

**THE IMPACT OF GLOBALISATION
ON INSURANCE EDUCATION & TRAINING**

**A Paper presented by Rasik H. Patel
INSURANCE INSTITUTE OF TANZANIA
On the occasion of the Institute's
4th Annual Insurance Day
September 4 and 5, 2000**

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Mr. Chairman, Distinguished Guests, Ladies and Gentlemen

First of all, allow me to thank the President of the Insurance Institute of Tanzania, Mr. William Ndesanjo for asking me to prepare a paper on a topic that has relevancy to the theme of this Insurance Day, which is **"The Impact of Globalisation in Emerging Economies with Reference to Insurance Business."**

I had very much hoped that I would be able to deliver the paper in person at this forum, especially as I have been an active contributor and supporter of this event and of the IIT for more years than I can remember. However, as explained to Mr. Ndesanjo, I am unable to be with you on this particular occasion due to prior and unavoidable commitments elsewhere.

Nevertheless, I am heartened by the assurance given to me by Mr. Ndesanjo that my paper will be presented by a more prominent member of your Institute. I thank you for your understanding and hope that you will find my contribution useful and thought-provoking and that the paper will generate further comments and discussion.

Mr. Chairman, I shall begin by stating what was recommended as far back as 1973 at a Round Table meeting of African Insurance Supervisors at which 29 African countries were in attendance in Addis Ababa under the auspices of UNCTAD and the Economic Commission for Africa (EAC). It was recommended that "the UNCTAD Secretariat in co-operation with the EAC embark immediately on an extensive programme in insurance training".

One would expect that some progress was made regarding this recommendation. However, the prevailing situation at that time was that UNCTAD was also urging developing countries to "consolidate their domestic insurance sectors so that a strong and healthy insurance industry will continue to play its vital economic role".

The conclusion or inference from the recommendations and observations quoted above was that protection of a country's domestic insurance sector, if it was to be successful, needed the reinforcement of insurance education and training.

In September 1986 events at Punta del Este in Uruguay were to change the face of international trade in services indelibly as a result of discussions that took place there which led to trade liberalisation in services. This is now a global phenomenon that is quite different from the protectionist doctrine which was advocated by UNCTAD fifteen years or so before the discussions at Punta del Este.

The resultant trade liberalisation and the subsequent globalisation of the world-wide economies has led to drastic changes demanded in the approach to the operation of the financial services markets in all countries, whether such countries are classified as "developed" or "developing". Insurance is a sub-sector of the financial services markets of these countries.

No insurance market, be it in a free enterprise system or a politically restrictive one, or whether it is newly liberalised or whether freedom of establishment has been in place for some time, can afford to overlook the importance of insurance education and training and that of the establishment of a competent regulatory authority. In other words insurance education and training supply the building blocks and infrastructure whilst the regulatory authority ensures that the on-going construction meets the building code.

The regulatory authority must also ensure that the edifice or structure of the insurance industry is so constructed that renovations can be made on a timely basis to respond to any changes in the local and international environments.

At most international insurance conferences it is quite noticeable that topics related to insurance education and training and the state supervision of the insurance industry are not considered in any great detail. Usually these topics are dealt with as specialised areas and at conferences dealing solely with one or both of them. This is no accident. These are vitally important areas of a progressive insurance industry and do deserve specialist treatment. They are also specific to each country.

Because of the importance of the regulatory authority to any insurance market, and since this is an area rarely covered in conferences, an opportunity will be taken here to touch upon some aspects of selection of personnel and their training.

Mr. Chairman, before a country liberalises its market ample consideration would have been given to both these areas. As regards insurance training and education, there must have been a policy of how this would be dealt with, and it is assumed that advice from international and experienced practitioners and consultants would have been sought. As far as the regulatory aspect is concerned, the same approach would be expected. This discussion assumes that the foregoing developments have already occurred, and therefore the discussion would now focus on the details rather than the overall policies assumed to have been established for both areas.

Let us now examine **Insurance Education and Training** in more detail: Any policy on insurance education and training must embrace the following areas:

- Who is to be trained - a training-needs analysis
- Who is to execute the training - training the trainers and/or external sourcing of trainers

- What programmes are necessary - programme design; distance learning; certification; professional; technical; basic etc
- Standards to be achieved - on-going training

Whilst there are other aspects of training to be considered the above list attempts to look at the more important ones and I shall now discuss each of these aspects.

- **Who needs to be trained i.e. a training-needs analysis**

As mentioned before it is to be expected that the target groups for training have already been considered. Nevertheless, if training is to be successful and provide the required support for the insurance industry as a whole, every area must be considered. This includes both life and non-life insurances and the home office and field personnel of each sector. Each sector also has its own specialist areas such as underwriting, claims, administrative services etc. Since insurance is a service industry, programmes on customer service are necessary. Competency in computer operations is another area to be considered. There are also the ancillary services such as loss adjusting, investigations, risk inspections and the like. Training of regulatory personnel is a specialised area.

Since the foregoing presents a myriad of areas that are necessary to be considered in any exercise where training is to be considered, a training-needs analysis is advocated. Such an approach will provide information on present resources and capabilities and also provide a guide as to the demand. Such an analysis must be done at pre-determined intervals and can be used to monitor the entire training exercise.

- **Who is to execute the training i.e. trainers and/or external sourcing of trainers**

A training-needs analysis would have given guidance as to the resources available. However, in the initial stages of training the strategy must also be to identify from training groups, those persons who are capable and

willing to impart their knowledge as trainers themselves. This means that an on-going programme must be in place so that a country can eventually look to its own resources to provide a pool of trainers. However, it is in the initial stages of such a programme, where external sourcing of trainers who can also train would-be trainers, is necessary. In looking externally for competence, expertise and know-how, developing countries must necessarily look to developed countries for advice, curriculum development and delivery. Such an approach must also take into consideration the origins of the laws of the country which is seeking the expertise, as it will be foolhardy to access training from countries with laws that are alien. In seeking out such a resource a country must also attempt to source the most cost-effective institution. There are a number of good examples of institutions that have the expertise, experience and capability to cover every aspect of such an approach, e.g. the London School of Insurance (LSI), the National Insurance Academy of India and others.

- **What programmes are necessary i.e. programme design, distance learning, certification**

This aspect of training presents the greatest challenge and it is here also where a training-needs analysis can provide data as to the programmes that would be necessary.

As mentioned before, training in insurance must embrace every aspect of the personnel elements that make up the industry, including the ancillary services. The exercise of deciding upon the necessary programmes is an enormous one and needs the input and involvement of international bodies with proven competence in this area, because standards (discussed below) have to be set from a very early stage. As can be perceived the programmes are many; their duration, the objectives to be achieved, their content and delivery and even where and when they are to be delivered are aspects that will have a tremendous impact not only on the

programmes and their participants themselves, but on the companies, the industry and the country as a whole.

With regard to programme design, this will relate specifically to the target group to which the programme is to be delivered. Again, international know-how will save costs through ensuring that the exercise is not done on a "trial-and-error" basis. Curriculum development is a highly specialised area and only specialists should be involved in such an exercise.

When the programmes are designed decisions must then be taken as to how they should be delivered. This relates to the availability of resources, size of the country and other statistics related to the size of the industry, its geographical spread and the like. Such information will provide the bases for a decision as to whether distance learning, a tuition service, classroom delivery etc is appropriate.

The level of training is a major factor that will determine success or failure. Basic training is usually available locally. However, technical and professional training presents problems, especially the former. **Technical training** implies specialist training and such training in the insurance industry has to be dynamic and on-going because of the nature of the industry. This also means that updated technical material must be available and accessible in all the technical areas. There are thus additional costs related to such training if successful participants are to make any meaningful contribution to the industry in their respective areas of competence.

Professional training on the other hand requires the country to decide whether it should develop its own professional qualifications or use those of other countries which are already recognised. This has undertones of nationalism and it is for a country to take into consideration whether the international qualifications are relevant to its laws, practices and aspirations. In any event development of a country's own professional

qualifications guarantees that graduates can use their knowledge **for the country's benefit**. This may be the way to go and then seek international recognition in due course.

- **Standards to be achieved**

Standards have to be set. No training programme will have credibility unless standards to be achieved are in place. However, the observations made in the foregoing paragraph with respect to professional training are also relevant here.

Let me now briefly turn to the area of **on-going training**. The globalisation of the world-wide economies, improvements in technology, telecommunications, data processing and the like; the expansion of cities into residential areas; developments in the legal and social aspects of countries, have all contributed to the ever-changing face of insurance and of all industries, whether **services or manufacturing**. The insurance industry is one in which all practitioners must keep up with the changes or be relegated to the backwaters of their profession. This means that on-going training and exposure to global developments in insurance are necessary and highly desirable. From the outset the perception in the development of any insurance education and training programme must also propose a strategy for continuous learning, as any policy on training will be deficient without this aspect.

In support of the training exercise there must also be ample resource material, perhaps housed in one location for personnel to access. Such an institution should contain all modern equipment and up-dated, catalogued and relevant publications. Local research should be encouraged through joint ventures with tertiary learning institutions or with appropriately qualified individuals, whether local or international. Incentives for such joint ventures by offering recognition and rewards will ensure that, on an on-going basis, the industry can look with greater detail into various aspects of its operations in an effort to improve performance or make relevant changes.

Mr. Chairman, I will now examine some specialist areas of training under the following headings:

- **The Field Force**
- **Personnel of the Regulatory Authority.**

1. The Field Force

These areas are related mainly to the field forces of both life and non-life insurance. These persons are the vanguards of their companies and they are financial advisers to would-be policyholders. Their training does not need to be advanced or too technical but what is absolutely necessary is that the regulatory authority must be in control and should set the standards. This is necessary in order to protect the insurance consumer. Standards have to be set and there must be a state-regulated examination. To ensure that this would be the approach, legislation must be in place which provides the regulatory authority with the powers necessary to have full control of this particular programme of training.

2. Personnel of the Regulatory Authority

The training of personnel for the supervisory authority requires in-depth planning. Initially, recruitment and selection must come from aspirants who already have a proven level of competence evidenced by a tertiary qualification from a recognised institution.

Specialists are needed in the financial area as these persons would be involved in solvency regulation. Also, prior work experience would be an advantage.

One of the most important skills for regulators is the ability to analyse information, especially financial data. Assertiveness, good intuition and faith in their instinctive reactions are not found in training programmes, and the recruitment and selection process must attempt to identify persons with these special traits.