



Does the Decline in Insurance Education Create Both Risks and Opportunities for Insurance Companies?

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Insurance agents frequently, and sometimes sheepishly, admit that they can invest just one hour of their time and secure five hours of Continuing Education Credits (CE). Sadly, what started as a good idea, requiring licensed insurance professionals to continue their education throughout their career, has too frequently degenerated into "I need some CEs before the end of the month." Professional associations and other training organizations are reporting that insurance education has eroded into more of a chase for CEs and less of a quest for higher learning.

The erosion of insurance education is occurring at the worst possible time. Risks facing businesses and individuals are increasingly complex and potentially catastrophic. An acceleration of retiring insurance professionals will cause a massive loss of intellectual capital over the next five to 10 years. And, the increased use of data and technology to tailor insurance product design, pricing and delivery are likely to speed up the trend to further "commoditize" insurance. The dreaded commoditization of insurance, where price is the predominant driver in insurance buying decisions, is the nemesis of most insurance agents and companies.

PREDICTIONS

There is an emerging consensus of opinion among global consulting firms that there will be fewer insurance agents in the future. According to McKinsey and Company's, Agents of the Future: The Evolution of Property and Casualty Insurance Distribution, "Where agents once served as the front line in risk selection and pricing, advances in predictive models are making this role obsolete. The increasing sophistication and accuracy of predictive models and the rise in straight-through underwriting are diminishing the agent's role in risk selection."

McKinsey and Company go on to predict:

- ♦ "Agents will be compensated only for the unique value they deliver to the customer and the carrier;"
- ♦ "Carrier agent management models will focus resources on those agents that deliver profitable business;" and
- ♦ "Winning agents will deliver tailored and relevant expertise and excel at multichannel marketing while increasing their scale and operational efficiency."

So, if the premise is true that participation in quality insurance education is eroding, and McKinsey and Company and other consulting firms are correct, then insurance companies need to ask themselves the following questions:

- ♦ Are our currently appointed agents ready to succeed in this new world?
- ♦ What unique skills do our insurance agents currently possess and which skills will they need in the future?
- ♦ What is our role, if any, if agents need assistance to adapt to our needs?

It is likely fair to assume that the majority of insurance agents currently appointed by insurance companies lack the necessary skills to meet the carriers' emerging needs, and do not have a plan to acquire such skills that will be needed in the future. Record-breaking merger and acquisition activity is not helping the cause. Upgrading agent education may be on the list of things to do after a merger or acquisition, but it's usually not at the top of the list.



CREATING CHANGE

Insurance companies are seemingly in the best position to sound the clarion call and send out a request for action and raise awareness for insurance agents to raise their level of expertise. Conversations between carriers and agents must evolve beyond the usual niceties and routines to strategic discussions about their respective roles now and in the future.

For agents to survive and thrive in this rapidly changing business and insurance marketplace will need tailored expertise that aligns with the needs of their carriers. However, most insurance agents don't even know where to start, or what carriers will want. Agents will likely look to their preferred carriers to provide the leadership and guidance on how they can remain relevant and an effective and valuable business partner.

The danger of insurance agents falling further and further behind the needs of their carrier partners and clients creates significant opportunities for insurance companies. Insurance companies who either sponsor or recommend educational programs that are in alignment with their objectives, now and in the future, will be rewarded by the insurance agent community. Insurance agents, like most professionals, tend to reciprocate and “give back” to those who have assisted them on their career path.

In summary, education for insurance professionals has taken a turn and race to the bottom with too much focus on CE credits, and not enough attention to the skills required in the rapidly changing marketplace. It is likely not an exaggeration to suggest that insurance company leadership is essential. If not them, then who will step in the gap? If not now, then when?

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