

' Competency - Are We Ready '

Address to

The Insurance Institute of Dublin

by

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Fellow institute members, ladies and gentlemen it is a pleasure for me to have been offered the opportunity by your President, Mr. Declan Dunne to address you today on a subject which everyone here, has had experience of one way or another - that is the subject of competency.

In my paper, I intend to share with you some thoughts on how the insurance industry and professional bodies such as the Insurance Institute of Ireland and the Chartered Insurance Institute might assist individuals in maintaining and developing their level of competency through a well defined and programme of education and self development.

However before I proceed I would like to make some general observations on education and the individual and the role of both in the very fast changing working environment we find ourselves in today.

Tom Peters, (author of books such as 'Thriving on Chaos' and 'In Search of Excellence') refers to Education in his recent book on 'Liberation Management' and I quote - 'Education is the only ticket to success, it does not stop with the last certificate you pick up. Studenthood for life is a necessity by definition, in a knowledge based society. Education is the BIG GAME in the globally interdependent economy'.

These statements are, I believe, fundamental to the need for every individual to maintain

an ongoing reappraisal of their own competency and personal balance sheet. An individual's personal balance sheet, in commercial terms, consists of assets such as knowledge, personal skills, competencies and know-how that collectively distinguish you as a professional. Only by investing time and energy in the continuous upgrading and replenishment of these assets will you as an individual be capable of adding value to your organisation now and in the future.

We are all witness to the sweeping changes that have affected and will continue to affect the working environment. We have all heard the buzz words 'Re-engineering, Downsizing, Managing Chaos, and so forth. The impact of change on the individual has been and will continue to be severe in both personal and financial terms unless you as an individual can create for yourself opportunities to add value to your company's bottom line.

This I believe can only be achieved by individuals adopting a continuous personal retraining and knowledge/skills enhancement strategy. Terrific if you work for an enlightened company which encourages personal development but even if you don't you will have to take responsibility for your own future. The acid test is asking yourself the question " What contribution did I make to my company's bottomline last year?". If you cannot easily answer this question you need to address your personal balance sheet pretty smartly before someone else does.

This self analysis is, I believe more difficult for those who work in large insurance organisations. Proprietorial brokers, sales staff, and loss adjusters on the other hand are more likely to appreciate the need for self improvement in order to continue to be competent, successful and effective in an ever changing marketplace.

We have heard throughout the eighties that 'big is beautiful' yet we have seen the impact of downsizing. As big and medium sized corporations became more and more beaureacratc and less and less responsive to customers' needs they have found their market share slipping away . Companies, successfully facing up to the new market challenges are those which have decentralised decision making to the frontline as much as possible. x

In order to achieve this they have had to 'disorganise' their existing organisation structures in a manner which allows the creation of as many profit centres as possible with as much autonomy as possible and as close as possible to the end customer. To do this effectively the business focus must shift to each individual member of the organisation. This new business environment will demand every individual to become accountable and responsible for the bottomline within their particular profit centre. To achieve this effectively each employee will need to enhance their skillsbase and look at the business as if it were their own. The success of the business will be determined by the competency of the individual.

Having set the scene and indeed the individual challenges which now face us all I will move on to outline to you the educational and training framework which I believe will be necessary for the well being of competent insurance professionals, their companies, the development of the insurance market and most importantly the end customer in the future.

I have divided the framework into three distinct but interactive areas. These are :

Professional Insurance Education;

Vocational Training or Competency Assessment for the Insurance Professional;

Continuing Professional Development.

It is my intention to look at each of these areas individually and then outline how each is likely to underpin the other in the future. It is also my intention to refer briefly to what is happening currently in the UK with regard to these areas and how industry bodies there are responding to the changing market conditions brought about by legislation, consumer power and the perceived lack of professionalism particularly with regard to the UK Life and Pensions Market in recent years. In so-doing it is my intention to highlight the dangers to which our market is potentially exposed if we do not take responsibility for ensuring that competence and professionalism are visibly to the forefront in all our dealings with the insuring public.

PROFESSIONAL INSURANCE EDUCATION

Following an indepth analysis of the various insurance education schemes available across the EU the CII FCII was rated as the most demanding professional pan-European insurance qualification.

This augurs well for current and future FCII's however it also underscores the need for all insurance professionals to maintain an active programme of continuing professional development (CPD) which underpins their personal and professional development. I will refer back to this issue later.

With regard to the current insurance education framework the CII offers through the FCII the following set of professional examinations.

The examinations range from the basic Certificate of Proficiency level right through to the FCII diploma which is equivalent to an Honours University degree.

THE CERTIFICATE OF PROFICIENCY (COP)

This certificate is the most basic examination in insurance and it is intended to provide students with a basic foundation in the principles of insurance.

- Anyone can enter;
- Represents a basic foundation course in insurance;
- Requires approximately 75 hours study in total;

- The exam consists of two papers of two hours duration ;
- On passing a student gets 2 credits on the Certificate of Insurance Practice (CIP) syllabus;

CERTIFICATE OF INSURANCE PRACTICE (CIP)

- To enter you must have at least 4 passes in the Leaving Certificate or be over 21 years of age by the examination date;
- This examination is on par with the Accountancy Technicians type of qualification;
- It requires 4 hours study per subject per week over a six month period;
- The exam consists of 5 subjects encompassing foundation level, branch level and specialist level,
- On passing the examination a student gets 3 credits towards the ACII syllabus;
- On success a certificate of achievement is issued and a student can apply

for membership of the Society of Technicians in Insurance. As a member

one is entitled to use the designatory letters MSTI.

ASSOCIATESHIP DIPLOMA

- To enter you must have a Leaving Certificate with 2 Honours and 2 Passes or the Certificate of Insurance Practice or be over 25 years of age by the examination date; (Normally April and October each year)
- This diploma is recognised as equivalent to a ^{Primary} ~~an Honours~~ University Degree and gives diploma holders access to University MBA programmes;
- It requires 5/6 hours study per week for each subject over a six month period;
- The examination requires a student to pass 10 subjects. Each examination lasts 3 hours;
- On completion the student can apply to use the designatory letters ACII. The successful student may also apply to use the titles Chartered Insurer or Chartered Insurance Practitioner;

FELLOWSHIP STATUS

- ~~Finally~~ The ACII diploma holder can after 3 years complete a dissertation of approximately 4,000 words on an insurance related topic and seek elevation to Fellowship which entitles him/her to use the designatory letters FCII;
- This is the highest and most prestigious insurance qualification in Europe and is highly regarded in international and global insurance markets.

THE FINANCIAL PLANNING CERTIFICATE (FPC).

The FPC is now the benchmark for measuring the competency of financial advisers in the UK. All successful candidates who pass the examination become members of the Society of Financial Advisers (SOFA). The recently formed Personal Investment Authority (PIA) which regulates all sales people and independent financial advisers in the UK has also adopted the FPC as its standard for measuring the competence of its members.

Some general points on this examination are as follows :

- No entry requirements
- The FPC is recognised by SIB, ABI and the PIA as the competency standard for the Life industry in the UK;
- The FPC consists of three examination papers;

- Papers 1 and 2 involve answering 100 multiple choice questions. Each paper is attempted over 2 hours. A pass mark of 70% is required.
- Paper 3 comprises case studies based on the knowledge gained from Papers 1 and 2. The pass mark is determined by the examiners.
- 40-80 hours study per paper is required depending on a candidate's level of experience.

THE ADVANCED FINANCIAL PLANNING CERTIFICATE (AFPC).

- Entry requirements - the FPC or an FPC exemption approved by the CII;
- AFPC consists of three papers of 3 hours duration each;
- The examinations will be based on case studies requiring essay type answers;
- A certificate is awarded to successful candidates and he/she is entitled to apply to the Society of Financial Advisers (SOFA);

DIPLOMA IN LIFE AND DISABILITY UNDERWRITING (DLDU)

This diploma is a joint programme developed between the CII and the Assurance Medical Society (AMS). Candidates must have at least 2 years life underwriting experience and pass a total of three subjects covering :

Contract law and insurance;

Life and Disability underwriting;

and Life Assurance Practice and Administration.

SUMMARY

In the interests of brevity I have concentrated on the salient points which hopefully provide you with an overview as to how the III and CII are meeting the needs of insurance professionals in a structured and coherent manner. The following slide provides an integrated view of the examination structure in its entirety.

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VOCATIONAL TRAINING FOR THE INSURANCE PROFESSIONAL

I would now like to move on to the area of vocational training. Currently the Irish insurance industry has no policy with regard to the creation of national vocational qualifications (NVQ). As I referred to at the outset of my address the need for competent multi skilled insurance professionals will be paramount to the well being of any insurer serious about staying in this marketplace. In the UK, NVQs are becoming

the standard for measuring competency. In all there are 5 levels :

Level 1 - deals with very basic communication skills which the education system is required to deliver;

Level 2 - deals with basic but varied work requiring only limited supervision (5 Passes in the Leaving Certificate);

Level 3 - deals with work requiring skills above the basic level, possibly including the supervision of others (2 honours in the Leaving Certificate);

Level 4 - deals with complex/technical occupations and middle management (Ordinary Degree);

Level 5 - deals with business at the highest professional level (Post Graduate).

I will refer to these level later when we look at how the CII examinations are likely to complement NVQs in the future.

THE NEED FOR PROFESSIONALISM

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The lack of competent professionals has already seriously undermined the image of the Life assurance industry in the UK with particular regard to Pensions and Endowment mortgages. Indeed in this regard the debate on endowment mortgages in this market has been ongoing and the image of the industry has not been helped by the high profile point scoring engaged in from some quarters. Consumers are more aware now than ever before of their rights and insurers and brokers alike would be well advised to review the value for money they currently offer in terms of both service and product.

Competent advice can only be delivered when those individuals interfacing with the public have proven they have the ability to apply the required knowledge and skills to the specific needs of the customer. I have no doubt that many life and non-life insurers and

brokers would contend they have excellent in-house training schemes which ensure competency at every level. Notwithstanding this it is amazing how often the least experienced staff member is given the task of interacting with 'Joe Public' either by telephone or at reception.

In a number of market research assignments on service that my own company has been involved in over recent years I am amazed at how little knowledge insurance staff have of the structure of their own company or worse still the lack of understanding they have of the structure and benefits of the insurance products they market to the public.

If we are to move forward there is an essential need for the creation of competency standards across the insurance industry which are underpinned by a National Vocational Qualifications matrix.

What is meant by National Vocational Qualifications one might ask. Well in many instances you will hear employers say that 'qualified' people - those who have completed a 'recognised course' only know what to do but not how to do it. NVQs are all about competency based systems that introduce training and assessment which focus on the actual performance of the individual.

In simple terms NVQs are nationally recognised qualifications which are based not only on what people know but on what they actually do. They are concerned with competence and are based on standards set by an industry.

As I have already said the insurance industry in Ireland has no existing strategy with

regard to NVQ development. The formulation of a coherent policy to investigate and develop standards of competency for the industry would complement the educational framework outlined earlier in my paper. The Insurance Institute of Ireland is well placed to act as Lead Body on behalf of the industry in the creation of the required standards. A lead body or awarding body is normally a single institution which offers and administers qualifications, maintains their quality, verifies the assessment and recording of candidates' achievements and issues a certificate formally recognising that achievement.

HOW DO NVQs WORK?

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As I have said the process involves work based assessment i.e. -

1. The use of the individuals own work to prove competence;
2. The use of supervisors, line managers or team leaders as internal assessors;
3. The application of rigorous standards;
4. The formal testing of the individual's skills and knowledge.

THE ASSESSMENT IN PRACTICE

This involves using as much as possible existing appraisal mechanisms which exist within the organisation to evaluate individual performance. The assessment will involve:

Observation of the activity;
Log Books,
Records, Letters, Documentation,
Random Sampling,
Quality Audits,
Performance appraisals.

WHERE DO NVQs FIT WITH THE INSURANCE EXAMINATIONS

Insurance qualifications are about acquiring knowledge whereas NVQs are about building competence. As underpinning knowledge is a requirement for demonstrating competence the insurance examinations can play a major role in providing the necessary knowledge base.

This knowledge must then be appropriately applied to day to day tasks in the workplace which demonstrate an individual's competence. In the UK the CII has already developed insurance NVQs for Life and Non-Life Companies, Financial Services Sales and Brokers which are likely to fully accredited by June 1995.

FUTURE CII DEVELOPMENTS TOWARDS NVQ INTEGRATION

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In this regard the CII examination system continues to evolve towards complimenting the ongoing development of national vocational qualifications. These developments I believe could provide excellent opportunities for the Irish Insurance industry to develop a robust strategy for the creation of vocational qualification standards across the industry here.

It is my belief that the integration of the insurance examinations with such a policy would go a long way towards the development of insurance professionals with the necessary skills, knowledge and know-how to be able to deliver greater effectiveness to their organisations and their customers.

WHAT BENEFITS HAVE EMPLOYERS GAINED FROM NVQ DEVELOPMENTS

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The following benefits have been identified by employers in their use of NVQs :

The qualification is very relevant to the job;

It provides a structure for regular feedback and motivation to employees;

It leads to increased efficiency;

It improves customer satisfaction;

It assists recruitment and selection;

It can be applied in performance management;

It assists in identifying training needs;

It assists in job grading and evaluation.

Any policy which raises standards in an organisation raises the level of professionalism within that organisation.

In a study carried out in 1994 by the Insurance Industry Training Council, (a Division within the CII), on the use of NVQs in the Insurance industry in the UK a number of key points emerged :

1. The structure of NVQs reinforces, underpins and reflects the trend of people becoming multi-skilled instead of being generalists;
2. NVQ pilot schemes are necessary for companies to assess the true implications of implementation;
3. NVQ programmes need to be integrated with other in-house company initiatives.

NVQ - SUMMARY

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Once again I revert to the opening paragraphs of my paper i.e. the application of knowledge and skills towards the creation of truly competent professionals. There is a strong case, in my opinion for the insurance industry in Ireland to consider seriously the adoption of industry wide Competence Based Assessment Techniques i.e. NVQs. A well thought out strategy in this area would in my view complement and add value to the long term interests of both employers and employees and ultimately to the customer in terms of a more efficient and professional service.

CONTINUING PROFESSIONAL DEVELOPMENT

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As I pointed out at the commencement of my paper we are in the forefront of change. Few of us would have imagined ten years ago the advent of multimedia and CD-Rom in our homes yet the fastest growing and most profitable companies are those selling computer software eg. Microsoft and those managing the software environment eg.

Intel. PCs are now commodity items affordable by many of us. My point is we are all witnesses and activists, whether we like it or not in the technological revolution of today and tomorrow's world. We have a choice we can either stagnate as companies and individuals or take responsibility for our own futures (i.e. before Nick Leeson does). Indeed Barings is an interesting example of how one unprofessional individual can,

given the opportunity, adversely affect the lives of thousands and bring about the demise of a company irrespective of its age or market profile.

In the Barings debacle the financial press referred to a combination of greed, incompetence, unprofessionalism and a lack of standards and control in the operation of the bank's Singapore office. The derivatives market is a typical example of the creation of new and complex financial products which are being developed so fast regulators are having major difficulties in establishing standards. In this context the need for personal professional standards and commitment to a professional code of conduct was never greater.

The III and the CII are very aware of the rapidly changing world we are in and are committed to assisting insurance professionals with their ongoing professional development needs. To this end 1995 saw the introduction of Continuing Professional Development.

What is Continuous Professional Development (CPD)?

CPD is defined as ' the planned acquisition of knowledge, experience and skills and the development of the personal qualities necessary for the execution of professional and technical duties throughout working life'.

In other words CPD is something most of us do as a natural self-development process if we are to survive and be professional.

The introduction of a formalised system for Chartered Titleholders and Members of the Society of Insurance Technicians is merely a recognition that individuals should be accredited for committing to CPD as a means of personal and professional development.

While the CPD programme is compulsory for Chartered Titleholders there is no restriction and everyone within the industry is invited to undertake a CPD programme.

WHAT IS THE CPD SCHEME? WHAT DO I HAVE TO DO?

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The following is a brief outline of the scheme :

- * Applies to all Chartered Titleholders as of the 1/1/1995;
- * Activity will be divided between structured and unstructured CPD activity i.e.
 - Structured = 3 points per hour = Conferences, Seminars, Courses, Technical Authorship, Exam Setting, Lecture Preparation, Assessed Distance Learning etc;
 - Structured = 2 points per hour = Professional body or trade body work i.e. Attendance at business meetings of CII, III, All Local Institutes, IIF, IBA, LIA, Society of Fellows, Society of Actuaries etc;
 - Unstructured = 1 point per hour = Unassessed distance learning, videos, TV programmes, Audio tapes, CBT, journals etc;

It must be emphasised that this activity , whether structured or unstructured must be relevant to the individual's own development needs. In this context the CPD scheme is self certifying.

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The CPD scheme requires participants to

achieve a total of 180 points over a three year period;

- For 1995 up to 75% may be unstructured;
- For 1996 up to 50% may be unstructured;
- For 1997 and thereafter the maximum unstructured CPD will be set at 25%;
- In terms of hours per year, between 20-30 are required each year;

Approximately 5% of CPD self assessment records of Chartered Titleholders will be audited on an annual basis.

WHAT ARE THE OBJECTIVES OF CPD?

- To ensure professionals keep their knowledge up to date, particularly as it relates to their own sphere of activity;
- To encourage public confidence in the holders of descriptive titles;
- To consolidate learning from experience gained at work;
- To be aware of influences in other branches of the industry;
- To develop new skills, either to improve current effectiveness or for a future or more responsible role;

The III and CII are fully committed to the development of a full range of activity to support CPD. The Insurance Institute of Ireland has appointed a CPD committee to liaise with the CII on developing a range of seminars, courses and talks which can be availed of by local Institutes. While the CPD programme is compulsory for Chartered Titleholders the Insurance Institute of Ireland would welcome participation in CPD from any member who is committed to self development.

EDUCATION, NVQs AND CPD - HOW DO THEY FIT TOGETHER?

To date the insurance examinations have created at Chartered level a degree of professionalism based on knowledge, understanding, competence, life long renewal (CPD) and a Code of Conduct enforced through effective discipline, that is at least equal in rigour to the engineers, the law Society or the Accountancy bodies. To date we as an Institute movement have been far too reticent in pointing this out to our peers and the leaders in our industry. The III and the CII together are committed to convincing Chief Executives in particular of the need for the industry to fully support independently assessed examination structures now and in the future. The integration of such examinations with on the job competency assessment is an integral part of any industry's future training and education strategy.

In this regard let me recap briefly on what we have already said earlier :

Education provides the knowledge base;
NVQs provide on the job training skills;
and CPD provides ongoing structured and unstructured knowledge and skills
enhancement.;

Up to this we have witnessed each of the above principles in action on very much an
ad hoc basis lacking coherency.

In bringing them together in a framework where each principle supports the other we
create real opportunities for individual professional development to become a natural
evolution in ones career.

In the UK the CII is at the forefront in attempting to bring Education, NVQs and CPD
together. It is noteworthy that other professional bodies have also been working towards
incorporating the NQV philosophy into their professional examinations. The Engineering
Council which consists of 16 Chartered Bodies have opted for three levels of qualification
which will provide the following titles :

Chartered Engineer;

Incorporated engineer;

Technician Engineer.

The CII is now giving strong consideration to the development of three levels of
qualification which would not be dissimilar to the Engineers approach.

These levels would be as follows:

Chartered Status - Chartered Insurer/Chartered Insurance Practitioner -ACII/FCII level;
This is firmly equated at level 5 NVQ with other leading professions.

Incorporated Insurance Practitioner - MSTI level; this will be equivalent to NQV level 4 or ordinary degree status as of 1/1/1996.

Certificated in Insurance Practice - CIP core subjects; this will be equivalent to NQV level 3 providing a strong basis for a broad membership to serve the industry and the public properly.

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Each level will require the student to undertake, in addition to the examinations, a number of competency (vocational qualification) units and a continuing professional development programme (CPD).

As I said earlier the future is coming in waves and professionals are likely to experience several career changes over the next 30 years. The pensionable job as we have known it is already under threat and likely to be more so as companies struggle to come to grips with fast changing competitive environments affected more and more by globalisation and technological developments.

The changes we are seeing will accelerate and I predict that all companies will have to de-layer their organisational structures in order to survive. If you as a professional are not perceived to add value to your organisation you will be one of the first to be offered early retirement or redundancy. If you think its not happening take a look at the changes in many insurance organisations here and in the UK in recent years.

Every professional must see himself/herself as an 'external' consultant to the company. Consultants only get paid when they create added value or help reduce costs or suggest innovations to existing systems which allow the company to differentiate itself from its competitors.

In-house professionals must adopt this type of approach and visionary Chief Executives are likely to demand this strategy in the future.

I recall at an Insurance Institute conference a few years ago one speaker using the analogy of the frog sitting in a pot of warm water. As the heat was turned up slowly the frog adjusted to the slight change in temperature and stayed put until his demise. Had the temperature suddenly changed he would have been out of there in one leap. The moral of the story is avoid complacency and seek opportunities in the changing environment we find ourselves in today. Indeed a common business question these days is 'Where are we in the market?'

The fact is we are living in an uncertain world where just like the frog we cannot afford to sit and wait basking in some ethereal sense of security. In the words of Fred Alan Wolf in 'Taking the Quantum Leap' and I quote 'The alternative to this uncertain world is a certain world. In such a worldall life would stop. For life as we know it can only exist through the blessing of uncertainty and security is a myth. Yet security is there we can feel its presence. But we must accept the uncertainty of our positions as without that uncertainty there is no world'. I would suggest that every individual can reduce this uncertainty in terms of career and future work by acquiring professional knowledge and know-how skills which competently address the needs of end customers. To do so will secure your future and that of an insurance industry which manages uncertainty on a global scale and benefits from everyone's need to feel secure in what has become a very uncertain world. As to whether we are at this point competent and ready I would have to personally say that in

my opinion we have, as an industry, some way to go yet!

Mr. President, Ladies and Gentlemen thankyou very much for your attention.