

An Investigation of Board-Registered CFP® Programs at Universities with Insurance/Risk Management Programs

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Abstract

We examine course requirements and faculty resources of departments offering both a major in insurance and a CFP® Board-registered financial planning program. Because the financial services industry is becoming increasingly comprehensive, insurance students may wish to add an emphasis in financial planning. We find that, given the overlap in requirements of the two types of programs, insurance students may add a financial planning emphasis to their degree program with little marginal coursework. Universities offering both programs do not appear to strain their faculty resources.

I. Introduction

University insurance education programs continually evolve to reflect the dynamics of the industry. This has always been necessary, as the industry frequently adds new products to its offerings. However, in the recent years following a long round of deregulation of the financial services industry, the insurance business has broadened considerably to include other areas of financial services; thus, insurance professionals now find themselves involved in very diverse activities under the umbrella of financial planning. In response to the need for broad, yet in-depth education for such financial professionals, an increasing number of university finance and insurance departments have designed curricula around the Certified Financial Planner® (CFP®) Board of Standards topics list and registering these curricula with the CFP Board so that students qualify to sit for the CFP examination.

Just as changes in an industry typically raise concerns among industry participants as to how the change will affect them and their firms, university finance/insurance departments may have concerns about the addition of a financial planning program or the modification of an existing program to include more coverage of the broad topics in financial planning. Such concerns legitimately arise due to the specialization of current faculty, challenges in recruiting new faculty, institutional constraints on resource utilization, and uncertainty about how a new program will be received as well as how the new program will affect existing programs. In this study, we investigate United States colleges and universities that have both a CFP Board-registered financial planning program and an insurance and risk management degree program. Specifically, we examine the faculty resources employed by universities with both programs. We consider number of faculty and their professional credentials. We also examine the degree of

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overlap between the two programs. Specifically, we describe the courses necessary for a student majoring in risk management/insurance to complete the financial planning program.

II. University Insurance Education

The insurance industry is a leader in requiring and offering opportunities for continuing education for its professionals. However, historically, the insurance industry (in particular its distribution aspect) has relied heavily on on-the-job or in-house training and proprietary insurance pre-licensing schools to provide initial education for personnel. Traditional university education of agents was not common, but university programs had educated many non-agent insurance industry professionals. Dorfman (1990) examines the role of insurance courses in an undergraduate business curriculum, noting that a minority of Million Dollar Roundtable members (nationwide top insurance sales persons) were college graduates, and a very small minority of those graduates were insurance majors. Dorfman cites two potential reasons for a lack of undergraduate insurance education: AACSB International's emphasis on a broad approach to business education, and the tendency to shift specialized study to graduate schools. He also addresses criticisms that insurance is too narrow a field to merit much academic study at the undergraduate level. For example, Dorfman notes that even the term "risk management" is a misnomer, as his experience suggests that firms heavily rely on insurance in their risk management programs. In a way, the critiques and Dorfman's response to them reflect the broadening nature of the insurance and financial planning industry and academe's response to that change.

Integration of New Programs

Prior work has addressed the effects of changes in finance curricula in response to industry standards. Specifically, these studies examine the incorporation of professional certification standards into finance curricula, focusing on the implementation of the standards and the effects on existing programs. For example, Hamilton and Marshall (1987) note that most finance programs can add content in support of students' pursuit of the Chartered Financial Analyst designation to existing courses without much difficulty. Later, Charleton and Johnson (1999) survey finance departments that offer courses of study for the Chartered Financial Analyst® (CFA®) designation. They note that finance departments adding CFA-related content to their programs reported increased student interest in the finance major and increased placement opportunities for students. Generally, departments noted synergistic effects of incorporating CFA content.

The CFA results are noteworthy because, as Hamilton and Marshall note, few curricular and faculty changes are required to implement that program of study. The addition of a financial planning program to an existing insurance major is another matter, as it may require additional courses and faculty resources, and it may attract students from the insurance major to the financial planning major. As of March 2008, the American Risk and Insurance Association reported 51 colleges and universities in North America that offer programs in insurance and/or risk management. At the same time, the CFP Board of Standards reported over 90 registered university programs that lead to a degree in financial planning. (Graduates of programs registered with the CFP Board automatically meet education requirements to sit for the CFP Certification examination.) As of March 2008, there were ten universities with both an insurance

major program and a CFP Board-registered financial planning program. Table I lists these programs.

When a new program is added to a department's offerings there are often concerns about effects on resource allocation and the potential for "cannibalistic" effects on the department's older offerings. Regarding resource allocation, perhaps the biggest concern is the specialization of department faculty. Insurance is a very specialized field, and it is possible that either an insurance faculty member may need significant re-tooling in order to effectively teach specialized topics in the broader field of financial planning, or new faculty may need to be hired. Either option stretches departmental resources. Thus a question arises: How do these departments deploy faculty, and what is the mix of faculty qualifications within a department?

Another concern is the possibility that a new financial planning program may inordinately draw students from the insurance program. This is a very real possibility because of disparate projected job growth rates in these two areas. According to the Bureau of Labor Statistics' *Occupational Outlook Handbook 2007*, the job categories of "financial analysts and personal financial advisors" is projected to grow by 37% over the decade 2006-2016, a rate BLS calls "much faster than average." On the other hand, insurance sales agent positions are expected to increase by 13% over the same period, or "about as fast as average." While the percentage growth rates may not be indicative of actual job growth in terms of total employment (The Bureau of Labor Statistics reports 436,000 persons employed in insurance sales compared to 147,000 employed as financial analysts and personal financial advisors.), students and career counselors may be influenced by the growth rate disparity in making career decisions or giving career advice. Thus students may cite the potential disparity in placement opportunities in opting for the new financial planning major over the insurance major.

Institutional factors may mitigate any potential migration of students from the insurance program to financial planning. For example, many insurance companies and industry groups have continually been generous supporters of insurance major programs at universities. This support includes general financial support, support for specific faculty positions and support for scholarships. In the cases of the latter two types of support, department positions and scholarships are specifically dedicated to insurance faculty and students majoring in insurance. Thus, if a student opts for a financial planning major, that student may forego significant opportunities with regard to financial aid. Given the possibilities for "major cannibalism" and institutional constraints of student financial aid, another question arises: How can a student major in insurance and still be effectively educated as a financial planner?

III. A Look at the Programs

We examine the ten universities that have programs in both insurance and financial planning. We collect data from the programs, their course offerings and requirements and faculty information from the universities' respective web sites during the spring semester of 2008. Not surprisingly, there is considerable variation in what and how information is reported on the universities' web sites, so we base our discussion and findings on what is available.

Faculty Resources

Table II shows descriptive data for faculty in the ten departments. We count only those faculty identified as teaching in either the insurance or financial planning program or both. Some of these departments are very large and include many faculty members specializing in corporate finance, financial institutions and other specialties. In some cases, a particular faculty member is listed as teaching in both programs, so that individual is counted each way, but that is a small number of cases. The first noteworthy finding in Table II is, insurance and financial planning programs use approximately the same number of faculty members. This may indicate that an otherwise small finance department with a heavy concentration of specialized insurance faculty may need to add positions in order to adequately cover the financial planning offerings. In each program, on average, 72% of the faculty members hold doctoral degrees.

Another interesting finding in Table II has to do with reported professional certifications held by the faculty members. Of the faculty members, in either program at all the universities, only four report holding the CFP certification, and all four of these are listed as faculty teaching in the financial planning program, as opposed to the insurance program or both. Conversely, insurance certifications are more prolific, and faculty members holding insurance certifications teach in each of the two programs at the universities. Not reported in Table II, but of interest, is the typical course load of faculty at these universities. Of the ten universities, six had a maximum faculty load of three sections per semester, three had a four-course maximum load, and one had a faculty member teaching six sections.

We note that it is possible and even common that required courses in an insurance major or a financial planning major might not be taught within a single department. For example, tax planning may be taught in an accounting department, estate planning may be taught in a business law department and employee benefits may be taught in a management department. In such cases, fewer resources are required of the major department, and teaching burden is shifted to the outside department(s). In most cases, the outside department welcomes the additional students, but might object to the increased enrollment if it hampers the outside department's ability to serve its own major students. The alternative, however, is replication of courses already taught by outside departments, which is inefficient and also generally opposed by the outside departments.

Course Offerings and Requirements

The typical insurance major program includes a business administration core curriculum, major required courses, major menu courses (students choose from a list), and electives. Typical major required courses include: Principles of Insurance, Life/Health, Property/Casualty (some programs may break the material into courses in personal lines and commercial lines), Risk Management, and Employee Benefits. Typical major menu courses include: Tax Planning, Personal Selling, Insurance Law, Investments, Financial Planning, Financial Counseling, Actuarial Science, Estate Planning, and advanced courses in property and life insurance.

In order to be registered with the CFP Board, a financial planning program must offer a prescribed course of study that covers the 89 topics on the current CFP Certification Examination

topic list. The topics are divided into seven areas: financial planning principles, insurance planning, employee benefits planning, retirement planning, investments planning, tax planning, and estate planning. Generally, registered programs cover the required topics in six or seven required courses (whose titles closely match the seven topic areas) and the prerequisites for those courses. In addition, some programs require an integrative, case-oriented “capstone” course in financial planning.

Because many of the required courses in financial planning are contained in insurance major requirements or major menu requirements, or are acceptable as electives for a student majoring in insurance, it may be possible for a student to major in insurance and complete required coursework for a financial planning program with minimal extra coursework. This has obvious advantages for students, as they can broaden their education and their employment prospects considerably with minimal extra cost. It also allows an insurance major student to pursue preparation for a career in financial planning while remaining eligible for scholarships designated for insurance majors only. There is an advantage for departments offering both programs, as well, in that counseling a student into such a course of study minimizes the cannibalization problem. Table III shows marginal courses that, when coupled with an insurance major, will allow students from the respective institutions to meet CFP exam education requirements.

A stronger comparison of the two types of programs could be made by comparing the specific learning objectives and learning outcomes of these two tracks. However, not all of the programs we examine publish their learning objectives and outcomes.

IV. Conclusion

In this paper we discuss how financial deregulation has changed the financial landscape, and the concomitant evolution of finance curricula. Specifically, we explore the schools that offer both insurance majors and a CFP Board registered financial planning program. A number of the required and elective courses in an insurance curriculum (life insurance, employee benefits, estate planning) are useful in meeting the necessary requirements to sit for the CFP Examination. In exploring 10 such schools, we find that students may supplement an insurance major with a financial planning major by completing as few as three additional courses. With proper advisement, students could successfully complete both programs; the areas most commonly lacking in the former and required in the latter are estate planning and taxation.

Some schools have approved CFP-administered courses supplemental to the insurance major in order to sit for the CFP exam. And, other schools require almost the entire financial planning curriculum in addition to the insurance major (such financial planning programs are in one college while risk management and insurance is in the College/School of Business). Ideas for further research include historical analyses of program enrollments, the cannibalizing/synergizing effect on insurance programs and courses when financial planning programs are introduced, placement and career records of graduates, and the industry financial support of programs.

Table I

Universities having both an undergraduate program in insurance/risk management and a CFP Board-registered financial planning program

Appalachian State University	Mississippi State University
Baylor University	University of North Texas
California State University – Fullerton	Ohio State University
University of Central Arkansas	Virginia Commonwealth University
University of Georgia	University of Wisconsin – Madison

Table II

Descriptive data for faculty in insurance and financial planning programs at ten universities that have both programs, Spring 2008

	Insurance Programs	Financial Planning Programs
Number of Faculty	36	32
Faculty with Doctorate	26 (72%)	23 (72%)
Faculty with CFP Designation	0 (0%)	4 (13%)
Faculty with Insurance Certification (CLU, CPCU, etc.)	7 (19%)	5 (16%)
Faculty with Other Certification (CPA, CFA, etc.)	2 (6%)	3 (9%)

Table III

Marginal courses required beyond requirements for an insurance major in order to meet requirements to sit for the CFP Certification examination at 10 universities, Spring 2008. Hours are additional to the requirements for a major in insurance; when an insurance program has free electives, the addition to a student's total degree hours will be less. In some cases, an assumption is made about menu courses taken in the insurance major.

University	Additional Courses
Appalachian State University	Estate Planning Retirement and Employee Benefit Planning Two of Individual Income Taxation, Survey of Investments, and Financial Planning (one of these must be taken within the insurance program)
Baylor University	Introduction to Personal Financial Planning Investment Analysis Personal and Business Tax Planning Seminar in Personal Financial Counseling
California State University – Fullerton	Introduction to Investments, Real Estate Investment Analysis, Retirement and Estate Planning, Advanced Investment Analysis, Options and Futures, or Investment Management
University of Central Arkansas	Individual Taxation Advanced Income Tax Estate Planning
University of Georgia	Students may complete a Family Financial Planning Certificate by taking five 5-day courses and one 6-day course to become eligible to sit for the CFP® exam
Mississippi State University	This degree program combines Risk Management/Insurance and Financial Planning.

Table III, continued

University	Additional Courses
University of North Texas	Students may complete a Family Financial Planning Certificate by taking five 5-day courses and one 6-day course to become eligible to sit for the CFP® exam
Ohio State University	Intermediate Microeconomics Intermediate Macroeconomics Introduction to Financial Institutions and Markets Computerized Management Information Systems Bank Administration
Virginia Commonwealth University	Security Analysis and Portfolio Management Employee Benefit Planning Tax Accounting
University of Wisconsin - Madison	Students may complete the preparation program for the CFP® exam or a Consumer Science Major with Concentration in Personal Finance by completing nine program-specific courses, three hours of electives, 18 credit hours of supportive courses (which may include six hours – Principle of Risk Management and Employee Benefits - from the insurance program), and nine credit hours from a related discipline (which may include six hours – Property Risk Management and Life and Health Insurance - from the insurance program).

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