

# PROFESSIONALISM: ITS PRESENCE AND ABSENCE IN THE INSURANCE INDUSTRY

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## ABSTRACT

Historically, professional status has involved a specialized and well-defined body of knowledge, a professional association, a devotion to public service and a code of ethics. In examining the insurance industry, one finds that the educational curriculum, perhaps necessarily, encompasses more subjects than do the curricula of other professional fields. The trend toward all-encompassing technical and social education leads away from professional status. In addition to advocating a generalized curriculum, the insurance industry does not seem to follow the organized educational base incorporated by other professions: 1) historical developments, 2) principles or basic techniques of the profession, 3) theoretical foundations, and 4) the application of areas 1, 2 and 3 to current problems. The insurance field also seems to have a wide and diversified array of associations, no one of which is specifically designed to set standards of performance or oversee the personal conduct of all members of the insurance field, provide a tie between the members and the general public or prescribe national policy and legislation pertaining to its field. Without having fulfilled the requirements pertaining to education and a member association, it is difficult for the insurance industry to achieve the other prerequisites of professionalism.

Many speeches have been given and many articles written concerning insurance as a profession: some argue that insurance is a profession, and that the only problem is that the public does not recognize it as such; others maintain that some individuals in the field have professional status, while others do not; and still others have insisted that insurance is not a profession and should not strive to become one. Although differing in their points of view, most of these authors seem to have one thing in common—a well-meaning, but ill-defined conceptual frame-

work for evaluating insurance as a profession.

Typically an author begins by stating something to the effect that insurance educators and executives are moving toward greater appreciation for and better adherence to a "professional ethic," but few bother to define this "ethic" and an even smaller number bother to examine all phases of insurance in their search for signs of the professional ethic. Perhaps this reflects the fact that the concept of professionalism, related to any field, has changed gradually over the years. At any rate, the discussion continues without any apparent answer to the question of whether insurance is a profession and, if not, whether it can ever hope to be one.

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## Nature of Professionalism

Following a brief discussion of the historical development of professionalism

this paper will attempt to define professionalism as it relates to the insurance field. Then, and more importantly, it will examine some recent trends within the insurance industry to determine whether or not its members are, in fact, moving toward a "professional ethic." In so doing, it is necessary to reiterate some of the earlier discussions in this field, which may be familiar ground; there seems to be no other way to establish a basis upon which to encourage future discourse.

The status-colored lure of professionalism is deeply embedded in American culture. Although there were designated professions long before formalized codes of ethics were developed, professional status has long been associated with and, in some cases, developed from a "code" which sets standards of performance for an organized group of individuals. As R. H. Tawney of Oxford noted in 1920 when defining professionalism:

A profession may be defined most simply as a trade which is organized . . . for the performance of function . . . [Professionals are] men who carry on their work in accordance with rules designed to enforce certain standards both for the protection of their [sic] members and for the better service of the public.<sup>1</sup>

In 1922, Dr. MacIver, then Professor of Political Economy at the University of Toronto, reinforced the direct tie between professionalism and a code of ethics when he said, "the demarcation and integration of the profession is a necessary preliminary to the establishment of the code of ethics."<sup>2</sup>

In addition to the idea that to be a professional, a group needed a code of ethics, some other rather specific qualifications for professionalism were devel-

<sup>1</sup> R. H. Tawney, *The Acquisitive Society* (Oxford: Harcourt, Brace, & Howe, 1920).

<sup>2</sup> R. M. MacIver, "The Social Significance of Professional Ethics," *The Annals of the American Academy of Political and Social Science*, Vol. CI, No. 190, May 1922, p. 7.

oped. The more important ones include: a specialized and well-defined body of knowledge, a professional association, and public service.

### *A Specialized and Well-Defined Body of Knowledge*

The knowledge or training qualification grew out of the practical difficulties of developing binding organizational guidelines and standards of performance when diverse interests and backgrounds were represented. Since describing oneself as a professional required knowing the precise relationship to other practitioners, professional associations began to be centered around specialized bodies of knowledge. Physicians, lawyers, and theologians required very intensive training and their body of knowledge was certainly specialized; thus, they became the first and most commonly accepted of the professions.

Gradually the knowledge qualification was broadened: to become a professional, one not only had to be exposed to a specialized body of knowledge, but he also had to demonstrate a certain amount of competence in applying—either practically or theoretically—this body of knowledge. As this qualification expanded, it became increasingly important to have some fair and unbiased method of setting the standards of application and some vehicle through which individual performance could be tested against these standards. As this developed, educational institutions became the core, the focal point, of professional development. What better place to systematize a common body of knowledge? And what better place to measure the individual skills against the standards of a profession?

Typically, the testing of professional competence takes the form of written examinations which are designed to evaluate both practical and theoretical acumen in a particular field. In most states, physicians, lawyers, accountants and others

must prepare for some final examination in their field before being licensed to provide a public service. When they achieve this acceptance, then they join an organization that helps perpetuate this testing of competence and ethics.

### *Professional Association*

As Dr. Overman noted when outlining his requirements for professionalism:

A . . . final characteristic of a profession is the existence of a formalized body of members, sometimes known as a society or an association, which is designed to achieve more effectively, as a group, the individual goals, objectives and ideals of its members.<sup>3</sup>

Although the specific functions of a professional association or society vary among professions, they frequently include: 1) the creation and continued updating of a code of ethics; 2) the maintenance of a continuing education program for its membership; 3) the constant re-evaluation of the society's standards of performance and education requirements; and 4) the enforcement of the standards of performance and the personal conduct of all members by some sort of governing board.

### *Public Service*

Most businessmen recognize the fact that they entered a particular business or field for the sake of earning a living. Nevertheless, it is the "professional" who measures his success by the service he performs, not merely the monetary gains which he amasses. That is, the function of a physician or a lawyer or any other professional is to serve the public; the fact that he might also become rich in the process in no way furthers his professional status. To be a professional first

and foremost requires something beyond greed and selfishness.

Some authors have expressed additional prerequisites for a profession, such as a system of social rewards for occupational performance, and a system of government classification. The latter prerequisite refers to the listed classifications of professional groups by the U.S. Bureau of Census and other government agencies for the purposes of occupational delineation. Many also feel that to be a professional, one must share his knowledge with others. However, the ones mentioned previously—a code of ethics and its enforcement, a specialized and well-defined body of knowledge, a professional association, and public service—seem to provide the basic core of most professions. And they are certainly adequate as a basis for examining any specific profession. That is to say, any group which cannot bear scrutiny under these four probably could not better stand examination by expanding the list.

### **Implications for Insurance**

Certainly there is nothing new nor imaginative about this list of professional requirements. Their basis in law, medicine and theology, to name but a few professions, is obvious. What is not so obvious—and perhaps could even be called new—is that insurance educators, executives and students have reviewed, refined, written about and rehearsed this same list for so long that they have failed to define the requirements precisely or extract the implications for their field.

What are the educational requirements for an insurance professional? Are they the same for salesmen as for company presidents? What are the implications of a "specialized and well-defined body of knowledge?" Are there perhaps some additional catalytic forces which differentiate the professional from the nonprofessional fields? In the author's opinion,

<sup>3</sup>Dr. Edwin S. Overman, *The Professional Concept and Business Ethics* (Bryn Mawr, Pennsylvania: The American Institute for Property and Liability Underwriters, Inc., n.d.) p. 9.

those in the insurance field must first answer these questions before they are prepared to answer the more obvious question of whether insurance is a profession. And it is to these questions that the remainder of this paper is directed.

### *Educational Development*

In terms of content, there seems little doubt that both the formal and informal part of an insurance professional's education must be specialized, at least if one takes for standards the sort of course curricula offered the lawyer, physician, and the accountant. Though some may disagree, the insurance curriculum should concentrate to some extent on the more vocational action-oriented courses, such as writing contracts, interpreting insurance policies and analyzing insurance needs of businesses and individuals.

Physicians and lawyers spend endless hours in dissecting cadavers or cases, whichever the case may be, to learn the necessary skills of their chosen profession; they are constantly exposed to and expected to use a very specialized vocabulary. Should not an insurance student spend as much time reviewing the possible risks of a business or an individual and the best way to handle each as the dental student does learning the possible deformities of a jaw and how to treat them? Both the time spent and the subject matter covered are important aspects of specialized in-depth training.

Course titles have changed, cases have been updated and new theoretical concepts or techniques have been explored, but the fundamental educational base has changed very little for most professions. The curricular base seems to include four main subareas: 1) historical developments; 2) principles or basic techniques of the profession; 3) theoretical foundations; and 4) the application of areas 1, 2 and 3 to current problems. For example, the course work in one profession—ac-

counting—covers, and most commonly in this order, the historical development of the profession and in particular the significance of double-entry bookkeeping, and the how-to-do-it aspects of income and expense accounting based on a double-entry system. After that the hopeful CPA learns the relationship between income theory as it relates to economics and the actual income and expense figures of a corporate return. Following that he learns to apply both the theoretical and technical knowledge to business problems, including the preparation of income tax returns, corporate consolidations, auditing and so forth. All very neatly defined and packaged for a professional CPA!

These same four areas could be developed for a professional education in insurance; the material is generally available—it just needs arranging and unifying. Scattered throughout the various "principle" texts, and included in statutes, legal decisions and insurance documents, there is an excellent base for the historical developments portion of the educational core. In fact, there are even some books written on the subject though they tend to segment the field into social, life, property-liability, marine and other forms of insurance, rather than integrating them into one all-encompassing historical perspective.

Likewise, there are theoretical concepts which apply across the board to all forms of insurance. A sequence of courses could be designed around the theory of risk, its relationship to statistical techniques such as probability analysis, and the legal underpinnings. Progress in this area has been slow because unified materials for study have not been available. Literature is being developed, however, which would lend itself to a detailed theoretical analysis.

Probably the most abundant but least used, at least in most institutions of higher education, are references to or courses di-

ected at the vocational or operational end of the business. Yet this is a fundamental part of the education in other professions. These courses have been eliminated frequently for one or two reasons: first, unlike law, medicine and other professions which have historical precedence dating back to the turn of the century, insurance and its curriculum were developing educational stature at the very time when the whole conceptual framework for education began changing from one of specialization to one of generalization. Accordingly, the "trade" specialties—insurance included—wrongly or rightly were under critical examination.

Secondly, once at the practical level, it becomes more difficult to talk about insurance in general and more logical to consider the various segments of insurance separately. It takes different techniques to be a bondsman than to be a life actuary and so on. Many maintain that to specialize in any one of these areas demands an inordinate amount of student hours on insurance subject matter. This may be true, but that is precisely the nature of education in other professions. So, the student of insurance should learn to write insurance policies and bonds, to interpret those policies and bonds to clients, to prepare insurance briefs, to analyze financial statements, to identify risks and to determine proper insurance coverages. Perhaps by this time in his educational career, he should be selecting the segment of insurance most appealing to him in order to allow sufficient time for specialization in that particular area.

Once having developed these three areas, it is easy to fulfill the requirements of the fourth—the application to current problems. Regulation, mass-merchandising, product diversification, taxation, to name just a few, are all fruitful areas of application.

A discussion of the "generalized body of knowledge" to which most profes-

sionals are also exposed has been purposely avoided in this paper. It is difficult enough to define the specialized requirements of insurance professions without including the whole range of educational values.<sup>4</sup>

Many may wish to argue with the conceptual framework for insurance education described above. Some may also wish to point out ways in which college and industry courses in insurance meet the test. First, however, one must bring these educational requirements into sharper focus by examining some of the institutional and educational trends in insurance. A recent issue of this *Journal* carried an article discussing the curricular concepts in risk and insurance. Among other things, the revised CLU program is based on a philosophy that "the curriculum should be flexible in structure so that it will best serve the educational needs of the CLU candidates, and ultimately the public."<sup>5</sup>

According to these CLU revisions, the educational needs of the professional life underwriter include courses in: individual life insurance (including annuities), individual health insurance, group life and health insurance, social insurance, pensions, regulatory aspects, accounting, economics, business finance, taxation, investments and so on. What was a five-part program with thirty assignments in each is now a ten course sequence with fifteen assignments in each course.

These changes reflect the present and ever-increasing diversification of the insurance industry. Segments of the industry, particularly the life insurers, are beginning to offer a multitude of services. As a *Fortune* editor describes it:

<sup>4</sup> For an excellent review see Robert I. Mehr, "Education: Animal, Vegetable, or Mineral," *The Journal of Risk and Insurance*, Vol. XXXVI, No. 1, March 1969.

<sup>5</sup> Charles P. Hall, Jr., editor, "Curricular Concepts in Risk Insurance," *The Journal of Risk and Insurance*, Vol. XXXVII, No. 1, March 1970, p. 116.

... the industry in the process of mounting a major invasion of the equities [field] through the creation and mass-merchandising of its own mutual funds and through the sale also of individual variable annuities.<sup>6</sup>

What with these and other diversifications of its financial products, the insurance industry and sales force certainly need to be better-versed in a number of new technical fields. If the trend toward mass-merchandising continues, how can this direction be squared with the idea that to be considered a professional, one must offer individualized services? A cursory review of other professions suggests that individualized service is almost always a factor—at least in the public image—of most professions.

Quite apart from the merits of these trends, it is apparent that industry and educational trends alike are leading away from rather than toward specialization. Further, since diversification and specialization are contradictory in nature, an attempt to achieve both necessitates, among other things, intensive training programs. Yet these training programs have frequently led to superficiality of knowledge rather than the in-depth exposure of most other professions.

From another perspective, at the very time when other professional groups are grappling with the problems of narrowing or limiting program offerings to develop further specialization, insurance education seems headed in the opposite direction. In 1965 Professor Williams noted:

In recent years, the field of risk and insurance has been upgraded substantially through the efforts of our academic members. Teachers of the subject have de-emphasized their discussion of the vocational aspects of the insurance business and have increasingly emphasized the concept of risk, its proper management, [and]

<sup>6</sup> Robert Sheehan, "Life Insurance's Almighty Leap into Equities," *Fortune*, October 1968, p. 142.

the reasons for the more important current business practices. . . . They have stressed more than ever before the interrelationships between risk and insurance and other subjects in business administration as well as between risk and insurance and the more basic disciplines such as economics, mathematics, psychology, and sociology.<sup>7</sup>

Few educators would differ with Professor Williams' notation that this has upgraded the field of risk and insurance; however, that in no way implies that these curricular and methodology changes are improving the status of insurance professionals, at least if the requirement of a "specialized body of knowledge" is taken seriously. Rather, these changes seem to suggest an ever-broadening educational core, a far cry from the more vocational training linked with professional status. More recently, another college professor asked the question: "For whom then shall we structure our introductory insurance course?" His answer: ". . . we must have something for all these students" and among them he includes:

- 1) an engineering student with a keen mind and an alertness to risk from a safety engineering standpoint, 2) one rare student who has already made up his mind . . . to study insurance and engage in the field, 3) several more simply waiting to be converted to the glorious challenges of the modern-day insurance industry . . . , and 4) quite a number who feel they should "know something about insurance."<sup>8</sup>

Professor Phillips' question is germane to the education requirements discussed earlier. Curricula are sometimes developed without regard for the needs of various insurance categories. There is a general tendency to associate any educational endeavor in the field with the upgrading or "professionalization" of the

<sup>7</sup> C. Arthur Williams, Jr., "Achieving Our Potential," *The Journal of Risk and Insurance*, Vol. XXXII, No. 4, December 1965, p. 504.

<sup>8</sup> W. S. Phillips, "The Experience of Teaching Risk Analysis by the Case Study Method," *The Journal of Risk and Insurance*, Vol. XXXVII, No. 1, March 1970, p. 126.

sales force. Should the same educational standards be applied equally to a company president and a broker, a claims adjuster or an estate analyst? Some would maintain that the professional level of the industry would be much higher if the group achieving professional status were more narrowly defined—for example, limiting its application to insurance company executives and agency owners or some such classification.

Though this may be evading the issue to some extent, it seems logical to argue that without a well-defined and specialized body of knowledge, it is impossible to draw inferences about who should be included. To illustrate: the physician, lawyer, or theologian, at any management level, is a professional because he has demonstrated his mastery of a specialized body of knowledge and has the "ticket" to prove it. Before deciding who is a professional and who is not a professional in the insurance field, one has to answer first the question, "has he or she satisfactorily learned and/or applied the specialized body of knowledge associated with the field?" That question must necessarily remain unanswered until there is a well-defined body of knowledge and standards of application.

Summing up the educational requirements, it may be said—with some presumption—that although members of the insurance field are spending a great deal of time and money on education, today's educational requirements appear to fall short of professional standards. Further, and more importantly, a continuation of current industry and institutional trends could lead us farther from rather than closer to professional status.

### *The Professional Association*

It appears that the insurance field has been prolific if nothing more, what with a separate association for almost every type and aspect of insurance. There are

associations for life insurers, property-liability insurers, CLU's, CPCU's, brokers, mutual agents, stock agents, social insurance administrators, actuaries, claims adjusters, and college professors, to name only a few. Many times individuals are representatives of more than one association; some even have national, regional, or local affiliations with different associations. This pattern is a striking contrast to most other professional organizations which have one national charter underpinned by local groups or chapters. To be sure, lawyers belong to associations other than the American Bar Association and its local counterpart; however, their professional identity is tied exclusively to that one organization. The same can be said of physicians and certified public accountants.

There are obvious, but important, reasons for these organizational patterns: the association sets standards of performance; the association oversees the personal conduct of its members; the association is frequently the only tie between the general public and individual practitioners; and the association prescribes national policy and legislation pertaining to its field. The more numerous the groups representing the professional interests of various segments of the field, the more difficult it is to set standards of performance, criteria for admission; and the more difficult it becomes to present a public image of true professionalism.

Recently the CPCU Long-Range Planning Board noted the importance of a public image:

... On one point there is agreement. If even a semi-professional or quasi-professional status is to be achieved, it is essential that there be a proper attitude on the part of the insurance buying public toward the insurance producers with whom they come into contact.<sup>9</sup>

<sup>9</sup> "A Report from the Long-Range Planning Board," *CPCU News*, Vol. 18, No. 4, April 1970, p. 23.

What the Board failed to note, at least in its written report, was that the public at large is important in establishing an aura of professionalism, not just those immediately concerned with the product or service; nor did it really analyze the way in which a professional-seeking group creates the "proper attitude on the part of the public."

Joe Public usually has a set impression regarding professionalism before he has had any personal contact with a member of that profession. He has read the newspaper, talked with his neighbor, acknowledged local business dealings, and perhaps has even witnessed or taken part in public services offered by the profession. Granted, his first impression may be altered by personal contact, but only if there is a sharp contrast between his assumptions before the point of contact and his personal experience with a member of the profession. Generally, the contrast is just not that significant—in any field. In short, the public image of professionalism must be established independent of personal contact, but reinforced by it.

But how is that image created? That it is not done alone by having more CLU's, CPCU's and Ph.D's of insurance is or should be obvious. Until the public really understands the nature of those designations, there is little hope that it will assign professional significance to their holders. Instead, the public is apt to gain its first impression from the professional association, and in particular, from how well, or how strictly, the association practices internal discipline over, or policing of, its members.

A medical, legal or any other professional group probably reaches its peak of professional status with the public when a well-publicized case of disbarring a member occurs. Public interest is most affected by examples of disciplining than by awards for excellence. The association which reprimands its own may have a

great many other professional lapses but still be considered as a profession in the eyes of the public. That may not be a very heartwarming statement, but it is nonetheless true.

To date, the insurance industry does not have a very effective means of policing member activities. More specifically, it would be difficult to assign responsibility for questionable industry or educational practices to any one of the several insurance associations. When cases of questionable practice in the insurance field arise much time and energy is spent trying to first decide within whose purview the action lies and then against whom the corrective measures should be directed. By the time these decisions are made internally, some third party, usually a government agency or the courts, has already handled the matter.

For example, the improper handling of the interest factor in sales presentations involving life insurance cost calculations has come under scrutiny. It is noteworthy that most of the investigations appear to emanate from Congressional rather than industry concern. As an example, consider Dr. Belth's recent testimony before the Senate Subcommittee for Consumers wherein he stated:

Knowledgeable people in the life insurance industry are aware of the questionable practices described in this statement. By and large, however, they seem willing to live with such practices.<sup>10</sup>

Whether the practices are, in fact, deceptive has yet to be determined, but the implications are clear. For true professionalism to exist within the insurance industry, there must be developed a professional association which acts as a chief regulator

<sup>10</sup> See "Statement of Joseph M. Belth," in *Consumer Protection* (Hearings on S. 2246, S. 3092, and S. 3201 before the Consumer Subcommittee of the Committee on Commerce, U.S. Senate, 91st Congress, 2nd session) (Washington, D.C.: U.S. Government Printing Office, 1970), p. 476.



of the business and personal practices of all insurance professionals, not just of those in the life business, or the property-liability business, and so on. Again that will be a very difficult task to achieve unless the scope of "the insurance profession" can first be defined.

National insurance associations could do much to strengthen their public image by educating their local and statewide membership. Few local members, at least in the author's experience, really understand the meaning of professionalism, let alone how to emulate it. For example, conventions are often structured around the theme of "pro" or "professionalism." Those sincerely concerned with this issue may be gratified to see that associations are interested enough to discuss this at an annual meeting. Those few who do have some conceptual framework must find the convention addresses disappointing. There professionalism is used to denote the "professional" or "smooth" salesman, and "pro" has connotations of the athletic achiever who meets his goal, whether in football, basketball or insurance sales. If professional status is desirable, and local representatives are to begin to think of themselves as professional in the best sense of the word, they must be educated before the educational indoctrination of Joe Public can begin.

### *A Code of Ethics*

Most of the insurance associations referred to earlier already have a code. Generally the code covers public service, social responsibility and dedication to serving the needs of the clients. Frequently the codes are nebulously written and there is seldom anyone to enforce them, let alone to designate their application. Does the code apply to everyone who pays his membership dues? Does it apply to industry presidents, college professors and agents alike? What violations are punishable and what are the punish-

ments? Undoubtedly these questions, too, must remain unanswered until the other prerequisites are met. Until that time their value lies more in the paper on which they are written than in their meaning. In short, professing a code has very little significance without the benefit of a professional association to enforce it or a professional membership to adhere to it.

### *The Public Service Concept*

This is a difficult requirement to assess. It could probably be excluded as a criterion of professionalism without damaging the status of most professionals. Who is to say whether a physician heals the sick for money or personal service? Do the sick care as long as they are made well and the physician is competent? Those who maintain that insurance is not a profession because the salesman, the personal contact, earns his living on a commission as opposed to a fee basis are on shaky ground. More complaints are made on the grounds of incompetence rather than because of the way income is derived. Since the insurance industry has neither closed its ranks to preclude the practicing incompetents, nor established an internal system for measuring or enforcing professional standards, it leaves the public no other recourse than to believe that incompetence or unethical practice is a norm with which it must learn to live.

### **Summary and Conclusions**

The requirements for professionalism are few in number, but are very encompassing, ranging from education to personal conduct. They may represent only a beginning for the advancement of professional status, but they are nonetheless important foundations upon which to build a public and personal sense of professionalism. Although many men and women in the field of insurance are "professional," the entire field has not yet achieved professional status. The major

hurdle is the establishment of a specialized body of knowledge; all other requirements rest upon this one. Further, industry and educational practices seem with each advance to make it more difficult to define that body of knowledge as it now applies to insurance.

This paper has, though not intentionally, implied that all members of the insurance field wish to be considered professionals; that, indeed, professionalism is a worthwhile goal. Otherwise, there would be little to discuss. It may be that the most searching question of all must first be asked: is professionalism a goal worth striving for? Possibly not. There is growing evidence that many other professions are, so to speak, feeling the pinch of a rapidly changing social structure—that they are, in fact, not too happy with the

prospect of narrowing their own specialized body of knowledge when the trend is toward a broadening educational base. For example, law firms, accounting firms and the like are expanding their offerings to the public while narrowing the competency range of their professional members. This raises many issues, one of which is the appropriate status of those “outsiders” offering their services as part of the legal or accounting package. There is a growing number of related problems.

This is not meant to suggest that the professional issue be avoided because it is difficult to achieve and can apparently create other problems. Rather, it should suggest that there are merits to both sides of the question. Above all, this is an issue which should be thoroughly discussed.