THE BASIC FUNCTION OF UNDERGRADUATE RISK AND INSURANCE INSTRUCTION

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The role of risk and insurance in a college curriculum has been of more-or-less continuous concern to ARIA and its members at least since the late 1950s and the publication of the Gordon and Howell and Pierson reports. Those reports, of course, called into question the roles of business schools in general, but the field of insurance was singled out as one of the worst examples of the kind of curricular content that the critics disparaged.

Business schools across the nation, spurred by these critical reviews, concentrated for much of the past decade on revisions of curricular content and objectives, and few would question that they are now stronger as a result. This is certainly true of insurance. Even the name has been changed! How many departments of risk and insurance existed in 1960?

Despite much talk and some activity, however, many ARIA members apparently continued to feel threatened. In 1965, Dr. Harry Loman discussed "The Future of Risk and Insurance as a Collegiate Subject of Study" in his presidential address.[1] His paper and the organization's appropriate response to it, if any, has since been the subject of two special task force studies. It also was a major issue in the "rebel platform" during the Association's election of officers a few years ago.

This paper will make some random observations and generalizations—as well as some accusations—about the role of risk and insurance in an undergraduate curriculum. It then will discuss briefly some specific points related to AACSB curriculum standards and developments at Temple University. It will conclude with some thoughts on the future of risk and insurance education.

Objectives

The function of any undergraduate course or program in risk and insurance is dependent on a combination of many variables. What are the objectives of the University? . . . the School of Business (if so located)? What is the public (or publics) to be served? What other resources exist? What are the objectives of the individual risk and insurance professor or department within a school of business?

Unfortunately, clear answers to these seemingly simple questions seldom are available. Despite the "in" statutus of teaching "management by objective" in recent years, few universities or professors practice what they preach. If they did, it would be far easier to develop a logical and defensible curriculum. For example, the university might aim to be an urban institution truly serving and responding to the needs of its community. Consider the potential impact of any serious effort to implement these objectives!

A school of business might have as its objective (a la Loman) to prepare students both for potential leadership and with advanced technology, e.g., a manpower pool. But specifically, what public should be served? School of business students? This is not an uncommon objective, apparently, but why should so limited a target be chosen? And how might even this public vary between institutions? Would business students be the same in a state university as compared to a private one? What impact might result from geographical location, e.g., urban versus rural?

It is surely important to consider other available resources in setting objectives. What other courses must students take? What other courses are commonly taken as electives? Are there other strengths that are peculiar to a particular setting, such as related courses in operations research and/or statistics, that might explore the concepts of probability and decision-making under uncertainty, or specific courses in finance, economics, management or marketing that may free the risk and insurance instructor to deal with more advanced concepts?

Finally, what are the objectives of the

[1] See the *Journal of Risk and Insurance*, Vol. XXXIII, No. 1 (March 1966), pp. 57-62.

individual professor (or department)? Does he (or it) strive to focus primarily on the education of risk managers, agents or insurance company management? Perhaps the primary function is as a service course to specialists in other fields, such as personnel management or finance.

Other Constraints

The answers to the above questions act as constraints in the development of a curricular package. Other more objective criteria, however, may be even more constraining. Is it possible to attract sufficient student enrollment to populate a course? A major? Under present budgetary pressures, no program is likely long to survive an unsatisfactory cost benefit analysis. Can skeptical faculty colleagues be "sold" on the value of a risk and insurance program?

Chancellor Chalmers of the University of Kansas, in his speech to ARIA honoring Harold Krogh (August 1971), listed several challenges that top administration expects to be met: Is the program flexible and able to adapt to change? Can it contribute to improved student relations?

Unfortunately, the three deans who addressed the ARIA meeting (August 1971) on the role of risk and insurance in an SBA curriculum[2] were not typical. Many ARIA members find themselves in, if not a hostile, then, at least, an unenthusiastic administrative and faculty environment. Where does the responsibility for this environmental situation rest?

It seems clear that major responsibility rests with present and former faculty members of ARIA. The membership consists of a relatively small, often inbred and parochial group. As a group, it has compiled an unenviable history of missed opportunities. Examples abound, but at least two can be highlighted. The major swing of most "B" schools toward a more quantitative approach to business problems early in the last decade might have been a bonanza for risk and insurance professors, had they had the imagination and drive to capitalize on their unique advantages. Surely no one can teach insurance in any meaningful sense without dealing with probabilities and decision-making under uncertainty. Yet, through failure to seize the opportunity to demonstrate this competence and adapt it to the special needs of all business students, many insurance professors and departments were "left out in the cold" as this whole significant area of study was gobbled up by management and statistics departments or newly created areas of quantitative decision-making.

Similarly, the inside academic track on such major national policy issues as national health insurance should logically have rested in departments of insurance. Instead, with only a few exceptions, major academic advisory support to government on this sensitive issue has come largely from economists—several of whom never had any particular interest in or knowledge about any aspect of health insurance until it became a matter of Congressional concern.

Until recently, publication exposure has been too limited, with a small group of journals—read almost solely by other insurance people—being almost the exclusive recipient of the literary efforts of insurance faculty. This probably also accounts for the relative ease with which other academic people have been able to snatch leadership in guiding national and academic policies relating to insurance. Too often, insurance professors have been relatively unknown except within ARIA itself. The situation has improved somewhat in recent years, but much more remains to be done.

Another factor that appears to have had some impact on the "status" of risk and

[2] These comments will appear in the Curricular Concepts section of the June 1972 issue of this *Journal*.

insurance education within the university community is the often apologetic attitude of its professors with respect to their discipline. Perhaps this is a natural result of having been greeted with the surprised exclamation, "Oh, I didn't know they taught that in college" after describing oneself as a professor of insurance. Admittedly, this can have a damaging impact on one's ego, but if viewed as reflecting the ignorance of the other party rather than the insignificance of the professor and his specialty, the blow might be less consequential. Too often the response is to feel hurt, or to respond to the next similar question with, "Oh, I teach in the School of Business," thus retreating to a comfortable haven. This only compounds the problem. A person who lacks self-respect or self-esteem is unlikely to be accorded any by others. A defensive or self-deprecating stance concerning one's work does little to improve image.

Current Developments at Temple

At Temple University, the Department of Insurance and Risk is, typically, located in the School of Business Administration. The SBA offers, essentially, a two year upper-division program, which is consistent with the position of the American Association of Collegiate Schools of Business as well as the recommendations of the Commission on Economic Development (1964) and other previously mentioned critical reviews of business education. Temple is a little unusual insofar as the first course in insurance and risk is a required part of the core curriculum for all SBA students. As in most other settings, however, there are relatively few insurance majors and only a limited number of nonmajors who elect courses in insurance and risk beyond the core requirement.

One explanation for the limited student population stems from the "Basic Studies" curriculum package that has been operating at Temple for a number of years. Under the Basic Studies program, virtually all students entering the University were faced with highly structured freshman and sophomore years of essentially liberal arts courses. The program offered very little flexibility, and students had little, if any, opportunity to identify with the SBA (or any other college except Liberal Arts) until their junior year.

The compression of business courses into the final two years of study combined with the lack of a well developed system of prior advising for prospective business students inevitably works to the disadvantage of any field of concentration about which incoming students have little knowledge. Not only do most students gravitate to the "known" areas of accounting and management, but often, by the time they do discover other fields of interest (usually after exposure to the required core course, and often not before the end of their junior year or even later), it has become a practical impossibility to change majors because of scheduling limitations such as prerequisites.

Spurred by a variety of factors, including a pending decennial accreditation review by the AACSB, the demise of the "Basic Studies" program and the growing demand by students for a greater voice in shaping their own curriculum, the SBA has been carefully studying its undergraduate programs. A variety of committees and a summer commission worked on the study. The resulting curriculum configuration is shaping up as a far more flexible design, with only minimal "area" requirements imposed on students, especially during the liberal arts phase of their studies. While roughly retaining the 60-40 percent split between liberal arts and business courses, as well as keeping the bulk of the business courses in the junior and senior years, several positive changes have been introduced.

A major innovation will be that freshmen may now be admitted directly to the SBA. Business students, though still delaying most of their business courses until their junior and senior years, will have increased accessibility to core courses during their sophomore year, thus permitting them to make more informed choices of major concentrations as juniors. Most important, a completely new and comprehensive advisory system is being developed.

Under the old system, advising was clearly inadequate, with almost all of the responsibility resting on the College of Liberal Arts, which operated the basic studies program, during the first two years. Now, by permitting freshman admission to the SBA, a continuity of advising may be established. This is particularly important in view of the greater flexibility of the emerging curriculum. It is fine to provide students with greater freedom, but it is imperative that it be an informed freedom. For whether or not the University imposes constraints on curriculum, the real world often requires certain "packages" of knowledge for particular jobs. The student must know the consequences of his freedom—especially when and if it is exercised irresponsibly.

During this major review of curriculum attention was also given to the AACSB's common body of knowledge ("CBK")—those five areas of study specifically required to be encompassed in an accredited program. They are:

a) a background of the concepts, processes, and institutions in marketing and distribution, production, and *financing functions* of business enterprise;

b) a background of the *economic and legal environment* of business enterprise along with consideration of the *social and political influences* on business;

c) a basic understanding of the concepts and methods of accounting, quantitative methods, and information systems;

d) a study of organization theory, interpersonal relationships, *control* and *motivation* systems, and communications;

e) a study of *administrative processes under conditions of uncertainty including* integrating analysis and *policy determination* at the overall management level.[3]

In reviewing the CBK areas, the insurance faculty identified numerous places where its offerings can and do have significant relevance. (See italicized sections above.)

As a major source of debt capital, among other things, the insurance industry plays a significant role in the financing function of business enterprise, as called for by area "a". Under area "b", the stock-in-trade of the insurance industry is to deal with the amelioration of economic losses deriving from property and personnel. It relates directly to the legal environment of business via the vast area of liability, including product liability. It is inextricably tied to the social and political influences on business through a vast network of social and quasi-social insurance programs.

Under area "d", relationships exist via discussions of loss control systems and motivation systems. Insured employee benefit programs, for example, surely constitute a significant element of most industrial motivation schemes. Finally, area "e" is so obviously related to the fundamental orientation of a good risk and insurance course that no specific analogy need be mentioned.

Thus, it appears that elements of at

[3] *Accreditation Standards—Interpretation of Standards.* American Association of Collegiate Schools of Business, May 10, 1969. Emphasis added.

least four of the five areas of study that have been identified as essential to the core of knowledge for all students of business are encompassed within the scope of a fairly typical introductory course in risk and insurance. Yet how many noninsurance faculty are aware of this? Are ARIA members blameless in the perpetuation of this ignorance on the part of their colleagues? How many missed opportunities must be endured?

As noted previously, it is probably too late for most insurance departments realistically to contemplate achieving leadership in the quantitative realm, though more aggressive exploitation of a natural advantage in this area several years ago might have produced different results. At best, most can now merely strive for academic respectability in this area by making appropriate use of the various quantitative skills which the student will have acquired elsewhere.

Are the financial functions of insurers covered in other courses, e.g. finance courses? One suspects that they are not—at least not adequately. How many basic economics courses provide students with a philosophical and practical understanding of the economic, political and social forces that support and shape the many social insurance programs that have an impact on every business and individual in the nation? To what extent do business law courses discuss the economic remedy of insurance as a protection against business liability claims of all sorts?

Why all the emphasis above on the AACSB standards? Primarily to demonstrate, in as forceful terms as possible, the tremendous relevance and importance of the subject matter of insurance and risk courses to the education of business students—as identified in a package of standards developed not by insurance professors, but by the recognized national accrediting agency for schools of business! Surely this suggests that there is—or should be— a very definite place for such courses in a balanced business school curriculum.

While it may be true that others within the school will claim "coverage" of many of the topics listed above, close examination will almost inevitably reveal serious gaps. How many personnel management courses for example, provide any sophisticated analysis of employee benefits? Is it reasonable for a student of personnel management not to have a thorough knowledge of group insurance and pensions? Perhaps the possibility of a modest degree of course overlap or duplication is a small price to pay in order to avoid critical omissions.

Depending on individual institutional factors, then, opportunities should exist not only to "infiltrate" the "CBK" area through the offering of a core course, but also to offer higher level courses on a service basis to students majoring in other departments and, under favorable circumstances, to offer a full fledged major area of concentration.

Looking Ahead

So far, the discussion has focused on the "traditional" setting for risk and insurance/faculty departments—the School of Business Administration. But isn't this too narrow a view? Might it not lead to yet more missed opportunities? Why not "sell" the expertise of the insurance and risk faculty outside the school of business, to liberal arts students and others.[4] There are probably few faculty members who are better equipped to capitalize on such current issues as consumerism, the ecology-environmental kick, urban study programs and general concern with the quality of life.

Consider the potential in relating these

[4] See, for example, the questions raised by Johnston, Will, "The Other Eighteen Hundred," *Journal of Risk and Insurance*, Vol. XXXVI, No. 4 (September 1969), pp. 497-99.

issues to such topics as risk analysis and management, including loss prevention and the purchase of insurance. Can any urban studies program claim completeness without discussing urban decay and crime in the streets? What are FAIR plans all about? Consider poverty, both in relation to urban studies and in the more general sense. Necessarily, social insurance and welfare plans must be reviewed.

From an ecology-environmental point of view, relevant insurance activities include indemnity for occupational disease and injury through workmen's compensation and concern with pollution via general liability policies. Consumerism devotees also can find solace and/or targets in the form of product and professional liability insurance, auto insurance and, again, FAIR plans. The potential list here seems endless, as are the interrelationships which could be explored at great length and with profit. In fact, a strong case could be made for the position that no college graduate's education is complete without some exposure to these issues.[5]

In a recent article, Professor Kailin Tuan remarked on the similarity in function of governments and insurers.[6] Both have as a primary goal the provision of security. If cast in this frame, there is yet another reason for offering a nonbusiness variant of a risk and insurance course. For security involves individuals as well as businesses. It is something which is sought by all.

With this philosophy as a guide, the Department of Insurance and Risk at Temple University has developed a course that it hopes to offer through a new, experimental Student Development Program (SDP) that has just been launched at the University. The SDP program is designed to provide innovative, interdisciplinary courses of unusual interest to a limited number of students, with the hope of stimulating both faculty and students to escape from traditional formats. Hopefully, such courses, if successful, will then be incorporated as a permanent part of the curriculum.

The course that emerged at Temple was titled "Issues in Economic Security."[7] It has both process and content objectives. The process objective is to create in the students an awareness of the complexities and difficulties faced in dealing with a major social problem, and the processes by which public and private decisions about such a problem have been, are being, and need to be made. The content objective is to produce learning about the complexities and difficulties of one particular major social problem—economic insecurity—and how decisions have been, are being, and need to be made about it.

With respect to processes, major problems, such as those considered in this course, require a variety of methods of analysis and approaches to solution. Since the various aspects of the problems and proposals for solution of the problem of economic insecurity include legal, technological, financial, behavioral, and even purely mathematical matters, plus important value judgments, the opportunity is afforded for students of many kinds both to contribute understanding and to acquire it. Much emphasis will necessarily be placed on the careful identification of objectives; and evaluation of alternative

[5] For a fuller exploration of this argument by the author, see "The Maligned Business School: What is a Liberal Education?" *Journal of Risk and Insurance*, Vol. XXXVII, No. 2 (June 1967) pp. 281-290.

[6] Kailin Tuan, "Insurance and Society: A Liberal Study." *Journal of Risk and Insurance*, Vol. XXXVII, No. 2 (June 1970), pp. 281-290.

[7] The author makes claim only on the original idea. The results, as outlined in what follows, emerged from a departmental brainstorming session, in which all participated, and the subsequent "fleshing out" of the outline by a subcommittee of Professors Jerry Rosenbloom and Bob Hedges.

means to those objectives as to their likelihood of being implemented, their probability of success if implemented, and their "side effects" on other social or personal objectives.

With respect to content, the problem of the disabled, the unemployed, the retired, the victims of personal or public physical disaster, etc., are a major social concern, one on which much public and private money and effort are spent. There is a continuing and growing dissatisfaction with present means and results. The subject, therefore, is well worth study in its own right, and eminently suitable for inclusion within a liberal arts curriculum.

This subject matter is perfectly adapted to independent or small group study and research by the students themselves. Therefore, the students will, during the semester, try their hand at analyzing some aspect of the total economic security problem in the U.S. (or elsewhere, if appropriate) and at evaluating proposed solutions as a necessary item to achievement of course objectives.[8]

Summary

In conclusion, there seems to be little reason for gloom or pessimism about the future of risk and insurance courses and professors in our universities. The potential is great. The primary problem seems to be one of marketing! Faculty members of ARIA must do a better job of marketing both themselves and their knowledge, both to their colleagues and potential students. They must also recognize the need to do some education of their colleagues. Unfortunately, insurance is a topic with which most people have had just enough personal contact, usually through an agent, to be dangerous; to think they know all about it, or to be convinced that there is nothing worth knowing!

Perhaps Ken Black made the key point when discussing "A Dean's View" of risk and insurance.[9] He emphasized the need for the individual professor to attain stature in his own right among his peers. This may be accomplished in many ways, through action, not words. It may be from publication and research efforts, recognition through consulting activities or government work, excellence in teaching, service to the university or a combination of these and other factors. However achieved, though, individual stature probably is the greatest security available to a professor regardless of his special field of interest.

A respected individual is likely to discover that his colleagues will not—indeed, cannot—lightly dismiss either him or his discipline. But respect must be earned by performance. That, clearly, is the surest route to full acceptance in any field!

[8] The outline for this course appears at the end of this article.

[9] ARIA annual meeting, Montreal, Canada, August 25, 1971.

PROPOSED INSURANCE AND RISK 76
ISSUES IN ECONOMIC SECURITY

Course Outline

I. IDENTIFICATION AND ANALYSIS OF THE ISSUES INVOLVED

A. Identification: general

1. Risk: problems of uncertainty—of "not knowing"—distinguished from those of certainty or "for sure."
2. Economic insecurity: individuals, families, organizations, institu-

tions, even whole societies, face the possibility that they may lose their economic support; that their wealth and income may become insufficient to provide them with goods and services important, or even essential, to their continuation and growth.

B. Consideration and analysis of specific kinds of problems.

1. Problems of individuals: what happens in a family or institution when illness, death, retirement, failure of market, damage to property, a liability claim, or other unpredicted cause of economic loss occurs?
2. The problems in society
    a. Created by separate, individually random, injuries or losses
    b. Created by catastrophes (epidemics, floods, conflagrations, depressions, etc.)
    c. Created by concentration of losses in particular groups (e.g. the elderly, minority racial groups, rural families, particular occupations).
3. Extent of these effects in industrialized nations, especially the U.S.
    a. Study of data and reports on rates and amounts of premature death, morbidity (particularly long term), costs and expenditures in medical care, income of elderly, property loss and damage, business failures, unemployment, and liability judgments.
    b. Student discussion and conclusions as to
        (1) Nature of the problems faced
        (2) Who face them
        (3) Extent to which the problems are "social"

II. TECHNIQUES FOR DEALING WITH THESE ISSUES

A. Principal characteristics of the techniques

1. Individual and collective methods
2. Voluntary and compulsory
3. Private and governmental
4. Financial separation and provision of services
5. Preventative and curative

B. Voluntary methods

1. What they are (the risk management devices)
2. Advantages of voluntary approaches
    a. Advantages to society
    b. Advantages to the individual
3. Limitations on practicality
    a. Financial
    b. Psychological
    c. Limits on individual control of events
4. Possible social costs
    a. Effects on GNP
    b. Welfare system required
    c. Suboptimization

5. Examples of voluntary means to solving problems
   a. Charity—history, extent, successes, failures
   b. Automobile liability—history, nature, rationale, proposals for change, evaluation
   c. Sophisticated risk management

C. Compulsory methods
   1. Rationale and types
   2. Private participation—individuals; employers
   3. Governments' roles
   4. Examples—why, how, results, evaluation, proposal for change
      a. Compensatory
         (1) Unemployment compensation
         (2) Workmen's compensation
         (3) OASDHI
         (4) Welfare; negative income tax
      b. Preventative
         (1) Occupational health and safety
         (2) Pollution
         (3) Product safety

D. Collective devices: nature, successes, failures
   1. Voluntary
      a. Insurance organizations
      b. Service associations
   2. Compulsory
      a. Compulsory private insurance
      b. Social insurance
   3. Mixed, e.g. "FAIR" plans, "Uninsured Motorist" cover

(Note that the several dichotomies listed in II. A will be imbedded into the above discussion, not taken separately. Separate treatment would be unbearably repetitious in the factual subject matter.)

III. THE CONTEMPORARY SCENE AND PROBLEMS

A. Identification and evaluation of contemporary problems and proposals for their solution
   1. Statement of selected problems
   2. Determination of decision criteria
   3. Analysis of decision choices available
   4. Applying criteria to make selection; consideration of expected effects and problems of interactive results

B. Class consideration of case examples of contemporary problems—two or more, Examples:
   1. Automobile accidents and injuries
   2. Welfare systems
   3. Health care systems
   4. Unemployment systems
   5. Environmental damage

C. Individual or small group projects in contemporary problem areas: identify problems and alternative actions, evaluate choices (approximately one fourth of total course time).