

Degrees of Certainty

More colleges offer four-year risk management programs, and jobs are waiting when students graduate.

by Dennis Gorski



Today's college students have numerous opportunities to pursue four-year degrees, and potentially lucrative careers in insurance and risk management, due to a growing number of schools offering the curriculum.

The most recent count of U.S. colleges and universities with four-year programs in insurance and risk management, compiled by the Dallas-based International Risk Management Institute, stands at nearly four dozen (see list, page 64). Other schools are in the process of bringing the curriculum to campus, including Washington, D.C.-based Gallaudet University, which educates hearing-impaired collegians. The degree is available in Canada, Great Britain, Europe, Russia,

the Middle East and Singapore.

Some schools have trouble attracting students to these promising careers. Much of the struggle centers on the perception of insurance as uninteresting and sales-oriented.

Risk management professors, insurance fraternity leaders and company executives are

Key Points

The Situation: Insurance and risk management degrees are now available at colleges and universities across the country.

The Back Story: Many students step right out of senior year into good-paying insurance jobs.

The Issue: Despite the attraction of good pay and professional positions, schools aren't graduating enough students to fill the 'talent gap.'

focused on communicating the advantages of an insurance career to attract students and advance the profession after graduation.

Big Program, Big Impact

Schools known for their risk management and insurance curriculum include the University of Georgia, University of Wisconsin, Temple University, Florida State University, along with a growing number of other universities and colleges.

FSU's program, today known as the Dr. William T. Hold/The National Alliance Program in Risk Management and Insurance, has been in existence since before Dwight Eisenhower's presidency. Last year it was ranked No. 5 among public institutions and No. 6 in the nation by *U.S. News and World Report's* annual survey.

Dr. Kathleen McCullough, assistant department chair and State Farm insurance professor of risk management and insurance at FSU, has taught insurance and risk for 17 years. She helped build a Risk Initiative Program, in part to entice more students to become insurance majors. The first gift to the initiative was \$5 million from Hold, an FSU alumnus from the class of 1963, and the National Alliance, where Hold is president.

As part of the initiative, FSU freshmen and sophomore business majors are required to complete a course, "Risk and Business in Society," before they can be admitted to the college's school of business as juniors. The course examines personal, business, government and organizational risk. As a result, "Our major count [in risk and insurance] is going up weekly. I don't know of any other college that offers this course as a prerequisite for business majors," McCullough said.

Florida State's insurance and risk management program presently has about 125 declared risk and insurance majors; the program is taught by six faculty members and several adjuncts. These students all reside on campus, McCullough said. Insurance and risk management classes include four required courses and two electives to graduate.

Another 50 students are taking the two-year online-only masters designation.

Freshman and sophomores learn the basics: accounting, finance, statistics, basic management, along with English, math and the like. Junior- and

senior-year students get the risk and insurance courses.

Students must be proficient in Excel and in conducting online research, including the online IRMI resource database that's used extensively in the industry. Guest lecturers participate via webcam. Visits from other lecturers, along with field trips to companies and events such as RIMS, help round out students' education.

Strong math skills, while desirable, are not an absolute requirement. "It helps, but students don't have to be," McCullough said. "Some sectors like actuary, modeling, quants need math proficiency, yes, but other elements? No. Being good with people matters more. Having a really good understanding of the coverages matters more in some cases.

"We can take a student, whether they love math or hate math, whether they want to sell or they don't want to sell, whether they need to be behind a desk or they don't want to be behind a desk, and find them a great career," she said.

Program financial supporters include the Florida Association of Insurance Agents; carriers including XL, Auto-owners Insurance, Amica and State Farm; and alumni. Scholarships are sponsored by AmWINS; NAPSLO; the Spencer Foundation (based in Chicago); the Griffith Insurance Foundation (Ohio) and affiliations with The Institutes and Gamma Iota Sigma. FSU has a "huge list of people that support students," she noted.

"We've always had near-perfect placement of our students," she said. "There's just a huge demand for good risk management and insurance majors in all facets of the industry."

Some focus on risk modeling, some on risk management and some join tech firms that have certificates of insurance. The bulk of her students work in claims, underwriting and production after leaving school.

McCullough added: "It's a great problem to have. We have too many opportunities for our students."

Smaller Schools Shine

Dr. Karen Epermanis, director of finance, banking and insurance at Appalachian State University, said her school has also found success by recruiting students through incentives.

The university, in North Carolina's Blue Ridge Mountains, has about 18,000 students—less than half of Florida State's



Dr. Kathleen McCullough



Dr. Karen Epermanis

41,000. Through industry and alumni support, Appalachian State offers an insurance and risk management program that includes nine courses to earn the accredited degree and has a placement success rate of about 90%.

Appalachian's on-campus Richard S. Brantley Risk & Insurance Center, which Epermanis directs, is the focal point connecting insurance and risk management students with the insurance industry and the public. The center offers classroom speakers, events, professional development, research opportunities for faculty and more. It also helps sharpen the curriculum offered at the school, which is taught by five faculty members.

Along with an annual recruitment dinner, Epermanis has instituted a unique incentive for prospective insurance and risk management majors planning to enter Appalachian's Walker College of Business in junior year. "High-GPA students in second semester sophomore year who are not risk management- or finance-declared majors are offered a \$500 High Performer scholarship to take Principles of

Risk Management & Insurance," she said. "Then they understand that [insurance and risk management] is not nearly what they thought it was." About 50% of selected students change their major to risk and insurance, she noted.

"The placement rate makes a huge difference if you want a job," she added. "We can get you a job no matter what your interests are, so whether it's underwriting or claims or brokerage or independent agency, they all take different types of people. And the salary is good. Average placement salary range is \$45,000 to \$50,000."

Epermanis teaches two courses per semester including the capstone course, which all students must take. This semester she has about 40 students in that class, which is modeled after the University of Georgia's program. Only four are women; why the number isn't higher is a mystery, said Epermanis, but added the number fluctuates yearly.

The capstone course involves a full-blown risk management case analysis of a fictitious company, complete with financial statements "and all kinds of things wrong with the

Degrees of Risk Management

The International Risk Management Institute has compiled this list of colleges and universities offering undergraduate insurance and risk management programs. Each school requires insurance and risk management majors to complete at least four separate courses specifically focused on risk management and insurance.

Appalachian State University	Southern Methodist University
Ball State University	Temple University
Baylor University	Troy State University
California State University—Fullerton	University of Central Arkansas
East Carolina University	University of Georgia
Florida State University	University of Hartford
Gannon University	University of Houston
Georgia State University	University of Houston—Downtown
Howard University	University of Iowa
Illinois State University	University of Louisiana—Lafayette
Illinois Wesleyan University	University of Louisiana—Monroe
Indiana State University	University of Minnesota
LaSalle University	University of Mississippi
Middle Tennessee State University	University of North Carolina—Charlotte
Mississippi State University	University of North Texas
New Mexico State University	University of South Carolina
Ohio State University	University of Pennsylvania—Wharton
Olivet College	University of Wisconsin—Madison
Old Dominion University	Utica College
St. John's University	Virginia Commonwealth University
St. Joseph's University	Washington State University

Source: IRMI, 2012 data

company.” Students must analyze risks and come up with recommendations and solutions in a 50-page paper plus attachments. The students must then present their findings to a panel of insurance experts in risk and underwriting from Charlotte.

“Their thank-you notes afterward say, ‘I am now ready’ and they acknowledge that the project actually reflected what they now do every day in their jobs,” she said.

Similar to other schools, insurance and risk management students earn portions of

The Institutes’ Chartered Property Casualty Underwriter and the Certified Insurance Counselor designations by earning a B or better in their advanced courses.

“A ‘B’ means something, and we’re certainly not giving away the grades. And from that standpoint, the students would have passed that exam [for CPCU or CIC] anyway,” she said.

Appalachian’s founding program sponsor is the Independent Insurance Agents of North Carolina. Ten other companies have committed support, including Liberty Mutual, AmWINS,

One View: Building a Curriculum for ‘Quants’

Dr. William Panning, former senior executive at major insurance companies, portfolio manager, Wharton School professor, ERM model designer and author shared his perspective on how to build a university-level curriculum for today’s risk management students.

Level 1 courses offer conceptual introductions to crucial analytic skills, to some tools to implement them, and to substantive information about the industry to which they will be applied.

a) Introduction to quantitative analytical skills (e.g., probability and statistics). These are best taken early in one’s college career, and should be a prerequisite to declaring a major in risk management;

b) Introduction to quantitative tools for applying these skills to relevant data (e.g., the R programming language and its many application libraries, or the Mathematica programming environment and its vast resources);

c) Introduction to a specific industry (e.g., property/casualty insurance) and how these tools can be applied to industry-related data.

“In the past, quantitative analysis courses focused on teaching students how to compute relevant analytical functions,” he said. “But now, with the ready availability of free or inexpensive sophisticated software tools and desktop PC’s that are fast and powerful, the focus should shift (and is slowly doing so) to a focus on the questions we are trying to answer, the relevant statistical concepts and tools available for answering them, and the principal strengths and limitations of those concepts and tools. High-level software already incorporates the algorithms we used to be taught, so the focus should be on how these tools and embodied algorithms are best used and interpreted.

Level 2 courses focus on understanding and communicating with crucial decision-makers.

a) How do key decision-makers actually make decisions? How do they identify and think about the relevant questions and arrive at answers? The crucial authors here are Russell Ackoff (*Management Misinformation Systems* is his best article), James G. March (his writings are subtle), and Nobel Prize

winner Daniel Kahneman (*Thinking Fast and Slow*). Excluded are the numerous books on how economists think decisions should be made (but aren’t) and the vast numbers of airport books that offer advice from consultants.

b) How can the relevant results of statistical risk analysis be made understandable to decisions-makers and relevant to their decisions? There are numerous recent books on the use of visual data displays and on changes in financial reports that help to achieve these objectives. Edward Tufte’s books are especially helpful, although a bit dated.

“The crucial point of this set of courses is that executive attention is a crucial but limited resource, and a risk manager has to know how to use it efficiently and effectively in order to have any impact on what a firm does,” Panning said.

Level 3 courses focus on the uses, limitations and boundaries of what we know about quantitative analytic concepts, skills and tools. The goal might be called analytical humility: becoming acutely aware of what we don’t know, due to the limitations of our concepts, our tools and our data, and the unknown extent of what we don’t even know that we don’t know. Hubris—excessive confidence that we know what we need to know—has been the downfall of many a firm, and even whole industries. Example: On Oct. 19, 1987, the U.S. stock market dropped about 23% in value, as did most of the major stock markets around the world. It is still not clear why this happened, but the fact that such an apparently improbable and incredible event did happen should inform risk analysis as it is practiced. In practice, this and similar events are essentially ruled out in most existing risk management systems, despite the fact that they recently happened.

“Level 3 courses are today not typically taught, but are crucial to the effectiveness of future risk management professionals,” he said. “The more powerful our available analytical concepts and tools, the less excusable is our willingness to ignore them in favor of blind adherence to traditional concepts and primitive tools.”

AgentCo, Carolina RIMS, W.R. Berkley, Johnson & Johnson, OneBeacon Charitable Trust, Risk Placement Services Inc., the North Carolina Surplus Lines Association and wholesale broker AllRisks.

While the talent gap “is a very real issue—you cannot get around that,” Epermanis sees a silver lining. “I use that in my discussions with my students. I tell them that when everyone retires, you’re going to proceed up that ladder that much quicker than in a traditional industry.”

But another talent gap—on the instructional side—has Epermanis worried. “That scares me now more than anything,” she said. “Once the lead person retires, the program seems to go away. Only three schools offer Ph.D. programs in risk and insurance. You need new professors and we just don’t have them.”

Support in the Real World

Once in the job market, where can insurance and risk management students receive continuing support and development in their field?

One prominent solution is Gamma Iota Sigma, a North American fraternal organization of risk professionals that celebrates its 50th anniversary this year. (Its first chapter opened in 1966 at The Ohio State University.) The fraternity now has 65 members and several more are in the pipeline, according to Gamma’s Executive Director, Noelle Codispoti.

An actuarial science/risk management grad from Philadelphia’s Temple University, Codispoti has been with Gamma since January 2011, after six years spent working with directors and officers insurance with Ace. Gamma’s membership reflects the growth of the sector, having added seven schools in the past 12 months. Student count rose from 1,100 four years ago to 3,000 this year. Two more colleges are imminent and another two are being courted, she said. A chapter in Ontario has been operating since 2001 and she’s working on a regional concept so Bermuda students studying abroad can have their own GIS chapter.

Gamma’s message to each school, she said, is that the fraternity is an effective network for three interconnected audiences: students, each member school, and companies. GIS works with the Casualty Actuarial Society, Risk and Insurance Management Society and other organizations. Gamma provides webinars for



Noelle Codispoti

students, professional “soft skills” development in leadership, counseling in interviewing skills, help with resumes and a job board.

Despite all these activities, Codispoti said Gamma needs additional resources beyond the current dues structure and insurance sponsorships. She and a co-worker, based in Ohio, are Gamma’s sole employees, although she and the group’s executive committee have considered hiring more help. “We work tirelessly just to keep up at this point.”

“Almost everything Gamma does is supported by the industry,” she said, especially its yearly convention. This year’s conference is in Chicago in October; last year’s event drew 60 companies and more than 450 students from 42 schools. “It’s a great opportunity for companies to meet the best and the brightest from all schools,” Codispoti said. “It lets both sides develop relationships and lets companies be on the lookout for those students’ resumes.”

Gamma’s members often go into the wholesale side, due to efforts by NAPSLO, AAMGA and the member companies of those organizations. “They respond big to us every year. They’re the biggest presences at our conference, calling all the time asking how we can get in to different schools” to meet and recruit Gamma members, she said.

Codispoti works to counter the perception that Gamma is primarily in the job fair business. Personal lines companies are more difficult to engage, she said. And for an industry that’s on the verge of a talent squeeze, she said there’s a noticeable lack of internships for students, though “those numbers are picking up.” Codispoti completed two internships, both with Ace, while at Temple.

Gamma’s biggest benefactors are the Council of Insurance Agents and Brokers, Travelers, and starting this year, American International Group, each at \$25,000 per year over three years. Codispoti said Travelers “is our longest-standing partner.”

Dozens of other companies, organizations and individuals pledged financial support as well in 2014, Gamma records show.

Awareness of the talent gap “is getting better in terms of more people realizing there’s an issue,” she said. “There’s more hiring of entry level employees; companies that had stopped hiring entry level have returned to the scene. They’re recognizing there’s going to be an issue, not only industrywide but at their company. Every professional association and trade group we work with has some sort of ‘let’s get the next generation engaged.’”

“It makes me feel good to see more students getting involved in insurance and more schools developing programs.”

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