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## Students' Preferences Regarding the Insurance Profession \*

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### Introduction

Skills and talent are vital to all businesses irrespective of their size, type or the market economic conditions, which is why the "talent gap" (the disparity between the supply and demand of talent) may have a detrimental impact on business. Recent observations show that the number of business and management students preparing insurance degrees has declined worldwide, as noted in many developed and developing countries where insurance companies are struggling to find skilled talents. At the 2007 Xchanging conference in London, Richard Ward, then Lloyd's CEO, cautioned with alarming information that the £100 billion U.K. insurance industry, regarded as the second largest national export, with a 330,000 workforce playing diverse roles plus a further million people in related fields, was in imminent danger due to the shortage of highly skilled talents. He commented, "Yet nearly 90 percent of graduates do not consider a role in insurance, and 75 percent of recruiters in the industry struggle to attract quality talents" (HM Treasury, 2009). The shortage of talent in insurance is also acknowledged in a U.K. parliamentary study that emphasised "promoting the insurance industry as an attractive career choice and improving the image of the industry within schools and universities" (HM Treasury, 2009).

In 2010, the Chartered Insurance Institute's (CII) survey of 1,755 school and university students' attitudes towards insurance stated that:

- only 1 per cent was interested to work in the insurance sector (with 15 per cent in finance and 22 per cent in professional services, including law and accounting);
- students regard an insurance career as dull and unethical, involving cheating rather than helping people;
- external sources (the media, teachers, friends and family) who tend to be unaware that insurer's risk pooling across society actually provides security influenced the students' career choice considerably, so the students in effect know very little about insurance, which leads them to avoid this industry as a career choice;
- communication about the value of insurance should be improved among the stakeholders to foster awareness.

Moreover, CII's skill survey (2012) reported:

- almost two-thirds of employers are suffering from talent shortages, with claims management and underwriting being urgently needed skills;
- the majority of respondents believe that new entrants joining the industry at both the entry and leadership levels have failed to acquire sufficient skills at school or at the graduate level.

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Moreover, the U.K. Border Agency has added actuaries to the shortage occupation list announced in 2011. A PricewaterhouseCoopers annual global CEO survey found that the availability of talent is critical for business growth (PWC, 2010). The 2010 McKinsey & Company survey revealed U.S. high school and college students' limited understanding about insurance careers. Despite the availability of several quality risk management courses and jobs, the lack of collaborative effort among the insurance industry, academics and professional bodies was highlighted as a key challenge to attracting high-quality talents to the profession. A U.K. parliamentary study also recommended "promoting the insurance industry as an attractive career choice and improving the image of the industry within schools and universities" (HM Treasury, 2009).

All these discussions demonstrate that, on the one hand, there is frustration among college graduates because of the uncertainty surrounding the choice of insurance as a profession. On the other hand, employers (recruiters) are concerned with the shortage of skills and talents for the future of the industry. At the industry level, several factors, for example, image problem, lack of public awareness, etc., are predicted as the causes of young talents' demotivation for the insurance profession. However, no scientific research appears to have yet been conducted to find the causes of this concern. This short text summarises the recent work of Acharyya and Secchi (2015) that investigates the significant factors as to why the new generation of students is reluctant to prioritise insurance as a profession.

For their analysis, Acharyya and Secchi (2015) collected data in December 2012 from students at Bournemouth University on three overarching factors (environment, opportunity and awareness) that ultimately influence student choice of insurance as a profession. They tested three hypotheses in relation to student career choice that are based on these three factors. The analysis employed structural equation modelling (SEM) and regression analysis to test the hypotheses.

## Results

Acharyya and Secchi's (2015) results show that 31 per cent of the students would consider the insurance profession at any stage of their career, 5 per cent of whom place it as their first career option, 7 per cent second, 15 per cent third, and the remaining 72 per cent fourth or lower. This result is very encouraging, as the CII survey (2010), for example, reports that 1 per cent of their respondents were interested in working in the insurance sector.

They found that the environmental factor positively affects students' choice of the insurance profession. This result is in line with Holland's theory of career choice (1985) in that it highlights how the choice is affected by some social aspects that contribute to determining the person–organisation (or prospective career) fit. In response to their attraction to the insurance profession, 47 per cent of the students remained undecided, so there may be a lack of communication by the insurance industry, educators and professional bodies about insurance's role and value, as several industry surveys noted.

The result from the SEM shows that there are two components of the environmental factor. One is "familiarity" with the concepts and the other is the "origin" of the information on insurance. These two are both contributing positively to explain the latent variable "environment". The conformity factor analysis shows that higher familiarity with the concept and multiple sources of information contribute to defining the environment. This, in turn, positively affects the choice of insurance as a professional career. Therefore, what the findings point out is that better information contributes to making this career option more interesting. The attribute "better" as it refers to information is, in this context, not generic. It refers to individuals strengthening their knowledge by getting similar (or just more) information from diverse sources (e.g. the web, parents, university) and increasing their understanding of what the insurance profession is really about. The indication that comes out from this is that the choice of career is indeed related to the quality and consistency of information that students get from different sources. This defines what can be called pre-conditions or antecedents of what is indicated in the theory of vocational choice (Holland, 1985). Holland's theory also suggests that a person's behaviour is determined by the interaction between his/her personality and his/her work environment characteristics, outlining six vocational personality traits (i.e. realistic, investigative, artistic, social, enterprising and conventional) as well as career environments.

The SEM also shows that students' awareness of the profession shows a (marginally significant) positive effect on insurance as a career choice. Interestingly, the regression analysis cannot support this result. Although it leads to rejecting the hypothesis that awareness is negatively correlated with the students' choice of the insurance profession, it provides some limited ground for discussion. The result strengthens the role of information in defining how people define their career choices. Being aware of what the insurance profession has to offer seems to contribute to defining students' choice. What this finding adds to the discussion above is that higher education has quite a significant role in determining student career choices. This is not surprising and suggests that higher education is still key to helping students make their choices. In addition, it highlights the role of skills and confidence in career choice, consistently with the social cognition theory (Gainor and Lent, 1998). What can be suggested is that partnerships between industry and higher education institutions grow bigger so that university programmes provide students with more awareness of the successful career alternatives that may be available.

For the remaining hypothesis, however, Acharyya and Secchi (2015) did not find a negative correlation between the opportunities associated with the insurance profession and students' choice of an insurance career. At one stage of the study, it was thought that the incentive structure offered by the insurance industry could be an obstacle to attracting talents, but their data did not support this assumption. This aspect certainly needs more accurate and in-depth analyses, maybe with more emphasis on the theories that inspired this element of the theoretical framework.

### Discussion

A general comment can be made on what is found in both the regression analysis and in the SEM. First, information on familiarity, awareness and origin is key to individuals in the consideration and selection of their career choices. Second, this leads to both universities and the industry working on sending clearer and stronger messages to students that they choose an economic, finance or accounting path. Third, the lack of support for Hypothesis 2—that is, opportunity negatively affects insurance career choice—shows that this choice is not related to particular individual biases or prejudices over the profession (i.e. motivates for choosing a career) nor to personal capabilities, in particular, mathematical and computational skills. This third element is especially important in that it shows that there are no limits as to whom to target. Put differently, anyone can become interested in exploring insurance as a career choice. All it takes is clearer and stronger information.

This paper points to the importance of students being exposed to insurance processes and products. This ensures better recruitment of talents, expands the recruitment basis and creates more informed customers. One aspect that can be derived from the findings discussed in the paper is the point of contact between the profession and the students surveyed.

The study considers students as potential workers in the insurance industry, and evaluates the likelihood that they would consider that option in their professional careers. However, even if they are not willing to consider that option, they will be (they are) in contact with some elements of the insurance business. All of them are customers, have dealt with insurance-related products in the past and/or will in the future. The fact that most students may not know much about career opportunities, may not be interested or may not be too sure about jobs available does not necessarily mean that they do not use insurance-related products.

In fact, results suggest that participants are not fully aware of career options, but that they know what insurance is about. What was found highlights how confident participants are in their mathematical and computational capabilities. From this, Acharyya and Secchi (2015) may find a first and indirect support for the claim that, even if they are not interested in a career in the insurance business, students may still become good customers. The understanding of insurance-related products is key to customers, and this business relationship is strengthened by math skills and a fair knowledge of what is offered in the market. Of course, this is but a preliminary result and it was not the focus of the current study. However, given its importance, future research may well explore the motives and the likelihood that business students become good customers.

This study contributes to the ongoing debate on the talent shortage in the global insurance industry. Unlike previous studies, the students in the sample are majoring in mainstream subjects (rather than insurance) and some

(categorised as international) have no idea about the broader nature of insurance business, including insurance designations. This study may help the insurance industry, educators and professional bodies to target the appropriate market to attract and develop talents. Moreover, the significant factors identified in this study can provide the necessary information for developing a strategy to educate and retain talents by addressing their perceptions of the insurance profession.

Since this analysis suggests that students' awareness negatively affects their choice of an insurance career, closer engagement with university students is recommended to highlight their core understanding of insurance, the broader scope of insurance education and professional routes, along with the opportunities available.

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