Communications"; and "Step One: LOMA's Introduction to Life and Health Insurance".

Another source of training at this level is professional organizations. A leading example of this type found in the United States of

America is the American Society for Training and Development, which sponsors conventions, seminars and other meetings. These are intended to bring specialists up-to-date on recent innovations and trends in training.

Given the fact that training technologies are changing continually, another important source of information is that of publications, professional journals and magazines that cover training.

Lastly, the value of individual research performed by the specialists should not be overlooked. Budgeting some time for them to spend on research projects should be considered. For example, a person might do an in-depth evaluation of the company's supervisory training programme, followed up after several months with an assessment of how well the supervisor is performing his task and how well the employees are performing. Another possible project would be studying the feasibility of computerized games as a part of training. This sort of individual research has a two-fold benefit. It gives the trainer an opportunity to apply new approaches to training problems. If successful, that makes the training effort more productive. Another benefit comes from the satisfaction which the individual draws from being given the research opportunity. It can result in an article for a professional journal or a presentation to company management. These are ways by which the trainer can gain greater self-esteem. Achieving self-esteem is important for professionals. Recall the research on motivation conducted by Douglas McGregor that led to his concept of a hierarchy of needs which influence motivation. Needs form a hierarchy of importance. Starting from the bottom up, come physiological needs, such as survival and safety or security and then social needs, for acceptance and friendship. At the top of the hierarchy are the need for esteem and the need for self-actualization, that is realizing what one is capable of becoming.

Once employees have satisfied the lower-level needs, they tend to be motivated more by the higher-level needs, those for esteem and self-actualization. It is important to provide opportunities to fill these needs if motivation is to remain high.

Now comes the subject of the trainers themselves but before moving on to that topic, two points should be made: the first is that

training is always a *line* function. Executives, managers and supervisors are responsible for the development and performance of their subordinates. For this, they can receive help from staff units within the organization. Assistance may come from the human resources department, the personnel department, or the training department. Titles do not change the relationship; specialized staff provides assistance, but training remains a line function. The training may be performed by someone from the training staff. Nonetheless, each supervisor and manager must be satisfied with what is happening.

The second point is that, upon looking at those who actually do the training, they can be said to fall into either of two categories. Some will be professional trainers. Others, such as line supervisors, assume the role of trainer occasionally, as the need arise. These are the so-called *on-the-job-trainers* or O-J-Ts.

Are there any essential differences between these two types of trainers? Do we train one type in one way, and the other type in a different way? The answer is yes and no.

The professional trainer is, naturally, expected to be proficient in training techniques. This individual often has what is called a good platform presence, meaning the ability stand before an audience and communicate warmly and effectively in learning situations.

What about the other type, the O-J-T trainer who is a supervisor? Here it must be recognized that a supervisor also has other roles to perform and is primarily responsible for getting the work out. Chances are that an organization uses both types for training employees. A professional trainer may handle new employee orientation sessions, or a company-wide programme to introduce a new system or procedure. For on-the-job-training, a supervisor or other experienced employee probably acts as the trainer, working in a one-on-one relationship with the trainee. This O-J-T will most likely carry out the training right in the work place. This type of training has two significant benefits, namely:

- The trainees contribute to productivity while being trained, unlike trainees who attend classes away from the job environment.

- Training can be started sooner. The O-J-T does not depend on written lesson plans or development of training media. Training can be provided quickly, even for complicated jobs.

Despite the difference between on-the-job trainers and professional trainers, there are similarities in the desired output from each type of trainer. These are the critical factors. They have been listed in order of priority.

(a) *Commitment* - Acceptance of responsibility for training and for its outcome. This is usually not a problem when the person doing the training is a professional trainer. But it can be a problem with, say, first-line supervisors. For them, training is only a small part of their overall job, in terms of time invested. If supervisors realized that, when they were performing as trainers this task was also their immediate prime responsibility, they would be more inclined to budget the necessary time to devote to training. Training cannot be viewed as an interruption of normal activities. It is vital to the employee, to the supervisor, and to the organization. A poorly trained employee will be an inefficient employee, in terms of productivity, time and money. This reality must be recognized by everyone who will be acting as a trainer.

(b) *Expertise* - This quality is no surprise. Certainly, one has the right to expect any trainer to know the subject being taught. That does not mean knowing everything about the subject, but certainly enough to give the employee what he needs to know in order to perform effectively.

(c) *Empathy* - This is simply the ability of the trainer to understand the feelings of the employee. An appreciation that much of the information is totally new and that the employee may be feeling anxious about absorbing everything is very important. The pace of training should reflect that consideration. People do learn at different rates; the pace of training should be adapted to the individual trainee, with patience shown by the trainer. Finally, the trainer should appreciate the need of the trainee for encouragement and positive reinforcement.

(d) *Communication* - The ability of the trainer to convey information to the learner is a critical element. Verbal skills are important as being able to describe or explain something in a way that is clear and logically organized is essential. Communications, however, also extend into other areas, such as demonstrating a task, conducting a role-playing exercise or leading a case study.

(e) *Candor* - Honesty, forthrightness. Why is it necessary to include this quality? Sometimes a trainer, in an effort to reduce the employee's anxiety will over-simplify the requirements of a job, or ignore some weakness of the employee. While avoidance of reality may be well-intentioned and evade dealing with the problem for the time being, resolution of the problem is nearly always simply being postponed, to emerge again later as an issue. It is better to be candid, right from the beginning.

(f) *Patience* - So many times, the trainer forgets that the material being taught is new to the learner. The trainer may be very familiar with it; indeed, certain aspects of the subject may even be considered boring. Nevertheless, repetition may be called for, if the employee is to learn properly.

(g) *Support* - Of course, the trainer should be supportive throughout the training process. The specific point here is support after the trainer has left the trainee alone on the job. Questions or problems often arise, sometimes very quickly, sometimes days later. For the trainee, knowing that someone is available is the equivalent of a security blanket. The trainer should not wait until the end of the training period to make known that support is constant. The learner needs to feel early on that support will be there. It boosts confidence immediately.

There was quite a lot on that list. Can any single person possess all those traits? Yes indeed. One particularly interesting example might suffice.

A woman who worked in the agency operations division of a company was responsible for the training of non-sales personnel in the agency offices. The company had agency offices across the United States, most of them in large cities, but was experiencing difficulty in

finding the quality of new recruits that it wanted. The home office urged agency managers to consider non-traditional sources of labour, such as mothers returning to the work force, or senior citizens looking for part-time employment, or persons with physical impairments. With only a little imagination it is possible to appreciate the challenges involved in training such diverse new employees. Yet the potential rewards were high, because these persons typically were mature and strongly motivated to perform well on the job.

The woman in question took up the challenge. She geared the training programme to the background and needs of the new staff. Was she successful? Yes, indeed, as measured by the low turnover rate and the high performance evaluations. This outcome shows the benefits accruing from applying the principles under discussion here.

"Train-the-Trainer" programmes exist for full-time trainers. Trade associations offer them. So do professional associations, commercial training firms, and individual consultants. Occasionally, universities offer such courses, but not usually as a part of their accredited curriculum.

What about the other trainers, the O-J-Ts, such as supervisors? To send them to a five-day course would be a case of "over-skill". LOMA has had success with an O-J-T programme that takes less than one day to complete. It can be successful provided that the programme is carefully planned and carried out.

Another effective source of training comes from within a company's own training department. Drawing on this source has two immediate advantages. Firstly, the training specialist is already familiar with the company's organization, products, distribution system, personnel policies, etc. Everything presented to the supervisor concerning training can be put into the context of the organization. Secondly, a line supervisor can establish a faster rapport with a fellow employee, as compared to someone from outside the organization. This helps establish a training situation based upon the achievement of mutual goals and co-operation.

For supervisors to give effective O-J-T, they need support for carrying out that role. They should have whatever resources are nec-



essary for the on-the-job training. This could be learning materials. It could be the *On-the-Job Training Guide* that LOMA has published. It could be training time on a personal computer or word processor. In addition, the supervisor should have support from above in the hierarchy. This could manifest in such ways as granting overtime compensation or hiring temporary workers to make up for the time the supervisor spends on training.

A fair amount has been covered in the discussion on this topic of "Training for Trainers". In summarizing, the following points will be highlighted.

Firstly, training for trainers is important. The time spent on the training of trainers produces extended benefits every time those trainers teach employees. The situation in one insurance company where this subject - training for trainers - had not really been taken too seriously comes to mind. A person accustomed to carefully planned sales training was transferred from the field into home-office training where he set about implementing a training programme for trainers. Although he stayed in that position only for about four months before returning to the field, he left behind a strong legacy because even to this day his company has a better training effort because of his accomplishment.

Secondly, the hierarchy of training roles and functions should be kept in mind. Training is a wide-ranging responsibility; it deserves broad support, from the top on down. It can begin with a stated commitment from the C.E.O., a message that is communicated to all levels of the organizations. It is important to show a determined commitment to human resources development and training.

In closing, here is a quotation:

"Not only is there an art in knowing a thing, but also a certain art in teaching it".

Those words come from Cicero, the Roman statesman, orator and philosopher who lived over 2000 years ago.

## THE CRITICAL PROBLEM OF THE QUALITY OF TRAINERS

*Robert P. Watson*

### INTRODUCTION

When considering the state of training in the global insurance industry, it is essential to understand the structure of its education and training, as it is that which determines the demand for the service and, consequently, the supply of the providers who deliver it by utilizing trainers, teachers, lecturers, etc.

Insurance is a vast industry and one that is very labour intensive, even with the increased use of information technology substantial numbers of people are still required to operate this growing vehicle of economic development.

What sort of people work in the industry? How are they recruited? What qualifications and skill attributes should they possess? These are difficult questions to answer. Although it is fair to say that the industry, being international, has common features, for example basic risk/insurance concepts or reinsurance theory, it is also true that because of legal, practical and cultural differences among individual States and regions of the world, there can be, at the other extreme, enormous variations in practices and procedures.

However, the specific area covered in this paper is common to all; and for this reason it should be of particular interest and relevance to the seminar participants. The concern is the quality of the educator, the imparter of knowledge and purveyor of technical expertise to the trainee or student. Although there has been an increasing volume of training and education provision in the insurance industry in recent years, the quality factor of the provider has been very much overlooked. There has been a tendency, a legacy from academic practice, to assume that if a person is well-qualified in his particular area of expertise or has

had vast experience in a specific technical sphere, then all that needs to be done is to put him in front of a group of uninformed individuals (usually younger but not always), and they will benefit substantially and learn. An expression used in this regard, by an ex-colleague of the author was "paint it on". This approach is not good enough and never will be good enough. We must do better.

The problem will be dealt with in the paper by considering:

- The development of insurance education and training;
- The current state of this market;
- The weakness in the system which prevents the problem from being tackled in a professional manner and the reasons;
- Developments which materially improve the situation;
- Measures to effect substantial improvements in trainer quality;
- Recommendations for a future co-ordinated programme with minimum trainer-competence standards.

## **I. TRAINING AND EDUCATION MARKET - DEVELOPMENT AND STRUCTURE**

The insurance industry has been established commercially since over 300 years but the formal training/education side of the business is of much more recent origin. What is the difference between education and training? In the past, education used to be viewed as academic and theoretical. It was regarded as something that was done away from the work place; conversely, training was viewed as directly related to the recipient's work or job. Training could either be of general or specific, i.e. either of general application to that particular job in the industry or specific to that individual's function in the firm or company but not easily transferable elsewhere.

Over a number of years the clear division between education and training has gradually eroded giving way to a more practical approach to education, i.e. there is a trend towards becoming more vocation-oriented. In addition, there is the realisation that education and training are continually necessary in the development of human resources. The days of "sitting with Nellie" as the sole method of work involving on-the-job training are gradually disappearing with rapid changes in work

practices, mainly due to the increasing use of information technology. The retraining of personnel during their working life is now becoming more commonplace.

The provision of insurance education and training historically came from many sources. A discussion of each follows:

### **1. Professional bodies**

Professional qualifications have been offered by recognized bodies where member organizations were conscious of the need to educate themselves and others in their profession for the benefit of both individuals and firms within the industry. These organizations also traditionally provided the teaching/learning facilities available, e.g. CII and the Scottish Faculty of Actuaries (United Kingdom).

### **2. "On-the-job" training**

Early approaches to training were fairly basic and informal. There was usually little planning. The training was mainly firm or company-specific.

### **3. Company training schemes/centres (closed)**

Rather belatedly, insurance organizations, realising the value of organized formal training, set up their own training schemes/centres. Initially they began in a very small way, but gradually encompassed the major international corporations in very well organized and soundly resourced training schools, e.g. Friends Provident Life Office (United Kingdom), Provincial Insurance (United Kingdom), Winterthur (Switzerland).

**4. Industry training schools/colleges**

In a number of countries, the provision of formal training has been jointly organized by the local insurance market, with or without the participation of the professional educational body. These teaching centres can restrict themselves to training courses, professional education or a combination of both, e.g. Mediterranean Insurance Training Centre (MITC) (Malta); Bahrain Insurance Training Centre (Manama, State of Bahrain); the College of Insurance (USA); the College of Insurance (United Kingdom).

**5. Company training schemes/centres (open)**

A number of large multi-national organizations maintain their own training facility for their own personnel but also sponsor trainees of client organizations in the industry from various parts of the world, e.g. the Swiss Re (Switzerland), Munich Re (Germany) and Skandia (Sweden) training centres.

**6. Public sector provision - higher education (Tertiary level)**

In providing academic education this sector also offers insurance and related business studies disciplines as part of the subject choices available to both full-time and part-time students. The United States of America has been a leader in this area. There insurance and risk management has been a recognized academic subject of higher education for many years. In a number of European countries (including the United Kingdom), in universities and polytechnical institutes progress has also been made on this front. France has been particularly prominent in this area, with a number of its higher education establishments taking up the challenges.

Belatedly, United Kingdom higher education establishments have begun offering a range of insurance/risk management and investment financial services subjects at both degree and diploma level. Although the higher education establishments in many countries have taught in-

insurance as a minor discipline as compared to law or economics, for example, its profile with the student population is now growing more noticeable. The University of Malta, for instance, includes insurance studies as part of its Business Studies/Management degree programme.

**7. Public sector provision (primary/secondary/further education level)**

Like other business disciplines, the study of insurance is very rarely encountered at levels below the tertiary level. While most people would agree that it is not a priority at the primary school level, certainly by secondary-school age, i.e. post 13 years, some aspects of risk/insurance concepts should be inculcated through the business studies core of a school curriculum. Although in some insitutions those topics are taught, this is more because of a personal inclination on the part of the teacher concerned than as a planned part of a syllabus. Of course similar comments could be proffered regarding other business studies topics, e.g. law. Recent research suggests that the situation would appear to be improving, however.

A positive trend in the tertiary/further education level below degree level is the increasing importance of insurance modules/diplomas and vocationally orientated courses offered to students who wish to proceed from school (further education institution post 16) into the insurance or general financial services area; e.g. England's BTEC or Scotland's SCOTGBEC in the United Kingdom or Belgium's Broker's Diploma.

**8. Trade associations and bodies**

A variety of associations and organizations represent sectors and vested interests in national insurance markets. With the growth of supervisory regulation, both compulsory (i.e. statutory) and voluntary (i.e. industry self-regulation), many of these bodies are now involved in the provision of training and education facilities, either directly or indirectly.

### 9. *The private training sector (Management)*

Over the past 20 years there has been a vast increase of training/education at management level, mainly manifested in conferences, seminars and workshops, with both national and international dimensions. There is a plethora of organizations involved in providing this service. One only needs to glance at any trade journal in the insurance industry to see the scale. The "conference circuit" is now very well-established internationally and, although it might not be regarded by some as education/training per se, these events are undoubtedly part of the whole picture and should be included as such.

### 10. *Post-graduate provision*

With a base of professional qualifications and first degrees it has always been possible to undertake post graduate qualifications in the insurance field, either Masters or Ph.D degrees. More recently the MBA route has opened up. It is fair to say that even in the United States the number of Ph.D's in this area has been a minority, although in recent years in the United Kingdom and the remainder of Europe, the trend is gathering momentum. With the mushrooming of the MBA provision in Europe (including the United Kingdom) the scope for insurance professionals to take this training has widened considerably. Specialization in financial services, including insurance, is now an increasing available option.

## II. FAILURE TO IDENTIFY THE PROBLEM

In this section the divergent component parts of this vast field will be summarized. Regrettably, not all the specific areas could be treated exhaustively. This would be impossible. In the preamble to the main area of investigation, only a general global picture could be offered. One of the problems with insurance education and training, even for individual States not to mention globally, is its fragmented nature. This will always be a problem in any diverse industry where large numbers are employed, but nevertheless insurance is a very clear ex-

ample of the poor management of human resources. Hopefully, the findings of this conference will help in rectifying this.

As with many problems, there is no one cause and no easy answer. One reason promulgated is the diversity in the industry; another is the lack of an overall controlling body. In the United Kingdom, there is the Insurance Industry Training Council (IITC) which was set up to supervise training nationally, with responsibility for all relevant insurance organizations. As a member of IITC, the writer thinks that colleagues will agree that it is extremely difficult, if not impossible, to control training in the United Kingdom under the current structure, even if there was a wish to do so. As Director of Studies at Mediterranean Insurance Training Centre in Malta, a country where the numbers are relatively small, i.e. approximately 800 persons in the insurance industry from a working population of approximately 125,000 people, the author is aware that it is somewhat easier to regulate insurance training in such a case but even so, this is not done without difficulty. In addition to the organizations providing education and training, the examining bodies assessing a course, the other elements in this jigsaw puzzle are the trainer and the trainee. The quality of the trainee/student/participant can either be judged objectively or subjectively or by some combination of both. Objective evaluation would be done by recognizing the attainment of academic or professional qualifications. It could also be recognition of a minimum number of years of experience or of attainment of a certain status or seniority.

Subjective judgement might be discretionary evaluation carried out by either one individual or a panel relying on prior knowledge and/or interviews, possibly also taking into account personal recommendation. As stated previously, the assessment can be based on a combination of both objective and subjective evaluation.

Assuming good motivation and a correct assessment of their capabilities, the trainees should have no difficulty in achieving the stated objectives of the course. However, these are rather broad assumptions. Experience suggests that one of the most important reasons for a candidate's failure is the former: i.e. problems with motivation. Lack of motivation can arise for various reasons, differing in each individual

case. The reason may be personal and, to a large extent, beyond the course provider's control; however, usually the reason is identifiable and controllable but because of a lack of awareness on the part of the provider and the trainer, the problem is not identified and corrected. "Provider" and "trainer" are used to differentiate between "provider" organization supplying the training, be it external, e.g. a market training organization or a professional body, or internal, e.g. the trainee's company. "Trainer" refers to the individual directly responsible for managing the programme in question, the one who imparts knowledge and technical expertise to the recipient. Such a person may be called teacher, lecturer, speaker, tutor, group leader or trainer.

The problem of the quality of this latter individual, the trainer, is a major stumbling block in the success or failure of the training operation. In section III below the reasons for this weakness and suggestions as to how it can be overcome will be discussed.

### III. RECOGNITION AND REASONS

The problem of teacher quality is not peculiar to any one business. It applies to all areas of expertise and technical competence. It is common at all levels of education and training, whether in the public or private sector and ranges from nursery school education to post-graduate management education, from basic skills training, e.g. teaching a youngster how to read, to imparting the intricacies of the European Monetary System. There is unfortunately a widespread fallacy that if someone has technical expertise and knowledge of a subject he or she will as a matter of course be able to impart this knowledge to others. Unfortunately, nothing could be further from the truth in most instances.

Moreover, there is an alarming reluctance prevailing in many areas of education and training to invest in that most valuable of human resources, the teacher or lecturer capable of successfully imparting knowledge and comprehension of a particular subject to others. To be qualified in a specialist area is not enough - that is only a base to build on. Investment in human resources is so often wasted because insufficient attention or thought has been devoted to investment in the "training of the trainer".

An example may illustrate this idea. An employer in the insurance industry could regularly release some 30 employees for an afternoon to attend a weekly series of lectures at the local college but if the lecturer concerned were insufficiently trained in his particular vocation then this effort becomes an unforgivable waste of human resources. Unfortunately, this is not an extreme example but happens to be found again and again in many parts of the world. As previously stated, poor utilization of human resources is not a problem peculiar only to the insurance industry.

In the realm of insurance, lack of suitable training provision for the educators themselves is without doubt a major oversight in the area of training. A number of reasons may account for the situation:

- The comparatively small number of full-time professional lecturers/trainers (albeit increasing);
- Absence of suitable training courses;
- Reluctance on the part of employers to invest in appropriate programmes for their own educators (whether full or part-time);
- The attitude of many practitioners that they do not themselves need training;
- Ignorance of the seriousness of the situation;
- Unwillingness to tackle the problem or admit existing weaknesses;
- Market apathy;
- Structure of the existing education and training provision;
- The commercial success of the insurance market which has lulled it into a false belief that all is well;
- Failure to recognize poor quality technical expertise in a substantial percentage of industry personnel.

These ten reasons are by no means all-inclusive but they offer a fairly accurate picture of the overall reason for the situation.

All is not gloomy, however. There is a bright side and there are hopeful signs. There is a growing awareness of the need for more effective education and training. Training managers are gaining more influence in corporate board rooms. Those responsible for higher education are belatedly realizing that academic qualifications are not enough; staff must also be trained. More investment is being made in

teaching aids; a variety of teaching resources are now being employed by insurers and insurance broking corporations. The old traditional methods are no longer blindly accepted. The value of the "talk and chalk brigade" is being called into question.

There are training programmes for insurance teachers but these programmes will have to be "sharpened up". It is necessary to encourage greater participation on the part of the existing providers. Employers of part-time insurance teachers/trainers must also realize that this resource is a valuable investment and one that they must endow with adequate training, suitably funded so that these individuals can serve their educational function in a manner that is as efficient as possible.

Insurers, reinsurers, brokers, intermediaries, Lloyds, trade associations, educational establishments and other training organizations must co-operate in pooling resources to confront this critical problem and solve it. Insurers are generally quite professional and realistic in the business of risk-taking and investment. Surely if they were to consider the problem as one of investment in human resource strategies for the training of trainers, they would find their investment amply rewarded. They will gain highly qualified, well-motivated staff, their new trainees and their better motivated trainers will enjoy increasing job satisfaction.

The Mediterranean Insurance Training Centre (Malta) has previously run training courses for its lecturers and was currently planning a course to cater for an existing pool of 25 - 30 part-time lecturers. This course would involve specialist educational expertise from the local university as well as market professionals. Encouraging support had been forthcoming from both the experienced lecturers and a number of young, newly qualified professionals recently supplementing the existing team.

The Association of Insurance Teachers (AIT), an international lecturers organization based in the United Kingdom, of which the author recently served a three-year term as Chairperson and is currently on its Council, has for some years been concerned about the quality of insurance teaching. It is therefore very gratifying to be collaborating with the CII in trying to upgrade teaching standards. Organizations such as the Institute of Training and Development and the Institute of

Personnel Management, both based in the United Kingdom but with international memberships, are consciously and actively promoting improved training and teaching techniques for their members. They do this by sponsoring courses and seminars and by producing appropriate publications. On a global scale, many training professionals in the insurance industry are being encouraged to become active members of these bodies and aim at improving their own performance. More encouragement and support must be given by employers in the insurance business to assisting in this career development which greatly benefits the ultimate recipient, the trainee.

#### IV. RECOMMENDATIONS AND CONCLUSION

The industry should recognize that a major problem in training and education provision is trainer quality.

Closer co-operation should take place among the providers in order to tackle this weakness.

The industry should direct sufficient resources to the training of its teachers, both as regards time allocation and the quality of suitable courses run by professionals.

Minimum international competence standards should be agreed upon and laid down and no trainer who has not attained such a standard should be authorized to practice. Corresponding minimum competence levels are, after all, a major objective for all trainees.

It should be recognized that individual professionals and academic qualifications however desirable and indicative of a level of knowledge and understanding are not in themselves sufficient indicators of competence in teaching.

Providers of training should be encouraged to carry out regular analyses of the effectiveness of their programme, including:

- The quality of the delivery;
- The use of teaching aids;
- The level of experience of trainees in relation to the material being explained;

- The ability of trainees to absorb and understand the particular subject matter being imparted;
- Motivation of trainees;
- Time allocation for training programmes.

In short, are the providers being reasonable and realistic with respect to the trainer and, ultimately, to the trainee?

Recognizing that a problem exists, and taking positive steps to improve the situation, bearing in mind progress in the last few years, lead to a major improvement in training results. The quality of the industry's human resources will then be better and hence its productivity and economic performance will be improved.

## **INTERNATIONAL TECHNICAL CO-OPERATION IN TRAINING AND HUMAN RESOURCES DEVELOPMENT**

*Michel Couroux*

### **INTRODUCTION**

The dimensions of the problem of the lack of qualified human resources which affects the insurance sector in the developing countries have been quantified. However, the training facilities available in many countries where the insurance sector is well developed ought to make it possible to provide the developing countries with effective and relatively rapid assistance if international co-operation were properly organized and co-ordinated, and sufficient resources mobilized. The purpose of this paper is to propose international co-operative arrangements designed, firstly, to develop the training capabilities of the developing countries through exchanges of teaching material and the training of trainers and, secondly to suggest ways of improving human resources management.

### **I. THE PROBLEM**

#### **A. General context**

One of the principal problems facing developing countries is the lack of qualified manpower. The problem is not specific to the insurance sector, but also affects transport, telecommunications, trade, financial services, etc. The fundamental causes of this problem stem essentially from poverty, which leads to inadequate resources in health services, sometimes malnutrition, and poor education. The result is that the generation of working age is not equipped to meet the country's needs.

Consequently, managers in each sector of the economy adopt certain solutions in order to operate their enterprises and departments, as follows:

- Use of expatriate manpower;
- Simplification of tasks and subdivision of work;
- Development of occupational training.

The lack of qualified manpower and the low level of development have as a corollary a high level of unemployment. As a result, Governments often require public or private enterprises to maintain large work-forces, naturally at very low wage levels, giving rise to a lack of professional motivation, poor service and low productivity.

This situation is not new: it has been perpetuated for years because it has never been properly tackled. Until recently, countries have used their resources in the main to acquire capital goods, while issues of human resources development have been neglected. Problems involved in management training or occupational training have received insufficient attention, training goals have not been clearly defined, target populations have been poorly identified. Consequently the results have been inadequate and the solutions adopted often costly, sometimes out of proportion to needs and frequently inappropriate and ineffective.

The insurance sector is no exception. The lack of qualified personnel in this sector not only affects the companies, but is also a source of difficulties for supervisory offices entrusted with drawing up national sectoral policies, drafting regulations, facilitating development, laying down standards and ensuring supervision of the sector.

On the threshold of the 1990s, a number of indications would suggest that the situation is changing. As a result of technological development and the adoption of computer and videotex technology, there is increasing recognition that management methods must evolve and that this calls for a higher degree of flexibility and adaptability on the part of the staff of public and private enterprises. Senior executives and managers are becoming more clearly aware of the relationship between the degree of adaptability, the level of education and the professionalism of their staff. Educational requirements and the need

to introduce appropriate occupational training are acknowledged to be the top priority of the 1990s.

Hence it would seem that the time has come for comprehensive consideration of the issue of training. It is time to show that rapid, partial, ready-made, short-term solutions are no longer sufficient. It is not enough simply to build or open training institutions or centres, but rather in each sector of a country's economy there is a need to integrate training programmes with comprehensive human resources development strategies encompassing:

- Resource planning;
- Definition of policies for training in recruitment and selection; and,
- Career development for the whole range of personnel categories which go to make up an occupational group.

Lastly, it should be demonstrated that it is "insiders" who must take the lead in drawing up and introducing human resources policies in each sector of the economy; consequently it is they who must deal with training issues, bringing to bear the same professionalism that they apply to resolving any other issue.

## **B. The significance of the problem**

Since 1975, the UNCTAD secretariat has been assigned the task of implementing "to the extent possible and within the funds available for this purpose, a detailed programme for the education and training of a sufficient number of qualified personnel in the fields of insurance and reinsurance, which would benefit developing countries".<sup>1</sup> More recently, at the thirteenth session of the Committee on Invisibles and Financing related to Trade, the UNCTAD secretariat was called upon "to take the necessary steps to prepare a detailed programme for education and training of qualified personnel of supervisory offices in developing countries".<sup>2</sup> In quantitative terms, the work called for is considerable if viewed in the light of statistics.

<sup>1</sup> The activities of UNCTAD's Special Programme on Insurance (1986).

<sup>2</sup> Report of the Committee on Invisibles and Financing related to Trade - thirteenth session (1990) (TD/B/1249).



- In countries where the insurance sector is already developed, the volume of continuing and promotion-oriented training is very large because of the large number of people working in the insurance sector;
- In countries where the insurance sector is as yet very small, efforts will have to be focused on initial recruitment-related training if insurance services are to be developed properly.

Hence the volume of work to be done in either case is enormous; in order to cope with demand properly, a means must be found to provide training at minimum cost while distributing the workload fairly and avoiding duplication. However, in view of the existing insurance training facilities in the developed countries and in certain developing countries, it would seem that a large proportion of the work will already have been accomplished if international co-operation is organized, since a great training effort has been made in the countries with a highly developed insurance sector, and large amounts of teaching material and experience have been accumulated.

### **C. The problem briefly put**

The problem to be solved may be presented as follows:

#### *In the developing countries:*

- Considerable quantitative demand in terms of continuing, initial and promotional-oriented training;
- Lack of a human resources policy, recruitment plan or career development plan;
- Lack of trainers and frameworks for training;
- Some diversity in requirements from one country to another, stemming from the level of development of the insurance sector and from differences in educational levels as well as cultural and social habits;
- Lack of teaching material suited to the immediate needs of the developing countries, with the result that existing training courses are ineffective and therefore extremely costly.

#### *In the developed countries:*

- Existence of considerable resources in the training field;
- Extensive experience in the field of human resources development;
- Significant activities in educational research and innovation; major importance attached to the development of human resources.

#### *Characteristics of current international co-operation:*

- Absence of consultation at the global, interregional and regional levels, leading to extensive duplication in training operations;
- Lack of a systematic approach and method for exchanges of teaching material, work-sharing and mutual help between trainers and training centres;
- Insufficient efforts to adapt training material and programmes available in the developed countries to the requirements of the developing countries.

### **D. Possible solutions**

So as to ensure the best possible solution to this problem, two principal objectives should be pursued.

#### **1. Developing training capabilities in the developing countries**

In order to strengthen and develop training capabilities in the developing countries, the following should be made available to them:

- A joint approach so as to tackle training problems in a systematic, decentralized manner and adapt and apply the required programmes to local, national or subregional training centres;
- Courses for the training of trainers so that they can be enabled to make use of this approach;
- Teaching material and the help needed to adapt it to countries' requirements;
- A system for the exchange of teaching material and for mutual help among trainers so as to avoid duplication.

This assistance could be provided through the establishment of an international co-operation network.

**2. Helping to draw up and introduce national policies and strategies for human resources development in the insurance sector**

Occupational training can be effective only if it relates to clearly defined jobs, and if the tasks and responsibilities involved in each job are clearly described and serve as a basis for preparing job profiles covering the whole of the insurance sector. Similarly, the credibility of executives in companies or supervisory offices, as well as agents and brokers, will be guaranteed only if their diplomas or qualifications are properly evaluated and recognized to be appropriate to the requirements, and if they correspond to regularly updated training programmes. Hence, there is a need to help the developing countries to organize their national insurance sectors in such a way that the above conditions are met, and to design and apply human resources development policies (including plans for recruitment, proper selection criteria and career development schemes) with international help when necessary.

**II. ESTABLISHING A NETWORK FOR INTERNATIONAL CO-OPERATION BETWEEN TRAINING CENTRES IN THE INSURANCE SECTOR**

**A. Role of the network**

The main purpose of the international co-operation network would be to provide the developing countries with high-quality teaching materials, for use by qualified trainers ("to provide the right training to the right people"). Of course, some international co-operation networks have already been set up on a linguistic or geographical basis with various degrees of official status. The aim is not to provide a substitute for these networks, some of which have proven very effective and achieved results that are recognized worldwide. Rather, an effort should

be made to draw on their experience, perhaps to help them to communicate with each other, and essentially to create an instrument which would complement them in terms of objectives, diversity and scale.

This new network would provide the following services:

- Dissemination of information on available training opportunities and teaching facilities;
- Some of the facilities and resources needed for training in the developing countries.

**1. Information on training**

The following information would be made available to members of the network:

- A description of centres belonging to the network;
- A description of training-course development projects currently being implemented;
- A description of existing courses and curricula in the centres belonging to the network; including a list of courses and seminars with a detailed description of each; the design documentation available; a description of tasks; and, justification of training projects, etc.; financial conditions for the transfer and exchange of material;
- Information on the training opportunities and services offered:
  - Courses offered to foreign participants;
  - Grants and traineeships available;
- Information on training for trainers and on the training of human resources development managers and administrators;
- Information on the advisory services available within the network (teachers, trainers, consultants recommended by the network);
- Reports and studies available on requirements as regards training and human resources development.<sup>3</sup>

<sup>3</sup> At the initial stage, this information could be disseminated periodically or on request, but soon it would have to be made accessible as a computerized data base.

## 2. *Facilities and resources which could be provided by the network*

The network could produce the following:

### *A methodological guide*

- For course design;
- For the preparation and formulation of a training policy;
- For the preparation of human resources development plans.

### *Teaching packages on*

- Training for trainers;
- Training for course designers;
- Training in human resources management.

### *Advisory services*

Assistance in the planning and formulation of technical assistance projects in the field of training and the development of human resources in the insurance sector.

### *Periodic, regional and interregional meetings*

Periodic meetings would be held by the network on a regional and/or linguistic basis to organize regional co-operation and mutual assistance between centres. Interregional meetings such as the one held in Lisbon (November 1990) could be scheduled every two or three years for all the centres and countries belonging to a network.

## **B. Organization of the network**

### 1. *Co-ordination and technical assistance*

UNCTAD could co-ordinate the network's activities, as resources permit, although in terms of the services outlined above it would have to rely on several centres capable of contributing to international co-operation. These would be called "resource centres" (RC). They could be located either in developed or in developing countries.

At least one resource centre could be envisaged for each working language (English, French, Spanish, Portuguese, etc.).

## 2. *The resource centres*

The resource centres would have to be capable of providing the following services:

- Supplying the network with teaching materials meeting international quality standards;<sup>4</sup>
- Training for trainers of other centres affiliated to the network;
- Helping to disseminate and update information available within the network in the resource centre's working language;
- Providing technical assistance to other centres for the adaptation or design of teaching materials;
- Organizing regional courses as required at the senior management level or on new subjects.

## 3. *Other centres in the network (main centres)*

Training centres in the developing countries wishing to join the network would have to meet a number of conditions as regards premises and facilities available for teaching, and in particular undertake to acquire training staff capable of ensuring that the centre would progress rapidly towards education and substantive autonomy.

## 4. *The case of the least developed countries in the insurance sector (affiliated centres)*

The centres forming the network would be called upon to provide services for other countries in their subregion, either by admitting

<sup>4</sup> These standards exist within UNCTAD and are applied in branches of activity other than insurance (e.g. shipping).

foreign participants or by sending their trainers to give courses in neighbouring countries.

Depending on the degree of autonomy of the centres wishing to take advantage of the network's services, two types of centre might be envisaged: main centres and affiliated centres. This arrangement would permit the largest possible number of countries to join the network's activities. It would also allow training to be decentralized to the maximum extent, while at the same time guaranteeing its quality. The affiliated centres would be responsible only for providing certain courses at the national level, for which a complete set of teaching materials would be made available to them.

### **C. Financing of activities**

The UNCTAD secretariat is not in a position to finance the above activities from its regular resources, but it could help mobilize some of the funds reserved for technical assistance for this purpose. Thus financing for the activities described above and for the services provided by the resource centres would initially have to be covered by technical assistance projects. These projects are generally financed in the form of national, regional or interregional projects, by UNDP, by donor countries or through contributions from the developing countries in the form of cost-sharing or funds-in-trust made available to UNDP or UNCTAD by the country or entity for which the project was drawn up. In the long term, a network could obtain some of its funding from annual contributions and from its own resources through the savings that the exchange system should make possible.

### **D. Establishment of the network**

#### **1. Basic agreements and preparation of pilot projects**

The Seminar on Human Resources Development held at Lisbon, Portugal from 28 November to 15 December 1990, afforded a unique opportunity to study, discuss and canvass opinions on the establishment of an international co-operation network for training and human resources development in the insurance sector which might be co-

ordinated by UNCTAD. The seminar could be followed by one or more meetings of small groups of experts to examine in greater detail the main avenues envisaged.

If it was decided to establish a network for international co-operation in insurance training under the auspices of UNCTAD, UNCTAD could, in consultation with the member countries and with the assistance of a group of specialist experts, prepare a series of pilot projects in agreement and in co-operation with countries that are immediately concerned and able to participate in setting up the network.

#### **2. Efforts to secure funding and a timetable for implementation**

The year 1991 would be devoted to the preparation of pilot projects and to securing their financial support, and, if possible, to the first phase of their implementation.

#### **3. Advancement of the programme**

In the course of 1993, a meeting similar to the Lisbon meeting would be held to take stock of the results obtained, assess progress in the development of the network and make new proposals to countries wishing to join.

### **III. DEFINITION AND IMPLEMENTATION OF HUMAN RESOURCES DEVELOPMENT POLICIES AND STRATEGIES IN THE INSURANCE SECTOR**

It is not suggested that human resources planners should assume responsibility for dealing with the problems of organization or re-organization of companies, administrations or enterprises connected with the insurance sector. The aim should only be to ensure that these problems are not handled without them.

As indicated above, training can be effective only in a context where the main functions of the company and the duties and responsi-

bilities of the departments and individual posts are clearly and adequately defined and where staffing by job category is correctly evaluated. Likewise, training can serve the sector as a whole in the long term, if career prospects and channels for promotion exist within the company or profession. Ideally these promotion prospects should be clearly linked to individual attainment (for example, through a system of extended responsibilities). All too often existing systems are obsolete or based on outdated models or inadequate information, and do not use modern human resources management techniques. These conditions are not specific to developing countries, but have often been transferred without modification.

#### **A. Recommended activities**

International technical assistance should help to modernize human resources management in the insurance sector. Apart from the assistance required for the development of training capabilities, provision would have to be made for using the services of experts in human resources management to complete pilot studies on the following subjects at the national level in developing countries calling for them:

- General organization of the insurance sector, job evaluation and definition of employment profiles;
- Definition of human resources policies, including
  - Recruitment
  - Selection
  - Training
  - Career Development.

Studies of this kind have already been completed or are under way in some developed countries. Some consultancy firms in North America and Europe have developed very accurate job evaluation and analysis techniques which give the best chance of arriving at the optimum utilization of human resources, and to some extent enhancing job satisfaction, introducing a more equitable system of remuneration and thereby improving company performance.

International co-operation should make it possible to exchange information between countries on these subjects and perhaps gradually transfer the advances made in this field from one country to another.

#### **B. Difficulties in implementation**

The introduction of new policies in the field of human resources is no easy matter. These efforts soon come up against resistance to change, first from management, then from staff representatives and ultimately from the staff themselves. It is therefore a gradual process to be completed over the medium and long term. Further, re-organization is usually costly at the outset (because of the cost of studies and of meeting various claims), even if it later becomes profitable.

All these factors mean that in practice the situation is generally as follows:

- Phase 1* The immediate problems are dealt with by seeking to improve the quality of work through training.
- Phase 2* It very quickly becomes apparent that training cannot be effective unless some structural changes are introduced.
- Phase 3* Structural changes are introduced progressively and training is adapted to the situation as it develops and with a view to moving towards a satisfactory level of efficiency.

Can this process be changed? It seems unlikely. However, the time between the three stages can no doubt be reduced, thereby leading as rapidly as possible to a marked improvement in performance thanks to greater efficiency, and better utilization of the knowledge and capacities acquired by the staff.

#### **IV. CONCLUSION**

The international co-operation arrangements proposed above could offer a relatively economical means whereby the insurance sector in the developing countries can arrange:

**"TO PROVIDE THE RIGHT TRAINING TO THE RIGHT PEOPLE AT THE RIGHT TIME."**

The establishment of a network of co-operation between training centres should help to meet the first requirement, i.e. to provide "the right training". The development of sectoral policies and strategies for human resources development is a prerequisite to meet the other two conditions. The two activities should, where possible, be carried out in parallel; resources must therefore be mobilized to achieve this.

Table 1

Country	Population in millions 1988	Per capita income in US dollars	Staff employed in the insurance sector in 1986	Turnover per capita in US dollars 1986	
				Life insurance	Other insurance
Benin	4.5	310	264	0.08	1.81
El Salvador	5.1	860	1352	7.28	8.65
United Arab Emirates	1.5	15830	1596	20.47	191.00
Jamaica	2.4	940	4800	26.15	38.09
Papua New Guinea	3.4	700	323	0.00	13.54
Singapore	2.6	7940	3680	70.43	133.26
Angola	9.5	470	523	1.89	7.66
Cameroon	11.0	970	705	1.23	9.28
Ghana	14.0	390	3650	0.94	2.77
Guatemala	8.7	950	2467	4.55	4.37
Mozambique	15.0	170	572	0.11	1.68
Zimbabwe	9.2	580	3800	22.68	11.16
Malaysia	17.0	1810	10576	24.06	36.23
Morocco	24.0	610	5516	2.30	11.62
Peru	21.0	1470	3657	0.45	12.21
Sudan	24.0	330	1051	0.03	2.05
Egypt	51.0	680	12621	2.00	10.73
Philippines	59.0	590	30335	2.43	3.20
Thailand	54.0	850	45450	5.28	4.52
Viet Nam	64.0	-	437	-	0.32
Bangladesh	110.0	160	19000	0.11	0.30
Brazil	144.0	2020	75700	2.70	14.64
Indonesia	175.0	450	35000	0.65	2.78
Mexico	85.0	1830	70552	3.52	7.71
Nigeria	106.0	370	25410	0.55	1.33

Table 2

Results of a survey conducted by the UNCTAD secretariat in 1987  
of staffing requirements in 12 African countries <sup>a</sup>

Categories	1987-1991	1992-1996
Senior management (industry)	226	297
Senior management (supervisory authority)	81	114
Total senior management	307	411
Middle management (industry)	314	336
Middle management (supervisory authority)	394	324
Total middle management	708	660
Actuaries	24	29
Loss adjusters	144	60
Office staff	2490	1400

<sup>a</sup> Botswana, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Seychelles, Swaziland, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.

## DEVELOPMENT OF A SYSTEM OF INSURANCE EDUCATION AND QUALIFICATION

David S. Salmon

### INTRODUCTION

It is of great benefit to any insurance business to have within its ranks, particularly at the senior and management levels, staff who have:

- Acquired a sound knowledge of the principles on which insurance operates and the relationship of insurance to the economy which it serves;
- Developed flexibility of thinking and adaptability;
- An ability to absorb new information and assess its significance and application;
- Developed their critical faculties and powers of decision-making.

These are among the most important benefits of an effective system of insurance education and have been derived from the work of the author's institute in the United Kingdom (the Chartered Insurance Institute, CII).

The terms "education" and "training" are frequently used interchangeably but in presenting the case for the introduction of a system of vocational education and qualification in insurance, the way in which this differs from training schemes should be explained.

### I. VOCATIONAL EDUCATION AND TRAINING DISTINGUISHED

Training is driven by the needs of the particular jobs to be done. It addresses current requirements or those immediately in prospect. A primary concern of training is to achieve standards of performance. Given an appropriate definition of its objectives, the effectiveness of any

particular training scheme can be fairly readily measured. In short, training is aimed at the jobs to be done today and tomorrow.

By contrast, vocational education is aimed essentially at the individual and at developing his or her potential over a period. The creation and operation of a system of vocational education is essentially a longer-term investment and one where the returns can be assessed only over a period of years. It is interesting to note that most countries with a developed insurance business have established a system of vocational qualification for those engaged in it.

Vocational education, as distinct from training, centres on developing the individual's grasp of principles and concepts as well as his or her ability to apply these to changing circumstances. Another way of emphasizing this point is to say that training tends to deal with "how" a task is done, whereas vocational education relates to "why" it is performed. In practice, vocational education and training are complementary activities which reinforce one another. For example, the qualified insurance professional who is required to master a new area of business will almost certainly progress more rapidly, by virtue of his or her wider understanding and personal development resulting from a systematic period of study, than someone who has been trained simply to handle certain tasks.

## II. THE OBJECTIVES AND BENEFITS OF QUALIFICATIONS

In establishing a system of qualification for insurance personnel, it should be clear that the qualification, whether it is a degree, a diploma or a certificate, is a means to an end. Successful education in any field requires motivation and commitment from the individual. The pursuit of a qualification both defines the standard to be achieved and sets a target. Bearing in mind that the value of any qualification stands almost in inverse ratio to the ease with which it is obtained, any system of vocational education should set realistic yet demanding standards. Above all it should be relevant to the individuals for whom it has been designed.

The rewards of creating a formal system of qualification are three-fold. Firstly, for the individuals concerned, there are benefits in the area of self-development, including that of commitment and self-discipline, and the increased confidence which flows from knowledge and an understanding of one's occupation.

Secondly, organizations employing qualified staff will benefit from higher standards of performance, greater flexibility in dealing with changes and a more innovative approach. They will also have an objective basis for identifying employees with the potential to accept wider responsibilities. In its recruitment of new entrants, an industry which has a recognized system of education and qualification is likely to appear more attractive to ambitious school and college graduates.

Thirdly, for the community in general, the greater competence of qualified professionals handling their insurance business and dealing with their requirements will be beneficial for all concerned. Additionally, a code of professional conduct and ethical standards can readily be linked to a scheme of qualification.

## III. THE DESIGN AND DEVELOPMENT OF AN EXAMINATION SCHEME

Many factors should be considered in developing an examination scheme to meet the needs of a particular insurance market. The process to be followed must involve full consultation with all interested parties, particularly employers and educational bodies. There must be a willingness to modify initial proposals as different points arise. The primary consideration is to establish the scope of the scheme and the broad structure to be adopted. The overall objective should aim at ensuring a sufficient supply of competent managerial and technical staff to operate and develop the business. More detailed questions will arise concerning areas where competence must be developed and these will influence the syllabus content.

A major question is whether to introduce more than one level of qualification. Insurance organizations need different calibre staff to function at varying levels of expertise and responsibility; it is unrealistic and wasteful to attempt to create a situation where all employees are



expected to aspire to qualifying at the same high level. If full professional qualifications are introduced for only the highest levels then the requirements of more junior staff will have to be supplied entirely by training arrangements lacking formal qualification. There is a strong argument for providing employees at all levels with the opportunity to secure appropriate qualifications, particularly if these are designed to facilitate progression from the lower level upwards.

### **An illustration of the structure of an examination scheme**

An example of a three-tier system of related qualifications is given below:

#### **1. An introductory certificate**

This stage would be designed to provide a basic understanding of the industry. A relatively short period of study is involved, perhaps six months on a part-time basis. The testing of candidates emphasizes their knowledge, understanding and competence in straightforward insurance tasks, e.g. making premium calculations from rating tables and dealing with simple claims.

The introductory certificate would be designed for staff carrying out mainly routine clerical tasks or administrative (non-technical) work. It would have a fairly close relationship to training for specific tasks but would give staff a greater understanding of how these elements relate to the wider picture of the organization's activities. An outline of a scheme at this level is shown in Annex 1. For the majority, it would be an end in itself, but for the more able and ambitious, it would be a stepping-stone to the next stage.

#### **2. An intermediate certificate**

Preparation for this would commence with studies of the principles of the business and the economic and legal framework in which it operates. At this stage, the subject matter would be treated in greater depth than at the introductory certificate level; options would be pro-

vided for different classes of insurance. For this level, two years' part-time study would be appropriate, with several examinations to be taken over this period. The assessment methods adopted should test both knowledge and understanding of insurance practice and the capacity of the candidates to deal with its application into typical situations.

The Intermediate Certificate would be aimed at those who are to become the tactical decision-makers responsible for the day-to-day transaction of the business handling the main flow of work for marketing, underwriting and claims purposes. Using a military analogy they represent the non-commissioned officers of the industry who carry out the policy formulated by their superiors.

#### **3. A professional diploma**

The topics covered at this level would include advanced studies of technical subjects, with a range of options, and preparation of papers on the management of insurance undertakings, including the financial and marketing aspects. A further period of two years' part-time study would be appropriate at this final stage.

Assessment methods at this level would concentrate on the candidate's ability to take a broad view of problem situations and on his/her powers of reasoning and judgement.

The professional diploma should be designed to meet the needs of those who will become senior and top managers. These people will be the strategic decision-takers and policy-makers responsible for steering their organizations through a variety of circumstances and changing conditions.

#### **4. Entry requirements**

A practical question is the requirements for entry at the different levels. Admission to the introductory stage may be open to all, regardless of academic qualifications. Success at this stage would lead to access to the intermediate level. Minimum academic standards would

be required for direct entry to the intermediate stage and graduates or those with university entrance qualifications should be allowed to proceed directly to the diploma course.

The author's Institute is in the process of modifying its examination schemes along the lines just described, with a basic certificate, an intermediate examination and a full professional diploma. However, it would be arrogant to suggest that this is the only sensible approach. The essential point is that the examination system devised must fit the needs of the industry and the place in which it operates. Hence this outline should be regarded simply as an illustration.

You may have noticed the emphasis placed above on part-time study throughout the different stages of qualification. This is deliberate. Academic study of insurance without practical experience has considerable limitations. Day-to-day exposure to the reality of the business helps considerably by providing illustrations of what is learnt from a textbook or in the classroom. The relevance of study becomes evident and, perhaps most importantly, contributes greatly to the student's interest in the subject. Studies running simultaneously with practical experience may be organized in various ways; these may even include short full-time courses away from the office.

In a country where there is no existing scheme, the model just described may sound very ambitious. Certainly it would be unwise to attempt to introduce a series of qualifications in only one single step. It would be better to start with one element, perhaps the introductory certificate, and introduce further stages progressively over a period of years.

#### IV. ESTABLISHING AN EDUCATIONAL SCHEME

In taking up the challenge of setting up a qualification system the question of where to start is paramount. The author's advice would be to make haste slowly and to enter into discussions with all interested parties. These must include representatives of insurance employers whose views must have a major influence: their support will be essential to the success of the scheme. The discussion must cover not only the question of what is desirable but also an assessment of the resources

available to deliver it. More about resources will be mentioned later in the paper. Perhaps the best way to start would be to establish a committee or working group with representatives of the top management of insurance organizations, educationalists, academics and training specialists from within the business. This team would tackle a number of practical questions, including:

- Who is to administer and award the qualifications? In the United Kingdom, the author's own institute is one of a number of professional bodies specially established to provide vocational qualifications; in other countries, qualifications may be awarded by colleges or universities. One option is to establish a new institute or professional body for this specific purpose.
- The structure and content of the examination scheme. Decisions must be made on the range of subjects to be studied. Annex 2 shows the subjects and structure of the diploma examination which the Institute with which the author is associated will be introducing in 1991. Eventually it will also be necessary to agree on details of the syllabus and learning objectives for each subject but this aspect may be left until the broader issues have been settled.
- The availability of appropriate people to act as examiners and teachers for the different subjects. There is little point in having a test on aviation insurance if there is no one available to examine or teach the subject.
- How will the scheme relate to other qualifications, e.g. that of accountants, who are already established in the country? If there is any national framework for vocational qualifications, it makes sense to develop the insurance scheme in concert with it. Where similar subjects, e.g. law are covered, there should be scope for cross-crediting and recognition of examination successes.
- How will people study for the examinations? Will it be possible to organize face-to-face teaching in classes or will students have to rely purely on studying privately?
- Are there teaching materials already available, or will these have to be specially prepared, if so, who will write them? It may be possible to adapt textbooks relating to other markets to local practice, although obviously questions of copyright must be negotiated with the publishers.

- What methods of assessment will be used to determine the success of individual candidates? The traditional approach of a written examination paper, previously unseen, is the most straightforward method but it has limitations. With this method some candidates do not do themselves justice. Such an examination measures performance on the day of the examination rather than reflecting the work done over the period of their studies. Consequently, there is a trend in the United Kingdom to give both a written examination and what is termed "continuous assessment", whereby work done over the study period is evaluated and taken into account in determining the final result.

The types of questions which will figure in the written examinations also need to be considered. It is comparatively easy to set questions which demand factual recall but this approach simply promotes rote learning. It does not necessarily establish the candidate's understanding of what he has learnt or test his ability to apply the knowledge to practical problems. A better approach would be to use at least some case studies where the candidate is presented with a problem and required to find a solution. For example, a letter from a policyholder with details of a claim could be presented to the candidate who is expected to deal with the matter. A further development in the direction of testing application rather than memory is the so-called 'open book' examination whereby the candidate may use reference material in the examination room. This approach lets the candidate refer to a copy of the policy for the exact wording in dealing with a claims question, for instance. Traditionally, the Institute's own examination papers have involved written answers to some six questions in a time frame of three hours. There are several limitations to this method. Firstly, the marking of answers must be done by people who know the subject; it is a fairly time-consuming job. Secondly, six questions can scarcely cover the entire range of the subject. The alternative is to use what is termed "objective testing", most commonly multiple-choice questions. Multiple-choice tests have several advantages. As the candidate has only to tick the correct answer, he can tackle a large number of topics, say 40 or 50 in one hour. If properly constructed, only one answer is correct and so the marking of answers is a mechanical process not requiring a specialist examiner. Such questions can be used at all levels but are particularly convenient at the

introductory or basic stage where candidate are most numerous. There are other matters to be decided upon as well. Where and when will the examinations be held? Who will set and mark the papers? What level of pass mark will be set? The maintenance of standards and the integrity of the examination scheme need to be given careful thought at the design stage. Provision must be made for the training of examiners and the monitoring of their work. A system will be needed so as to ensure consistency in the examining standard, both as between different examiners and from year to year. There will be little support for a scheme where there are doubts as to the consistency of the qualification or debate over the sensitive issue of whether it has been fairly and impartially administered. A timetable for the introduction of the scheme must be developed. The timing of the first examination must be related to the availability of learning materials and tuition for the subjects concerned.

How will the scheme be administered and financed? Once established, tuition and examination entry fees should be set at a level sufficient to maintain the operation but the preliminary work involved will almost certainly require some pump-priming funding. Should the opportunity be taken to introduce codes of conduct for those who qualify under the scheme, particularly at the higher levels? There is no universally agreed definition of what constitutes a profession but it is a feature of all occupations generally regarded as professional that those engaged in them must follow a code of ethical behaviour. A code of conduct exists to which CII members are subject. A longer term consideration is that of ensuring that those who have qualified through the scheme continue to build on their studies and keep themselves up to date with new knowledge. This requirement is often called "continuing professional development" or "continuing professional education". While it is a subject which would merit a separate paper, the author would like to table it for attention once a qualification scheme has been established.

The list of elements to be considered is not exhaustive. A host of administrative issues such as entry procedures and record systems have not been touched on. It is hoped that the coverage gives a general appreciation of the scope of the work to be undertaken. It will be a time-consuming exercise, taking at least a year, probably longer. Some may wonder if it is worth the trouble and expense. Clearly the author

has made a commitment in this regard. In conclusion, however, a quotation will be given from a report published by one of the Institute's sister institutes in New Zealand, which has had its own qualification and examination scheme quite separate from the CII for many years, and has recently carried out an extensive review of these arrangements. The report posed the question: "What if there were no industry education"? The answers summarise the adverse consequences as resulting in:

- Individuals who are limited to job-only perceptions;
- Limited contribution of individuals to wider company interests (especially a problem at management level);
- Prevalence of conservative traditions;
- A trend towards stultification, non-expansion and incompetence;
- Under-use or misuse of human capital;
- Customers receiving less than top-quality service;
- Competition gaining more often;
- Reduced profitability.

## V. CONCLUSION

It is taken for granted that doctors and lawyers should be educated in their disciplines and that they should hold qualifications obtained by examination. Insurance is a complex business which likewise needs able people who have been fully educated in their vocation but this will only come about when a system of qualification has been provided and is supported by the industry.

## Annex 1

### CII CERTIFICATE OF PROFICIENCY

#### *(Basic level)*

This examination consists of two, 2-hour papers.

#### PAPER 1: THE INSURANCE BUSINESS

##### *Part I - General*

The need for insurance: The nature of risk. The pooling of risk. Insurable risk. The value of insurance to the community.

The history and development of insurance: Major historical and legislative features in the development of insurance.

The main classes of insurance: Fire and special perils. Liability. Motor. Household. Life. Marine. The insurance market. Insurance companies. Reinsurance companies. Lloyd's of London. Insurance intermediaries.

The basic principles of insurance. The general law of contract. Proposal forms and policies. The essentials of a contract. Utmost good faith. Insurable interest. Indemnity. Subrogation. Contribution. Proximate cause. The function of reinsurance.

##### *Part II - Market Practice*

This part consists of three options. Candidates take one option only. The three are designated to cover the three main types of organizations in which candidates are employed:

**OPTION A - INSURANCE COMPANIES***or***OPTION B - LLOYD'S OF LONDON***or***OPTION C - INSURANCE INTERMEDIARIES****PAPER 2: TECHNICAL ASPECTS**

There are three options for this paper. They cover the three main classes of the insurance business.

**OPTION A - GENERAL INSURANCE***or***OPTION B - LIFE ASSURANCE AND PENSIONS***or***OPTION C - MARINE AND AVIATION INSURANCE****Annex 2****ASSOCIATESHIP DIPLOMA EXAMINATION OF THE  
CHARTERED INSURANCE INSTITUTE***(First Examination 1992)*

Note: Candidates must pass subjects 510, 520 and 530 plus any seven of the Menu Subjects.

**A. Compulsory subjects**

- 510 Risk and Insurance
- 520 Contract Law and Insurance
- 530 The Business Environment

**B. Menu Subjects**

- 550 Personal Investment and the Financial Services Industry
- 555 Life and Disability Underwriting
- 560 Life Assurance Practice and Administration
- 565 Life Assurance Law and Taxation
- 570 Financial Aspects of Long-term Business
- 575 Pension Law and Taxation
- 580 Pension Planning and Administration
- 600 Personal Insurances - Legal Aspects and Underwriting
- 605 Personal Insurances - Claims, Marketing and Management
- 610 Private Motor Insurance
- 615 Commercial Motor Insurance

- 620 Property and Casualty Insurance Risk Assessment and Control
- 625 Property Insurance Underwriting
- 630 Legal Liabilities
- 631 Liability Insurance Practice
- 635 Property and Casualty Claims
- 640 Business Interruption Insurance
- 645 Engineering Insurances and Claims
- 650 Construction Insurance
- 655 Risk Management
  
- 700 Marine Insurance and World Trade
- 705 Marine Risks and their Assessment
- 710 Marine Insurance - the Legal and Documentary Framework
- 715 Marine Account Management and Reinsurance
- 720 Marine Claims
- 725 Aviation Underwriting
- 730 Aviation Law and Claims
  
- 830 Principles of Reinsurance
- 835 Practice of Reinsurance
- 840 The Reinsurance Market
  
- 900 Lloyds Regulatory Requirements
- 925 The EC and Insurance
- 930 Insurance Broking
- 935 Principles and Practice of Management in Insurance
- 940 Accounting and Finance for Managers in Insurance
- 945 Marketing

### Annex 3

## THE CODE OF CONDUCT FOR CII MEMBERS

### 1. *The Code*

The Chartered Insurance Institute aims to promote the highest professional and ethical standards in the insurance business worldwide.

The Council and membership of the Institute look to you, as a member, to uphold these standards and the reputation of the Institute by:

- (1) behaving with complete integrity in your professional life;
- (2) complying with the law and with the established principles and practice relating to insurance;
- (3) conducting yourself in a professional and honourable manner towards those with whom you are in contact in business life;
- (4) observing and applying the guide to good practice.

### 2. *The Guide to Good Practice*

The guide to good practice amplifies the code.

- (1) Members should take every opportunity to improve their professional capability;
- (2) The requirements and interests of clients must be properly considered and the confidentiality of information respected;
- (3) Diploma-holders should ensure that advertisements and other public announcements with which their names or qualifications are associated are not such as might bring the Institute into disrepute;
- (4) Members who are not diploma-holders must not publicise their membership of the Institute in such a way as to imply the possession of a professional qualification;

- (5) Every member should support local institute activities;
- (6) Senior members have the responsibility of encouraging others to attain their professional qualification and of helping to further insurance education at all levels.

## PROFESSIONAL DEVELOPMENT THROUGH CERTIFICATION EXAMINATIONS

*Robert J. Gibbons*

### INTRODUCTION

Service industries such as insurance present a special case in economic development.<sup>1</sup> Whereas manufacturing industries evolve when demand creates favourable conditions for investment in the appropriate technology, increases in technical knowledge of insurance can be acquired only through education and training. In other industries, the investment of capital and technology in large-scale enterprise typically generates employment for an already existing labour force, and induces further education. In insurance it is the human resources that are the most scarce. Therefore their dearth poses the biggest obstacle to development.<sup>2</sup> Furthermore, until local insurance personnel are sufficiently educated to provide the desired service, domestic demand may be small, or the demand may be satisfied abroad.

This fundamental difference in the path of development arises from the nature of insurance as a profession. A professional service involves a significantly different relationship of the factors of production. As has been observed, "insurance is basically a 'human system' that depends heavily on experienced management and skilled personnel, who are, in turn, critical in the training and development of new management personnel. The most valuable asset of an insurance company is the management knowledge of its personnel in bringing together the

<sup>1</sup> For a general discussion of economic development in the service sector, see Ronald Kent Shelp, *Beyond Industrialization*, New York, Praeger, 1981, and Shelp, *et. al. Service Industries and Economic Development*, New York, Praeger, 1984.

<sup>2</sup> For an analysis of skill requirements in the insurance sector, see Bernard Wasow, "Insurance and the Balance of Payments", *The Insurance Industry in Economic Development*, edited by Bernard Wasow and Raymond D. Hill, New York, New York University Press, 1985, pp. 93-100.

diverse tasks involved in the delivery of insurance services".<sup>3</sup> Insurance is what Peter Drucker calls "knowledge work". In the absence of sufficiently educated personnel, successful operation of the insurance business is inconceivable. In order to promote human resource development in the insurance sector, this paper analyses the concept of professionalism, the nature of insurance as a profession, and the role of certification examinations in professional development.

## I. THE CONCEPT OF PROFESSIONALISM

The concept of professionalism may be often discussed, but is still poorly understood. It is inherently subjective; practitioners in diverse fields tend to define professionalism in such a way as to include themselves. One fairly exhaustive discussion of the concept of professionalism lists the characteristics appearing in table 1 below.

In essence, these characteristics show that a professional renders a service by applying specialized knowledge in a way that others can rely upon. The buyer of tangible goods can usually inspect the product and examine the quality of workmanship. The recipient of a professional service must trust the provider of the service to apply expert knowledge competently and conscientiously. An insurance buyer, for example, may not know until a loss occurs whether he has appropriate coverage. This reliance, in turn, creates an ethical obligation on the part of the professional to perform as expected. The degree of expert knowledge involved also implies a unique pattern of regulation of the profession itself, including its entry requirements. Mastery of specialized knowledge is difficult to judge, except by others who have already achieved that mastery. Moreover, even if the essential indicators of the mastery of a profession could be identified and codified at a given time, advances of knowledge would soon render those indicators obsolete. Thus, it is the members of the profession who themselves must maintain the standards of competence and ethical conduct.

By representing all members of the profession, a professional group can define the underlying body of knowledge, establish standards

<sup>3</sup> June P. Shelp, "Insurance Industry Technology", *The Insurance Industry in Economic Development*, p.58.

for the practice of the profession, develop procedures for admitting new members, facilitate the exchange of information, and present the view of the profession in an influential manner. Standards of competence and ethical conduct become a significant aspect of group identity. Conversely, a unified and cohesive group, functioning as a professional body, reinforces those standards.

The idea of a profession can be traced to medieval times when members of each trade gathered to promote their collective interest. Although perhaps dominated by masters, these guilds were open to all members of the trade and offered them the possibility of advancement to the highest level. Each guild set its own requirements for advancement from apprentice to journeyman to master. The guild also set quality standards for work. Although an individual craftsman seldom gained a reputation beyond the immediate locale, the guild's seal was recognized far and wide as the sign of skilled craftsmanship. Thus, membership in the guild and adherence to its standards brought considerable marketing advantages. It also provided a vehicle for self-improvement, since each craftsman learned from the more advanced members of the guild both by formal apprenticeship and by association. Through sharing ideas and mutual concerns, the guild members were able to adapt to changing circumstances more easily. Their collective voice carried more influence with wholesalers or governmental authorities than their individual voices.

One type of guild had particular significance for the development of the concept of professionalism. Associations of masters and students won the special privileges of independence and self-governance characteristic of medieval universities because of their importance for the advancement of learning.<sup>4</sup> The paramount question was one of who granted the license to teach. When universities won recognition from the church and state to be the sole judge of the qualifications of their members, they achieved the status of a self-governing profession. Thus the faculties of law, medicine, and theology determined the content of

<sup>4</sup> Gaines Post, "The Paris Masters as a Corporation", *Speculum*, Vol. IX, 1934, pp. 421-445. Gordon Leff, *Paris and Oxford Universities in the Thirteenth and Fourteenth Centuries*, New York, John Wiley & Sons, 1968, pp. 16-34.



their respective fields of knowledge and evaluated the competency of prospective entrants into the field.

Down to the present time, the legal, medical and religious professions have been essentially self-governing. Attorneys, physicians, and clerics are of course subject to the laws of society, but the most effective sanctions on their professional conduct have been those imposed by the professional association. In extreme cases, someone who has departed from the standards set by the professional body can be effectively barred from practicing the profession.

As society became more complex, particularly under the impact of industrialization, other highly specialized occupations followed similar patterns of development. During the nineteenth century, dentists, physicians, attorneys, architects, engineers, librarians, nurses and accountants organized professional bodies.<sup>5</sup> To differing degrees, these groups have asserted the principle of self-regulation. Thus, professional accreditation procedures, especially educational qualifications and proficiency testing, have assumed great importance.

In the United States, Certified Public Accountants have been conspicuous in establishing rigorous standards of competence and ethical behaviour maintained by formal examination procedures for new members and by peer review for existing members of the profession. Similarly, the property and liability insurance industry recognizes the Chartered Property Casualty Underwriter (CPCU) designation as the symbol of professional competence, educational attainment and ethical behaviour.

## II. INSURANCE AS A PROFESSION

The insurance profession's specialized body of knowledge plays a critical role in economic development. Insurance transactions enable individuals to make exposures to accidental loss conform more closely to their particular risk preferences. A smoothly functioning insurance

<sup>5</sup> Magali Sarfatti Larson, *The Rise of Professionalism*, Berkeley, University of California Press, 1977, p.246.

business, therefore, facilitates a more efficient distribution of risk within society.

Like other types of financial intermediation, insurance contributes to economic development. One observer of developing nations, however, has found "a lack of understanding of the close interaction between financial growth and real growth - that financial institutions are a mechanism for mobilizing and allocating financial resources, and in so doing can make a real contribution to economic development".<sup>6</sup> This lack of understanding of financial institutions is in fact one aspect of the underlying problem. A financial system evolves as increasingly sophisticated techniques are practiced to make exchanges between parties who have identified a double coincidence of needs. The terms of the exchange, however, can only be expressed through complex legal and mathematical concepts. Transactions on the real side of the economy are concrete and easy to visualize. Transactions on the financial side necessarily involve abstractions which may be more difficult to grasp. Thus as financial systems develop, there are inevitably some people who are more proficient with these abstractions while many others feel confused, skeptical, and perhaps even critical. New techniques that are difficult to visualize are bound to be adopted slowly.

The symptoms of such evolution should be interpreted not as isolated episodes, but as a continuous historical pattern. In re-evaluating contemporary criticisms of the South Sea Bubble and similar financial experiments of the eighteenth century, a distinguished historian concluded: "This uneasiness was the beginning of the awareness of a new language. For currencies are languages...: they make dialogue both necessary and possible and they only exist when the dialogue itself exists".<sup>7</sup>

This explanation can be extended to other financial techniques, including insurance, which has encountered public skepticism on many occasions. Concepts such as exposure units, deductibles, subrogation,

<sup>6</sup> Holger L. Engberg, "Capital Formation and Economic Development: The Role of Financial Institutions and Markets", *The Insurance Industry in Economic Development*, p.118.

<sup>7</sup> Fernand Braudel, *The Structures of Everyday Life*, New York, Harper & Row, 1981, p.440.

and actual cash value enable two parties to transfer risk at a commensurate price. The task of the professional, fluent in this specialized language, is to translate the concepts into recommendations that meet the needs of consumers. For consumers their unfamiliarity with these specialized concepts and perhaps feeling ill at ease with the abstractions involved, means that they adopt these recommendations only when they have confidence in the person making them. Thus the insurance market depends heavily on the confidence of the public in its specialists.

To a large extent, public esteem for a particular profession depends on the rigour of its education, examination and ethics practiced. The most effective standards are those a profession sets for itself, but the right to self-governance does not come automatically. Society grants privileged status to professions only to the extent that society benefits as a result. Professions have tended to escape more rigid social control and governmental intervention only by maintaining much higher standards for themselves than society was inclined to impose.

When a profession serves a social purpose in a responsible manner, it gains public recognition and develops a sense of identity. This process reinforces the ideals of those in the profession. Aware of their status and responsibility, its members realize that their conduct must conform to public expectations. This realization strengthens their commitment to the standards of the profession. They may become more active participants in their professional association and take advantage of more opportunities for continuing education as a result. As a general rule, the stronger, more visible, and better organized the profession is, the higher the performance standards of its members.

### III. THE ROLE OF CERTIFICATION EXAMINATIONS

Without some means of competency evaluation, however, any talk about professional standards can be just empty rhetoric. Thus, the means of evaluation is a critical issue for human resource development. Given the political need to encourage the growth of the profession, externally imposed standards inevitably focus on minimum performance levels and provide no incentives for higher aspirations. Moreover, no matter how carefully designed the requirements may be initially, over

time advances in the field will undermine the validity of externally devised standards. However, internally generated standards of professional performance focus on the ideals of the profession. They undergo continuous revision as the body of knowledge advances. When a structured process involves the profession in setting its own standards, certification examinations can form the link between the ideals and the practice of the profession.

As a mechanism for human resource development, professional certification examinations offer the three significant advantages summarized in table 2. First, they provide a means for independent evaluation of one's mastery of the profession's specialized knowledge. Objectively developed standards supplant accidental circumstances as the criterion for entry or advancement in the profession. Those who have met the standards receive confirmation of their knowledge. Those who have not met the standards discover what they still must learn. Employers and consumers have a recognized basis for their selection decisions. As a result, career preparation emphasizes these standards rather than the accidental factors.

Professional certification examinations also promote the ability to analyse factual situations and to communicate conclusions and recommendations clearly. These active responses transcend merely passive knowledge of the subject. Fluency in the specialized language of the profession and the ability to translate it into ordinary language are essential skills in providing professional service to clients. Essay examinations in particular require some of the same skills the professional must exhibit in practice.

Finally, professional certification examinations encourage widespread recognition of the individuals who have met the standards of the profession. Recognition of their accomplishment enhances their confidence and reinforces their educational efforts. These individuals also become worthy examples for others to follow. This natural emulation of recognized professional accomplishment promotes the growth of the profession itself.

These effects have been observed in the United States over more than 80 years. Two organizations, which merged in 1953 - the Insurance Institute of America, founded in 1909, and the American Institute

for Property and Liability Underwriters, founded in 1942 - administer examinations that evaluate proficiency in various aspects of property-liability insurance. Proficiency leads to recognized credentials in the field. Foremost among these is the CPCU designation, the symbol of property-liability insurance professionalism in the United States. The American College, which confers the CLU and ChFC designations, and the Life Office Management Association, which grants the FLMI designation, perform a similar function in life insurance. These designations are highly respected and prized within the insurance business and are generally recognized by the public as important credentials. Many people work in the insurance sector without these credentials, but they still aspire to this ideal. For those who have attained a professional designation, continuing education is an important professional responsibility. The 30,000 people who have earned the CPCU designation have formed a strong and effective professional society. While the Institute administers its examinations in a totally independent and objective manner, these property-liability insurance professionals are its most important resource in aligning curriculum objectives and examination standards with the educational needs of the industry.

#### IV. CONCLUSION

Exact circumstances can never be replicated from one country to another. Some conclusions, however, may be drawn from these general observations. The high skill requirements of the insurance business and the extent to which the public must rely on expert advice give insurance the characteristics of a profession. Like other financial intermediation techniques, the insurance business develops in response to consumer demand, which primarily reflects income levels and public confidence. Thus a domestic insurance industry develops most readily in an environment in which it can function as a self-regulating profession. Human capital is the scarce resource; certification examinations play a critical role in fostering the necessary professional development.

Table 1

#### Characteristics of a profession

1. Commitment to high ethical standards
2. Prevailing attitude of altruism
3. Formal education
4. Continuing education
5. Formal association or society
6. Independence
7. Public recognition

Source: Ronald C. Horn, *On Professions, Professionals, and Professional Ethics*, Malvern, PA, American Institute for Property and Liability Underwriters, 1978, pp.8-40.

Table 2

#### Advantages of professional certification examinations

1. Independent evaluation according to objective standards
2. Practice in analysing factual situations and communicating conclusions
3. Widespread recognition of accomplishment

## **DEVELOPING MINIMUM QUALIFICATIONS FOR MARKET INTERMEDIARIES IN GENERAL INSURANCE**

*Diane Laflamme and René Langlois*

### **I. LEGAL FRAMEWORK AND CHARACTERISTICS OF THE QUEBEC MARKET**

The general insurance distribution network in Quebec includes 5,300 brokers and 3,700 agents, who shared \$3.4 billion in premiums underwritten in 1989. During the same period, \$2.4 billion in claims were settled by 3,600 claims adjusters, of whom 1,600 were independent adjusters and 2,000 worked for single insurers.

The development of minimum qualifications for market intermediaries takes place within the framework of the legislation and regulations, as well as the ethical standards governing the activities of intermediaries. In Canada, constitutionally, such legislation and regulations come under the sole jurisdiction of the provinces, and therefore may vary according to the province in which the market intermediary practices. In addition, insurance contract law varies significantly from province to province, which means that education programmes must be adapted to the legal realities of each province. However, commercial relations between the provinces are such that, throughout Canada, the same financial institutions usually offer similar financial products. Consequently, having uniform Canadian educational complement programmes in insurance is desirable (for example, the Associateship programme of the Insurance Institute of Canada).

In Quebec, insurance brokers, agents and independent claims adjusters must, before they can practice, pass regulatory examinations to assess their basic knowledge of insurance. In addition, they must have completed 11 years of general education; this may be raised to 13 years in the near future. However, there are no mandatory programmes

to prepare people for the insurance examinations. Basically, the contents of insurance courses are left to the discretion of those offering the courses. They must, however, respect certain fundamental principles inherent to the development of qualification standards and training programmes.

With regard to consumers benefits, qualification standards should ensure that they receive quality financial services for the lowest possible cost, dispensed by competent intermediaries capable of providing coverage that gives identical protection from the moment the premium is paid to the time the claim is settled. For companies, qualification standards must allow them to improve the quality of the services they offer and increase the effectiveness of their product marketing. Effective marketing depends mainly on the consumer's trust in the intermediary. In fact, it seems that the sense of financial security sought by consumers depends more on their confidence in their advisor than on the insurance product itself - about which they know very little. Finally, for intermediaries, minimum qualifications must provide the means for them to fully develop their potential in a highly-competitive environment. Such standards must also allow them to assume the responsibilities imposed on them by legislation and ensure a certain degree of recognition from the public.

Hence, the two objectives of such standards are, on the one hand, to protect the consumer and, on the other, to ensure a return on the human and financial investment made. The challenge in defining minimum qualifications lies in establishing a balance between these two poles. In trying to achieve these two objectives, minimum qualifications must not put up barriers to becoming a market intermediary, but must rather encourage candidates to serve the needs of consumers and insurers. It is not so much a question of limiting access to the activities of intermediaries, but of ensuring that intermediaries are able to meet the needs of the public.

Standards that exceed the resources available for compliance could have the opposite of the desired effect, and cause distribution costs to climb. Profit margins would be reduced; costs related to the hiring of over-qualified personnel would be passed on to the consumer in the form of higher premiums.

This is why it seems essential that, before setting qualification standards for insurance intermediaries, the specific features of the job market, the various aspects and segmentation of distribution, and the degree of uniformity of consumer financial products must be clearly identified. Notwithstanding the world-wide spread and globalization of financial markets, the various socio-professional, geographic, demographic, economic and legal contexts all require different solutions, the sole common factor being the need to analyse these contexts before determining a standardized education framework.

Within the context of the reform of Quebec financial institutions, the decompartmentalization of intermediaries will allow intermediaries to offer a diversified range of financial products to the public. Decpartmentalization has created a new game plan for education programmes; instead of opting for uniformity, preference is given to harmonizing the various optional programmes with the new minimum qualification standards.

First of all, the reform promotes self-regulation, to enable the establishment of a framework which lends itself to adaptation to the changing role of intermediaries in the financial field, while benefiting from the expertise of all the players involved. Thus, the Government of Quebec has created a General Insurance Council made up of representatives of insurers, consumers and the associations to which the market intermediaries belong, including the Insurance Institute of Quebec. This Council sets the regulatory framework within which intermediaries must practice.

Having practitioners and consumers develop standards together is a good way to ensure that the standards will be both fair and applied. By law, the Council must, therefore, establish regulations, particularly regarding minimum general-insurance qualification standards and the training required to practice the various activities of market intermediaries. The Council is not, however, responsible for providing minimum insurance educational programmes. It sets the parameters and, through examinations, ensures that the training is sufficient. When a candidate has passed successfully the examinations, a certificate authorizing exclusive activities is awarded. Hence, through its regulations, the Council sets the objective of the examinations and recommends,

administratively and in a flexible fashion, the textbooks and the legislative, regulatory, contractual and other material it deems most relevant to prepare students for the examinations, given the situation at the time.

For example, the Council may order that the examinations focus on:

- Legislation and regulations concerning general insurance contracts and the activities of general insurance intermediaries;
- Insurance contracts commonly used for personal insurance, for example automobile and home insurance, for a person seeking a certificate to practice personal insurance;
- Insurance contracts commonly used in commercial insurance, for a person seeking a certificate to practice commercial insurance;
- Insurance contracts used regularly in commercial and personal insurance, for example, automobile and home insurance, for a person seeking a certificate to practice personal and commercial insurance;
- The uses and practice proper to the broker's, agent's or claims adjuster's activities for which the person seeks a certificate.

As a result, the Council can indirectly orient the minimum contents of the various education programmes, thereby promoting quality written material and healthy competition among the various organizations involved with methods of training and learning.

It is deemed useful to group licenses to practice according to the areas defined by organizational realities. Thus, a person authorized to practice in a certain field should have specific knowledge in that field. Similarly, it is considered desirable to effect controls and training in various licensing categories. Thus, the training and controls in certain areas such as the legal framework for insurance contracts could be standardized for brokers, agents and adjusters. Moreover, training and controls in other areas such as ethics and the established methods used in practising activities may differ, depending on whether they are addressed to brokers, agents or adjusters. This differentiation may also apply to commonly used insurance contracts, depending on whether the intermediary intends to practice in personal or commercial insurance. This multiple licensing approach is viewed as being a means of en-

couraging the continuing education, integration, rapid profitability, full development and mobility of new intermediaries.

In determining basic knowledge, the complexity of financial products must be taken into consideration along with the fact that companies and their resources focus on certain specialties. In Quebec, these specialties are personal automobile and housing insurance, on the one hand, and commercial insurance, on the other.

To make the most of the human resources and financial investment required by training, there must be a perfect match between the specialization practised and the training material. This is not to minimize the importance of in-depth training in insurance. Quite the contrary! However minimum training in insurance must meet the immediate needs of new intermediaries in terms of the duties they are to carry out. Within the context of regulations governing minimum training, a central concern is equal access to all areas of insurance education.

Some may prefer on-the-job-training, while others may want correspondence courses. Still others may opt for training in an institution where programmes may, of course, cover more than the minimum material suggested by the General Insurance Council. In Quebec, the mosaic of programmes and the one-time or continuing basic educational activities reflect the wealth and diversity of various pedagogical approaches, which is of great benefit to intermediaries and their employees.

It is essential to promote training, both part-time and full-time, in remote areas as well as urban areas. The new social and cultural realities, particularly with regard to job sharing and returning to work after a long absence must be addressed as well. The geographic distribution of candidates and their employers is also a factor that must be taken into consideration.

At present in Quebec, there are on-the-job general insurance programmes, or programmes offered by universities, general and vocational colleges, high schools, professional corporations and associations (for example, the Insurance Institute of Canada), on a part-time or full-time basis, at the workplace or by correspondence. The Insurance

Institute of Quebec sponsors and organizes many of these programmes by involving, usually on a volunteer basis, practitioners in the insurance industry. All the programmes are optional and initially help candidates prepare for the intermediaries' examinations, while later contributing to the continuing education of these same intermediaries.

## II. CONTRIBUTION OF THE NETWORK OF EDUCATION AND TRAINING INSTITUTIONS

In Quebec, training and professional development in general insurance has evolved, since the beginning of the twentieth century, in an environment where the watchword has been the sharing of resources. There is a long tradition of joint action on the part of companies in the general insurance sector, of individuals who wish to make this field their career, and of professionals concerned about professional development. All these parties work together to create and run the volunteer organizations and networks whose purpose is to meet the training needs of those involved in general insurance. The *raison d'être* of these organizations and networks is to sponsor and organize professional development activities, and they all contribute, in their own way, towards a common cause: adequate training and continuing education throughout the industry. Some organizations focus primarily on meeting the needs of the people who work in specific areas of specialization: for example, selling policies, claims adjusting and risk management, to name just a few; others have given themselves larger mandates and recruit their members from all areas of general insurance related activities.

The insurance institutes are such organizations with the general mandate to create educational activities. Participation, whether the activity is a one-time education seminar or a course leading to nationally recognized professional qualifications, is open to anyone who wishes to make a career in the general insurance industry. The financial resources for the institutes come from all categories of employers.

The history of the province's insurance institutes goes back to the year 1900, when the forerunner of the present-day insurance institutes, which now operates throughout Quebec, was established in the City of Montreal. Today the Institutes have almost 7,000 individual members, both students and graduates.

The network of insurance institutes started to move towards this end well before governmental authorities imposed minimum qualifications. It is to the credit of the insurance industry that it has demonstrated its desire to invest before being required to do so by law in the education and upgrading of its human resources.

## III. A NETWORK BUILT BY INSURANCE PROFESSIONALS TO ENCOURAGE PROFESSIONALISM

The network formed in Quebec by the insurance institutes was built by professionals to promote the continuing education of other insurance professionals. The insurance institutes are non-profit organizations. They are financed in part through annual voluntary contributions from industry employers, which totals 210,000 Canadian dollars worth of funding in 1990-1991. Added to this is the Cdn \$30 annual membership fee paid by each of the 7,000 members, which is another Cdn \$210,000, out of an overall operating budget of Cdn \$600,000 for the 1990-1991 year, the balance being financed by the activities.

The activities of the insurance institutes are addressed to the entire general insurance industry. In pooling resources to reach a common goal, employers appoint managers and insurance specialists from among their own employees to sit on the Board of Directors and the standing committees of the insurance institutes. Leaving aside partisan concerns, these experienced professionals, who for the most part also hold professional qualifications from an insurance institute, monitor the implementation of a wide range of educational activities. These activities include programmes to prepare individuals for their professional qualification examinations; day-long or longer seminars; conferences; and luncheon meetings on topics of interest to the industry<sup>1</sup> which require a rapid response so that the available expertise is shared and made accessible to the greatest number of participants. The Board of Directors manages the annual contributions from employers as well as

<sup>1</sup> During 1989-1990, nearly 2,000 people participated in such one-time educational activities.

members' dues. It renders its membership an account at the annual general meeting, but is totally separate from governmental structures.

Who handles teaching? Where do the insurance institutes recruit their teachers? Those who pass on knowledge already hold professional qualifications from an insurance institute, and added to this, of course, is their work experience which has won them the respect of their peers, as well as a keen interest in the dynamics of teaching others in a classroom situation.

Entrust teaching to those who are making a mark in their work environment - that is the precise goal. Business people with chalk in hand, or armed with acetate sheets and felt pens - after working hours - these are the people whom you will find in the network of insurance institutes. The people who teach courses in the Insurance Institute's Associateship programme are expected: to imbue their students with enthusiasm and the desire to master the intricacies of the industry and to promote the vision of an expert who goes far beyond simply sticking to the letter of an insurance policy.

The goal is to encourage the emergence of professionalism, nothing less! What role do minimum qualifications play in such a context? In response it should be stated that the insurance institutes are particularly well-suited and competent to participate in the application of such minimum qualification standards, precisely because they bring together professionals who have worked for many years to promote professional development in a continuing education context.

#### **IV. A RESOURCEFUL NETWORK THAT WORKS TO CREATE BOTH MINIMUM AND CONTINUING EDUCATION BY COMBINING ITS EFFORTS WITH THOSE OF VARIOUS PARTNERS**

In Quebec, the network of insurance institutes organizes a wide range of courses to affirm and strengthen the professional nature of the activities of its 7,000 members. As to whether members will engage only in the minimum training defined by governmental authorities in order to exercise their profession, or become involved in more de-

manding programmes out of concern for professionalism, this is a valid question.

The student clientele of the insurance institute network is primarily composed of individuals who work full-time during the day then take evening courses. The insurance institutes can reach their members at the workplace, in order to encourage them to pursue their education well beyond the minimum requirements. In effect, more than a hundred key persons designated by their employers at the request of the Board of the local insurance institutes can be relied on to distribute to workplaces the documents announcing the training and continuing education activities organized by their insurance institute. These key persons are also authorized by their employers to meet with new employees to explain the educational programmes offered by the insurance institutes. In addition, key persons tell employees about assistance available from the employer in the form of reimbursement of the cost of the courses, or financial rewards following successful completion of one or more courses.

In Quebec, the network of insurance institutes also works in close collaboration with other organizations and other networks with professional training objectives. Details follow of the resource-sharing developed in recent years between the insurance institutes in Quebec and the following organizations:

- The Insurance Institute of Canada;
- The Association of Insurance Brokers of the Province of Quebec;
- The institutions in the public school system that come under the government of Quebec (secondary, collegial and university institutions);
- The commissions involved in professional education of the workforce that come under the Quebec Department of Manpower, Income Security and Professional Development.

#### *The Insurance Institute of Canada (Institut d'assurance du Canada)*

The Insurance Institute of Quebec has a special connection with the Insurance Institute of Canada (IIC). In fact, in 1952 the Insurance Institute of Quebec helped create this national organization that is responsible for establishing uniform teaching and examination standards



for candidates wishing to become Associates of the Insurance Institute of Canada. Examinations are held three times a year. Through their local insurance institutes in Quebec, everyone who wishes to make their career in the general insurance industry has access to preparatory courses in order to prepare for these exams, no matter what their specialization is in the workplace.

*Association of Insurance Brokers of the Province of Quebec (Association des courtiers d'assurance de la province de Québec)*

Under Quebec legislation, this organization is currently responsible for giving the examination that provides access to the profession of insurance broker and the designation of Associate Insurance Broker. Examinations are held twice a year. The exam covers basic concepts in civil liability, fire, automobile and miscellaneous risk insurance. The contracts currently used for home and automobile insurance, as well as for commercial establishments, are also covered in the examination.

Students who pass this exam become Associate Insurance Brokers; those who wish to pursue their professional development through the insurance institutes receive two equivalencies for two of the 12 continuing education courses for the IIC diploma, which leaves them with 400 course hours and 10 more examinations to do before they may qualify as Associates of the Insurance Institute of Canada.

The Association of Insurance Brokers also offers its members a complementary educational programme, which can be started as soon as the student has become an Associate Insurance Broker. This programme is about 200 hours' long and involves eight exams, leading to the professional qualification of Chartered Insurance Broker.

*Institutions in the public education system that come under the Quebec Government*

In Quebec, since education and professional development are sectors that come under provincial jurisdiction and not under the federal Government, the Insurance Institute of Quebec has a provincial charter and therefore intervenes at the same level.

*(1) High school programmes:*

In Quebec, the insurance institute network has developed with the Department of Education a 15-hour introductory course in general insurance, part of the programme leading to a high school diploma or a professional studies certificate. The content of this course was elaborated from the "General Insurance Essentials" (course 81) manual published by the Insurance Institute of Canada. In preparation for offering this course in public schools, educators participated in teacher-training sessions led by teachers from the Insurance Institute of Quebec who were highly experienced in insurance and in educating people in the workplace. This programme, introduced barely two years ago, is expected to be soon enriched by an additional 15-hour course.

*(2) College-level programme:*

For over 10 years, two general and professional colleges have offered a three-year programme that results in a *Diplôme d'études collégiales* in administrative techniques, insurance option. In this programme, insurance is taught in the third and final year of the programme. The students registered in this programme are authorized to sit for nine exams within the associateship programme of the Insurance Institute of Canada. Their marks in their college courses contribute, along with those of the national examination, to the calculation of the final grade obtained in the Associateship programme of the Insurance Institute of Canada. Representatives of the Insurance Institute of Quebec meet each year with the candidates. In addition, they organize preparatory sessions for the national exams. These sessions are led by industry professionals who have experience teaching the evening courses to working students.

*(3) University programme:*

In accordance with the table of equivalencies prepared in consultation with the Insurance Institute of Canada and universities across Canada, individuals who are already Associates of the Insurance Institute of Canada can have their university courses in administration and insurance recognized by the insurance institute. After taking ten 45-hour university courses, these individuals can obtain the qualification of Fellow of the Insurance Institute of Canada.

All Quebec universities participate in this programme but most courses offered to individuals working in the insurance industry are management courses rather than insurance courses. The insurance institutes are collaborating with the Chair in Insurance at the University of Laval, in Quebec City, and with the University of Quebec, in Montreal, in order to encourage the creation of university courses dealing specifically with general insurance. At this time, seven of the courses offered cover risk management and claims adjustment. The Insurance Institute of Quebec sits on the Advisory Council overseeing the Certificate in Service Administration Module at the University of Quebec, and discussions have begun on creating a certificate in general insurance. This certificate could eventually lead to a Bachelor's degree following the completion of three certificates. Negotiations have also begun with Tele-university, a component of the University of Quebec in Montreal, in order to allow students interested in a career as an insurance intermediary to have access to correspondence courses (on television) and prepare for the General Insurance Council examinations, so that they can obtain a license to practice.

*The commissions involved in professional education of the workforce and that come under the Quebec Department of Manpower, Income Security and Professional Development*

The Government of Quebec has created organizations called "professional development commissions" throughout Quebec. The role of these commissions is to evaluate training needs in terms of the human resources in each region and to distribute, in light of these needs, the government funding allocated under the various programmes to stimulate economic and industrial activity. The Insurance Institute of Quebec is represented on the Regional Advisory Committee for the finance and insurance sector of the Professional Development Commission for Greater Montreal. In other regions, a regional co-ordinator chosen by the Insurance Institute, after consultation with employers in the general insurance sector in the region, ensures contact between the professional development commission located in its territory. In this way the needs justifying the creation of evening insurance courses for individuals who work during the day in insurance companies are assessed, and likewise the insurance institutes which organize the courses to meet such needs are assured of the benefit of government subsidies.

## V. CONCLUSION

In Quebec, various levels of government and many organizations and associations representing the interests of employers and professionals in the industry contribute to the structuring of professional education and development activities in the general insurance sector. With regard to the financing of these educational activities, it devolves on governments, employers and individuals wishing to benefit from further education.

The network of insurance institutes has evolved in close symbiosis with existing structures in Quebec. This strengthens its ability to identify needs and to intervene to propose solutions. The network of insurance institutes is thus in a good position to offer its members the possibilities which allow them to co-ordinate their minimum educational objectives and continuing education throughout their careers. It is hoped that this summary of Quebec's experience will contribute to the success of projects aimed at establishing minimum qualification or continuing education programmes in other contexts. The primary goal of developing minimum qualifications in insurance is to ensure that intermediaries possess the knowledge necessary to see that the rights and reasonable expectations of consumers are met.

## **TRAINING PEOPLE WITH A GREAT VARIETY OF BACKGROUNDS (SUMMARY)**

*Egon J. Ritter*

Perhaps, first of all, a brief summary should be given of the idea, purpose and structure of the Swiss Insurance Training Centre (SITC), a foundation of the Swiss Reinsurance Company. Looking back to the late 1950s, close contact already existed with numerous developing countries where training possibilities in insurance and reinsurance were very limited. The traditional practice of Swiss Re to accept trainees from overseas created certain difficulties. The intricacies of the highly specialized company were difficult to grasp and little suited to on-the-job training. Moreover, it was necessary for the trainee to be acquainted with at least one of the Swiss national languages. The top management of Swiss Re therefore decided in 1960 to establish a special training school, convinced that it was a duty of the Western world - primarily of free enterprise - to help new States in non-European territories to build up their economies. Consequently, the Swiss Insurance Training Centre (SITC) was set up in the form of an independent foundation. In 1961, the first course in English was held, intended for people from Africa and Asia.

The purpose of the SITC, according to its charter, is "the training of insurance personnel from all parts of the world, mainly from developing countries". It was decided at that time that all the costs of running the Centre - courses, materials, excursions, tours, luncheons on working days - would be borne by the Swiss Re, and that the participants' employers would have to provide only for the costs of travel, accommodation, food outside of working hours and pocket money.

According to another rule, there should be no strings attached to acceptances - the SITC would admit staff of Swiss Re client companies as well as of organizations with which no relationship existed. The course languages at the SITC are traditionally English or Spanish (and this, in the German-speaking area of Switzerland).

There is a great diversity of backgrounds of participants who must be, according to the rules of the house, no younger than 22 and not over 45, the minimum requirements regarding age and previous experience in insurance or a related organization vary for the different course types offered.

While in the Spanish courses, where the participants come mainly from Latin American countries and perhaps Spain - plus occasionally somebody from Brazil or from Mozambique - there is a certain uniformity of backgrounds - the situation is quite different in the English programmes. For the latter, people from practically all four corners of the world come to participate in these courses resulting in a real mixture of:

- Cultures;
- Ethical rules;
- Religions;
- Mother tongues;
- Climate habits;
- Customs regarding food and various other aspects;
- Social standing;
- Financial means;
- Basic schooling;
- Professional training;
- Position in their companies and offices.

On the technical side, the courses cover principally aspects of insurance, reinsurance, finance and management, where there is again considerable heterogeneity from the point of view of basic training, schooling, higher education and professional formation. For example, a participant from Japan with a university degree '*cum laude*' and carefully selected by his employer out of a staff of several thousand may be sitting next to a participant from a small developing country who attended primary and secondary school and possibly went through some sort of professional formation.

In a typical SITC course, especially in a non-life programme, one does not find a hundred specialists - but quite a few all the same. People such as:

- the consultant to the top executive;
- the personnel officer;
- the person from the research and development section;
- the training coordinator;
- the agency person;
- the risk inspector;
- the fire underwriter (or marine, casualty, engineering underwriter, etc.);
- the motor manager;
- the claims specialist;
- the reinsurer;
- the investment specialist;
- the accountant.

Everyone of them is a specialist in her or his field - but the course is of a general nature, dealing with a wide variety of subjects.

The Centre always encourages the specialists in a particular field to assist the respective lecturers in guiding and counselling other participants who may know little or nothing about that sector of insurance. This results in a constant give-and-take, generally to the satisfaction of all concerned. Group work and case-studies also help to get everybody involved.

A few aspects of the course design will be mentioned. The lecturer is invariably a specialist in her or his particular field - engineering, aviation, investment or whatever it might be. Quite a bit of know-how always lies in the multi-national student groups, composed of people: from many insurance markets; from a number of insurance companies and related organizations; and from many different sections in the respective company or organization.

There is, consequently, not just a flow of information in one direction - from lecturer to course participant - but also a flow from the students to the person standing at the front of the class; furthermore, a considerable exchange of views, experiences and ideas for solutions takes place among participants.

The conviction has grown over the years that the great international nature of SITC courses has always been and will remain one of

its major assets - a point which is confirmed again and again by many managers whose staff members have attended SITC programmes. What constantly impresses this author is the seriousness with which the participants - aged, as mentioned earlier, between 22 and 45 - carry out their work in the classroom, in study groups and during presentations in plenum or in connection with computerized management games. The usual six-classroom-hours per day represent a fairly heavy work load, especially for people who have been away from school for quite a few years. The written evaluations which are completed at the end of each course by both lecturers and participants, help in ascertaining everybody's feelings and in examining whether certain programme items should be shortened, extended, added or deleted. As a matter of fact, quite a few changes have been affected over the years, based on this indispensable feed-back.

The teaching method is of primary importance in courses where students have a great diversity of experience such as those at SITC. This problem is real and calls for special handling of the more advanced students to maintain their level of participation and motivation.

Here are just a few extracts from the 'Teacher's Guide' which was written recently by Brian Lacock, a retired member of the management of Swiss Re and a regular teacher at the SITC for the past 10 years:

"There are two possible approaches to course design, each taking account of the steps in differing ways. Where the learner's experience or starting position with regard to the subject is minimal, then the **INDUCTIVE** method of teaching will normally be most effective.

This means that basically the learner is given the ground rules together with limiting facts which need to be known (Stage One). This is followed by examples and the "how to do it" demonstrations (Stage Two), leading to practice or to test (Stage Three).

On the other hand, where prior knowledge and experience either of the subject itself or other subjects relating to it is substantial, the **DEDUCTIVE** or discovery method of teaching will be more appropriate. The discovery method depends upon the student's reasoning ability based on his store of past knowledge and experience in order to establish the ground rules or basic factual information required.

In other words, the stages of learning enumerated above become largely reversed. The student is given an example, problem or other situation from which he deduces the ground rules, restrictions and facts by hands-on practice and establishes principles for himself. Naturally the guidance of the teacher is important to provide additional information where required and to keep the lines of reasoning on the correct track".<sup>1</sup>

The teacher must be prepared to be infinitely flexible in order to respond to the particular needs of each one of the wide variety of participating students. The group cannot be viewed as a whole but as individual trainees each with varying experiences, abilities, strengths, weaknesses and social or cultural backgrounds.

In closing, some of the author's own observations will be mentioned. Experience shows that the planning, administering and directing of course after course can, at times, be somewhat tiresome. What, however, makes the job thrilling and exciting is the fact that those involved deal so closely with people, and every programme brings a new and very mixed group of people together.

<sup>1</sup> B.R. Lacock, "Teacher's Guide", p. 15.

## EVALUATION OF TRAINING

*Milagros Z. Lacson*

### INTRODUCTION

The training and development - or human resource development - field has grown at a phenomenal rate. Some experts in the field estimate that billions of dollars are spent on training and development every year.<sup>1</sup>

Earlier sessions addressed the question of why training was essential. This leads to the question of why training needs to be evaluated. At this point, for purposes of discussion, let us assume that evaluation results influence decision-making and organization performance in two major ways. Firstly, it provides relevant and timely information on which managers can have discussions. Secondly, the evaluation process itself has certain effects on decisions and performance as well as on the decision-making process. The first of these functions has been called informational; the second, process.<sup>2</sup>

### I. EVALUATING THE TRAINING SYSTEM

After a clarification of evaluation and its functions, a discussion of the evaluation of the training system follows. First comes the question of what a system is. A system has been defined as an arrangement of regularly interacting objects, people or events which work together to perform one or more functions.<sup>3</sup> A training system, therefore, may be defined as the organization's principle by which a training operation may be developed.

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1 Philipps, 1987.

2 Arnold J. Love, 1983; Flamholtz, 1979.

3 Miller, 1979.

The training function has certain system characteristics:<sup>4</sup>

- (1) Its output is the input to another part of the system. It does not function in isolation. It must contribute to the larger, total system. If it does not contribute, it will cease to function.
- (2) It responds to data. It must be current. It must adapt or die.
- (3) It is controlled by the evaluation criteria that it adopts. If evaluations are made on the basis of head count and popularity, all adjustments will be made accordingly. If it is performance and contribution to the organization, it will correct toward that goal.

Now that the system's characteristics have been clarified, the following propositions applied at the Insurance Institute for Asia and the Pacific will be considered:

- (1) The training system should be viewed as a rule-system of the total organization.
- (2) A system may be evaluated on four levels, which may be represented by these questions:
  - (a) Do trainees like the training?
  - (b) Do trainees learn from the training?
  - (c) Do trainees use what they learn?
  - (d) Does the organization benefit from the newly learned performance?

The evaluation matrix attached as Annex I will be useful in this regard.

## II. PROGRAMME EVALUATION

To guide the discussion, let us adopt a definition of training evaluation as the process used to determine the effectiveness of the training activities and the results of those activities. Other authors would add that this evaluation should be a continuous process which begins in the design phase<sup>5</sup> and concludes with follow-up studies. The heart of training evaluation is judging the value or worth of a training

<sup>4</sup> Brethomer and Rummler, 1979.

<sup>5</sup> Boyle, 1981; Laird, 1985; Nadler, 1982.

programme. Furthermore, programme evaluation involves measurement and appraisal. Measurement is determining by some objective means whether the goals for the programme have been achieved. Appraisal is the more subjective judgment of how well those programme objectives have been accomplished and whether each objective was a worthwhile endeavour.

Thus, it may be safe to say that the purposes of programme evaluation are as follows:

- (1) Such evaluation helps keep staff focused on goals and objectives;
- (2) It provides information for decision-making on all aspects of the programme;
- (3) It identifies the strengths and weaknesses of the programme;
- (4) It allows for programme accountability;
- (5) It provides data on major accomplishments of the programme;
- (6) It identifies ways of improving future programmes.<sup>6</sup>

In effect, good programme evaluation provides useful feed-back to training personnel, participants, supervisors of participants, management and other interested parties throughout the life of the programme.<sup>7</sup>

The programme objective usually serves as the basis for programme evaluation.

The purpose, design and criteria of this programme should be drawn from the objectives which, by and large, focus on changes in:

- (1) Participants' learning;
- (2) Participants' job performance;
- (3) Organization policies, practices and functions;
- (4) Training with policies, practices and functions.

In other words, the changes examined are actually Kirkpatrick's four levels of evaluation, which are reaction, learning, behavior and re-

<sup>6</sup> Boyle, 1981; Brandenburg, 1982; Kirkpatrick, 1976; Michalak and Yager, 1979; Strather and Klus, 1982.

<sup>7</sup> Brandenburg, 1982; Nadler, 1982.

sults. Annex II shows a table giving examples of evaluation questions and techniques.

There seems to be no single accomplished way of conducting a programme evaluation. Rather, a number of models have been developed showing the progress in this field. A composite description of how to design a systematic evaluation process, using ideas from various authors is given in Annex III.

There are two approaches used for programme evaluation: quantitative and qualitative. The quantitative approach involves numerical measurement, for which the assistance of statisticians is usually sought. The qualitative evaluation focuses more on verbal or written descriptions. Examples of quantitative designs appear in Annex IV.

As a guide in deciding on techniques for collecting evaluation data, Annex V is presented. It is based on operational guidelines of various authors.

### III. POST-TRAINING EVALUATION

Evaluation should be done before, during and after training. Evaluation after training, known as post-training evaluation, will be the focus of this section. Two main approaches to measuring the effectiveness of programmes are self-report and the behavioural measure. To obtain self reports, participants evaluate their skills, knowledge, or attitudes with respect to the content of the training. To obtain behavioural measures, someone else other than the participant must give a rating on the same outcome.

For the self-report, a problem usually associated with this approach is the instrumentation effect known as "response-shift basis". The PRE-THEN-POST testing capital cures this problem.<sup>8</sup>

The merit of the conventional pre-post testing needs to be reviewed. The training influences the participants' reference frame with respect to the item in question; therefore, pre-post comparisons are not

8 Bob Mezoff, 1981.

entirely legitimate since the reference frame at PRE is often different from the reference frame at POST.

Training changes the participants' reference frame for responding to the self-report questionnaire. The shift in the participant's reference frame is called a "response shift" and the tendency of traditional self-report to evidence these shifts is called "response-shift basis". Pre-post measures are therefore non-comparable.

To make legitimate pre-post comparisons, there is a need to obtain a pre-measure which reflects the same yardstick that the participant uses at post testing. To collect such a measure, the participant should be asked after the training to reflect back to his level of functioning prior to training and to re-rate himself. This measure is called the "THEN" measure. The technique for this type of self-report is called PRE-THEN-POST testing.

This type of testing has demonstrated superiority in a variety of training sessions. These settings include: leadership skills training; interview skills training; training in basic helping skills; assertiveness training; as well as the measurement of learning in traditional classroom settings and improvement in teaching skill.

In all previous studies, pre-post comparisons under-estimated the benefits of training. Data from a human relations workshop using Pre-Then-Post testing revealed significant impact on all four dimensions. Annex VI compares pre-post results with pre-then-post results.

### IV. MEASURING THE RETURN ON HRD

The ultimate level of evaluation is to compare the financial benefits of a programme to the cost of that programme<sup>9</sup> This comparison is referred to as the return on HRD, the illusive goal of many programme evaluators.

Except for actual cost savings, the easiest programme measurement to convert to a dollar value is a change in output. An increase in

9 Philipps, 1987.



output can appear in a variety of forms such as increased production, sales or productivity. Savings in time and improvements in quality are a little more difficult to convert to a dollar value; the greatest level of difficulty encountered is in attempting to convert soft data such as changes in attitudes, a reduction in complaints, or the implementation of new ideas to a monetary unit.

In calculating the return, it is best to define the term "return on investment" (ROI) in the HRD field. This criterion measures the anticipated profitability of an investment. It is used as a standard measure of the performance of divisions on profit centres within a business. For HRD programme evaluation, the return may be expressed in the following way:

$$\text{Return} = \frac{\text{Net programme benefits (or savings)}}{\text{Programme cost (or programme investment)}}$$

The investment portion of the formula represents capital expenditures such as a training facility or equipment plus initial development or production costs. The original investment figure can be used, or the present book value can be expressed as the average investment over a period of time. If an HRD programme is a one-time offering, then the factor is all the original investment. However, if the initial costs are spread over a period of time, then the average book value is usually a more appropriate factor to use. This value is essentially half of the initial costs, since through depreciation, a certain fixed part of investment is written off each year over the life of the investment.

In many situations a group of employees is trained at one time, so the investment figure is the total cost of analysis, development, delivery and evaluation lumped together for the bottom part of the equation. The benefits are then calculated assuming that all participants attend the programme or have attended the programme, depending on whether the return is a prediction or a reflection of what has happened.

The calculation should be kept simple.<sup>10</sup> To illustrate, let us assume that an HRD programme had initial costs of \$50,000. The programme will have a useful life of three years with negligible residual

<sup>10</sup> Philipps.

value at that time. During the three-year period, the programme produces a net savings of \$30,000 or \$10,000 per year (\$30,000/3). The average investment is \$25,000 (\$50,000/2) since the average book value is essentially half the cost. The average return is

$$\text{ROI} = \frac{\text{Annual savings } \$10,000}{\text{Average investment } \$25,000} = 40 \%$$

ROI may be calculated prior to an HRD programme to estimate the potential cost-effectiveness or done after a programme has been conducted, so as to measure the results achieved. The methods of calculation are similar.

It is recommended that ROI be calculated when the programme benefits can be clearly documented and substantiated, even if the benefits are subjectively perceived. If management believes in the method of calculating the benefits, then they will have confidence in the value of the return. The nature of the programme can also have a bearing on whether or not it makes sense to calculate a return. Management may accept, without question, an ROI calculation for a sales training programme. Conversely, an ROI for a programme which teaches managers the principles of transactional analysis might not be that easy to calculate and accept. Thus, the key considerations are how reliable the data are, and how believable the conclusions are based on subjective data.

## V. CONCLUSIONS

The need to evaluate the training system has been discussed along with the various ways of evaluation. Return on investment calculations were then proposed. There is so much more that can be done. The challenge is ours, and the opportunity is here.

## Annex 1

## EVALUATION MATRIX

<i>What we want to know</i>	<i>What might be measured</i>	<i>Measurement dimensions</i>
I. Are the trainees happy? If not, why?  a. Concepts not relevant b. VS design c. Trainees not properly positioned	Trainee reaction during workshop	Relevance Threat Ease of learning
	Trainee performance after workshop	Perceived "worth" V - Relevance; or C - Learning energy
II. Do the materials teach the concepts? If not, why not? a. VS structure b. Lessons  -Presentation -Examples -Exercises	Trainee performance during workshop	Understanding Application
	Trainee performance at end of workshop	Understanding Application. Facility Articulation
III. Are the concepts used? If not, why not?  a. Concepts - Not relevant - Too complex - Too sophisticated b. Inadequate tools c. Environment not supportive	Performance improvement projects	Analysis Action plan Results
	Problem solving technique	Questions asked Action proposed Action taken
	On-going management approach	Dissemination effort Language People management process
IV. Does application of concepts positively affect the organization? If not, why not?	Problem solving	Problem identification Analysis Action Results
	Problem prediction and prevention	Potential problem identification Analysis Action
	Performance measures Specific to a particular workshop	Output measures Interim or diagnostic measures

<i>What we want to know</i>	<i>What might be measured</i>	<i>Measurement dimensions</i>
I. Are the trainees happy? If not, why?  a. Concepts not relevant b. VS design c. Trainees not positioned	Comments between trainees Comments to instructor Questions about exercises "Approach behaviour" to exercises	Observation Interview Questionnaire
	"Approach behaviour" to project Questions about project concepts	Observation Interview Questionnaire
II. Do the materials teach the concepts? Presentations If not, why not? a. VS structure b. Lessons  -Presentation -Examples -Exercises	Learning time Performance on exercises	Observation Document review
	Action plan for project Use of tools on exercises Presentations	Observation Document review Interview Questionnaire
III. Are the concepts used? If not, why not?  a. Concepts - Not relevant - Too complex - Too sophisticated b. Inadequate tools c. Environment not supportive	Discussions Documentation Results	Observation Interview Document review Questionnaire (critical incid.)
	Discussions Documentation Results	Observation Interview Document review Questionnaire (critical incid.)
	On-going management Meetings Documentation	Discussions Observation Interview Document review Questionnaire (critical incid.)
IV. Does application of concepts positively affect the organization? If not, why not?	Discussions Documentation Results	Interview Document review Questionnaire (critical incid.)
	Discussions Documentation Results	Interview Document review Questionnaire (critical incid.)
	Performance data	Document review

## Annex 2

## EXAMPLES OF MAJOR EVALUATION QUESTIONS AND APPROPRIATE TECHNIQUES TO USE, BASED ON THE FOCUS OF THE EVALUATION

<i>Focus of evaluation</i>	<i>Major question(s) asked</i>	<i>Techniques appropriate for data collection</i>
Participants' learning	What knowledge, skills, and attitudes were learned by the participants?	Pencil and paper tests, performance tests, product evaluation, attitude surveys
Participants' job performances	What changes were made in participants' job performances as a result of the programme? To what degree are those changes maintained over time?	Observations, written questionnaires, interviews, performance appraisals
Organizational policies, procedures, practices, and functions	What are the tangible results in relationship to the whole or subsections of the organization? (e.g., reduced costs, improved quantity, reduced turnover, less absenteeism)	Review appropriate records before and after training (e.g., productivity, absenteeism), interviews, written questionnaires, cost-benefit analyses
Training unit's policies, procedures, practices, and function	What improvements, if any, could be made in the programme planning process? How well did the participants like the programme? Are training personnel doing their jobs effectively? Does the value of the participants' improved performances meet or exceed the cost of training? Is the training programme administered in an effective and efficient manner?	Written questionnaires, interviews (individuals and group), performance appraisals, cost-benefit analyses.

## Annex 3

## A NINE-STEP PROCESS FOR PLANNING AND CONDUCTING A SYSTEMATIC PROGRAMME EVALUATION

<i>Steps</i>	<i>Operational Guidelines</i>	<i>Examples</i>
<i>One:</i> Identify the individuals to be involved in planning and overseeing the evaluation	An individual or team of individuals should be designated to plan and oversee the programme evaluation process. Some larger organizations have personnel designated for this function. Others choose to hire outside consultants.	Two staff members from the training departments are responsible for the overall design and conducting of the evaluation. They will consult with other staff (e.g., managers, supervisors, trainees) as needed.
<i>Two:</i> Define precisely the purpose of the evaluation and how the results will be used.	The purpose of the evaluation should be clearly stated and understood by all parties involved. It is especially important to meet the expectations of top management and the supervisors of those being trained in defining the purpose.	The major purpose of this evaluation is to determine whether the training programme has produced a major change in the job performances of trainees. A secondary purpose includes the improvement of the training programme itself.
<i>Three:</i> Specify what will be judged and formulate the evaluation questions.	Five major areas can be judged: (1) Participants' learning; (2) Participants' job performances; (3) Impact on the organization; (4) Impact on training unit's policies, procedures, practices, etc. The specific questions should address the purpose of the evaluation.	The major item to be judged is the participants' change in job performances with the secondary item being the training programme itself. The evaluation questions are:  Was there a change in the job performances of the participants as a result of the training programme? (1) Was this change in job performances maintained over a nine-month period? (2) How could the training programme be changed to better meet the changing job needs of the trainees?
<i>Four:</i> Determine who will supply the needed evidence.	Evidence can be gathered from participants, their supervisors, training staff members, instructors, management personnel, and outside consultants.	Primarily, evidence will be gathered from participants and their immediate supervisors. Training staff will also be asked to supply some of the materials.

*Five:* Specify the evaluation design to be used.

Choose a design that matches the evaluation purpose, questions, and nature of the programme. Examples of quantitative evaluation designs include one group pre-test and post-test, one-group time series, and one nonrandomized control group. A qualitative design could also be used. The optimal choice of design may not always be the most feasible or practical.

*Six:* Determine the data collection techniques to be used.

The techniques chosen should be based primarily on the purpose of evaluation and design chosen. In addition, the characteristics of the respondents, the expertise of the evaluators, and the time and cost requirements should be considered.

*Seven:* Specify the analysis procedures to be used.

The analysis procedures are related directly to the evaluation questions, design, and kind of data collection techniques used. For quantitative data, they can range from simple numerical counting or percentage reporting to very sophisticated statistical analysis. Qualitative data is usually reported in prose form, though some simple numerical tables are also used.

*Eight:* Specify what criteria will be used to make judgements about the programme.

The criteria chosen indicate the level of performance or change that will be considered acceptable. Criteria should be set for each major evaluation question.

A one-group time series design is chosen to measure the change in the job performances of participants. A qualitative format will be used to examine the training programme itself.

Three primary techniques will be used to conduct the evaluation: interviews, written questionnaires, and a review of performance records.

As the quantitative data are at nominal level, the analysis will consist of frequency counting and a chi-square statistical procedure. The qualitative data will be analyzed using a content analysis procedure.

Sample criteria based on the quantitative data are:

- (1) The participant must demonstrate he or she can make X % more widgets within an eight-hour shift after the training programme than before; and
- (2) The participants will make X % less reject products after the training programme than before.

For qualitative data the criteria are less clear-cut. Rather, a judgment is made based on trends and themes that emerge from the data.

*Nine:* Determine the time-frame and the budget needed to conduct the evaluation.

The time frame may be a set time (e.g., before and after a specified programme) or be done on a continuous basis (e.g., recording of change in the learning of participants for all training programmes). Programme evaluations cost money, so a realistic budget should be negotiated prior to initiating the process.

The time-frame for the quantitative evaluation is:

- Pre-test 1: April
- Pre-test 2: June
- Pre-test 3: August
- Treatment: September
- Post-test 1: October
- Post-test 2: March

Qualitative data will be collected throughout the project. The budget for the evaluation has been set at \$10,000, for example.

Annex 4

EXAMPLES OF STANDARD QUANTITATIVE DESIGNS

Type of design	Description	Timing of design
One-group -post-test-only design ("one-shot cast study")	Evaluating a single group only once after that group has completed a training programme. Data are gathered in a -post-test procedure.	<pre> graph TD     A[Give training] --&gt; B[post-test]                     </pre>
One-group pre-test/-post-test design.	Collecting data both prior to the training and after the training on one group of participants. This allows for comparison of the individual's or group's knowledge level, skill, or attitude change.	<pre> graph TD     A[pre-test] --&gt; B[Give training]     B --&gt; C[post-test]                     </pre>
Time-series design	Multiple observations/testing over time of a group of trainees. The observations/testing may be on the same group of trainees or can be made on a second, but similar group. The expected outcome is that the knowledge, skills, or attitudes would be different after the training.	<pre> graph TD     A[pre-test 1] --&gt; B[pre-test 2]     B --&gt; C[pre-test 3]     C --&gt; D[Give training]     D --&gt; E[post-test 4]     E --&gt; F[post-test 5]     F --&gt; G[post-test 6]                     </pre>
Control group design	A comparison between two groups. Both groups are given a pre-test. Then one group is given the training, followed by a -post-test. The control group may be chosen randomly (an experimental or randomized experiment) or be a separate, intact group that has comparable characteristics (nonequivalent group design).	<pre> graph TD     A[pre-test both groups] --&gt; B[Divide into two groups]     B --&gt; C[Experimental group]     B --&gt; D[Control group]     C --&gt; E[Give training]     D --&gt; F[No training regular work]     E --&gt; G[post-test]     F --&gt; H[-post-test]                     </pre>

Annex 5

TECHNIQUES FOR COLLECTING EVALUATION DATA

Technique	Description	Operational Guidelines	Appropriate evaluation approaches
Observations	Watching trainees while they work at actual or simulated job tasks and recording the knowledge, skills and/or attitudes that trainees display.	Can be open-ended or structured with specific variables to investigate. Observers must have a clear picture of what they should be observing, who, and how.	Quantitative & qualitative.
Interviews	Conversations with people (e.g., trainees, training staff) individually or in groups, either in person or by phone.	Can be open-ended or formally structured with specific questions to ask. For formally structured interviews, pre-test interview questions. Interviewer must listen and not judge responses.	Quantitative & qualitative.
Written questionnaires	Gathering of opinions, attitudes, perceptions, or facts by means of a written series of questions.	Can use a variety of question formats: open-ended, ranking, checklists, scales, and forced choices. Can be administered through mail or given to individuals or groups to complete.	Primarily quantitative.
Tests	Consists of paper and pencil, or performance tests. Used to measure a trainee's knowledge, skills, or attitudes.	Know what the test measures (knowledge, skills, or attitudes) and use as an evaluation tool only for those areas. Check to see that the test is both reliable and valid. Choose a test carefully. Check to see if what it measures is important and relevant.	Primarily quantitative.
Trainee products	Products that trainees produced for review (e.g., rebuilt engine, set of written reports, audiovisual presentation, repaired equipment).	The products wanted should be clearly and precisely defined. The trainee, if possible, should be able to use the product on the job.	Quantitative & qualitative.

Organizational records and documents	Written materials developed by the organization. Examples include: performance appraisal reports, production schedules and reports, audit reports, records of absenteeism, job efficiency indexes, and annual reports.	Data should be systematically collected and recorded so that it is easy to retrieve.	Primarily quantitative, although some of the written materials may be of a qualitative nature.
Cost-benefit analysis	A method for assessing the relationship between the outcomes of a training programme and the costs required to produce them.	Develop the cost side of the equation. Include both direct and indirect costs. Calculate the benefits side by focusing either on increasing revenues or decreasing expenses. Must have quantitatively measurable outcomes to use this technique.	Quantitative.

## Annex 6

## COMPARISON OF PRE-POST RESULTS WITH PRE-THEN-POST RESULTS

*Pre-post results (scale from 0 to 10)*

<i>Item</i>	<i>Pre-test</i>	<i>Post test</i>	<i>Pre-Post % increase</i>
Listening skills	5.69	7.62	34.0*
Knowledge of self	7.00	7.84	12.0
Perceptiveness of others	6.31	7.31	16.0
Ability to interpret non-verbal communication	5.92	7.15	21.0

*Then-post results (scale from 0 to 10)*

<i>Item</i>	<i>Pre</i>	<i>Then</i>	<i>Post</i>	<i>Then-post % increase</i>
Listening skills	5.69	5.38	7.62	41.0*
Knowledge of self	7.00	5.62	7.84	40.0*
Perceptiveness of others	6.31	5.42	7.31	35.0*
Ability to interpret non-verbal communication	5.92	4.69	7.15	52.0*

*Note:* \*Statistically significant at  $p < .05$  level.

## **TRAINING EVALUATION AND AUDIT**

*J. Rodrigues da Silva*

### **I. WHY TRAINING SHOULD BE EVALUATED**

Training is regarded less and less as a merely social expenditure. For several years now, it has been recognized as a productive medium-term investment. This being the case, efforts are increasingly being made to analyse training, either at the enterprise or training institute level, not only to determine what purpose it serves, but also to study its cost-effectiveness ratio.

The development of human resources is probably one of the most important strategic variables of the results of an enterprise or organization. Thus, since development enterprise projects depend on the "human resources" variable, training can no longer simply follow or even go together with development, but must anticipate it. This commitment to forecast the future leads to better knowledge and understanding of training needs in the broader context of society.

### **II. EVOLUTION OF THE CONCEPT OF EVALUATION**

When used in a restrictive sense, the term "to evaluate" basically meant - and still does mean - to compare results with fixed objectives. In other words, the aim is simply to find out whether pupils, or learners, have acquired the necessary knowledge or skills or whether the number of pupils trained is in keeping with the ambitions and goals defined by the training system. The reference model for such an approach is based on a simple cybernetic arrangement with input objectives and output results. The emphasis is thus on finding simple indicators.

Training systems have gradually proved to be complex systems whose output results could not be analysed in simple terms. In fact, the results are only one part of the broader set of effects produced by the system.

Whereas results relate to objectives, effects may be wanted or unwanted, direct or indirect, lateral or even induced. As with all social systems, results or consequences that were of secondary importance at the outset can in many cases be more important than the original effects sought. Evaluation can thus no longer be limited to comparing results in terms of objectives.

This new way of looking at the concept of evaluation as the result of a more "lateral" observation has caused it to be expanded towards or extended to the training system. What matters is no longer seeing whether it is effective, i.e. what it produces, but especially whether it is efficient, i.e. how it produces. In addition, if training is treated as an investment, then a yield from this investment can be expected. It is at this point that training evaluation takes on its broadest and most complex meaning, giving rise to the concept of the training audit.

### III. EVALUATING TRAINING ACTIVITIES, PLANS AND SYSTEMS

Based on the theory that every separate training activity can be integrated into a training plan and a training system, we can say that evaluation can take place at three levels, the results of which can be measured more or less easily and with an increasing degree of complexity as we get closer to the systemic approach to vocational training.

#### A. Evaluating training activities

Although the classroom evaluation of pupils and trainers is of limited value, it should be regarded as indispensable for sound training management. Initially, it relates only to the act of teaching itself, evaluating whether objectives have been properly formulated and programmes well structured. At this point, the evaluation of results is part of the regulation and monitoring function, which can take place at the operational or implementational level. Monitoring at this level can consist of procedures such as individual exercises for evaluating knowledge, oral questioning, problem solving, simulated situations and final evaluation questionnaires.

This is an easy evaluation to conduct and one that yields positive results if the objectives have been carefully formulated, with a good selection of trainers, and if favourable conditions as to premises, equipment and other training aids are available.

By way of illustration, the following example is taken from a training activity carried out at our Training Centre:

Course:	Receiving the public
Beneficiaries:	Receptionists in Accident Claims Departments - 65 persons
Behavioural objectives:	Dissemination of information, dispute settlement, atmosphere of satisfaction, etc.

Questionnaires filled out by the participants after the training activity show excellent results. On a scale of 0 to 5, the average overall score for indicators relating to the training and learning process, programme content and trainers is 4.45.

#### B. Evaluation of training plans

A training plan, which is considerably broader in scope than a simple training activity or course and in which other indicators and theories, both qualitative and quantitative, must be included, is more difficult to judge and therefore to evaluate.

Participation in different activities (courses) makes it difficult to judge what the training has "produced" in terms of practical changes.

The evaluation of the results of a training plan may take place at two levels:

- A tactical control level; and
- A strategic or integration level.

The first involves two types of measures:



- (1) "Follow-up" activities with the trainer, which have the two-fold purpose of enhancing learning and helping participants evaluate the extent to which their knowledge has been consolidated and is being applied. The evaluation of these results is based mainly on job performance indicators.
- (2) Recording and evaluating improved job performance, directly or indirectly as a result of training activities. Such recording takes place with the co-operation of the participants' hierarchical superiors and is based on a grid of indicators.

The strategic intervention level can appear at two points:

- In defining the learning objectives of the training plan, which may be annual or pluriannual;
- In evaluating the extent to which strategic training objectives have been achieved.

This evaluation is discussed and approved at the company management level.

Let us return to the example given earlier of the training of the staff of accident claims departments. The training activity we briefly described was part of a training plan which also included technical training and follow-up activities.

Changes in job performance and the entire underlying training plan thus have to be evaluated. This involves added difficulties, both for those doing the evaluation and those being evaluated.

The indicators resulting from the questionnaires give a final average score of 4.05 on the same 0 to 5 scale.

Although it is still quite good, this result is lower than the result of the simple training activity evaluation and shows that there is necessarily a difference between evaluating the effectiveness of a purely pedagogical act and finding out what the training "produces".

#### IV. THE TRAINING AUDIT

Evaluating the effectiveness of training and the efficiency of a training system is a matter of concern to all enterprises, professional associations and training institutes. Stating the question in these terms means basically recognizing that training goes together with investment and that it should therefore be evaluated as such.

Defining the concept of training audit is not an easy task, and this earned it an OECD definition. According to Guy le Boterf, who conducted an audit of vocational training in the insurance field in France, a training audit "... is a systematic examination, based on explicit criteria for a training system, of its results and effects for the purpose of identifying the problems that arise and taking appropriate decisions to resolve them...".

This definition is based on three key concepts: the systematic and methodical nature of the examination, the use of explicit criteria and the submission of solutions for the problems.

The first concept or idea, systematic sounding and methodical examination, must be applied simultaneously to the effects of the system and its operation.

The use of explicit criteria also means the objective concretization of the reference framework: if gaps are to be measured, contradictions pointed out and malfunctionings reduced, there have to be some reference points (indicators and ratios) making it possible to recognize the existence of gaps and inconsistencies in the system.

The third key concept referring to decision-making is the fact that the audit is not limited to the formulation of findings. It helps to solve existing problems or problems that are foreseeable in the medium term, while putting forward practical, operational proposals thus contributing to decision-making.

The basic criteria that should be used for setting up a training audit are essentially the following:

- Criteria of relevance for estimating whether the objectives sought are valid for the problems to be solved;
- Criteria of consistency for determining the extent to which decisions concerning the internal functioning of the training system are appropriate for the market sector at which it is aimed;
- Criteria of conformity for ensuring that the administrative and financial operation of the system is in keeping with the rules, regulations and statutes that govern it;
- Criteria of effectiveness for comparing the results obtained with the objectives set and analysing the effects produced by the training system;
- Criteria of efficiency for strict monitoring to ensure the optimal use of the available resources (human, financial, material, etc.), which will make it possible to analyse the cost-effectiveness ratio.
- Criteria of timeliness for evaluating whether decisions and their consequences occur at the appropriate times.

The training audit is thus part of a monitoring and regulation macro-function. Apart from the fact that effects cannot be separated from training, there are many practical obstacles which stand in the way of a genuine training audit: lack of measurable criteria, too long a lapse of time between training and the evaluation and the wide variety of variables that can explain the increase in productivity and sales or behavioural changes following participation in training courses.

Solely quantitative indicators can supply some very useful indications through an analysis of the number of hours of training, the number of participants, the number of courses, etc., but they are not sufficient for a systematic and methodical examination of a training system.

Those of use who are aware of the true meaning of training and who can project its impact through information received, opinion studies and more or less systematic surveys would like our work in the insurance training sector to be given fuller and more scientific approval.

## THE ROLE OF INSURANCE EDUCATION IN COLLEGES AND UNIVERSITIES

*J.F. Outreville*

### I. PROFESSIONALISM IN INSURANCE

The pattern of training and education in the insurance industry has changed significantly in recent years, as managers and educators have realized that a fundamental requirement for the future of the industry is to improve the technical excellence of those who are asked to conduct business fairly and intelligently.

Training is, of course, an amalgamation of planned experience, specific instruction in general and particular techniques, and also associated education. A solid foundation of insurance principles and practices, along with an understanding of the economic, social, legal and technological environment, provides a framework against which to interpret the current trend of this service industry.

The need for highly qualified personnel has resulted in an increased emphasis on education. The connection between general education and professionalism is vital both to the industry's operations and to its credibility with the public.

#### A. The public's image of insurance

The insurance industry has been complaining about the image which this branch of economic activity has in the eyes of the public. Many efforts have been made to try to ameliorate the image of insurance, but with very limited results. Insurance remains a "bad news" business.

Similarly, the negative attitude of students towards insurance professions is a phenomenon that has been demonstrated by numerous studies. One of the characteristics of modern societies seems to be the

prestige associated with certain professions as compared to others. Studies in the United States and Canada (Outreville and Zins, 1984) have shown that students accord very little prestige to the insurance professions (see Annex I).

Equally unsatisfactory is the way insurance is viewed by the broader public in most countries of the world. Among the fundamental reasons for such a situation are certainly the inadequate perception of the real importance of insurance and of its role in risk management.

### **B. Management education**

Most people enter the insurance business with scant knowledge of the economic, legal or social background of this industry. Consequently, many insurers offer their new employees insurance-specific training programmes, which are usually short in duration and tending towards functionality.

In order to operate a successful insurance organization, the profound knowledge of techniques and possibilities must be completed by a knowledge of the financial, marketing and technological environment and, last but not least, by the acquisition of management skills which will enable an environment to be created where the best people will give their best to the profession.

Management education provides students with basic or advanced management knowledge and skills required for a wide range of managerial jobs in unknown organizational contexts (management education is not concerned with solving the problem of a specific job or organizational unit).

## **II. INSURANCE EDUCATION IN COLLEGES AND UNIVERSITIES**

What should be the role of colleges and universities in promoting insurance education?

The insurance industry needs technically qualified personnel developed by colleges and universities (business schools or faculties of

commerce); clearly, business schools programmes are well placed to help educate society about the nature of risk and how the insurance industry works.

Recent developments in North-American academic institutions have given rise to many questions about how collegiate insurance education is faring and what its future direction will be. In particular, some universities in the United States have eliminated or severely curtailed their insurance programmes, or have even suggested that insurance is not an appropriate academic area for business studies.

In order to understand the significance of insurance education, the question may be put as what are the key factors to the success of insurance education?

### **A. Industry support**

One finding seems clear: insurance programmes with strong industry support are alive and growing. Schools have reported that funding for faculty research, chaired professorships and student scholarships are critical for the success of these programmes.

If students assume that insurance is an unchallenging, uninteresting, or unrewarding field, then industry has to provide them with more information on the role and importance of insurance services in the modern production system as well as on the career potential it offers to those who are engaged in this field.

### **B. Risk management education**

The other key factor is the curriculum. Banking has in fact been given a chair in universities, even in developing countries, because of the general nature of banking education which has universal appeal.

There has been a movement away from the sector approach and toward a greater emphasis on general concepts. Furthermore, the systematic nature of modern economic systems and the increasing degree of complexity of technological developments require a deeper and deeper understanding of the subject for control of the increasing vulnerability and complexity of these systems.

Thus, the notion of risk and the management of vulnerability and uncertainty has a connotation for the service economy that is major. Rationality is not so much a problem of avoiding risks and eliminating uncertainty, but of controlling risks and of reducing uncertainty to acceptable levels in given situations. The appropriate direction leads away from a descriptive sectoral approach towards greater emphasis on the concept of risk, risk management and financial planning as these elements apply to insurance.

### **III. A SURVEY OF INSURANCE EDUCATION IN COLLEGES AND UNIVERSITIES IN DEVELOPING COUNTRIES**

Insurance education in the colleges and universities of the United States is particularly strong and widespread for several reasons, prominent among which is the Huebner Foundation for Insurance Education which supports research and doctoral studies in the field of insurance. Surveys have been conducted in the United States as far back as in 1927; the last one was produced in 1979 by the Huebner Foundation. A similar survey was conducted in Canada in 1981 and in Europe in 1976 and 1981. These studies offer insight into the impact of insurance courses in colleges.

A recent study published by the Insurance Center at Drake University documents that the number of colleges and universities offering insurance majors has slightly increased from 1976 to 1988. However, a number of insurance programmes have also disappeared during the same period due to insufficient student enrollments, university cost cutting, and limited support from the insurance industry.

A recent survey was conducted by the UNCTAD secretariat during 1987 and 1988 to request information on whether or not insurance-related subjects were taught and on the problems encountered with respect to the offering of risk and insurance education. Letters and questionnaires were sent to 210 colleges and universities from 90 developing countries. Additional information was also requested from 45 insurance institutes in developing countries. Only 65 institutions (a rate of response of 31 per cent) answered the letters (see Annex II). The

major problems to the development of risk and insurance education were reported as being the lack of financial resources (75 per cent) and the lack of competent insurance teachers (61 per cent).

In some developing countries, attempts are being made to popularize insurance subjects in colleges and universities. In India, for example, the University Grants Commission has approved insurance as a core subject for Bachelor of Commerce or Bachelor of Administration degrees. The text books and study courses for these programmes are based on the study courses published by the professional institute. Similar co-operation between the industry and the universities exists in Malaysia and in the Philippines where joint programmes have been established. Although full data is not available, such programmes have probably been initiated in other countries.

Generally, insurance subjects are conducive to academic study and research. Universities, therefore, have to establish liaison with professional institutes either in their own countries or with the assistance of other countries. Dissemination of education and research recognizes no barrier, neither political nor geographical. So far, insurance education has not found its rightful place in the educational pattern of schools, colleges and universities but the necessary infrastructure and facilities to promote insurance education are there.

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## Annex 1

### HOW COLLEGE STUDENTS RANK TWO INSURANCE OCCUPATIONS

In a list of 83 professions evaluated and classified according to the prestige attributed by the students, the comparison between a survey conducted in the United States and in Canada (Québec) produces the following results:

Some professions	Rank of the profession	
	Québec	USA
Supreme Court Justice	1	1
Physician/Doctor	2	2
Chemist	3	8
First Minister/Governor	4	6
Aerospace engineer	5	3
Dentist	6	4
Architect	7	8
Scientist	8	7
Lawyer	9	5
Member of Board of Directors of a large corporation	10	10
Certified public accountant	11	16
Civil engineer	12	12
Mayor in a large city	21	15
College professor	22	16
Banker	22	30
Electrician	45	40
Carpenter	48	44
Captain in the Army	48	48
Real estate salesman	50	55

## Rank of the profession

Some professions	Québec	USA
Travel agent	53	61
Corporal in the Army	54	65
Grocer	55	61
Insurance broker	58	40
Plumber	59	53
Insurance agent	62	61
Auto repairman	65	71
Policeman	67	56

Source: Outreville and Zins, 1984.

It is very difficult to qualify prestige precisely; each person probably has his or her own attributes (scale of values). Students may also have "inaccurate" perceptions of professions.

A list of 24 criteria characterizing various aspects of a profession was submitted to the students for evaluation. The characteristics considered the most important are, by order, the following:

- (1) Feeling of accomplishment
- (2) Dynamic/exciting
- (3) Inter-action with different people
- (4) Challenging
- (5) Complex/non-routine
- (6) Use of creativity
- (7) Contribution to society
- (8) Good remuneration
- (9) Variety of tasks
- (10) Intellectual reward
- (11) Opportunity for rapid advancement
- (12) High degree of professionalism

## Annex 2

## SURVEY OF INSURANCE EDUCATION IN DEVELOPING COUNTRIES

Region	Number mailed	Number	
		of answers	Rate %
Africa and Middle East	60	23	38
Americas and the Caribbean	54	11	20
Asia and the Pacific	96	31	32
Total	210	65	31
Insurance institutes	45	14	31
Answered the letter	65		
Completed the questionnaire	44		

What are the major problems related to risk and insurance education?  
(more than one answer is possible)

		Rate %
Lack of financial resources	33	75
Lack of competent insurance teachers	27	61
Increasing curricula emphasis on general business	17	39
Lack of student demand	14	32
Scheduling problems	6	14
Reluctance to use local insurance experts as instructors	3	7
Lack of teaching and library material	3	7
Subject too new in the country	2	4.5

Note: The current directory of world educational institutions published by UNESCO provides addresses of colleges and universities. The list excluded institutions which apparently specialize in subjects such as theology, agriculture, engineering and the like. Reference to the study published in 1977 by the McCahan Foundation helped to finalize the list.

## Annex 3

## LIST OF COLLEGES AND UNIVERSITIES

List of colleges and universities offering instruction in principles of risk and insurance or risk management in the Faculty of Commerce/School of Business Administration and the like.

Universities offering instruction in insurance law only are not reported in this list.

Country/Institution	Information/contact
<i>Argentina</i>	
Universidad Argentina de la Empresa Facultad de Ciencias Economicas Libertad 1340 Buenos Aires 1016	n.a.
<i>Bangladesh</i>	
Dhaka University Faculty of Commerce	n.a.
Chittagong University Faculty of Commerce	n.a.
Rajshahi University Faculty of Commerce	n.a.
<i>Benin</i>	
Institut National d'Economie B.P. 03, 1079 Cotonou	Mr. E.F. Dansou Director

<i>Country/Institution</i>	<i>Information/contact</i>
<b>Bolivia</b>	
Universidad Mayor de San Andrés Facultad de Ciencias Economicas y Finanzas	n.a.
<b>Brazil</b>	
Universidad de São Paulo Faculdade de Economia e Administração C.P. 11498, 05499 Sao Paulo	Prof. D. Roberto Bras Matos Macedo, Director
<b>Chile</b>	
Universidad de Concepción Facultad de Ciencias Economicas y Administrativas Casilla 1987, Concepción	Prof. Luis Moreno Para Director Dept. de Administración
<b>China</b>	
Fudan University Economics Department Shanghai	Mr. Xu Wen Pu and Mr. Yin Bo-Cheng Economics Department
<b>Costa Rica</b>	
Universidad de Costa Rica Escuela de Administración de Negocios, Facultad de Ciencias Economicas Ciudad Universitaria Rodrigo Facio San José	Lic. J.A. Chacón Monteno

<i>Country/Institution</i>	<i>Information/contact</i>
<b>Ethiopia</b>	
Addis Ababa University College of Social Sciences Dept. of Accounting P.O. Box 1176, Addis Ababa	Dr. Tadesse Tamrat Assoc. Prof. and Dean
<b>Ghana</b>	
University of Ghana School of Administration P.O. Box 78, Legon	Prof. B.C.F. Lokko Director
<b>Guatemala</b>	
Universidad de San Carlos de Guatemala Facultad de Ciencias Economicas Centro Universitario Zona 12 Guatemala	Lic. Miguel A. Mazariegos
<b>Hong Kong</b>	
Chinese University of Hong Kong Dept. of Finance and Accounting Shatin, Kowloon	n.a.
Hong Kong Polytechnic Dept. of Business and Management Studies Hung Hom, Kowloon	n.a.
<b>India</b>	
Aligarh Muslim University Aligarh 202001	n.a.



<i>Country/Institution</i>	<i>Information/contact</i>
<i>India (continued)</i>	
Annamalai University Annamalai Nagar 608002 Tamil Nadu	n.a.
Avadh University Faizabad 224001	n.a.
Berhampur University Department of Commerce and Management Studies Berhampur 760007	Dr. G.S. Panda Ass. Professor
University of Bombay Faculty of Commerce Bombay	n.a.
University of Madras Department of Management Studies University Buildings Chepauk, Madras 600005	Dr. D. Amarchand Professor/Head Dept. of Management
Manipur University Canchipur, Imphal 795003	n.a.
Marashawada University Aurangabad 413004 Maharashtra	n.a.
North-Eastern Hill University Lower Lachauchiere Shillong 793001, Meghalaya	n.a.
Patna University Dept. of Applied Economics and Commerce Patna 800005, Bihar	Dr. N.L. Nadda

<i>Country/Institution</i>	<i>Information/contact</i>
<i>Indonesia</i>	
University of Indonesia Faculty of Economics Jalan Salemba Raya 4 Jakarta	Prof. Heru Sutojo Dept. of Management
<i>Iran</i>	
University of Estahan Faculty of Economics and Administration Sciences Esfahan 81744	Prof. Abdolhosein Sassan, Dean Dr. Mahmud Maeki Zadeh, Professor
<i>Jamaica</i>	
College of Arts Science and Technology 237 Old Hope Road Kingston	Dr. Alfred Sangsta Principal
<i>Kenya</i>	
University of Nairobi Faculty of Commerce P.O. Box 30197, Nairobi	Prof. J.H. Kimuna, Dean Prof. M.C. Kibisu
<i>Korea (Rep. of)</i>	
Chonbuk National University Graduate School of Business Administration Chonju 520	Prof. Yang Kon Koh, Dean
Sung Kyun Kwan University Graduate School of Business Administration 53, 3-ka, Myungryun-dong Chongro-ku, Seoul	Prof. Dr. Un Hoe Park Head, Insurance Dept.

<i>Country/Institution</i>	<i>Information/contact</i>
<i>Korea (Rep. of) (continued)</i>	
Kyung Hee University Banpo Jookong Apt. 110-503 Bango-Bon-Dong Kwannak-kn, Seoul	Prof. Sung Tae Kim
<i>Malaysia</i>	
University Kebangsaan Malaysia Faculty of Business Management Bangi Selangor	Prof. D. Hamzah Ismail, Dean Dr. Kamaruddin Sharif, Deputy Dean
Institut Teknologi Mara	n.a.
<i>Mexico</i>	
Universidad Nacional Autónoma de Mexico de Mexico Facultad de Contaduria y Administración División de Estudios de Posgrado Ciudad Universitaria 04510 Mexico	Prof. A. Vega Sosa
<i>Nicaragua</i>	
Universidad Politecnica de Nicaragua (UPOLI) Escuela Banca y Finanzas Managua	Prof. Guillermo Zambrana Director

<i>Country/Institution</i>	<i>Information/contact</i>
<i>Nigeria</i>	
University of Lagos Faculty of Business Administration Dept. of Insurance and Actuarial Science Lagos	Mr. J.I. Falegan  Prof. O. Iyanda, Dean
Ahmadu Bello University Dept. of Business Administration PMB 1013 Zaria	Dr. Joseph G. Donli
<i>Pakistan</i>	
Peshawar University College of Commerce and Business Administration Peshawar	Prof. A.M. Hashmi Principal
University of Punjab Dept. of Business Administration Lahore 20	Prof. Dr. Khawaja Amjad Saeed, Chairman
University of Sind Department of Commerce Jamshoro, Sind	Prof. Muhamad Y. Ansari Chairman
Shah Abdul Latif University Department of Commerce Khairpur	Prof. Rasoul Bux Saiku Chairman
<i>Panama</i>	
Universidad Santa Maria la Antigua Facultad de Ciencias Administrativas Panama City	n.a.

<i>Country/Institution</i>	<i>Information/contact</i>
<i>Paraguay</i>	
Universidad Católica y Nacional de Asunción Colon 73, Asunción	n.a.
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## HUMAN RESOURCES AND TRAINING DEVELOPMENT POLICIES AND STRATEGIES IN A DEVELOPING COUNTRY - GHANA'S EXPERIENCE

Moses A. Darkoh

### INTRODUCTION

The theme and the basic aim of this all-important international Seminar is to help developing countries to improve their insurance and reinsurance services, with a focus on education and training. Moreover, the overall objective of the workshop is to form a concerted pool to examine the problem areas and ideas of various countries and markets - both developed and developing - on the subject of human resources development and training in the insurance sector. Given this perspective, a realistic account and rational analysis of the development of the human resources and training of insurance personnel potential of a typical developing economy such as Ghana would seem useful. It is also anticipated that this paper might serve as a favourable source of information for others, as well as giving sensitive and pertinent scope for some worthwhile and hopeful comparative analysis and discussion.

### I. BASIC CONSTRAINTS ON TRAINING AND HUMAN RESOURCES DEVELOPMENT IN RETROSPECT

#### A. Follow-my-flag and follow-my-agency policy

The initial insurance of most developing countries such as Ghana, Nigeria, Senegal, Morocco, Kenya, Zambia, *et al* started mainly on the conventional and traditional colonial phenomenon and dichotomy of "follow-my-flag" and "follow-my-agency" policy. Such a strait-jacket package and home-country controlled programme did not, for obvious reasons, encourage any realistic policies to evolve or give positive encouragement to either manpower-resource appraisal or a

centrally organized training programme for the various indigenous insurance sector personnel. Thus, although by the 1870s, formal human-resource mobilization and training in insurance had already taken off nicely in the form of the well-known Chartered Insurance Institute (CII) and the like in the United Kingdom, France and other developed countries - which served as the major sources and fountain of service and direction for the infant insurance markets of these developing countries - the *insurance knowledge-gap* has become even more pronounced than the over-popularized economic or wealth gap.

### B. The impact of self-rule

It is therefore no irony of history that it was not until as late as the 1960s, (that is, almost a century after London and the other privileged leaders in the field had their breakthrough) that Ghana, after her self-rule in 1957 (like other colonial countries), started to think seriously of formal manpower resource appraisal and conscious planning for their newly-freed indigenous insurance markets. It is worthy of note that these 'new' markets by the early 1960s were rapidly asserting themselves as vital facilitators of *security*, and sources of investment *funds* for the on-going post-independence socio-economic evolution and developments.

### C. The hazards of incompetence and proliferation

The spontaneous sequel of events was the alarming phenomenon of proliferation of insurance companies - i.e. mushroom type growth of insurers and agencies. In the face of this menace, coupled with a lack of the requisite insurance expertise, the logical corollary was an unpleasant spate of insurance abuses, insolvencies and an inevitable high frequency of collapse of insurance companies and agencies, long before claims started to roll in.

### D. The new awareness of the 1960s

Paradoxically this unpleasant necessity stimulated consciously planned human resources development. There was an urgent need especially for a concerted training policy for competent professional insurance personnel as a major and permanent panacea to this rather

dangerous trend. In this regard, Ghana's First Republican Government, for example, after some timely, prudent, technical advice from the United Nations Programme of Technical Assistance (UNPTA), promulgated the Insurance Act, 1965 (Act 288) and its related Regulations of 1966. This act became the first-ever, all-embracing indigenous insurance law of Ghana. This law, popularly known as Act 288, underlined a pressing need for technically trained people, that is, the insurance professional or the expert insurer or practitioner to handle insurance business if the rampant abuses, insolvency and serious deficiencies in services to the clientele and insuring public were to be satisfactorily controlled, the much-needed public confidence restored and a good image adequately improved and sustained.

In venturing to expatiate on the pre- and post-independence insurance experiences of typical developing economies such as Ghana, this has been done for the simple reason that Ghana's problems and strategies in respect of human resources and training tend, substantially, to epitomize a common trend characteristic of many similar African developing markets and countries. Moreover, by tactically underscoring the significance and the committed concern of this crucial workshop it is possible to address critically and consciously the rather unfortunate, long-existing insurance knowledge gap, as well as the untapped human-resource potential and the enormous logistics gap between the "have's", and the "have not's". This is in reference precisely to the very wide gap between developed insurance markets and their numerous international business bed-fellows in non-developed or developing counterparts. In other words, what is seriously and positively being done to resolve or at least to mitigate these nagging paradoxical disparities and problems within our universal insurance markets? This is the scope and background against which to view the main challenges of this paper.

## II. INITIAL EFFORTS ON HUMAN RESOURCES PLANNING AND TRAINING STRATEGIES (1960-1970)

As explained earlier, the era of fluidity, that is, the period of experimentation or trial and error in the insurance business had begun to give way to planned policies and controlled strategies during this crucial

decade from 1960 to 1970. In this regard, the most common and suitable initial line of action in dealing with the manpower problem in most developing markets was:

- Proper planning and assessment of the scope of *qualitative* and *quantitative needs* at the national, sectoral, company or unit insurer and intermediary levels; and
- The *pattern* or *structure* of suitable human-resources mobilization and sustained training programme.

#### A. The qualitative concept

The fact that the colonial mentors had stressed the essence of personal probity and integrity, i.e. the human factor or the principle of utmost good faith, as the bed-rock and cornerstone of every insurance business cannot be denied. Regard for or disregard of this very precious legacy has been a determinant of smooth progress, on the one hand, or the early collapse or failure of insurance, on the other hand, in the respective ex-colonial developing markets.

Thus, as insurance gradually gained prominence in these markets in economic development programmes, governments and their insurance companies directed greater attention to the planning and the need for technically trained, competent personnel. Practitioners were sought who were strong in both theoretical and practical aspects of insurance, especially in the highly technical or specialized areas. It was recognized that the directors of boards and management should have the requisite *skills* and *know-how* as well as the *leadership qualities* for effective medium and long-term *planning, actuating* and *evaluation* of the company's corporate objectives and various operational strategies and programmes. In this respect, the under writer, claims manager or adjuster, not to mention the marketing or production officer, or even the specialist such as the insurance actuary or statistician, attorney, accountant and auditor also need some basic insurance skills acquired through planned, effective training.

#### B. The paradox of mediocre quantitative manpower inputs

In the crucial formative decade of 1960-1970, assessment of manpower needs and training strategies posed quite a problem to the

developing markets. The prevalent insurance/knowledge gap offered favourable room for the predominant first-cycle or standard seven and commercial institute scholars to dominate the insurance industry's personnel sector. This was not an unmixed blessing. At best, it could be tolerated as a mere temporary measure of convenience. The danger was that these two mediocre level academic groups constituted, on average, no less than 99.5 per cent of the manpower in the early 1960s. The situation gradually improved, however, with the increase in the output of second-cycle scholars and university or analogous graduates. In Ghana, for instance, by 1970 the personnel ratio of the two categories, i.e. mediocre and the higher level academics stood at around 70 to 30 per cent respectively, a trend which was quite a positive improvement over the ratio of around 9.5 to 0.5 which had prevailed in the early 1960s.

#### C. The break-through methodology

The initial break-through methodology in the momentous 1960-1970 era emphasized academic merit as a basis for formal training or acquisition of even the ordinary fundamental principles of insurance. The logical trend could no longer be resisted or suppressed. The new awareness led to individual insurance companies making more positive plans and financial provisions for training of staff overseas. Recruitment of General Certificate of Education (GCE) "A" level and university graduates into the entire fabric of the industry became the order of the day beginning around the mid-1960s and on into the 1970s.

#### D. Training strategy development

Insurance companies made a concerted effort (more so than national authorities as such) to mobilise the new academic human-resource group as well as the trainable existing personnel for all staff levels - i.e. the management, middle-management and support services categories. Meanwhile, there was a tactical strategy to retire or fire the "dead-wood". The training strategy was planned within the scope of academic requirements, course content, curriculum techniques and evaluation of training. The main areas or pattern of training included on-the-spot or in-service sandwich training of varying durations for

both new intakes and existing staff through: (a) special local and overseas courses; and (b) Seminars, workshops, symposia, etc.

Private and state-owned insurance companies became deeply and purposefully committed to these noble, progressive manpower mobilization and training programmes which were, in most cases, direct short-term or medium-term programmes of, say, two to six months duration, based on the theoretical concepts and principles of insurance and the employees' own specific operations and jobs. In addition, personnel with the requisite high academic background were sponsored on a study-leave basis to train in overseas insurance institutions in the United Kingdom, Switzerland, India, the Federal Republic of Germany, the United States and elsewhere. They engaged in various advanced and proficiency courses especially geared to insurance professional certificates and diplomas such as the London CII, the Swiss Insurance Training Centre (SITC), Zurich, etc. These diplomates were developed at heavy cost as an essential training strategy intended primarily to strengthen the middle management as well as the executive and technical underwriting areas. This constituted the broad-based scope of human resources management and training strategies of the respective insurers, rather than any direct initiative on the part of government or nationally organized programmes as such. These achievements are note-worthy, despite any inherent deficiencies and a few pertinent problems, because the decade 1960-1970 saw a significant breakthrough as a sound and hopeful foundation was laid for improved qualitative and quantitative training programmes and strategies in many developing markets.

### III. SUSTAINABLE HUMAN RESOURCES AND TRAINING DEVELOPMENT STRATEGIES (1970 - 1990)

#### A. Dramatic growth of the insurance business and its impact

After all is said and done, the seemingly encouraging success story and effects of the 1960-1970 era was far from a panacea for the growing demand for qualified, competent personnel. The volume and complexity of the insurance business in many developing markets grew by about 100 to 300 per cent from 1970 to 1975, i.e. an average increase

in business of 20 to 60 per cent per annum, while qualified personnel, by all standards, improved by a meagre rate of 5 to 10 per cent a year for the same period. In other words, there was no relaxation in the need for improved manpower resources appraisal and accelerated rates of training.

#### B. Foreign exchange and inflation scare

And, as if to add insult to injury, it was within this same crucial period of gradual improvements in the 1970s that the triple monster: *inflation, devaluation and foreign exchange controls* emerged with its voracious and ramified set-backs. The dreadful trio caught up rapidly with almost every developing insurance market. This gave rise to a new order of *intensified domestic and sub-regional* training strategies and co-operation. In consequence, some overseas-oriented training programmes had to be abandoned or trimmed to preserve scarce foreign currency. This has been a very important trend and a determinant factor in human resource utilization and training strategies of insurance in most developing markets. Moreover, in these circumstances of a tight domestic economy *viz-a-viz* international fiscal and economic constraints, it became urgent for national considerations to involve Governments in all major manpower and training requirements and strategies of the insurance sector in almost every developing economy. This was behind the consensus and timely emergence of formal sub-regional and domestic insurance training institutions in the early 1970s.

#### C. Impact of sub-regional and regional co-operation and strategies since the 1970s

##### 1. The success story of WAI and IIA

Many markets saw the need to develop new training strategies. Thus, some insurance organizations such as the West African Insurance Companies Association (WAICA - formed in 1973), as well as CICA (Conférence internationale des contrôles d'assurances) and the like, addressed themselves to the task of seriously and critically implementing

cost-effective local and sub-regional or co-ordinated training programmes. And, in terms of real manpower development and training of insurance personnel and saving of foreign exchange, the CICA francophone regional and sub-regional members have obviously achieved quite a lot from their insurance institute (Institut international des assurance (IIA)) founded in 1973 and based in Yaoundé (Cameroon). Similarly, WAICA's brainchild, the West African Insurance Institute (WAI), established in 1978, as a middle management and executive staff training college as well as a research centre in Monrovia (Liberia) has equally been of tremendous benefit in all respects to its five English-speaking West African member States (Nigeria, Ghana, Liberia, Sierra Leone and Gambia) and to its East African guest patrons such as Uganda, Kenya, *et al.* As at December 1989, WAI could boast 1,048 such fine diplomats.

It is no exaggeration to affirm that, but for the WAI trainees, the insurance industries of Ghana, Gambia, Sierra Leone, Liberia and even Nigeria, to some extent, would have been much worse off in terms of manpower proficiency and even in respect of overall developmental efficiency and capacity. WAI has, in fact, ably and quite satisfactorily supplemented overseas and local training facilities and programmes of the Member country markets. The success story of CICA's IIA and WAICA-cum-UNCTAD's WAI really underscores the fundamental essence of joint regional and sub-regional training programmes and co-operation. Similar efforts in domestic and regional training facilities have been made in the Afro-Asian and other developing markets with identical objectives or goals and very encouraging success.

#### D. Recent national strategy and training programmes (1980-1990)

##### 1. Scope of training and efficacy - WAI and IIA

The course content and quality of the two African insurance institutions are of quite high standing and compare favourably with many similar ones elsewhere. As a result of intensified economic activities, coupled with the ever-stronger foreign exchange measures in most de-

veloping markets, sustainable high-level university or institutionalized and specialized insurance training policy and programming has become an accepted norm and common practice today. This is the reality that will be emphasized in the next major section of this paper.

##### (a) Favourable socio-economic base

The success stories of Nigeria's oil economy and Ghana's Economic Recovery Programme (ERP) and their impact on insurance manpower-resource planning and training developments come to the fore at this juncture. Nigeria, for example, has made a quite appreciable effort which has had an impact on success in this field of training since the mid-1970s, in spite of the ever-increasing demands for insurance personnel. In yielding to the temptation to cite Ghana's experience for the most part, this has been done for the sake of time and conciseness of facts.

In view of Ghana's on-going, all-embracing restructuring and Economic Recovery Programme (ERP) launched in April 1983, both the economic planners and the Government have identified the insurance sector as a major promoter and facilitator of the ERP, mainly because it is a vital source of *security* and a contributor to *economic growth*.

In 1983-1985, therefore, experts from both government and the insurance industry together with the School of Administration of the University of Ghana worked out a sustainable manpower mobilization and training scheme, i.e. a full-time three-year degree course in insurance to supplement the WAI and other facilities of the Legon training programme.

##### (b) Rationale and goals

The objectives and rationale of the Joint Training Programme (JTP) are mainly oriented towards macro-economic effects:

- Methodological planning and control of the manpower needs and training facilities for the insurance sector within the purview of



ERP, for the mutual benefit of the insurance industry and the economy as a whole;

- Efforts to stem the outflow of Ghana's foreign exchange through local cost-effective local training programmes;
- To train the specialists and the trainers at specialized and post-graduate levels as well as in research studies;
- To improve clientele and public knowledge, awareness and confidence in insurance through sustained joint public education programmes and interaction in line with this special objective and aspirations, as enshrined in Ghana's new Insurance Law, 1989 (PNDC Law 227).

*(c) Scope of the degree programme*

The programme has been designed as a full time, high-standard, three-year Honours Bachelor of Science degree (Administration) course, majoring in insurance. The basic aim is to impart a high academic discipline to the students, through a well-guided study of the humanities and the major business sciences. In addition, the graduates are expected to have achieved a very confident and broad-based foundation in the theoretical principles and practices of insurance. They are, above all, expected to be imbued with the requisite tenets of a good insurance personality and leadership or managerial qualities, including aesthetic judgement, emotional maturity, personal honesty and due regard for others.

*(d) Training pattern and course content*

The normal high grade 3 GCE "A" university degree entry, residential and faculty requirements are operative. *The first year* General and Foundation Course comprises five compulsory subjects. *The second year*, i.e. part I of the basic subjects is made up of six major or core subjects. *The final year*, i.e. part II constitutes the six final hard-core three special insurance and two major business management subjects, as follows:

**SUBJECTS FOR CORE COURSES (INSURANCE OPTION)**

*First year (Foundation Course)*

- (1) Economics - principles and applied
- (2) Introduction to public administration in Ghana
- (3) Fundamentals of accounting
- (4) Commercial law
- (5) Principles of management and business communication. This course is common for *all* B.Sc. (Admin.) students.

*Second year - B.Sc. Administration - Part I core subjects*

- (1) Human behaviour in the organization
- (2) Managerial economics
- (3) Quantitative methods
- (4) Introduction to computer science and research methods
- (5) Elements of risk and insurance
- (6) Principles and practice of insurance

*Third year - B.Sc. Administration - Part II core subjects*

- (1) Business policy
- (2) Business finance
- (3) Property, pecuniary and liability insurances
- (4) Insurance of transportation
- (5) Assurance of the person
- (6) Insurance management

**IV. PLANNING OF CAPITAL INPUTS AND NEEDED FACILITIES (1983-1990)**

**A. Planning for positive results**

This high-level training development programme was developed over a period of three years of systematic planning (1983-1985), followed by one year of co-ordination and serious mobilization of resources (1986-1987): the actual training or study course commenced with 14 undergraduates in 1988. The first group of 13 insurance grad-

uates qualified in September 1990. Although the Legon programme was expected to have been cost-efficient, the adverse effects of inflation and related constraints have meant quite a high level of investment in both material and human capital.

### B. Tripartite commitment and co-operation policy

With the concerted commitment and co-operation of the Government, the insurance industry and the university, the capital and material inputs needed have been satisfactorily provided to facilitate at least a smooth take-off and methodical progress so far. Qualified lecturers and part-time specialists have also been available as teaching staff. Under the training programme's mutual policy of "assist the trainers to train your needs", the Ghana Insurance Association (GIA) and the Ghana Insurance Brokers Association (GIBA) are jointly providing appreciable funds for library and teaching aid facilities as well as for periodic workshops, symposia and other educational interaction activities. The university and the market (GIA and GIBA) have also jointly established a well-planned, compulsory sandwich and on-the-job vocation training scheme for all insurance under-graduates. Moreover, a two-year dove-tailed induction and practical training programme to be conducted under the National Service Scheme has been devised for the new graduates.

The Ghana Insurance Institute (GII), for its part, is also working out a compromise scheme of some reasonable exemption or dispensation inducements in regard to some subjects of the CII and other reputable insurance professional exams. A joint university and industry research programme is also in the planning stage and will probably be implemented in the next academic year.

### C. Monitoring and co-ordination

Furthermore, co-ordination and monitoring is taken seriously, so as to guarantee maximum success of the training programme. The GIA, the Insurance Institute and the Office of the Commissioner of Insurance have been charged with responsibility for this effort. They are to ensure absolute academic freedom and maximum success of the entire Legon training programme. The Government, the University

Council and the industry's commitment and support is deemed highly encouraging and firm, so that the future of this university training programme looks generally quite bright and rewarding. Notwithstanding some capital and logistical constraints, it is the fervent wish of the tripartite authorities that suitable *proficiency courses* for *mature insurance personnel* would be instituted once the degree course has been operative for some time.

## V. PROBLEM AREAS AND PROPOSED SOLUTIONS

### A. The knowledge gap - How long will it last and how will it be bridged?

In almost all cases the developing economies were depressed, late-starters at one point in time. They have been more or less plagued with perpetual insurance knowledge gaps and training handicaps. Thus, one of the major global insurance problems and puzzles of our time is how and when this gap will close or at least be narrowed, and particularly how to make sure that it by no means widens any further. In this regard, a personal view may be offered. While the depressed markets have been advised to improve their lot, international bodies such as UNCTAD, UNDP and the like as well as wealthy insurance companies should endeavour to increase both their committed and voluntary assistance to the needy markets.

### B. Inadequacy of inputs and facilities

Lack of capital or funds for procurement of relevant material inputs and for hiring of high-calibre teaching staff remains a vexing problem. To ease this perennial drawback, the noble idea of the insurance industry and business beneficiaries of insurance services and facilities to provide formally financial and material support towards manpower development and training in insurance should be adapted by all concerned as a progressive and worthwhile global insurance philosophy.

### C. Scarcity of expertise and trainers for trainees

Training of scarce high-calibre staff and trainers should be intensified and planned as a long-term, permanent strategy at professional or specialized and post-graduate levels.

### D. National support

Adequate support and co-operation from the Government, the business sector and the public are essential. In view of the ever-growing importance of insurance and its benefits to the economy as a vital source of security and economic growth, there should be collective national support to supplement any outside help from such sources as UNCTAD, UNDP, AIO, WAICA, CICA, etc.

### E. Handicaps of sub-regional co-operation and strategies

The handicaps entail many of the problems already reviewed above. Worse still are:

- (1) Block interests;
- (2) Language affinities and barriers;
- (3) The puzzle of harmonization of insurance laws and practices; and
- (4) regional *viz-à-viz* sub-regional liaison and differences, etc.

The solution, will probably come through:

- (1) Persistent dialogue;
- (2) Exchange of views, systems and data, etc.
- (3) Purposeful workshops such as this one; and
- (4) More positive involvement of insurance controllers because they obviously constitute the most reliable, authoritative national and direct key figures for liaison or agency links to the markets, governments, clientele and public served by insurance.

### F. Research facilities and services

Research is a crucial component of training. Insurance statistical data and information - uniform and standardized in respect of technical

results - accounts for outside reinsurance operations and interactions that are seriously lacking in developing markets. Research facilities and activities should also be viewed as a very serious complement to every insurance training scheme. For how long, for instance, should UNCTAD, in far away Geneva, constitute the basic source of relevant insurance statistics or data and information on even the country next door or of very close neighbour markets such as those of Togo, Benin, Burkina Faso, Sierra Leone, Gambia or Nigeria?

To sum up, some pains have been taken to examine the significant impact and damaging consequences of the historical dichotomy between the "have's" and the "have not's" in the world's insurance markets. It is hoped that sufficient attention has been given to the trends of post self-rule developments in terms of manpower resources planning and training strategies for the initial era of trial-and-error efforts in the 1960s and 1970s and through the *new horizon of hope* period of the 1970s and 1990s. It is also worth noting that considerable emphasis has been put on the various modern, sustainable training programmes based on Ghana and Nigeria's experience. It is the author's fervent wish that the analysis of the problem areas presented here and the efforts to find some modest suitable solutions will attract the attention needed for further prognosis or deeper study.

Finally, the fact that the developing insurance markets are always engaged in a very competitive international race comprising the record-makers or pace-setters, i.e. the obvious winners, as against the desperate runners-up or strugglers who are always trying very hard to avoid ignominious defeat in the very big insurance arena. It is in this context that the author humbly and sincerely calls upon all concerned to endeavour to use this workshop as a fine and timely opportunity to work out more positive co-operation and assistance programmes for a more balanced race of mutually interested and concerned participants. In other words, it behoves all of us to "make hay while the sun is shining" and not to wait until the many friendly participants and contributors have already fallen out in desperation over the difficulties encountered or are already sinking into oblivion or complete collapse. As insurance professionals or beneficiaries, or even as mere benefactors, supporters and sympathisers of insurance, we are duty-bound to make

the insurance world as a whole far better and more rewarding to our respective societies than it was before we entered the insurance arena.

### Senior to junior staff ratio

Table 1 below indicates that, in 1989, the aggregate number of senior staff in the entire insurance market was about the same as that of the junior staff, i.e. 1,130 versus 1,096 for a ratio of about 1:1. This means that to say the the composition is too top-heavy, not cost-effective and, above least all conducive to an obvious over-burdened management expense pattern.

However, such a distribution pattern is more common among *parastatal* companies. A well-designed manpower structure of an insurance organization should have a greater number of junior staff than senior staff, say, 1:10 or 1:5. Positive efforts are now being made to balance better the staff structure of the market. The technical and non-technical staff ratio also needs proper adjustment and attention.

### Technical versus non-technical staff ratio

Table 2 indicates that there has been a gradual shift towards more technical insurance staff during the projection period, for the following reasons:

- (1) An increase in demand for staff in technical areas such as general marketing, especially agency or field work, research and new technical lines or products such as credit, bonds, engineering, construction/erection "all risks", etc.
- (2) A decrease, to some extent, in the finance/accounting or general services and non-underwriting areas.

Table 1

Overall manpower staff structure and training pattern Staff strength by senior/junior category and functional area - 1989				
Category	Executive area	Technical area	Non-technical area	Total
Senior	34	638	458	1,130
Junior	0	416	680	1,096
Total	34	1,054	1,138	2,226

Table 2

Projected staff strength by functional area and training characteristics (1989-1993) Staff strength by senior/junior category and functional area - 1989					
Area	1989	1990	1991	1992	1993
Executive	34	34	34	34	34
Technical staff	875	927	930	1,034	1,034
Non-technical	1,003	1,006	969	1,019	1,019
Total	1,912	1,967	1,933	2,087	2,087

**APPENDIX I****REPORT OF THE REGULATORS AD HOC DIS-  
CUSSION GROUP**

President and Rapporteur: Mrs. Jo Ann Howard

The Group centered its discussion on identifying training needs of supervisory authorities in developing countries. Particularly, the Group identified the following areas for priority action:

- (1) Description of organizational structure (or structures) of insurance regulatory offices with identification of main function and a full description for each job;
- (2) Types of recruitment/training procedures required to fulfil the needs of each position;
- (3) General overview of resources available to supervisory authorities in developing countries for human resources development; and
- (4) Sources for regulatory authority funding (i.e. from general taxes, taxes on the industry etc.).

To accomplish this objective and in co-ordination with UNCTAD the Group proposed as a first step that a working exchange should be held on the occasion of the annual International Regulators' Meeting of the National Association of Insurance Commissioners meeting in the United States. This Seminar should focus on the requirements of key regulatory personnel for effective insurance regulation worldwide.

**APPENDIX II****WORKING GROUP A - (French-speaking)**

President: Ms. D. Laflamme

Rapporteur: Mr. D. Boubacar

**REPORT 1: HUMAN RESOURCES DEVELOPMENT AND TRAINING POLICIES**

What should be the expected duties of officials responsible for human resources development and training?

- (1) They must take account of environmental characteristics and, in particular be aware of the fact that the insurance industry is undergoing considerable changes. In the developing countries, there is a marked trend towards privatization. In the developed countries, the trend is towards globalization of the insurance market. This will be reflected in increasing acceptance of responsibility in meeting competition.
- (2) They must set training objectives that will enable competition to be confronted more effectively, i.e. train managers and agents who concern themselves not only with turnover, but with profitability and good results.
- (3) They must concern themselves with criteria for a minimum standard of training for specialized insurance staff. There are several possible models for determining these criteria: A co-operative structure involving companies, associations, federations and supervisory authorities; the com-

panies alone within their association or federation; the companies individually. Examples of structure already exist such as the African Insurance Institute in Tunis (medium level) and the International Insurance Institute in Yaoundé (higher level).

- (4) They must determine training policies that correspond to the objectives of their undertakings and are also in keeping with the policy of restructuring the insurance market at the national level.
- (5) They must be informed of, and thus fully associated with the formulation of company strategy and more particularly plans for introducing new technologies. This will help them anticipate and manage that strategy's effect on job profiles.
- (6) They must ensure that sufficient financial resources are allocated to the training of less-qualified staff to take into account the requirements of intra-sectoral mobility at this level.

## REPORT 2

### TRAINING MANAGEMENT AND TRAINING OF TRAINERS

The human resources manager must:

- (1) *Managing the training centre:* Seek effectiveness through the establishment of a flexible, lightweight and autonomous structure. The centre must reflect the concerns of the insurance industry, but must remain neutral and very close to the clientele it serves. It must seek financing not only from companies, but also from the associations and agents to be trained, and through the sale of any teaching materials it produces. The centre would

thus avoid being dependent on a given organization or source.

- (2) *At the level of programme and teaching materials development:*

- Ensure that programmes are at a sufficiently high level and that they meet the market's current and changing needs.
- Prompte the establishment and operation of "think tanks" made up of specialists whose job will be to assess and revise programmes and teaching materials in order to adapt them to the needs of the industry.
- Promote the preparation of special programmes for specific needs on request.

- (3) *For teaching quality:*

- Invest in teaching materials and teaching techniques.
- Effect periodic evaluations and assessments of courses, teachers and materials. To do so, he may either use evaluation forms or ascertain the reactions of the centre's clientele.
- Provide the centre with documentation that is sufficient, adequate and periodically updated and make it accessible to trainers.
- Institute systematic and periodic refresher courses for trainers.

- (4) *Role of existing centres*

Existing centres should serve as resource centres for sub-regional and national units, and promote co-operation and assistance in the transfer of experience. They may, for example, agree to sponsor other training units.

They may develop special teaching programmes for trainers, in order to give full play to the multiplier effect that occurs when the trained managers return to their respective countries. This will have the advantage of reducing training costs.

### REPORT 3

#### DEVELOPMENT OF TRAINING AND INTERNATIONAL CO-OPERATION

We recommend:

- (1) The establishment of a network of training centres based on existing regional and subregional centres, the establishment of centres where none exist. UNCTAD might help in the reactivation of existing centres and the establishment of new ones. The training centre network must have financial support from insurance companies at the national level and insurance organizations or federations at the subregional, regional and continental levels (AIO, Africa Re, FANAF, etc.).
- (2) That training centres that have developed suitable and effective documentation and teaching materials donate this documentation and material to a co-ordinating body such as UNCTAD, which will ensure they are used by centres that do not have them.
- (3) That UNCTAD should act as co-ordinator and provide an information and documentation bank to which it will provide access for countries, centres and organizations that need it.
- (4) That certain centres should agree to play a leading role in adapting the teaching material. These centres might organize training workshops, run by functional working

groups. They might encourage the establishment of trainers' clubs to meet specific training needs.

- (5) That the organizations should agree to invest in training in general, and especially in a minimum standard of training. They should give priority to investment in the creation of teaching materials to be used in training specialists. Specific criteria for a minimum standard of training should be formulated in each country.
- (6) We wish to re-emphasize the need to organize practical training workshops among different centres and companies in different countries along North-South and South-South lines.

### REPORT 4

#### FINANCING

For the financing of insurance training institutes, we recommend financial contributions from companies and Governments during the setting-up stages. As soon as possible thereafter, the institutes should aim at taking over their own financing through contributions from user-payers.

#### EVALUATION

We re-emphasize the need to evaluate training. To be credible, the evaluation system must operate at various levels:

- Trainees reactions regarding achievement of the teaching objectives;
- Reactions of the market to the results obtained from training;



- It would be advisable for several training centres in the same network to establish a group of specialist-evaluators to visit all the centres and conduct an operational review.

#### INTERNATIONAL CO-OPERATION

We recommend that a central neutral body should be given the task of making a comparative analysis of the content and teaching objectives of possible training programmes to be used in the network. This comparative study would identify the reasons and justifications for the existence of marked differences in length between programmes geared to the same job profile.

### APPENDIX III

#### GROUP B - (English-speaking)

President: Mr. William Goh

Rapporteur: Mr. Paul Sultana

#### REPORT 1: HRD AND TRAINING POLICIES

The following are the recommendations about which there was consensus in the Group:

- (1) For the implementation of the Human Resources Development training policies it is important that the Chief Executive of the company/conference be involved, he is to be convinced and committed too. The Chief Executive and Training and Development managers should combine their efforts.
- (2) Government support is important and desirable. Finance, control and conduct of HRD and training policies should be left to the users.
- (3) Training should be divided into two areas:
  - (a) On job training by Heads of Departments;
  - (b) Academic training by suitable Education Institutions.
- (4) A degree of adaptations has to be introduced in order to adapt to the laws and practices of the countries concerned.

- (5) Ideally insurance companies should set up their own Insurance Training Centre and then co-ordination is to be established at international level.
- (6) Insurance companies that spend money on training should qualify for tax relief.
- (7) Compulsory qualifications to be obtained within a stipulated period are to be made clear to the employee by his manager.
- (8) A list of courses available is to be drawn up and each member of staff is expected to show interest in one of the courses.
- (9) More and more emphasis on personality is to be made.
- (10) H.R.D. on training should be a shared responsibility among managers.
- (11) A greater effort is to be made to attract the brighter persons to the insurance sector; it is important that they be motivated.
- (12) For better recruits to the insurance sector we need to upgrade the image of the insurance industry among the people; hence the importance of mass education in addition to the introduction of basic insurance education at school level.
- (13) Standards have to be more stringent for entry into the profession.
- (14) A code of ethics is desirable.
- (15) Women have a great deal to offer and so suitable courses could help women to realize their potential and elevate to managerial positions.
- (16) HRD training policies should be looked at from three points of views:
  - (a) The regulators' point of view;
  - (b) The insurance institutions' point of view;
  - (c) The insurance companies' point of view.

- (17) Insurance companies ought to draft a Career Development Plan.
- (18) In terms of resources and training and in spite of their great efforts, developing countries often lack funds and expertise which restrict their operations.
- (19) Developing countries feel that funds could be provided by international agencies so that they could draw from the pool of resources of lecturers in specialist centres in different parts of the world.
- (20) Developing countries urge UNCTAD to assist in this very important role of maximising resources.

## REPORT 2: MANAGEMENT OF TRAINING AND TRAINING OF TRAINERS

What an HRD manager should do to administer the training policy of his centre/organization so that persons who need training will get the right training at the right time.

### Recommendations

- (1) It is important that an HRD manager must provide, initially, a job specification.
- (2) Since the training policy is sanctioned at Board level it is important that the HRD manager works closely with this body.
- (3) For a *Needs' Analysis Exercise* it is important that an HRD manager draws up a sophisticated list and goes to the market to identify their needs. When people in the insurance industry give you what they need and you give it to them you need not market it to them. Since they want it they will co-operate.

- (4) An HRD manager will need the co-operation of both an education expert and of a technical (insurance) expert. One does not necessarily exclude the other.
- (5) Courses must be organized at the right time; otherwise release of employees might be difficult.
- (6) For a proper course development, revision of content and evaluation, an HRD manager would find it beneficial to seek feedback from institutes, associations, lecturers, participants, etc.
- (7) Training materials such as text-books, audio-visual aids must be available and also up-dated every year.
- (8) Tutorial classes for re-sit students must be part of a training policy.
- (9) If an HRD manager cannot satisfy the training needs from his own resources he may approach another centre/organization that has already satisfied this particular need and ask for assistance in order to satisfy the need himself in his particular way. This is better than buying the material outright.
- (10) Members from developing countries would find it very useful were they to visit existing educational institutions.
- (11) It is desirable that training materials be exchanged and adapted for individual needs.
- (12) With reference to Needs' Analysis (No. 3 above) it is felt that regulators can assist since during their investigations they (regulators) are bound to identify needs (or deficiencies). Liaison with institutes and centres would be greatly beneficial.
- (13) UNCTAD could play the role of a clearing house, a collecting point or be, at least, a letter box. HRD managers would find this very useful.
- (14) This Group strongly recommends that a *Committee* be formed *from the participants attending this Seminar* (ensuring representations from the developing countries) to determine future policy guidelines of UNCTAD and to

prepare plans in the field of HRD in insurance. This Committee would assist the secretariat at UNCTAD.

### REPORT 3: TRAINING DEVELOPMENT AND INTERNATIONAL CO-OPERATION

The following are the recommendations:

- (1) Co-operation could take place both on interregional level and on regional level.
- (2) Initially, and until funds are available, UNCTAD should act as an information centre secretariat for international co-operation.
- (3) Regional committees may be set up.
- (4) A permanent Steering Committee is to co-ordinate the work of the regional committees in conjunction with UNCTAD.
- (5) The Chairman of each region (forming the Regional Committee) is to sit on the Permanent Steering Committee.
- (6) UNCTAD is to co-ordinate assistance between developed and developing countries even if a region is delegated with work in special areas.
- (7) It is accepted that those already established educational institutions do not only give but also receive.
- (8) An "*ad hoc*" committee from participants of this Seminar is to be formed; representatives are to come from different regions.
- (9) In order to facilitate exchange of trainers the creation of these three pools is recommended:

Pool one: A pool of retired executives who are ready and willing to pass on their experience;

Pool two: A pool of trainers from different regions;

Pool three: A pool of training institutions that agree as to what extent they can assist the numerous teaching institutes throughout the world.

- (10) A minimum qualification standard system is desirable since this will improve the professional standards of each country.
- (11) It is recommended that UNCTAD carries out a world-wide survey in order to establish the needs and requirements of each country.
- (12) It is suggested that UNCTAD circulates to each country what training institutions exist in each country so that contacts could be directly established.

#### **REPORT 4: EVALUATION OF TRAINING**

The following are the recommendations:

- (1) Evaluation of training will indicate the needs and modifications required for future training programmes.
- (2) If we establish different levels of education this will help to better training evaluation.
- (3) A common basis for evaluation is desirable so that this could be applied globally.
- (4) Evaluation helps credibility and so this is bound to improve a global approach to human resources development.
- (5) A proper evaluation of courses will make future courses speak for themselves.
- (6) Evaluation is linked to the training objectives: if these are clear so also will evaluation be.

- (7) If the global approach does not satisfy our needs, direct approach is not excluded.
- (8) It is important that requests for assistance from organizations in various countries to serve on committees should come directly from UNCTAD to the organizations concerned.
- (9) This Group feels that in each and every country the registrar of examinations/Ministry of Education/Insurance Controller / Insurance Institute / Insurance Association /Centre must ensure high standards of supervision and invigilation in conducting examinations.

**APPENDIX IV****GROUP C - (English-speaking)**

President: Mr. Sherif Kahn

Rapporteur: Mr. Robert Watson

**REPORT 1: HRD AND TRAINING POLICIES**

- (1) The Group felt that there was a lack of manpower planning practice in virtually all countries' present insurance industries. Although there was a reasonable quantity of training undertaken in the various countries either general or specific, there was a waste of scarce resources on such training services due to the lack of prior manpower planning.

There existed different levels of training in all countries including:

- On-the-job training;
- Local training institutes;
- External training courses (regional or elsewhere overseas);
- Professional examination systems, e.g. CII/CPCU/LOMA.

Some countries' training institutions were now certificating their own local courses based on the design of internationally recognized diplomas but adapted to local needs i.e. practice and legislation.

An encouraging feature was that training generally appeared to be increasing and was more organized despite lack of resources.

However, there appeared to be a universal lack of manpower planning and needs forecasting. This was not due to any reluctance or refusal to implement but mainly to a lack of awareness that this should be undertaken. It was generally agreed that manpower planning policies would assist trainers to utilize their limited resources more efficiently. It was felt that there was sufficient expertise available locally to undertake the task but that senior management had to be convinced of its key nature as a pre-requirement of effective training. It was felt that UNCTAD could effectively assist by using this seminar as a vehicle to stimulate governments and national insurance industries to give this area priority. Where a national training function or institution existed, this could be the catalyst or focus of activity but not necessarily carrying out the research. With an UNCTAD initiative, the general feeling was that there was a good prospect of success in this operation.

- (2) The Group specifically considers the area of salespersons and felt that they should be an important part in overall manpower planning strategy. These individuals were a vital cog in the growth of the industry and also the most effective means of educating the public at large being the primary contact point with potential customers. Registration and certification of such salespersons, mainly life, was generally undertaken in virtually all countries, although most examination/testing/training was limited and fairly basic.
- (3) The availability of suitable training media was discussed and in certain cases this was creating a problem in providing appropriate training required.

- (4) Career development policies were discussed and although horizontal movement was quite widespread and successful, there was restricted vertical progress in some countries due to political factors. This was certainly a demotivator in the case of well-qualified and ambitious young persons. Hopefully this would improve in time through national generation factors but delegates had a lack of positive suggestions in this area to improve the situation.

### **Summary**

UNCTAD should use this Seminar to encourage national insurance industries in collaboration with governments, where appropriate, to implement serious manpower projects. Using the existing training facilities available for consultancy and as focal point for the exercise, UNCTAD should try to contribute as much as possible in the sharing of information, despite its lack of resources.

Successful manpower planning policies will make the training resource more cost-effective.

The training of salespersons was considered a priority area and should be given a prominent place in the manpower planning projects.

Career development programmes were a natural consequence of good manpower planning but although horizontal movement was currently much in evidence there were constraints on vertical progress, which should be removed. Hopefully efficient manpower planning policies would assist this process and lift existing barriers.

**REPORT 2: THE MANAGEMENT OF TRAINING  
AND TRAINING THE TRAINERS**

- (1) The discussion on the management of training centered on the availability and suitability of those facilities in the delegates' own countries. It was felt that HRD managers should have overall responsibility for training whether offered by his own organization or externally. There was general consensus that control was not a major problem but lack of available training resources.
- (2) The Group commented that there has been substantial course development in some countries with a move towards local certification complementing existing international diploma provision. This was desirable, and if suitably supervised, leading to an eventual resource saving.
- (3) The use of the range of training materials varied between the different countries. The additional information gained at this Seminar would prove useful.
- (4) The particular problems of insurance regulators' training needs were discussed. Although regulators can ensure that adequate training is offered to their specialist staff, and can supervise this, the availability of suitable courses is a problem particularly in Africa and Europe.
- (5) Training delivery was discussed in detail and it was agreed that quality was critical. However, in developing countries, with the problems of resourcing the training of employees initially e.g. release of staff, availability of expertise in particular subjects etc., the quality problem becomes secondary and an additional burden. However, it is clearly recognized that "training the trainers" courses when available are the answer and market resources should be diverted for this purpose where possible.

- (6) It was felt that the role of training courses of institutions were critical to the success of training operations in the countries concerned. The reasoning behind this was that the more successful and efficient these operations were the more they would be utilized by their local markets to their mutual benefit.
- (7) The transfer of expertise between the centres/institutes and other countries was discussed and it was agreed that a distinction be made between:
  - (a) Teaching aids and materials;
  - (b) Lecturers.

The general consensus of the Group was that a major benefit of the Seminar was the informal contact between various delegates and the result of this should be the communication and dissemination of information between them in future. The existing training centres with the co-operation and co-ordination of UNCTAD could assist countries where no institutions existed with provision of materials. Possibly a databank of materials and participating institutions could be compiled by UNCTAD. Regarding lecturers, exchanges between institutions and centres was desirable and a register with expertise/experience of individuals could be held by UNCTAD. Costs of exchanges would be negotiated individually by the two parties concerned.

On the subject of communication, it was felt that for speed and efficiency that individuals/companies/training centres be the contact points with governments being advised where appropriate for information.

**To summarise:**

- HRD managers should be in overall control of training;
- The facilities for training were not really a problem;
- New courses were being developed although there was a lack of provision for regulators;
- New teaching aids and materials would be welcomed and this Seminar has increased awareness;
- Poor quality of certain trainers was recognized, and subject to resources being available, training courses should be utilized to "train the trainers";
- The retention and exchange of training information and expertise is vital to the success of training in developing countries, so under control of UNCTAD a databank should be inaugurated for storage of training aid/materials, information and record of expertise/experience of qualified individuals in their particular area. Exchange schemes can then be organized.

**REPORT 3: TRAINING DEVELOPMENT  
AND INTERNATIONAL CO-OPERATION**

The Group came to the following conclusions:

- (1) That an exchange of information and documentation was desirable but co-ordination through a supervisory body e.g. UNCTAD was essential.
- (2) Training material development could be included in a central databank.
- (3) Current reviewing of qualifications to ensure that standards were maintained was satisfactory by use of local examining boards and external moderators.
- (4) It was desirable and feasible that trainers be exchanged between institutions.

**REPORT 4: EVALUATION OF TRAINING**

- (1) The Group agreed that:
  - Needs analysis is an essential prerequisite of training evaluation;
  - Systematic evaluation is the most cost-effective method.
- (2) The current position
  - The vast majority of institutions undertake some measure of evaluation from course participants on a formal basis;
  - The feedback from management to training institutions/officers is currently fairly limited and un-systematic;
  - Some formal work is done on ad hoc basis.
- (3) The Group had a fairly detailed discussion on funding and agreed that the industry should be urged to inject substantially more funds into this area as a contribution to HRD and for the long-term benefit of the entire market.



**APPENDIX V****WORKING GROUP D - (Portuguese-speaking)**

President: Mr. V. Mondlane

Rapporteur: Mr. J.S. Andrade

**REPORT 1: DEVELOPMENT OF HUMAN RESOURCES AND TRAINING POLICIES**

- (1) To enable human resources officials to prepare an integrated strategic plan for the development of human resources, it is essential that those in charge be made aware of the importance of a human resources management structure.
- (2) If substantive measures are to be taken, it will be necessary first of all to carry out a diagnosis of the existing situations and skills, in other words to draw up a human resources development plan specially adapted to the existing internal resources.
- (3) Having regard to the current political situation, which is favourable to an opening up of the insurance sector in the Portuguese-speaking African countries, and to the consequences for the structure of insurance organizations, it seems desirable to consider recruitment and selection policies that take account of:
  - (a) The need for the utmost flexibility so as to permit recruitment of qualified cadres by direct selection methods, while giving preference, where the local sit-

uation permits, to recruitment based on the employers' own recommendations.

(b) The need to develop relations with existing intermediate and higher level vocational training institutions, with a view to recruiting personnel having a suitable level of skills and specialization.

(c) The need to adopt systems of remuneration that will permit the recruitment of personnel possessing the skills required in the different functions of the enterprise.

(d) The need for organizations to use effective recruitment and selection methods and techniques.

(4) With regard to training, the Working Group recommends:

(a) That in planning training and improved organization of training courses account be taken if possible, of the interests of the organization and the aspirations of the employees.

(b) That policies be introduced with a view to changing mentalities and establishing a training culture through encouragement and incentives for trainers and students, developing greater individual responsibility and achieving better control of cost/benefit ratios.

(c) That management training for higher level personnel be developed in order to ensure better motivation and teamwork.

(d) That, with the help of international co-operation programmes, seminars be held in various countries on

important current topics reflecting the development of the insurance sector.

(e) That policies be adopted to promote enhancement of the skills of senior personnel in insurance enterprises.

(f) That action be taken to create, develop and organize a specialized insurance data bank for countries speaking the same language, which might facilitate improved transfer of information among the countries concerned.

(g) That training in marketing, at all levels, be provided for the purpose of improving the image of insurance enterprises.

(h) That, with the support of international co-operation programmes, training in research be provided so as to ensure, in the medium or long term, independent technical capability in the insurance sector.

(5) With regard to career development policies, the Working Group recommends:

(a) That flexible policies be adopted that will provide motivation for task performance and ensure the promotion of cadres with the highest skills while also encouraging self-training and self-teaching.

(b) That account be taken of the need for technical assistance in defining medium-term careers, having regard to the specialized nature of insurance activity.

**REPORT 2: MANAGEMENT OF TRAINING AND TRAINING OF TRAINERS**

- (1) To ensure proper management of the training provided by existing or future training centres, it is recommended:

(a) That an inventory first be made of the existing training centres in order to analyse the present situation and determine the need for:

(i) human resources with the necessary skills for conducting an analysis of training requirements and for the planning, organization and evaluation of the various courses;

(ii) teaching materials for training courses.

- (2) In order to improve the quality of training, at both the basic and specialized levels, it is essential:

(a) To develop, for instruction purposes, a team of trainers to meet the requirements of a country, a region or a subregion;

(b) To consider the question of the desirable characteristics of and the selection of trainers;

(c) To adapt training programmes developed in other countries to the practical situation in each market;

(d) To obtain, with the support of international co-operation programmes, the necessary financing for the measures referred to under 2 (a) above.

- (3) In view of the shortage of human resources for training in insurance work and the difficulty of releasing senior per-

sonnel to attend courses abroad over a fairly long period, the Working Group recommends:

(a) That consideration be given to the possibility of holding, with the support of specialized insurance institutions and international co-operation programmes, training programmes by correspondence for Portuguese-speaking African countries;

(b) That a study be made of the possibilities of co-operation between existing training and instruction centres in those countries with a view to developing training programmes in the area of enterprise management.

- (4) In order to ensure that high-quality training is provided, the function of trainer must be promoted through an incentive policy.

**REPORT 3: DEVELOPMENT OF TRAINING AND INTERNATIONAL CO-OPERATION**

- (1) The Working Group considers international co-operation to be fundamental and the best means of developing human resources through training.

(a) This co-operation must nevertheless take place within a context of consultation and co-operation in order to take the fullest possible advantage of international co-operation with developed countries;

(b) If the international co-operation is to take place within a logical framework in order progressively to meet the needs of countries, a study should first be made of the actual situation in each country.

- (2) With regard to the exchange of information and documentation, the Working Group recommends that countries be divided into those having identical requirements, so that the dissemination of information may be best adapted to their needs.
- (3) With regard to the planning of teaching materials, the Working Group recommends that the following factors be taken into account:
  - (a) The need to standardize training curricula to the greatest possible extent;
  - (b) The need to adapt the materials available in the developed countries to the situation in and the characteristics of each developing country. This can be done through teamwork involving specialists from each country.
- (4) With regard to participation in training programmes abroad it will be necessary to secure from government authorities formal recognition of such training, with a view to facilitating professional integration within insurance companies. For this it will be necessary:
  - (a) To determine the equivalency of training qualifications obtained abroad.
  - (b) To standardize qualification systems while nevertheless taking account of the individual characteristics of each country.
- (5) At the level of the actual trainers, co-operation among the various regional centres should:
  - (a) Encourage, in co-ordination with UNCTAD, the periodic holding of seminars on topics of concern to the countries of a given network;

- (b) Notwithstanding UNCTAD co-ordination of multilateral co-operation, give priority to bilateral co-operation between training centres with a view to the execution of programmes of action.
- (6) Consideration should be given to the possibility of including courses on insurance in university curricula.

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**SEMINAR ON HUMAN RESOURCES DEVELOPMENT  
IN THE FIELD OF INSURANCE**

**PROGRAMME**

*Wednesday, 28 November 1990*

*Morning session*

Registration of the participants

Dr. Ruy de Carvalho      President of the Portuguese  
Insurance Association

Dr. J.M.Durao Barraso      State Secretary of Foreign Affairs  
and Co-operation

UNCTAD      Welcome Address on behalf  
of the Director of the Resources  
for Development Programmes

*Afternoon session*

Welcome and presentation of the objectives of the Seminar:  
M. Couroux and J.F. Outreville (UNCTAD)

The concept of human resources development in the field of  
insurance: Lynn G. Merritt (USA)

Strategic planning for human resources development and the  
training of executives: F. Maxence (France)

*Thursday, 29 November 1990**Morning session*

Human resources development and the deregulation and globalization of insurance activities: Jo Ann Howard (USA)

Initial training and continued training: J.A. Wheeler (UK)

Training needs analysis: S.H. Khan (Trinidad and Tobago)

*Afternoon session**Working Groups:*

Subject: Human resources development policies and strategies

*Friday, 30 November 1990**Morning session*

Training design methods applied to the creation of distance learning material: R. Pittaluga (Italy)

Training of trainers: Lynn G. Merritt (USA)

The critical problem of the quality of trainers: R.P. Watson (Malta)

International co-operation in training and human resources development: Michel Couroux (UNCTAD)

*Afternoon session**Working Groups:*

Subject: Management of training and training of trainers

*Monday, 3 December 1990**Morning session*

Development of a system of insurance education and qualification: D.S. Salmon (UK)

Professional development through certification examination: R.J. Gibbons (USA)

Developing minimum qualifications for market intermediaries in general insurance: R. Langlois and D. Laflamme (Canada)

Organization of training for people with different backgrounds: E.J. Ritter (Switzerland)

*Afternoon session**Working Groups:*

Subject: Training development and international co-operation

*Tuesday, 4 December 1990**Morning session*

Evaluation of training: M.Z. Lacson (Philippines)

Evaluation and auditorship of training: J.R. da Silva (Portugal)

The role of insurance education in colleges and universities: J.F. Outreville (UNCTAD)

Human resources and training development policies and strategies in a developing country - Ghana's experience: Moses A. Darkoh (Ghana)

*Afternoon session*

***Working Groups:***

Subject: Evaluation of training and return on investment  
in human resources development

***Wednesday, 5 December 1990***

*Morning session*

***General session:***

Presentation and discussion of the reports of the  
Working Groups

Conclusions and recommendations