

# Applicability of e-Learning in Croatian Insurance Industry: A SWOT Analysis

**Ksenija Klasić**

K & K Insurance Brokers Ltd.

3. Bijenički ogranak 18, 10000 Zagreb, Croatia

[uprava@k-k.hr](mailto:uprava@k-k.hr)

**Abstract.** *Croatian insurance market passed through significant changes during the last ten years. The number of insurance companies, mainly in foreign ownership, had increased, and a total amount of insurance portfolio, especially life insurance, achieved a significant growth as well. As a result, the number of participants in the Croatian insurance industry had raise. The traditional model of the education system is changing slowly, and the providers of insurance products often do not recognise the possibilities offered by the lifelong learning supported by the information technologies.*

*In this paper SWOT analysis, conducted in the context of implementing the e-learning model in insurance industry in Croatia, is discussed. The need for connecting the economy and the institutions of high education is also recognized, for these institutions can offer professional help in development of e-learning models adapted to the needs of specific economic branch.*

**Keywords.** e-learning, insurance industry, SWOT analysis, education

## 1 Introduction

The role and activities of insurance is becoming increasingly important for Croatian society in general. Recent reforms in public health and pension systems in Croatia inspired the development of new insurance products created for partial substitution of certain social rights that are revoked in the process of reformation. New insurance products were also developed to support the bank credit system as a guarantee of return of loans. Those products are sold mainly in the banks (bank insurance system). New insurance products were introduced to protect the property in lease

(mainly vehicles and, more often, various machinery, tools and real estate). The cost of the premium for this type of insurance is paid by individuals or companies during use of the assets. The education system is also changing so the introduction of private high schools and private higher education institutions also introduced economic price tuition. As a consequence, the education is becoming less available to general public. The insurance companies understood the need for additional funding of education, and created a solution in form of various annuity savings in form of life insurance policies dedicated to children education with postponed payout (disbursement) and limited duration. The liability of the individuals, as well as professional indemnity of legal entities is introduced in existing law regulations through recent amendments. These amendments inspired the insurance companies to develop a series of new insurance products that protect the clients from professional indemnity. Though the insurance industry is a legal business with long-term economical consequences, the education system in insurance is left to insurance companies, companies specialized for training the insurance agents and, nowadays more often, several institutions of high education.

The implementation of Bologna process and reform of existing education programmes led to harmonisation with international education programmes and better awareness of the importance of creating a better insurance education programmes. As a consequence, insurance courses have been introduced on a number of high education institutions.

## 2 Selection of target groups for insurance education

Insurance is traditionally a very slow changing industry. However, changes on the market and business conditions require a faster response, especially in creation and introduction of new insurance products to the market. It means that the insurance sellers, both employed in the insurance companies and independent insurance agent or insurance broker alike, must be up to date with latest information on new insurance products, in order to be competitive on the insurance market. Furthermore, the fluctuation of sellers is a common practice in insurance industry. Insurance companies attract good sellers by better employment conditions and higher commissions if they move their portfolio to the insurance company. The clients are rewarded as well, mostly by additional discounts on their premium. Under the given circumstances, insurance companies must build an educational system that can produce sellers who can achieve better results with minimal costs.

Employees in insurance companies often have only a basic knowledge about business activities in insurance. The lack of proper organized education prevents the employees' learning process and implementing newly gained knowledge into their work processes.

There are 27 insurance companies doing business in Croatia in 2009. There are also 25 banks with HANFA insurance agent licence. The licence is issued to 206 insurance brokers and 6.171 insurance agents, mainly bank clerks (around 70%) [18]. Statistical data on employment structure in insurance industry for 2008 are not available yet. However, according to data from 2007, there were 9.398 employees working in insurance industry in Croatia, with 5.248 working on acquiring new insurance policies and 1.224 on claim settlement [17].

Although the number of active insurance agents and brokers is unavailable, it can be presumed that, with the assessment of 6.000 active insurance agents and brokers, around 10.000 employees in insurance acquisition and at least 1.200 employees in claim settlement should be involved in lifelong insurance education.

There are two dominating types of education in insurance education practice, the classical education and self-education. The main difference between these types is that the classical education is carried out in the classroom. It follows the defined plan and programme in cycles with fixed schedule through lectures for limited number of students. On the other hand, self-education is based on written material in form of various scripts, books or handbooks, written instruction, etc. Self-education should be supervised by the instructors, mainly

insurance company employees responsible for the development of sales network. Instructors occasionally organize group consultations and debates, and monitor the student throughout the learning process. Gained knowledge is tested through written and oral exams for acquiring licence and internal insurance company exams.

Verification of gained knowledge is carried out mostly by testing the theoretical knowledge gained through various literatures. The practical aspects of the education are often neglected in the testing process. As a consequence, the students often assume that they will do a quality job by using the appropriate information system of the insurance company. As a result, they do not bother with gaining a better understanding of the products they sell, and cannot help a client with an appropriate answer to a more complex question about the products. Even bigger problem comes from giving incorrect information to the client, which can, in case of claim, lead to legal dispute.

Therefore insurance companies, and other institutions that conduct education in insurance, should organize appropriate education for insurance industry employees. With regard to a vast number of students who have to pass the exam and acquire a licence, and continue their lifelong education according to Insurance Law, insurance companies should organize the education of their employees in a way that the students get quality knowledge with maintaining the costs of the education on an appropriate level.

### **3 Analysis of applicability of e-learning in insurance**

E-learning is one of more popular ways of education and learning. It represents education and training through an electronic medium, i.e. Internet or Intranet networks. Traditional face to face education is enhanced by implementation of IC technologies, and can be divided into three basic levels, depending on the manner and intensity of its use [3, 7, 10]:

1. ICT supported education: traditional face to face education is supported by technology, i.e. presentations that are created and displayed through computer and projector device, and can be given to students through web sites or on magnetic medium
2. Hybrid model of education: lectures partially take place in the classrooms, and partially on-line. Additional IT tools to access the education contents and for communication with the lecturer should be available to students, along with classical written teaching materials

3. Online education: the learning process is completely carried out in virtual environment

So, the e-learning system is about teaching and studying through various computer and communication technologies. It requires lecturers with more competent knowledge on latest technological solutions than lecturers in traditional face to face education. Considering the qualities and skills required for development and realization of education content, e-approach to education in insurance requires team work of more experts.

The way the insurance companies educate students differ from high education institutions methods of lecturing [7]. While students on high education institutions are required to create various paper works to verify the gained knowledge in certain fields, attendants of insurance companies' courses are expected to be familiar with insurance products in details. While students are graded based on gained knowledge and regularity in performing activities regulated by syllabus and rules of studies, course attendants' work is graded based on skills and knowledge's gathered in a certain time interval, and on concrete results of implementing gained knowledge to everyday work, i.e. concluding the insurance policies [13]. The approach to insurance education with no difference between the students and course attendants is possible for beginners in insurance and for education for HANFA exam, nowadays, unfortunately, only through traditional face to face way of lecturing.

Therefore, it is very important to recognise characteristics of Croatian insurance market that are vital for introduction and implementation of e-learning, so SWOT analysis was made for that purpose.

### 3.1 Strengths

During the research following strengths were identified:

- Intensive application of information technology, especially in financial institutions
- A large number of potential student with basic computer skills, especially in bank insurance
- Increasingly available hardware and the more sophisticated software [8]
- Experience in implementation e-learning in "mother insurance companies" in EU
- Better interaction between students and instructors [10]
- Better mutual communication between students [7, 10]
- Learning pace adjusted to individuals [10]
- Reduction of the cost of education

The use of IT in Croatia found its way in all parts of society, especially into business activities of

financial institutions. Demand for quality IT experts is growing and the necessary equipment is more available, accompanied by more sophisticated software solutions [8, 10]. The number of potential students continually grows, especially bank clerks with computer skills who must offer insurance products together with loans.

The e-learning system is already set up in the EU, whose membership is one of Croatian primary goals. Most insurance companies in Croatia are owned by the insurance companies from EU that have already implemented e-learning in education of their employees. Therefore, the "daughter insurance companies" can use their experience and knowhow for successful implementation of e-learning and adaptation to local business conditions.

Implementing of e-learning allows for better interaction between students and instructors, especially in mentored education. The interaction between the students is also available, for understanding more difficult parts of the matter through discussion. At the same time, the students can adjust the pace of their studies to their capabilities that might be limited both time and space (i.e. inability to study during work hours, physical distance from education centres, etc.). One of the key aspects of e-learning is the equal availability of all necessary information and resources to every student in the programme. The costs of education are reduced because lecturers do not need to travel to dislocated education centres and there is no need for building and renting of equipped classrooms on various locations.

### 3.2 Weaknesses

When carrying out the SWOT analysis, the following weaknesses were identified:

- Lack of motivation for education of permanent employees in insurance companies
- Insufficient quality control of education in banks and agencies
- Insufficient influence on the remuneration system for external sales channels
- Lack of adequate educational materials [8]
- High cost of e-learning implementation

Students on insurance education courses should be well motivated and organized. Employees of insurance companies are often not motivated for further education because it does not generate higher earnings. Problems in this area are more apparent in bank insurance, since insurance companies often have inadequate control over the education of bank clerks, as well as their influence on the remuneration system. The education quality control is weak or non-existent, the responsibility

for results of education is transferred to the students, and the success is measured in number of achieved licences.

There is a lack of adequate education materials in insurance industry. Students have to base their studies on modified insurance products brochures designed for sale purposes only. Considering the vast amount of products, and the lack of well organized and available communication between students and lecturers, misunderstandings and misinterpretations occur frequently. Fortunately, the production of insurance literature for students has grown over the last several years.

Financial investments and costs of implementing e-learning are very high. They include technical requirements for students and lecturers. However, since the number of insurance agents, especially bank clerks, is measured in thousands, and they are mostly informatically literate, the investment in this form of education is certainly financially justified.

### 3.3 Opportunities

As external elements of the SWOT analyses following opportunities were identified:

- The trend of lifelong learning [8]
- Learning anywhere and anytime [10]
- Reducing costs of training for a large number of students
- Possibility of linking the economy and professional education institutions
- Establishing and equipping multifunctional IT classrooms [8]
- Designing a flexible curriculum [8]
- Establishing professional literature libraries
- Compatibility with the models of education in the EU
- Designing an assessment system of acquired knowledge

Lifelong learning refers mostly on the need of constant improvement of the employees in insurance industry. For that purpose, the creation of a flexible education system that allows learning from anywhere and at any time is essential [10]. E-learning cuts cost of education for a large number of students, thus increasing the number of educated experts and the overall professional rating of the entire insurance industry. E-learning fosters the connection between the economy and specialized institutions, i.e. CARNet, in aspect of designing and implementation of courses, but also in creating modern and flexible educational plans and programmes, adapted to the needs of lifelong education [7].

The designing of the curriculum and lecturing units must be conducted with appreciation of actual

environment and conditions in which students live and work. Students who do not have their own computer, or live in remote locations with bad communication connections should be allowed to pursue the courses on computers on their work place after work. Specialized magazines and literature, both obligatory and additional, should be supplied in a sufficient amount, so it can be available to all students. One should bear in mind that specialized insurance contents are still published mostly in a form of books and magazines, and are very rare on the Internet. One of the methods that should also be avoided is using presentations as an obligatory literature because students, especially ones with less practical experience, tend to form inaccurate conclusions from guidelines. This especially relates to companies that are owned by foreign companies, because the legislations in the Republic of Croatia and the EU are still significantly different. Differences could be easier to monitor if models of e-learning are mutually compatible, especially in the context of Croatian admission to EU.

The formation of grading system is a particular problem in insurance education, because it depends on target group and desired result. While trainees are expected to be familiar with basic insurance terms that are necessary for working in an insurance company, insurance agents are required to manifest a level of knowledge required for acquiring a licence [14]. While the insurance sellers should be familiar with the insurance products of the company in details, staff in claims department must have a detailed knowledge of insurance terms and conditions and other influences on the settlement of claims. Therefore, every target group and every segment of the education should have its own grading system. Each of them should be simple and transparent and should give students an insight in the level of their achieved knowledge at any time [7, 12].

The designing of courses and creation of optimal grading system supported by IT are complex tasks that require experts which insurance companies do not have. Therefore, it is necessary to consider the possibilities that high education institution and specialized institutions have to offer, for those institutions have both educated experts and necessary experience in creation and implementation of e-learning model. It also leads to achieving better cooperation between these institutions and the economy in general.

### 3.4 Threats

Specific threats to implementation of e-learning in insurance can be reduced to:

- Tolerating a lack of adequately educated trainers on the market
- Increase in the number of inadequately educated insurance sellers
- Non transparent system of assessment
- Reduction of the investment in education because of the recession
- Lack of need for face-to-face communication

Consequences of inadequately implemented e-education system are tolerance towards the poorly educated trainers because of the lack of experts on the market, and the possibility of increase in number of employees with lack of knowledge appropriate to their completed courses. Experienced insurance instructors often would not admit their incompetence in application of new technologies. Frightened for their jobs, they are not willing to accept professional help in this matter, but are even, with no active control mechanisms, ready to lower the grading criteria. Insufficient technical and financial support is a consequence of cutting the cost in insurance business, even in education, especially at the time of the recession.

With implementation of e-learning in insurance industry, the traditional face to face communication between students and lecturers is no longer required [10]. The lack of communication during the education process can have a negative impact on the whole industry which success is based on communication skills and a quality social contact.

### 3.5 Some examples of e-learning implementation on foreign insurance markets

Informatical literacy i.e. computer skills of target groups has a key role in choosing the model of education. Legal requirement for passing the agents' test for achieving a licence are a secondary education [14, 18], so it can be assumed that the hybrid model of e-learning in insurance is completely acceptable, and it can be verified through the experiences of foreign countries.

For example, Insurance Institute in Canada is, along with traditional face to face education, organizing education for achieving a licence (*CIP-Chartered Insurance Professional*) using the distance learning system [16, 19]. There are obligatory courses that concentrate on basic principles of all types of insurance. Specialized courses concentrate on a particular area of insurance, and are divided into groups, i.e. claim settlement, brokers, agents, etc. There are mandatory courses also available (every student has to take two), that cover more specialized areas of insurance business. Each course contains an

abstract and a lot of them have the possibility of e-learning with full use of online materials. This means that the hybrid model of e-learning is implemented. Even though Canada has more advanced practice of e-learning than Croatia, there is still a wide range of courses available only through traditional way of education.

Apart from various courses, there is a possibility to study on graduate and postgraduate insurance studies over the Internet. For example, the Indiana State University in USA offers a complete graduate study programme in insurance and risk management. The programme lasts three years and students are awarded with a BSc diploma upon successful completion [20].

The University of Liverpool offers an online postgraduate study, with MBA or MSc diploma acquired upon successful completion [21]. These forms of education are still not available in Croatia, although it will become desirable after the Croatian admission to EU.

## 4 Conclusion

The traditional model of education in insurance is changing slowly, while the offerers of insurance products have not yet recognized the possibilities of IT supported lifelong education, especially e-learning. In this work SWOT analysis justifies the implementation of e-learning technologies in Croatian insurance industry.

The conclusion of the research is based on maximizing strengths in order to maximize opportunities from the environment, but also to minimize weaknesses and threats.

It is necessary to use know how of "mother insurance companies" from the EU, but with the acceptance of the specifics of the domestic insurance market and in connection with local institutions for the development of e-learning.

E-learning should be implemented gradually into the insurance industry because of significant differences in informatical literacy of individuals, and possibilities of building IT infrastructure. Therefore, the most acceptable model of e-learning for insurance companies is a hybrid model. This model is based on the traditional face to face method of lecturing, enhanced with e-learning, and foreign experiences can verify its successfulness.

The first step in implementation of e-learning in insurance industry is a selection of target groups. Trainees in insurance, as well as insurance agents must gain basic knowledge of the industry, and the practice revealed that the traditional way of lecturing achieves better results. E-learning is more acceptable for enhancement of gained knowledge,

with the possibility of communication with the mentor and occasional meetings organized to clarify any misunderstanding any part of the matter.

Therefore, designing the infrastructure includes not only IT, but classrooms equipped with computers and other equipment, offices with permanent Internet connection, and not partially virtual library. Design of curriculum is tightly connected to a particular target group.

The above mentioned leads to a conclusion that e-learning is applicable on Croatian insurance market and can be implemented into practice relatively fast, especially in the area of bank insurance, due to adequate level of computer skills of bank clerks. Furthermore, by e-learning implementation, education costs for a large number of students will be significantly lower, so insurance companies have a justified financial interest to introduce it.

On the other hand, insurance companies are not prepared to invest significant financial resources in education because of the financial crisis and cutting costs. The impact of the recession is also manifested in additional increase in the number of potential insurance sellers, who try to compensate financial losses due to salary reduction or loss of work. Therefore, it is necessary to firmly control the quality of education.

The preparation of adequate education materials is also essential, and should not be created as extracts from obligatory literature. Lectures available through e-learning should contain case studies from practice, and should be created through cooperation with experienced online course designers. In this way, the risk of increase in the number of insurance sellers with insufficient knowledge would be reduced.

The implementation of e-learning in insurance and designing of online courses require specialized knowledge and insurance companies do not have adequately educated staff. So, as a real opportunity, new possibilities of cooperation between the institutions with experience in implementing e-learning systems, such as high education institutions and CARNet, and Croatian economy in general, are open.

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