

The Impact Of Unskilled Staff on the Short Term Insurance Industry

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The short term insurance industry is facing a dilemma because of the lack of skilled staff.

Due to legislative compliance and security precautions, insurance organisations have segregated duties and restricted access to information to specified channels of the business. Therefore, it has become difficult for one to be skilled in every discipline. This has created an opportunity for specialists in their particular discipline.

Intermediaries are the specialists that legislation has mainly put the onus on to correctly advise clients and explain the short term insurance covers which will best satisfy their needs. Some insurers have delegated binder functions to intermediaries, both mandated and non-mandated. The consequences can be quite onerous for the intermediary as these delegations may result in exposure to their Professional Indemnity cover and individual Directors Liability.

The FSB requires that insurers hold all client and policy data, but sometimes with a binder, the policy has already been sold and incorrect advice can lead to brand damage.

The mandatory qualifications of a person offering advice now required by legislation have gone a long way in addressing the lack of product knowledge. But can we keep up?

Increasing competition in the industry has accelerated the innovation of new products in addition to those which were traditionally offered by insurers. Consumer awareness has also resulted in the quest for cover outside of the "norm". Product providers, fighting for the same pool of business, have had to scramble to meet the demand, and some underlying principles of underwriting have had to change.

Acceptance of risk by unskilled or inexperienced staff, leads to exposure which can affect an insurer's renewal of reinsurance treaties, exposure to Professional Liability and bottom line underwriting results as losses may have to be paid on a gross basis.

In these challenging times, it is a huge challenge to drive the education necessary to provide the peace of mind that staff are adequately skilled.

Organisations can do this in various ways. Educational training interventions must form part of a company's strategic plan. Mentoring and planned product education of all stakeholders must be carried out by accredited educational service providers, internal or external.

Human Resources departments should have a clear understanding of the importance of recruiting skilled accredited staff, and have programmes in place to assist staff with the training necessary to reach the desired standards required by legislation. Managers also need relevant training as they have a responsibility to mentor and motivate staff in support of their Adult Based Educational Training (ABET) needs, and to create a culture of learning and an environment conducive to the retention of skilled staff.

Unskilled or inexperienced staff can lead to serious consequences including inefficiencies affecting the profitability of a company, errors, unnecessary delays, a drop in standards and, ultimately, a destruction of confidence and trust in an insurer's brand. A commitment by all stakeholders to ongoing education covering the principals of insurance as well as product specific interventions are necessary to maintain the professional status of our industry.