

## A Study on the Collaboration Opportunities between Universities and Insurance Industry in Turkey

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### Abstract

The collaboration between universities and industry is of utmost importance for both university education and qualified workforce the industry seeks. This study aims to explore the collaboration opportunities between university and insurance industry. Data was collected from 48 insurance agencies operating in the city of Çorum, Turkey. Insurance agencies advice on the collaboration between universities and insurance industry and they want to take part in the curriculum development.

**Keywords:** Insurance Industry, Turkey Higher Education, University, Collaboration

### INTRODUCTION

The Insurance industry requires several skills such as human resources, language, communication, and knowledge about the insurance business. It is an industry with the requirements such as national and international market information and marketing techniques (Xiaoyu, 2010). It is possible to train qualified personnel through good education (Kubilay, 2014).

The Insurance industry is a dynamic industry ever-changing and evolving (Kosmala and Blach 2013). The Insurance industry needs employees to be trained in order to be open to aforementioned change and needs people with sufficient information about the insurance business (Qing, C. 2007). In this context, carrier opportunities are increasingly available in the insurance industry and the industry has employed thousands (Yani et al. 2008).

Rapidly developing and growing globally, the insurance industry and the insurance business have become one of the promising occupations also in Turkey. The Turkish insurance industry is rapidly developing and growing. This drive for development and growth of the insurance industry makes the insurance business a favorable occupation. Today, career options available in the insurance industry are referred to as the occupations of the future.

As a result of the increased interest in the insurance industry in Turkey, quality has gained importance as much as quantity when supplying the personnel required for the industry. However, quality is as important as quantity; graduates of the insurance faculty are not employed in the industry sufficiently. Personnel working in the industry lack the basic knowledge especially because graduates of insurance faculty are not commonly employed in the industry.

People who are commonly employed in the Turkish insurance industry include technical personnel, specialists, brokers, actuary and administrative personnel and personnel employed

in agencies for similar positions. In this context, insurance business can be defined as an ever-developing and innovative occupation which requires a level of education as a standard. The employment factor and education are of utmost importance for the Turkish insurance industry. The industry will increase its efficiency and its competitive advantage as educated personnel are employed (Yildirim, 2014).

The aim of this study is to explore the collaboration opportunities between university and insurance industry. It is aimed to increase the qualified workforce as a result of such collaboration. This study consists of two chapters. The first chapter involves a general view of the Turkish insurance industry. The second chapter, on the other hand, includes the survey results obtained from insurance agencies.

### INSURANCE INDUSTRY IN TURKEY

The Turkish insurance industry is a developing industry. The number of the insured has increased with recent legal regulations. Table 1 shows an international comparison of the Turkish insurance industry.

**Table 1: Insurance Industry Statistics for the World and Turkey (2013)**

	Premium Production (million \$)	Share in the World (%)	Premium/GDP (%)	Premium Per Capita (\$)
World	4.640.941	100	6.28	652
England	329.643	7.1	11.5	4.561
France	254.754	5.49	9.0	3.736
Germany	247.162	5.33	6.7	2.977
EU 28	1.494.318	30.4	7.82	2.680
Turkey	12.700	0.27	1.5	166

Source: Insurance Association of Turkey 2013 Activity Report

The premium production in Turkey was around \$12.7 million in 2013. When compared to the developed countries of Europe such as England, France, Germany this amount might be deemed inadequate. The ratio of premiums per GDP for Turkey is significantly below the World and Europe average. Premium per capita is around \$2.680 for Europe while this number is only \$166 in Turkey. Premium production is indicative of the development level of the insurance industry. It is clear that Turkey has a way to go when the numbers from the World and European Union were considered. However, the potential for insurance in Turkey, an increasing number of mandatory insurances, widespread insurance awareness, and government incentives for Personal Pension, and insurance agents being bestowed with the personal pension agency authorization, all constitute the strengths of the insurance industry in Turkey.

Insurance industry grows as the awareness and wealth level of the population increases. It is a rapidly growing industry in terms of both local and global resource and employment opportunities it provides. Premium production is realized through insurance companies, insurance agents, banks and brokers. As of the premiums produced by the insurance industry, insurance agents account for the 60% of the total premiums produced in Turkey between 2012 and 2014 (Insurance Association of Turkey, 2015).

**Table 2: Distribution of Insurance Premiums Produced in Turkey per Branch (2012-2013-2014)**

Sales Channel of the Written Premiums	2012		2013		2014	
	Annual Premium Sum	Sales Channel Dividend	Annual Premium Sum	Sales Channel Dividend	Annual Premium Sum	Sales Channel Dividend
Headquarters	1.338.565.935	6.75%	1.566.471.686	6.47%	1.615.940.963	6.22%
Agent	11.943.292.256	60.24%	14.496.136.046	59.83%	15.310.275.593	58.91%
Bank	4.504.097.011	22.72%	5.670.226.977	23.40%	5.868.604.918	22.58%
Broker	2.040.694.423	10.29%	2.496.781.024	10.30%	2.820.210.463	10.85%
Other	-	-	-	-	374.520.745	1.44%
<b>Total</b>	<b>19.826.649.626</b>	<b>100.00%</b>	<b>24.229.615.733</b>	<b>100.00%</b>	<b>25.989.552.682</b>	<b>100.00%</b>

Source: <http://www.tsb.org.tr/resmi-istatistikler.aspx?pageID=909>

As shown in table 2, a total amount of 26 billion TL worth of premiums were produced in Turkey in 2014. Insurance agents account for the 58.91% of this premium production. On the other hand, banks accounted for the 22.58% of the premiums produced in Turkey in 2014. Having produced more than half of the total premiums produced in Turkey, insurance agents draw attention as important actors of the insurance industry.

Table 3 shows educational status of the personnel employed in the Turkish insurance industry.

**Table 3: Educational Status of the Personnel Employed in the Insurance Industry**

Educational Institution of Most Recent Graduation	2010		2011		2012		2013		2014	
	Number	%	Number	%	Number	%	Number	%	Number	%
Elementary	144	1	137	1	139	1	127	1	119	1
Secondary School	125	1	121	1	183	2	104	1	99	1
High School	1.896	18	1.818	16	1.658	14	1.611	14	1.660	13
Associate degree	1.392	13	1.523	14	1.584	13	1.491	13	1.604	13
University	6.232	59	6.578	59	7.078	60	7.084	61	7.726	61
Postgraduate	863	8	1.010	9	1.134	10	1.186	10	1.357	11
<b>TOTAL</b>	<b>10.652</b>	<b>100</b>	<b>11.187</b>	<b>100</b>	<b>11.776</b>	<b>100</b>	<b>11.603</b>	<b>100</b>	<b>12.565</b>	<b>100</b>

Source: <http://www.tsb.org.tr/resmi-istatistikler.aspx?pageID=909> (Access Date 12.08.2015)

According to Table 3 80% of the personnel employed by the Turkish insurance industry in 2010 are graduates (including Associate's degree, Bachelor's degree, and Master's degree). The percentage had increased to 82%. For 2012 and 2013 the percentage is 83% and 84%, respectively. The ratio of graduates employed in the industry in 2014 is 85%. The ratio of graduates employed in the Turkish insurance industry has been increasing gradually. These results represent the importance of higher education. Table 4 shows the distribution of the faculties graduates, had graduated from.

Table 4 shows the faculties' graduate employees of the insurance industry graduated from a period between 2010 and 2014. Only 8% of the employees had graduated from insurance/actuary by 2010. This ratio is maintained in the following years. This ratio had increased to 9% by 2014. Also 23% of the people employed in the insurance industry were business administration graduates in 2010. The percentage increased to 27% by 2014. It is a

significant increase with 4%. Two percent of the people employed in the insurance industry are law graduates. This ratio is maintained in the following years. The ratio of economics graduates is 9%. This ratio decreased to 7% by 2014. Almost half of the people employed in the Turkish insurance industry were graduates from other faculties. More than 90% of the people employed in the insurance industry are not trained for the insurance business. This is a significantly adverse result with respect to the personnel employed.

**Table 4: Faculty Distribution for Graduate Personnel**

Educational Institution of Most Recent Graduation	2010		2011		2012		2013		2014	
	Number	%	Number	%	Number	%	Number	%	Number	%
<b>Economics</b>	792	9	842	9	922	9	878	9	703	7
<b>Business Administration</b>	1.927	23	2.155	24	2.505	26	2.512	26	2.906	27
<b>Law</b>	184	2	195	2	215	2	215	2	240	2
<b>Insurance/Actuary</b>	642	8	707	8	764	8	833	8	937	9
<b>Engineering</b>	936	11	944	10	1.024	10	1.033	11	1.085	10
<b>Other</b>	4.006	47	4.268	47	4.366	45	4.290	44	4.816	45
<b>TOTAL</b>	<b>8.487</b>	<b>100</b>	<b>9.111</b>	<b>100</b>	<b>9.796</b>	<b>100</b>	<b>9.761</b>	<b>100</b>	<b>10.687</b>	<b>100</b>

Source: <http://www.tsb.org.tr/resmi-istatistikler.aspx?pageID=909> (Erişim Tarihi 12.08.2015)

## RESEARCH METHOD

### Measurement

This study employed a survey study in order to explore the collaboration opportunities between university and the insurance industry. Data was collected from 48 insurance agencies operating in the city of Çorum, Turkey through the use of surveys. This study consists of two chapters. The first chapter involves demographic information about the insurance agents. It also includes multiple choice questions about the collaboration between insurance industry and universities. The second chapter includes questions probing the viewpoints towards the collaboration between the insurance industry and universities.

This study applied a 5-point Likert scale. The scale includes a range of options between 'Strongly Agree' and 'Strongly Disagree'. Reliability of the scale was tested using Cronbach's  $\alpha$ . Cronbach's  $\alpha$  value is given in Table 5.

**Table 5: Reliability Analysis Results of the Research**

Cronbach's $\alpha$	Valid Sample Size	# of Questions
.714	45	10

Cronbach's  $\alpha$  value was below .70 when 48 samples were included in the analysis. Values below .70 show that a scale is not reliable. Three samples which decreased the reliability were then removed from the analysis. The reliability of the scale was then found at a level of .714. This value was above .70 showing that the scale is reliable (Nunnally and Bernstein 1994). Therefore, the scale used was reliable.

When the answers to the questions with 5 point Likert scale of the second part of the survey evaluated, the arithmetic means of the answers were interpreted as follows (Tekin, 2009).

- 1.00 – 1.80 Strongly Disagree  
 1.81 – 2.60 Disagree  
 2.61 – 3.40 Undecided  
 3.41 – 4.20 Agree  
 4.21 – 5.00 Strongly Agree

### FINDINGS

Answers of the survey are presented here in the tables. Demographic information of insurance agents included in this study is shown in Table 6.

**Table 6: Distribution of Demographic Information of the Insurance Agents Included in the Research**

<b>Legal Structure of the Insurance Agents</b>	Number	Percentage
Natural Person	21	43.8
Legal Person	27	56.2
Total	48	100
<b>Operating Periods of the Insurance Agents</b>		
1 year and less	3	6.3
1 to 5 years	3	6.3
5 to 10 years	10	20.8
10 years and more	32	66.7
Total	48	100
<b>Number of Insurance Companies Agents Work for</b>		
1 Insurance Company	3	6.3
2 Insurance Companies	4	8.3
3 Insurance Companies	13	27.1
4 Insurance Companies	5	10.4
5 or More Insurance Companies	23	47.9
Total	48	100
<b>Number of Personnel Working for the Agent</b>		
1 Employee	4	8.3
2 Employees	14	29.2
3 Employees	12	25
4 Employees	10	20.8
5 employees and more	8	16.7
Total	48	100

When the characteristics of the insurance agents included in this study were investigated (Table 6) it was found that more than half of them (56.2%) were legal persons. When the operating period of the insurance agents are considered, 32 insurance agents (66.7%) have been operating in this industry for 10 years or more. New insurance agencies, in other words ones with 1 year or less experience, accounted for 6.3% (3) of the sample.

When the number of insurance companies agents work for is investigated it was found that 23 agents (47.9%) have been working for 5 and more insurance companies. When the number of personnel employed in insurance agencies it was found that 44 agencies (91.7%) employed 2 and more employees. It is shown that the agencies included in the survey were operating for several years and they have been offering different price options for several policy types increasing the number of insurance companies they work with.

Table 7 includes the answers to questions about the collaboration between insurance industry and universities.

**Table 7: Definitive Statistics on the Collaboration between Industry and Universities**

<b>Did you know that the Hitit University has a Banking and Insurance Department?</b>	Number	Percentage
I do know that it has a Banking and Insurance Department	31	64.6
I did not know that it has a Banking and Insurance Department	17	35.4
Total	48	100
<b>Did you ever employ interns for your agency who received insurance education?</b>		
Yes	30	62.5
No	17	35.4
Cannot tell	1	2.1
Total	48	100
<b>Would you like to employ an intern studying in the Banking and Insurance Department of Hitit University?</b>		
Yes I would like to	21	43.8
No I Wouldn't like to	5	10.4
I don't need interns	16	33.3
I don't trust interns	4	8.3
Cannot tell	2	4.2
Total	48	100
<b>Would you like to employ graduates of the Banking and Insurance Department of Hitit University?</b>		
No, I don't need new staff members	27	56.3
I wouldn't like to employ a graduate of Hitit University	0	0
Yes, I would like to employ staff with formal Insurance Education	18	37.5
No reply	3	6.2
Total	48	100
<b>Would you like to share your occupational knowledge with students of the Banking and Insurance Department of Hitit University?</b>		
Yes	35	72.9
No	12	25
No reply	1	2.1
Total	48	100

The Hitit University is located in the city of Çorum, Turkey in which the survey was conducted in. Insurance agencies were submitted questions about the university. When the answers to these questions were assessed (Table 7), it was found that 64.6% of the insurance agents are informed about the insurance department of the Hitit University. With 35.4% of the recipients not being informed about the insurance department of the Hitit University, 62.5% of the insurance agents have employed interns. While, 35.4% of the agents have not employed interns.

43.8% of the insurance agencies wish to employ students of Insurance Department of the Hitit University as interns. Almost half of the insurance agencies stated that they wanted to employ interns. This is an important ratio for the collaboration opportunities between university and insurance industry. Students will have the chance to practice the theoretical information they have received during their internship.

56.3% of the insurance agencies included in this study noted that they did not need extra personnel. 37.5% of the agencies added that they wanted to employ people with a formal insurance education background. 72.9% of the insurance agencies stated that they wanted to share their occupational knowledge and experience with university students. This is a very important ratio for the collaboration opportunities between university and insurance industry.

Table 8 includes the multiple choice questions and answers delivered to insurance industry. Agents were able to select more than one option for this group of questions.

**Table 8: Definitive Statistics of Multiple Choice Questions for Collaboration between Industry and Universities**

<b>Which characteristics do you look for in a student who studied insurance?</b>	Number	Percentage
Knowledge of Basic Insurance Business	35	72.9
Mastery in Legal Regulations	18	37.5
Having Strong Social and Humane Skills	30	62.5
Actual Marketing Ability	34	70.8
Mastery in Information and Communication Technologies	26	54.1
Being a Representative	16	33.3
Numerical Knowledge and Predisposition Towards Calculation	19	39.5
<b>Which activities would you like to initiate with Universities?</b>		
Forums	7	14.5
Interviews	10	20.8
Experience Sharing with Participation in Classes	14	29.1
Joint Activities with the University	21	43.7
<b>What are your expectations from the Hitit University in terms of Insurance?</b>		
Continuous Communication	10	20.8
Meeting Our Need for Qualified Personnel	21	43.8
Addressing the Issues of Agencies in Scientific Conferences	26	54.2
Developing Education Programs with Agents	16	33.3
Directing Students to Agencies When Internship is Mandatory	17	35.4

Agencies were asked about the characteristics they look for in a student who has formal insurance education. The most common answer to this question was the knowledge of basic insurance business by 72.9%. Another important characteristic was found to be actual marketing ability by 70.8%. Being a representative is the least important characteristic looked for in a graduate.

Insurance agencies were asked about the activities they like to initiate with Universities, 43.7% of the agents stated that they would like to take part in joint activities with universities. 29.1% noted that they would like to share their experience participating in classes. 20.8% noted that they would like to take part in interviews in the university, 14.5% preferred participation in panel activities.

Participants were asked for their expectations from the Hitit University in terms of Insurance. 54.2% stated that they expect issues of agencies to be addressed in scientific conferences. 43.8% of the agencies focused on the need for qualified personnel. Directing students to agencies when internship is mandatory was third popular choice by 35.4%.

Table 9 shows the frequency distribution of the collaboration between the insurance industry and universities. This chapter of the survey involves questions designed with a 5-point Likert scale. Participants were asked to evaluate their answers on a scale between 1 and 5. Accordingly, the choices are represented as follows:

1. Strongly Disagree
2. Disagree
3. Undecided
4. Agree
5. Strongly Agree

**Table 9: Frequency Distributions for Collaboration Opportunities between University and the Insurance Industry**

No	Survey Questions	Sample	Average	Standard Dev.	Evaluation
1	Recommendations of the industrial leaders should be considered when developing the curriculum of insurance department.	45	4.27	.751	Strongly Agree
2	Universities should develop projects to raise awareness on being insured.	45	4.16	.638	Agree
3	Universities and Insurance industry should keep continued communication.	45	4.13	.842	Agree
4	Collaboration between Universities and the Insurance Industry is beneficial for agents.	45	4.04	.903	Agree
5	Employing students of insurance department as interns adds value to my agency.	45	3.73	.837	Agree
6	Mandatory internship period is not sufficient.	45	3.67	.826	Agree
7	Graduates of the insurance department are lacking the basic knowledge about insurance business.	45	3.64	.908	Agree
8	I would prioritize the students of the Insurance department of the Hitit University when interviewing candidates for a position.	45	3.64	.933	Agree
9	The curriculum offered for the insurance education is insufficient.	45	3.29	.895	Undecided
10	Universities are not able to provide solutions for the issues of insurance agencies.	45	2.49	.985	Disagree

Insurance agents selected ‘strongly agree’ option for the statement of recommendations of the industrial leaders should be considered when developing the curriculum of insurance department (Average 4.27). Insurance agencies selected ‘agree’ option for the statement of universities should develop projects to raise awareness on being insured (Average 4.16).

The most striking point of the survey was that insurance agencies agreed to the statement of graduates of the insurance department are lacking the basic knowledge about insurance business (Average 3.64). Insurance agencies do not agree with the statement that universities are not able to provide solutions for the issues of insurance agencies with an average of 2.49.

### RESULT AND RECOMMENDATIONS

The Insurance industry is an ever-developing industry. One of the most important needs of the industry is qualified manpower. Universities are one of the important sources for educated manpower. The collaboration between universities and the insurance industry obviously plays an important role in the provision of qualified manpower to the industry needs.

The ratio of university graduates employed in the Turkish insurance industry has been above the level of 80%. Industry’s tendency to employ university graduates at a high level is significant for qualified manpower. However, only 8% of the employees were graduates from insurance/actuary departments of the universities. Remaining manpower employed consists of people with no formal insurance education.

The results of this study which was conducted in order to explore the opportunities for collaboration between universities and the insurance industry are as follows;



- Almost half of the agencies are willing to employ university students as interns. This is an important number in terms of making it possible to practice the theoretical information provided by universities.
- More than half of the agencies stated that they did not need any more employees.
- 72.9% of the insurance agencies stated that they wanted to share their occupational knowledge and experience with university students. This is significant for the collaboration between university and the insurance industry.
- The most important characteristic insurance agencies look for in a university graduate is the knowledge about basic insurance business. Being a representative is the least important characteristic in this respect.
- Insurance agencies want universities to address their problems in several events.
- Insurance agencies want universities to take their advice when deciding on the curriculum.
- Insurance agencies want universities to develop projects in order to raise awareness on being insured.
- Insurance agencies agree that the collaboration between universities and the insurance industry will be beneficial for them.

According to the results of this study, the following recommendations can be made for the universities and the insurance industry:

- It must be encouraged that graduates of insurance department must be prioritized in the employment process.
- Insurance agencies want to employ interns yet they are not able to do that due to the limited space they have. There are some physical conditions insurance agencies must abide by when establishing an agency yet these are not sufficient. Physical conditions of agencies must be improved.
- Universities need to develop all their content in order to be compatible with today's necessities within the Bologna qualifications framework to be able to meet the needs of the industry.
- Recommendations of the industrial leaders should be considered when developing the curriculum.
- Government incentives are important when establishing new agencies in terms of new employment opportunities.
- Universities should invite industry representatives to participate in their activities. Industry representatives should share their knowledge and experience with students in events organized by universities.
- Universities keep a continuous communication with insurance industry and must address the problems of the insurance industry in scientific events.

This study was conducted based on the agencies operating in the city of Çorum, Turkey. Generalizing the results obtained in this study to represent the industry in general may prove challenging in terms of accurate results. Future research may focus on the collaboration opportunities between universities and the insurance industry in a manner to cover the industry in general in order to obtain better results.

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