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Insurance in the Undergraduate Curriculum

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Abstract

For the past 30 years undergraduate insurance education in the United States has either stagnated, or declined in importance. This article identifies two causes: the AACSB and the graduate school paradigm. The author suggests that the contributions of the undergraduate insurance curriculum viewed in light of six curricular goals drawn primarily from the liberal arts are far too valuable to students, business schools and society to allow them to disappear without a strong defense.

Introduction

This article focuses on the role of insurance in the undergraduate curriculum and advocates the case for revitalizing and enhancing its role in undergraduate business schools.[1] My premise is that individual insurance courses, and a sound undergraduate insurance curriculum constitute one path among many helping students become well-educated people.

Existing undergraduate insurance programs need strong endorsement by both the educational and professional communities. Excellent, new undergraduate insurance programs need to be developed. The number of universities offering an undergraduate insurance program was estimated recently to be around 70 institutions (Anderson, 1988, p. 22). However, an estimate of the number of insurance programs leaves many unanswered

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[1] The author prefers the traditional word "insurance" where others might prefer "risk management." The latter term is more current, sophisticated and encompassing. Risk management implies a managerial approach in dealing with an individual or business loss exposure. However, the author has found insurance is always the main ingredient in most risk management solutions to business exposures, and inevitably the main ingredient for dealing with individual loss exposures. So, the author continues to use "insurance" while respecting others who use the broader term. In most cases in this article "risk management" or "risk management and employee benefits" could be substituted for "insurance."

questions. What constitutes an insurance "program?" Do the 70 schools reporting a program have a minimum core curriculum? What is the quality of the various programs? What courses are taught and with what frequency? What are the instructor's qualifications?[2] Until these questions are answered definitively, it will not be possible to assess accurately the status of undergraduate insurance education.

Disregarding the questions just raised, the number of institutions reportedly offering insurance programs represents only about 10 percent of the member institutions of the American Assembly of Collegiate Schools of Business (AACSB).[3] Some researchers believe insurance programs are in retreat on a national basis. (See: Wenk, 1985. Cummins, 1987, p. 10.). The undergraduate insurance curriculum's need for a strong advocacy is clear.

The status of the undergraduate insurance programs is the result of decades of detrimental policies and pressures, both internal and external. Two major areas of pressure and their impact are described in the next section. Following that, a section re-emphasizes the worth of the undergraduate insurance curriculum in light of proposed curricular goals. The conclusion suggests several practical steps needed to promote the role of insurance courses in business schools. Because so many different parties, including our democratic society, business enterprises, business students, and business schools have a vested interest in perpetuating and enhancing undergraduate insurance education, this study's conclusions take on added significance.

The American Assembly of Collegiate Schools of Business (AACSB)

The AACSB is the professional organization and sole accrediting agency for collegiate schools of business and management in the United States.[4] As such, it sets the guidelines for what is taught, the qualifications of faculty and students, and the levels of research and scholarship in accredited business schools, and in schools seeking accreditation. It is the preeminent power in American business education.

The surprising thing is not that just 10 percent of the AACSB members offer an insurance program, but that this percentage is so high 30 years after the widely read, and widely implemented, Pierson and Gordon-Howell reports. Porter and McKibbin do not overstate the case when they note, "As anyone who has had any association with university business schools in the

[2] The author will continue to use the word "program" throughout this article to facilitate the discussion, despite the term's ambiguity.

[3] It is estimated that about 1,200 institutions offer some form of business education. About 450 of the institutions are universities, and about 230 of the universities are accredited by the AACSB. The AACSB's membership includes accredited and non-accredited institutions. (Ouchi, 1987, p. 11).

[4] As this article is being written the AACSB's monopoly on business school accreditation is being challenged by a new group, the Association of Collegiate Business Schools and Programs. Some of the issues raised in this paper, specifically the need for teaching professors to produce published research apparently gave impetus to the new association's formation (*Wall Street Journal*, May 1, 1989).

last 25 years is well aware, these studies, particularly that of Gordon and Howell, had profound impacts on this sector of the university." (Porter and McKibbin, 1988, p. 8.) Thus, analysis of the status of insurance programs begins with these two works.

The Pierson Report

Pierson (1959) treated undergraduate insurance education mostly by omission. No mention of insurance courses is made in the recommended curricula for various business majors.[5] ("Risk management" was not a widely used term when Pierson wrote.) Despite one anecdotal reference, Pierson's conclusions about the value of insurance education were damning by omission.

In an indirect manner, Pierson provided ammunition for those deans and faculty members wishing to reduce or eliminate the insurance curriculum.

> There is considerable evidence that the business curriculum has expanded beyond justifiable limits at most undergraduate business schools. There is need for a general tightening of standards in terms of the scope of the core studies, the variety of majors, the number of courses that can be taken in a major, and the kind of electives students can choose. (Pierson, 1959, p. 196).

The legitimate concern over excessive specialization in the school of business curriculum neither originated with Pierson, nor ended there. It remains a legitimate concern today, and will continue to be one as long as scholars are concerned with curricula design. However, opposed by such a powerful and legitimate concern, insurance faculties, who almost always are in a minority, are at a distinct political disadvantage when defending themselves from deleterious moves made from purely political motives.

The Gordon-Howell Report

While Pierson's report was not friendly to undergraduate insurance education, Gordon and Howell's work was a direct attack. As Hall noted, "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." (Hall, Jr., 1972, p. 109).

Since the Gordon-Howell work has had such a pervasive and detrimental impact on undergraduate insurance instruction, a few direct quotations are in order.

> We start from the basic position that, particularly at the undergraduate level, business itself is specialization enough. (p. 134)

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[5] Pierson did cite a survey of Million Dollar Roundtable members, 40 percent of whom had gone to college. Twelve percent of the college educated group, less than 5 percent of the sample of these most successful life insurance producers, had been insurance majors. Pierson reported that 58 percent of the college educated respondents reported never having an insurance course, but 77 percent reported wishing they had done so. (Pierson, 1959, pp. 111-12).

> The evidence presented in Part II argues overwhelmingly against the degree of specialized business training that now prevails in most undergraduate business schools. (p. 212)

> One sign of the low state of collegiate business education is the fact that most business schools, particularly at the undergraduate but also at the graduate level, are both offering and requiring too many business courses. Many of these courses are not only too narrow and specialized, but more important, they contain little real substance and provide little or no intellectual challenge to the student. [A list of objectionable offerings follows with reference to insurance courses in the middle of the list.] . . . not only principles of insurance, but also separate courses on life, property, fire, casualty and other types of insurance, not to mention claims procedures, agency management, and the tax and legal aspects of insurance. (p. 139)

Gordon and Howell's criticism of undergraduate insurance education, some of which was and is merited, centers on the mistaken idea that the study of insurance is the study of one narrow industry and its problems and procedures. The same mistake was not made with respect to the accounting or the banking industry, where the broad impact of the industry-specific decisions on the entire economic system was recognized. It would have been much more appropriate, and the outcome more fortunate, to combine the study of insurance with the study of accounting and banking, than, as was done, to lump it in with secretarial science, hotel management and radio station management.

It may be of interest to note that Howell, when asked to review his report on its twenty-fifth anniversary explicitly repeated his attack on the insurance curriculum. When asked to highlight some of the problems [he] found in 1959, Howell responded:

> The major — and, in some sense, all-encompassing — one was that too often business education was irrelevant to most students, to employers, and to society . . . because of the low quality of its students and faculty and because of the narrowness of the training it provided. Schools and faculties saw themselves turning out functional specialists or industry specialists — insurance for example. (Schmotter, 1987, p. 3)

No doubt, insurance courses before the Gordon-Howell report were primarily descriptive, lacking in managerial decision-making content, in theoretical content, and in emphasis on understanding socially significant problems. These are the exact charges that Gordon and Howell leveled at all business courses. However, one problem faced by the undergraduate insurance curriculum is that while changes and improvements in the other business disciplines have been made and recognized, the changes and improvements made in the insurance curriculum have not.

Nevertheless, the purpose of this article is not to respond to Gordon-Howell, which has already been done both intelligently and eloquently, over the past 30 years. (ARIA, 1962, Black, Jr., 1972, Cline, 1972, Dickerson, 1959, Hall, Jr., 1972, Loman, 1966, Stone, 1972, and Tuan, 1970). Rather it is to expose the roots of a mistake that reappear in the most recent AACSB study which announces itself to be "the first systematic study of its type in over 25 years and exemplifies an internally generated evaluation of management education, as compared to the externally driven Ford and Carnegie reports of the late 1950s." (Porter and McKibbin, 1988, xiii).

The Porter and McKibbin Report

The Porter and McKibbin report was written during a period of considerable growth of business schools. They note:

> By many standards . . . business/management schools in recent years have been quite successful. Therefore, it should come as no surprise that . . . we observed that there is a high level of satisfaction within schools about the quality of the job they are doing in educating students for productive careers in the business world and advancing the knowledge and practice of business and management. (Porter and McKibbin, 1988, p. 29).

After dredging up the Gordon-Howell criticisms of the insurance curriculum, and citing insurance specifically as an example of what should be eliminated from the core curriculum (Porter and McKibbin, 1988, p. 51), and perhaps, business offerings in general (Porter and McKibbin, 1988, p. 57), Porter and McKibbin may be perceived to continue the attack on the undergraduate insurance curriculum using the codewords "overly superficial and unduly specialized vocational courses." According to Porter and McKibbin the typical business school curriculum in the United States:

> is anchored firmly on a base of at least 40% of total credit hours in liberal arts subjects at the undergraduate level, it has explicit quantitative and behavioral components, it requires all students to take a set of core courses in basic subject matter areas pertaining to business, it provides at least a (bare) minimum exposure to international aspects of business, it incorporates at least one course designed to provide integration across functional area, and it has eliminated many overly superficial and unduly specialized vocational courses. In short, it has become more academically solid and thus considerably more academically respectable. (Porter and McKibbin, 1988, p. 79)

The preceding quotation contains the gist of the Porter and McKibbin report: schools of business have done a great job. Academic respectability was achieved, in part, by eliminating vocational education and adding an international focus. Unfortunately neither the conclusion nor the euphoria may be justified. And in the process of stamping out vocationalism and achieving academic respectability, undergraduate insurance education has taken yet another blow.

The Insurance Curriculum Compared with the International Business Requirement

One issue certainly deserving some attention is the difference in treatment accorded international business studies and the undergraduate insurance curriculum. The AACSB places continuing and increasing emphasis on adding international business issues to the required curriculum while continuing, at best, to ignore the study of risk and insurance. (Jacob, 1987, p. 26).

The AACSB emphasis on international business issues is easy to understand. Given the rapid increase in international trade since World War

II, and the "internationalization" of many markets, especially the financial markets, it is logical to expose students to this dimension of business activity.[6] There is no doubt that for many large corporate enterprises, and for the American economy in general, international business is an important and growing consideration. Nevertheless, two questions must be raised.

First, are the characteristics, concerns, vocabulary, and management principles that set international business issues apart from purely "domestic" issues sufficiently unique to justify all the attention the AACSB wishes to devote to the area within the business core? A course in international macroeconomics may be needed. But beyond this requirement, could not the worthy goal of exposing our students to international issues be met more realistically with liberal arts courses? Surely, study of foreign history, geography, culture, politics, or best of all, a foreign language, would allow students to function in the international marketplace, and acquire some relevant cultural understanding and information. What comparative advantage does the business school have in providing students with international expertise?

Dean Nancy L. Jacob is critical of most schools' efforts to provide requisite international business education, saying "These shallow and almost desperate activities seem designed for marketing purposes, and rarely reflect a genuine institutional expertise in and commitment to international business education." (Jacob, 1987, p. 26). While the goal of providing international business content to the undergraduate business curriculum is worthy, apparently many business schools have yet to demonstrate any conspicuous ability to achieve this goal. Logic suggests other areas of the university do have the requisite expertise.

Second, is the study of international business issues as important as the study of insurance, risk management, and employee benefits? This is a fair question, since one area has ascended in importance and continues to gain in AACSB acceptance, while the other was allowed to languish. The AACSB has not made a strong case for the international business curriculum content it is promoting. In fact, it appears unclear itself about the content it wants emphasized in international business studies, as is seen in the ambiguity of its curricular statement, which is reproduced later in this article.

Moreover, but admittedly of lesser importance, it can be argued that many business operations, both profit and nonprofit, can be run without management knowledge of international business issues. Included in this category are the hundreds of thousands of small businesses that have exclusively local or national operations, and the tens of thousands of nonprofit organizations, such as city governments, hospitals, school systems, and charitable organizations, that have no international business concerns, but need the same type of management skills as profit-making business enterprise. Even if some domestic companies face international competition, it is hard to

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[6]See *National Forum*, 1988, 68:4. The entire Fall issue of this periodical is devoted to the topic "Internationalizing the Curriculum."

understand the dominant position accorded international business issues over risk and insurance concerns since not one domestic business or nonprofit organization can be operated without solving numerous management problems requiring insurance knowledge.

Summarizing these arguments: the AACSB's simultaneously emphasizing international business dimensions within the business core while ignoring insurance and risk management concerns arguably is ill-adapted to the goal of maximizing the benefits of an undergraduate business education for most students and society. International business education is important; however, learning the subject may best take place using non-professional electives in history, language and political science.

Graduate Schools And The Undergraduate Curriculum

Before we can fully appreciate the current state of affairs in the undergraduate insurance curriculum, we must also give attention to the deleterious impact graduate schools have had on the undergraduate insurance curriculum.

The Association of American Colleges (1985) prepared a thoughtful and incisive analysis of the state of the undergraduate curriculum.[7] Foremost among the causes cited for the disintegration of the undergraduate curriculum was graduate schools. In short, the report charges that graduate schools produce professors devoted to research, but who often lack appreciation for the undergraduate curriculum or for professors teaching at that level. The following excerpt states the case quite clearly.

> The graduate school model, with its single-minded focus on the preparation for research, serves as the standard by which colleges and universities everywhere judge themselves. In the long run nothing less than the reconstruction of the training of college teachers and a revision of prevailing standards in the recruitment of faculty will liberate the curriculum and the professors themselves from a misguided overemphasis on research and a corresponding neglect of teaching. The enemy of good teaching is not research, but rather the spirit that says that this is the only worthy or legitimate task for faculty members . . . This message must be forcefully delivered by academic leaders responsible for undergraduate education to the research universities that have awarded the Ph.D. degree to generation after generation of potential professors professionally unprepared to teach. (Association of American Colleges, 1985, p. 11).

Derek Bok, president of Harvard University, echoes this conclusion:

> From these beliefs about the life of the mind comes a tendency to value research over teaching. The reason for this preference is not immediately obvious, since teaching is a demanding activity of central importance to the faculty's mission. But research represents the ultimate expression of a scholar's powers, intellectual labor brought to its highest, most exalted state. . . . As a result, published research emerges as the common currency of academic achievement, a currency that can be weighed and evaluated across

[7]This association, founded in 1915 reports 590 member colleges and universities. The organization's stated purpose is to promote "humane and liberating learning." This report represents the work of a Select Committee of 18 American educators.

> institutional and even national boundaries. It is, therefore, the chief determinant of status within the guild. . . . (Bok, 1986).

In a well documented book written in muckraking style for the general public Sykes (1988) makes the same points:

> A bill of indictment for the professors' crimes against higher education would be lengthy. Here is a partial one:
>
> They have created a culture in which bad teaching goes unnoticed and unsanctioned and good teaching is penalized.
>
> They have cloaked their scholarship in stupefying, inscrutable jargon. This conceals the fact that much of what passes for research is trivial and inane.
>
> In tens of thousands of books and hundreds of thousands of journal articles, they have perverted the system of academic publishing into a scheme that serves only to advance academic careers and bloat libraries with masses of unread, unreadable, and worthless pablum (pp. 5-6).

The problems identified by these serious voices are real, they apply to business and non-business majors, and many undergraduate insurance professors could provide specific evidence to validate these contentions. Undergraduate insurance programs require respected professors, who can both teach and produce acceptable research.

The burden on undergraduate professors may be greater than the burden on graduate professors because of the wide gulf in resources between those two groups. Typical resources available at the graduate level include reduced teaching loads, financial resources, graduate assistants, graduate library and computer facilities, and graduate level colleagues in insurance and other fields. It is often the difference in resources rather than diminished human capital that constrains research output and defines accessible research problems for undergraduate professors. Nevertheless, those teaching in undergraduate insurance programs face the same pressures to perform as those working primarily at the graduate level. The AACSB accreditation standards require evidence of research output from undergraduate instructors, as it should. The problem becomes especially onerous when access to the leading journals is denied, and doubly so, when only one or a few journals are available in a field, such as is the case in insurance. For the reasons just cited, undergraduate professors must choose their research topics carefully and produce quality output. However, journal editors and program committees should be especially careful in their evaluation of output that may not fit the mold currently in vogue at the graduate schools.

By attempting to follow the economics model, which Bloom in his widely read work, *The Closing of the American Mind*, accuses of inappropriately always following the natural science model (Bloom, 1987, pp. 356–70. Sykes, 1988, repeats this charge, pp. 204–07.), the graduate paradigm would lead us to a point where many undergraduate insurance professors would prefer not to be, saying more and more about less and less that is important to or understood by undergraduate students, business practitioners, regulators, or the public.

While more could and should be added to the debate about the impact graduate programs have had on the undergraduate curriculum in general and the undergraduate insurance curriculum in particular, suffice it to note that the actions of graduate schools and their pedagogical priorities have not been a source of support for the undergraduate insurance curriculum. The role of the American Risk and Insurance Association (ARIA) and the *Journal of Risk and Insurance* (*JRI*) are critical to both levels of higher education and serious thought must be given to providing a balance between what often may be conflicting priorities.

Insurance and the Ideal Undergraduate Curriculum

What role should the undergraduate insurance curriculum play in the education of business students? Some critics might prefer to ask, should insurance play a role in educating business students? Examination of the issue requires defining the ideal curriculum. If a generally agreed upon principle of the overriding purpose of a college education existed, then one could see if insurance fell within the ambit of the principle. Unfortunately, the generally agreed upon principle of education is not to be found. The history of educators promoting religious, scientific, utilitarian or liberal learning through curriculum construction makes interesting and informative reading, but it does not provide the principle sought. (Rudolph, 1979).

The AACSB Curricular Statement

According to the AACSB:

> The purpose of the curriculum shall be to provide for a broad education preparing the student for imaginative and responsible citizenship and leadership roles in business and society - domestic and worldwide. The curriculum shall be responsive to social, economic, and technological developments and shall reflect the application of evolving knowledge in economics and behavioral and quantitative sciences . . . There is no intention that any single approach is required to satisfy the worldwide dimension of the Curriculum Standard, but every student should be exposed to the international dimension through one or more elements of the curriculum. (Porter and McKibbin, 1988, p. 59).

What this high sounding language really means is subject to interpretation. However, one interpretation, which some educational philosophers might find objectionable, is presented by Porter and McKibbin. In essence, the school of business might be viewed as a factory.

> If university business schools were considered from a *systems* perspective, students should be thought of as a key "input" and graduates as one of the two most important "outputs" (the other being research, . . .). Students entering business schools are the basic raw material, so to speak, and graduates leaving are the product of that input plus the transformation brought about by the faculty utilizing the curriculum and various teaching methods. (Porter and McKibbin, 1988, p. 88).

Those critical of the value of an undergraduate business education might find considerable purchase in the factory analogy for the contention that the

AACSB's goals are somewhat less lofty than helping students in their search for truth or wisdom. Bok cites a sample of this type of criticism: "They (professional schools) serve established institutions by recruiting young people, ranking them according to their abilities, and credentialing them for employers. They produce useful knowledge to consolidate the power of the ruling oligarchy." (Bok, 1986, p. 26). This strong accusation, that schools of business are anti-democratic and anti-intellectual, requires a strong response from the AACSB, rather than their endorsing a statement and providing an analogy giving credibility to the claim. In a larger sense, the AACSB needs to do more to re-examine the relationship of the school of business to the American culture. In reviewing its curricular statement it should respond to the following questions: beyond producing technically competent graduates, does business education contribute to rampant materialism, amoral or unethical behavior, robotization of the worker, and does it incessantly undermine man's individuality? Is the curriculum anti-democratic, or anti-intellectual? These questions have been and continue to be raised by artists, essayists, economists and other serious critics. These questions deserve considerable and continuing attention if business schools are to continue to benefit society.

An Alternative Suggestion

Because the AACSB curricular goals and standards are open to the serious questions just raised, curricular goals and standards from other sources have been compiled. Since the undergraduate insurance curriculum has apparently not met the questionable standards of the AACSB,[8] the educational worth of insurance courses will be assessed against alternatives derived primarily from the liberal arts. These educational goals are at least as worthy as any propounded by the AACSB, and some might find them a less ambiguous and more rigorous test than the AACSB goals. (See: Association of American Colleges, 1985, pp. 15-26, Bok, 1986, pp. 54-57 and Boyer, 1987, pp. 7, 256, 259.) These educational objectives lead to a set of goals against which the worth of any undergraduate curriculum, and the individual courses comprising the curriculum, can be measured.

No standard undergraduate insurance curriculum is recommended in this article because it has already been done several times. (See: Dickerson, 1959, Stone, 1972, and Tuan, 1970.) Also, 30 years of erosion of insurance programs presumably has left only viable courses at individual institutions. Surviving courses most likely include, in addition to an introductory course: risk management, property-liability insurance, financial planning, life insurance,

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[8]Correspondence in 1985 between the author, who was then president of ARIA, and the executive director of the AACSB. ARIA's request for recognition of the importance of risk management and employee benefits in the undergraduate business core was refused. The issue was raised subsequently at the 1988 ARIA Annual Meeting in Reno, Nevada, both in the incoming president's address, and at a plenary session.

employee benefits, and social insurance. This core of courses would almost certainly be the foundation upon which an insurance program would be built. Finally, any suggestions by the author to embellish the core just outlined would reflect his preferences and biases, whereas a suggested undergraduate insurance curriculum should reflect a consensus of a large number of instructors teaching undergraduate insurance courses. At a minimum, any curriculum developed should emphasize the intellectual and educational content presented in the six standards to follow, and should avoid strictly the vocational narrowness that gave some measure of legitimacy to previous attacks.

Curricular Goals

Goals for measuring the worth of undergraduate insurance courses are:

1. To encourage critical thinking, including moral and ethical reasoning
2. To facilitate the ability to use the English language effectively
3. To aid understanding human behavior
4. To provide understanding of the causes and effects of important societal problems
5. To integrate knowledge across broad areas including: mathematics, social science, philosophy, law, natural science, and economics.
6. To integrate knowledge across the business curriculum including: marketing, finance, accounting, management, and management information systems

Professors teaching in the undergraduate insurance curriculum reviewing this list would quickly and easily reach the conclusion that their activities measure up quite well against these criteria. Long lists of classroom examples could be produced to show compliance with these goals in individual courses and across the undergraduate insurance curriculum. What follows is a short compilation of such examples, sufficient to lay a foundation for our claim.

Critical Thinking, Moral reasoning

It would be difficult (and extremely unfortunate) to teach insurance courses without discussing logical alternative choices with students. How are insurance rates set? How should the insurance transaction be regulated? Do all people have a right to affordable insurance? What causes shortages of liability insurance? Could a capitalistic society operate without a private insurance system? Should health insurance be provided on a public or a private basis? These are types of questions requiring critical thinking, logical analysis, and continuing research.

How could insurance courses possibly be taught without discussing ethical and moral issues? How does an individual's right to privacy conflict with the insurance underwriter's need for information? Should age or gender be used as an underwriting factor? How should the cost of AIDS, or any other critical illness, be borne by society and its members? Review of any principles of insurance textbook would show coverage of these and dozens of other ethical and moral issues.

Effective Use of English

Perhaps no course offered in the school of business allows more attention to the English language than the introductory principles of (risk and) insurance course. The often maligned study of selected parts of insurance policies is really a study of English in action. Much of the education that occurs involves learning that words may mean different things to different parties; that courts are often needed to interpret language when it is not used precisely; that ambiguous language can be very expensive. For example, the word "war" has a commonly understood meaning, but dispute over its meaning was a multi-million dollar issue in one court case. (Dorfman, 1987, p. 193). Compensation for damage sustained in the Mt. St. Helens disaster centered on definitions of "explosion" and "earth movement." A discussion of these cases, and other equally instructive cases, leaves the clear impression on students that language must be used precisely to avoid unintended results. According to many curricular experts, learning the lesson of the importance of communicating effectively and precisely is one of the greatest of all lessons learned at the undergraduate level.

Understanding Human Behavior

Human behavior is a relevant topic in every insurance course because the insurance transaction at the individual and the business level is the result of human interaction. Why are some risks transferred while others are avoided? What role does human behavior play in causing or preventing losses? Why do some people purchase insurance in situations where others retain the chance of loss? What role does immortality striving, fear of death, or reaction to stress play in the purchase of life insurance? How can society encourage people to save and insure their lives adequately? How could risk management or personal financial planning be taught, without reference to human behavior?

Societal Problems

Except for problems of war and peace, what societal issues are more important that those involving insurance? How should health care costs be distributed? What vaccines, medicines or medical treatments can be produced economically considering potential tort claims? How should we prepare for an aging society, including the financing of long-term care and providing adequate retirement income? How should we produce energy in the future, by nuclear power, coal, imported oil? These problems cannot be thoroughly comprehended or addressed without discussing insurance. Should the tort-liability system continue to be employed to reimburse victims of automobile accidents, malfunctioning products and services, professional errors and omissions, municipal misconduct? These insurance questions are already appearing on ballots.[9]

One of the most distressing aspects of the demise of the undergraduate insurance curriculum is that these issues are no longer being discussed in some business schools, or are not being addressed by instructors with the requisite expertise in insurance. Business leaders, politicians, and voters are being deprived of essential information and opportunities to learn about critically important issues. If undergraduate insurance programs continue in decline, society will reap a whirlwind of ignorance. People that do not understand the principles of the insurance transaction really are not in a position to explain how our health care system works, or ideally should work. They cannot fully explain the implications of the tort-liability legal system. Nor can they deal intelligently with the intricacies of providing retirement income to an ever-growing elderly population.

It has been suggested that part of the problem underlying the apparent failure of the Federal Savings and Loan Insurance Corporation was inattention to fundamental insurance principles. Specifically, actuarial and underwriting principles linking increased chance of loss with increased insurance rates were not applied. Whether such inattention was caused by ignorance or by design is unclear. In any case, this instance of what may be a $100 billion failure, may be a foretaste of future problems, when what should be an insurance operation is run in the absence of insurance principles.[10]

Insurance is, and historically has been, one of society's most effective tools for handling some of its most difficult problems. Thus, the study of insurance should remain important as long as the problems it solves remain important. Unfortunately, the connection between the study of insurance and the absolutely critical nature of the problems it solves or mitigates has not remained as strong as it should.

Integration Across the Curriculum

Insurance simply cannot be taught without reference to economics, mathematics and law. This obvious case does not need belaboring. Likewise instruction in insurance is also likely to include reference to history, politics (regulation), geography (ocean marine insurance), architecture (fire insurance), engineering (loss control), medicine (health insurance), psychology (insurance marketing, risk-taking behavior), and gerontology (life insurance and annuities). The case for emphasizing English in the insurance classroom

[9]Four separate insurance initiatives appeared on the November 1988 California ballot. An initiative obnoxious to the industry was passed. One wonders if such a proposal would have passed if the voters understood basic insurance principles.

[10]The author thanks A. Frank Thompson for drawing this example to his attention. While greed, criminality and underlying economic forces played more dominant roles in causing the problem, actuarially determined insurance rates would have provided quicker notice of the impending disaster, and provided a more adequate cushion for the financial consequences.

was sufficiently important to merit special attention. Integrating a broad base of knowledge is one of the undergraduate insurance curriculum's strengths.

Integration Across the Business Curriculum

Concern with potential losses, the focal point of the undergraduate insurance curriculum, is shared to some extent by all major business areas. Risk management and insurance make it possible for individual firms to reduce risk sufficiently to allocate resources more efficiently and thus enhance production and income.

Production management, accounting and finance courses all discuss various aspects of capital asset acquisition. Protecting capital assets from loss must include a discussion of numerous risk management issues and insurance coverages, including inland marine and business interruption insurance, whose ramifications are generally unfamiliar to nonspecialists.

Marketing and production management courses both should be covering the problems caused by product liability torts, and the risk management and insurance solutions to this critical problem. A cost/benefit analysis of a new product introduction, or of abandoning an existing product, cannot be complete without including risk management considerations.

Personnel management and accounting departments are deeply involved in presenting issues related to pension plans, health and disability plans for active and retired employees. This area cannot be presented and adequately discussed without a knowledge of insurance principles and employee benefits.

Insurance courses are often housed in finance departments presumably because the insurance operation is decidedly a financial one; the insurance company is a financial intermediary, comparable to a bank, whose core function is the management of cash flows. The marketing of insurance, life and nonlife, allows examination of industry and company attempts to segment markets, to compensate sales forces, and to examine industry practices in product development and advertising. No industry has been more in the forefront of implementing management information systems than the insurance industry. The problem of hardware and software security and funding the costs of security breaches is yet another interface between insurance and management information systems.

Finally, some knowledge of insurance really is requisite for upper level management to deal with the increasingly important loss exposures associated with catastrophic environmental damage, international terrorism, and directors and officer's errors and omissions, including those alleged in litigation arising from mergers and buyouts. This list could be extended, but the point should be clear that insurance studies allow considerable integration of knowledge across the business curriculum.

One additional point might be added. Undergraduate insurance courses are well suited to abet the AACSB program of integrating international business issues into the curriculum. International trade must be insured, and such insurance is typically insured or reinsured by international insurance organizations, such as Lloyds' of London. Also, the international operations of American business firms require an international response in the firm's risk management program. It is ironic that in demoting the insurance curriculum the AACSB struck at a program that is well suited to promote one of its fondest goals.

Conclusion

If the argument that the undergraduate insurance curriculum has a strong role to play in the business school is persuasive, then what steps must be taken to re-establish its position? First, some form of AACSB recognition is needed. Second, room must be made for insurance in the business curriculum.

Step One: AACSB Recognition

Twice in the past five years the AACSB rejected an ARIA petition to include risk management and employee benefits in the business school's common body of knowledge.[11] ARIA's request was modest, falling far short of a course or hourly requirement. In essence, the request was to accord the same status to insurance and risk management as is being given to international studies; that is, that every business student be at least exposed to the principles, theory and vocabulary of insurance. The initial ARIA request was rejected as was a subsequent appeal.

A very strong case can be made for requiring one insurance (risk management) course. Sadly, such a request is unrealistic. First, the ranks of insurance professors have been so depleted that the political muscle to achieve this end is lacking. Second, there probably are an insufficient number of adequately trained faculty to meet the demand such a requirement would create. Third, such a requirement would mean either a reduced number of elective hours, or the removal of an existing requirement from the business core. The politics of such a move, again, probably place an insurance course requirement beyond reach.

Step Two: Room in the Business Curriculum

One must anticipate the immediate reaction to a request for recognition and to make room for insurance in the business curriculum will be resistance based on the objection that if something is added to the requirements something else must be removed. The re-inclusion of insurance in the mainstream business curriculum must not be allowed to fail for lack of room for accommodation. This resistance, founded directly or indirectly on the Pierson and Gordon-Howell reports, will have to be overcome by convincing logic. The preceding section may provide others with a logical basis from which to approach the AACSB.

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[11] Special recognition for assisting the preparing the document presented to the AACSB should be given to George Head and William Rabel, who were members of ARIA's Board of Directors at the time.

Three ideas for accommodation, far from exhausting the possibilities, come to mind:

First, move some portion of the imprecise international business studies requirement to the college of liberal arts, perhaps requiring a foreign language course. Devote whatever time is released in the business school to insurance issues. Second, consider making an insurance course an alternative capstone course along with the business policy courses that seem to have co-opted this area. As has been demonstrated, insurance courses have extensive potential for touching all business and many non-business areas. A capstone insurance course stressing risk management decision making, might require new text material and teaching strategies, but it could prove to be a powerful base for re-establishing the insurance curriculum. Third, insurance could be made a part of a soft core requirement (choose X of the following N courses) for all business majors. This approach would be effective only where existing courses are available.

Unheeded Voices

While AACSB recognition is little enough for which to ask, if granted, this recognition would help to begin to reverse the decades of erosion sustained by the undergraduate insurance curriculum. Recognizing the study of insurance as no more vocational than the study of accounting, nor more industry-specific than the study of money and banking, and no less respectable than the study of any other business school subject could be quite beneficial in attracting students and professors to the study of this subject.

Serious voices are going unheeded. The AACSB has twice denied ARIA's request for recognition. Some ARIA members, having primarily graduate school responsibilities and priorities, have not been sympathetic to the problems of professors working at the undergraduate level. These two failures of attention are not unrelated.

Why should the AACSB pay attention to a relatively small group of professors espousing a cause long since labeled unworthy? Why should they recognize the long overdue changes in the undergraduate insurance curriculum which finally were made? Why should they consider altering their concern with having international business issues taught within the business core? The frank answer to all these questions is: there are not enough insurance professors left to really get their attention.

On the second front, should the graduate school pedagogical priorities, which dominate much of what gets presented and published, change? Should it be recognized that the priorities of professors working primarily at the graduate level are not necessarily coincident with those of professors working primarily at the undergraduate level? If the undergraduate teachers fail to get support for their work, few of them will succeed, and fewer will be there to add their voices to the request for AACSB attention. More important, if fewer undergraduate programs succeed, where will the students come from to populate the graduate programs? This problem will become acute in light of a shrinking population of college age people. It seems important to me to find more room to accommodate the research interests of undergraduate teachers in programs and professional journals. Continuing the present policy will cause unnecessary alienation or outright resistance by those feeling discriminated against, and it will likely continue to alienate potential industry support for insurance education.

This article is not exclusively an indictment of the AACSB and its past and present policies regarding the undergraduate insurance curriculum. Nor is it merely a complaint about the impact of graduate school pedagogical priorities. However, it is a call to both of these groups to reconsider their actions as they affect the undergraduate insurance curriculum. This author argues that mistakes have been made by all parties, including those who have allowed insurance courses to become littered with descriptive trivia and vocational drivel. Undergraduate insurance education has too much to contribute to students, to business schools, and to society to allow it to disappear. Those teaching the undergraduate insurance curriculum have a great responsibility, a duty, to defend themselves and their teaching activities. Even more important, perhaps, than helping our adversaries, who may well have good intentions, and undoubtedly have different priorities, to change their approach is the need to keep our courses, textbooks and research adapted to the continuing challenge of providing excellence in insurance instruction at the undergraduate level.

An excellent undergraduate insurance education does not mean providing students with a narrowly based technical or vocational education. It means taking advantage of the unique characteristics of the insurance transaction and using this basis to educate students broadly, encouraging critical and ethical thinking, and focusing on human behavior and economic problems and their possible solutions. If done well, such an educational opportunity greatly benefits business schools, society, and the student, which is all that can be asked of any educational experience.

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