



**INSURANCE REGULATORY AUTHORITY**  
"Ensuring a stable Insurance Industry"

**Institute of Loss Adjusters & Risk Surveyors of Kenya**

# **BUSINESS ETHICS**

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**ETHICS IN SOCIETY AND IN THE  
FIELD LOSS ADJUSTING & RISK  
SURVEYING**



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# Who is a loss Adjuster?

- It is difficult to describe the role of the loss adjuster succinctly.
- A brief description which may suffice is that an adjuster is in reality a claims auditor.
- Within this somewhat simplistic definition, the actual role of the loss adjuster is varied and complex.



- In broad terms the adjuster's brief is more often than not:
  - to establish the facts of the claim and to provide a balanced report on the adjuster's findings to insurers or underwriters,
  - to assist insurers in determining policy liability; and
  - to facilitate an audit of the claim being presented and to negotiate and settle claims made by the insured on insurers behalf.



- To broaden the original definition of the loss adjusting function, the adjuster's role is thus one of claims auditor and facilitator.



# Some of the famous Business Ethics Quotes:

- “If a business is not based on ethical grounds, it is of no benefit to the society, and will, like all other unethical combinations, pass into oblivion”.
  - C. Max Killan.



- According to Coy G. Eckland, “The performance of the business organization must be not only legal but ethical, fair, open and considerate; it must accord with total wellbeing the requirements set by the society.



- Smart Entrepreneurs are doing well by doing good .
- To quote Charlie Wilson of Houston-based salvage company, SeaRail International Inc., “Ethics is what’s spearheading our growth. It creates an element of trust, familiarity and predictability in the business. We’re in an industry where a lot of people cut corners. I just don’t think that’s good for business. You don’t get a good reputation doing things that way. And eventually, customers don’t want to do business with you.”



# Overview of Business Ethics

- Ethics refers to sound and fair business practices and conduct.
- This incorporates judgment on standards and rules of conduct based on values acceptable to the business community and the society at large.
- From a business perspective, ethics refers to rules and standards which govern the conduct of the members of a given trade or profession.
- Ethics should not be restricted to operations of the law because some issues, though lawful, may not be appropriate.



- Ethical practices, therefore, require that professionals go beyond requirements of the law since the law only provides basic guidelines, which may be overtaken by new emerging issues.
- The biggest challenge facing ethical issues is that morality tends to be subjective. In this respect, what may be morally acceptable in one community may be unacceptable to another. Similarly, one person's description of honesty and integrity may be more permissive than that of another person.



- As a result of these conflicts it is necessary for every profession to establish a code of ethics, spelling out clients' expectations and detailing acceptable practices in the profession.
- The code of ethics promotes the image of the profession in the eyes of the business community and, in the event of conflicting interests, becomes a point of reference.

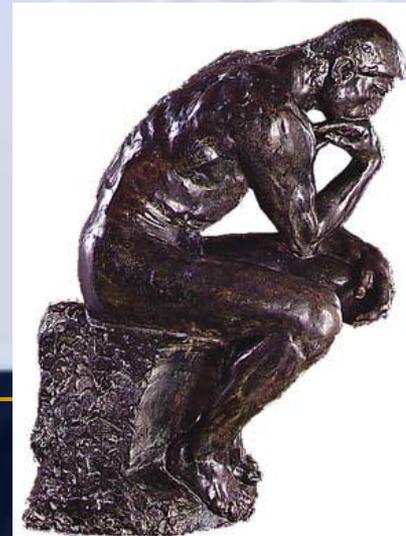


- Ethics directs human behavior and also differentiates between good and bad, right and wrong and between fair and unfair human Behaviour or actions.
- It creates decency, decorum and discipline in the behavior of individuals and also in the society.



# Moral Philosophy

- To be able to decide whether it is right or wrong to do what or not, we need to consider some morally based philosophies.
- This is set of principles or rules that people use to decide what is right or wrong.
- They include:



### Teleology – Egoism and utilitarianism

An act is considered morally right or acceptable if it produces some desired result – pleasure, knowledge, career, growth, a self-interest or utility

#### Egoism

Individual – I should do whatever is in my own interest. Universal – Everyone should do whatever is in their own interest.

#### Utilitarianism

Tries to boil all moral rules down to a fundamental rule; maximize happiness!

It takes away all references to God or other authorities, or obedience to obscure rules.

Act in such a way as to produce the greatest happiness for the greatest number

That is the best option is the one which produces the most happiness to the most people.

The end justifies the means.

### Deontology

Focuses on the rights of the individual and on the intentions associated with behavior not on the consequences.

It operates on the belief that there are some things we should not regardless of the utility (outcome).

Think of using corrupt means to get someone's claim settled.

The moral emphasis is on how the act is done rather than the outcome.

The means justifies the end.

### Relativism

The central idea is that as there are different moral codes in each society, and there is no source to appeal to which can provide a universal reference on right and wrong, then every moral, code in use by a people is relative.

Since we think there is no universal objective morality there is irreducible diversity between cultures and we want to avoid imperialism and chauvinism, we want to accept relativism

Moral Philosophy

### Virtues

Virtue ethics say that the means/end distinction is artificial (though certainly not meaningless)

Actions and their results may often form a whole that is difficult to separate out into parts.

What counts is the excellence of the whole

As one would say, if I took the money, I would know.

This would diminish my self-respect and, worse still, might lead me down a slippery slope into bad habits and eventually to prosecution.

### Rights

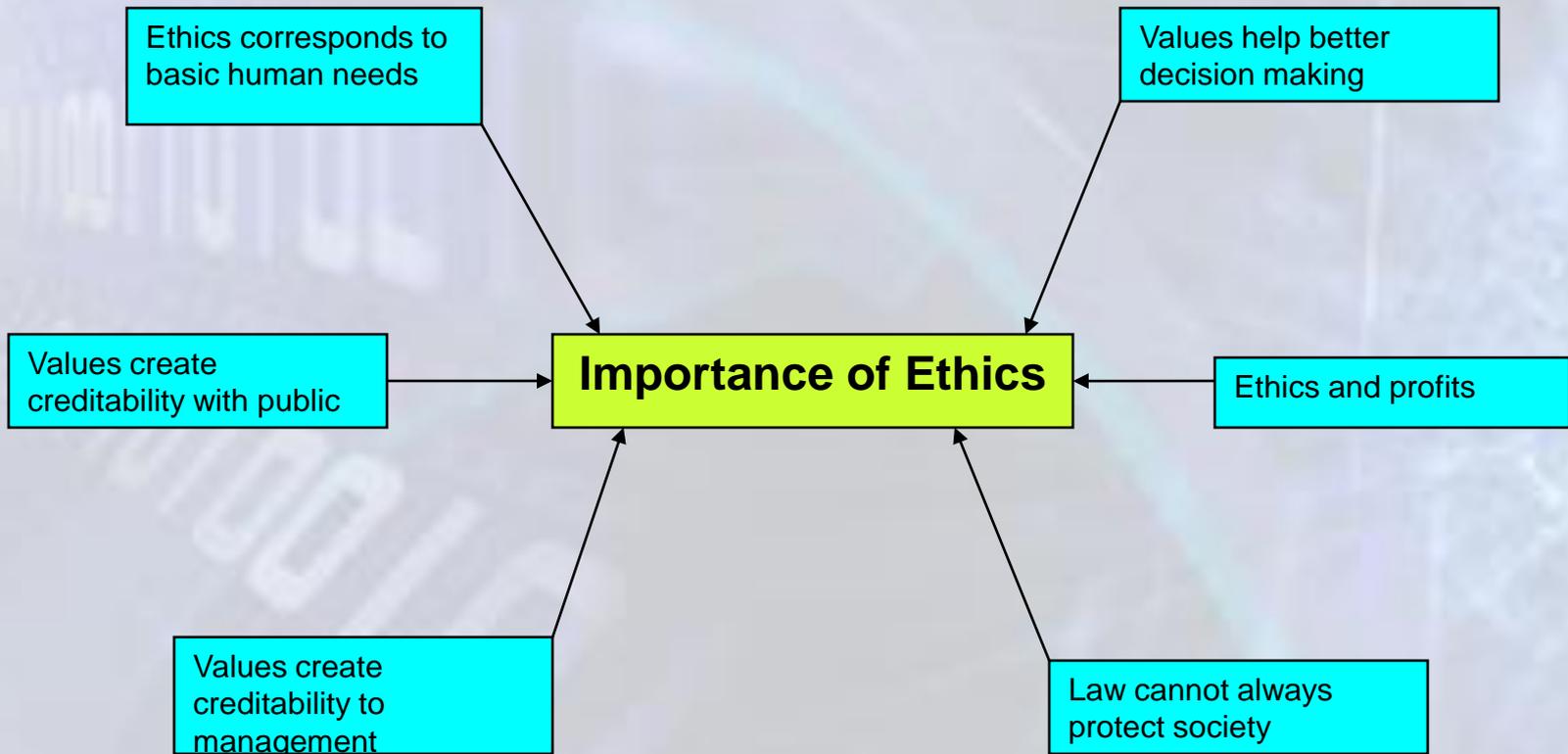
Concept of rights is very important legally and politically. Rights may be negative, positive or inalienable.

Negative rights demands that no one should interfere with you in attaining something you wish such as free speech or freedom from sexual harassment; that is the right to non-interference.

Positive right demands that someone else has a corresponding obligation to provide with the thing in question, that is, something that you are owed, such as safe transportation.

Inalienable are other rights meaning that they cannot be taken way from you.

Moral Philosophy



# Fundamental Principles of Business Ethics

## 1. Integrity

- Being honest and having strong moral principles
- Being reliable and standing by their action

## 2. Fairness

- Treating people equally and in a just manner.
- Rules applied systematically and without favour.
- Fair and proper consideration to the interests and requirements of customers.
- Respectful





### 3. **Honesty**

- ❑ Respecting truth

### 4. **Objectivity**

- ❑ Removing personal biases in decision making and behavior.
- ❑ Recommendations to customers must be without bias.

### 5. **Confidentiality**

- ❑ Information meant to be kept secret should not be revealed or shared with people who are not authorized to have access to it.



**OBJECTIVITY**

BECAUSE PREFERENCE DOES NOT VALIDATE BELIEF

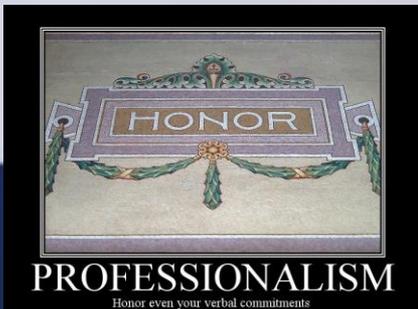


## 6. Professionalism

- ❑ Special training, skills and education that the occupation requires.
- ❑ Maintain the highest standards that the public expects as professionals.

## 7. Competence

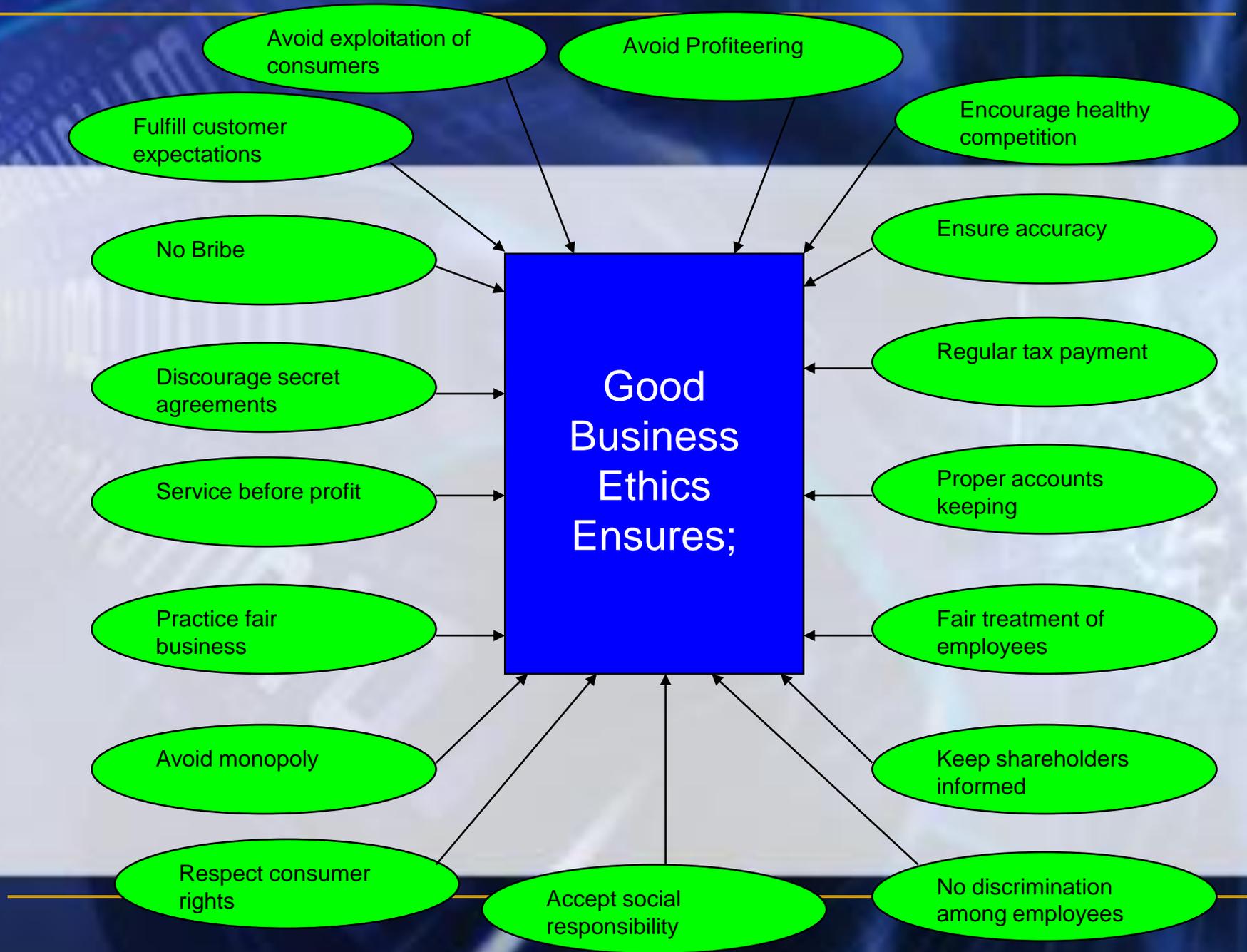
- ❑ Ability to do something well
- ❑ Skills and knowledge
- ❑ Act only within the limits of personal competence and authorization.



## 8. Diligence

- Shows care, effort and thoroughness in the work.





# RESPONSIBILITY OF LOSS ADJUSTERS AND RISK SURVEYORS

- The responsibility to be ethical is heavier in insurance business because the provision of insurance is based on trust.
- The purpose of insurance is to provide for future events and therefore clients are in a vulnerable position when they place their trust and faith in the insurance organization.

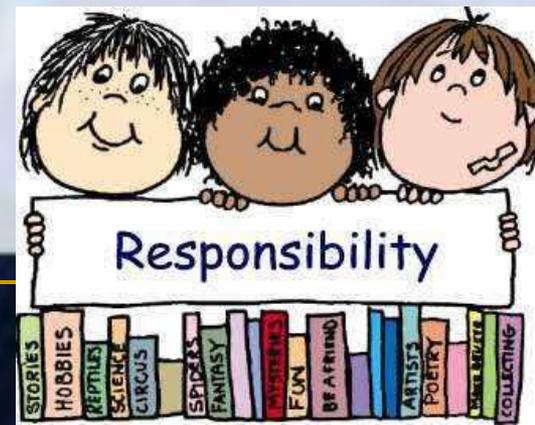


# Loss Adjusters and Risk Surveyors have the responsibility in the following areas:

- Responsibility to themselves
  - Enhance the image and respect the profession by treating it as a fully fledged occupation.
  - Enhance the knowledge of the products/ services
  - Be conversant with laws which have a bearing on their products/ services.



- Responsibility to the industry
  - Act ethically at all times.
  - Familiarize yourselves with the prevailing market practices so as not to give misleading information.
- Responsibility to the clients
  - Should be loyal to the company/underwriters.
  - Treat privileged information with respect.
  - Fulfill the tasks for which you are hired.



- Responsibility to the clients
  - Truthfulness and accuracy
  - Keep confidential information.



# DO THE RIGHT THING

- Customers need a way to differentiate one firm from another.
- For many years, the dominant point of differentiation has been quality.
- Now, however, everyone can deliver quality, (so businesses) need to step up to a plane.
- Are our nation's Loss Adjusters ready to ascend to new heights of ethical literacy and compliance?



Do the right thing

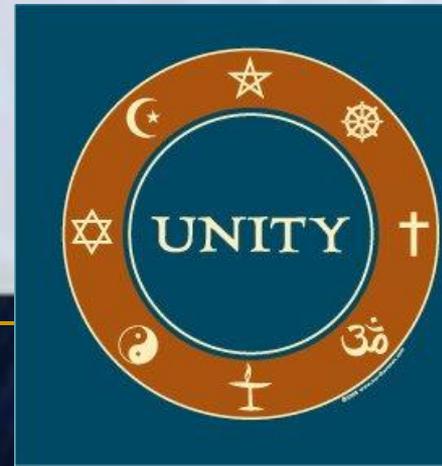
# Ethical Principles

- Whether it is an individual or department within the organization doing something, a number of ethical principles may be important to consider:
  - 1) Golden Rule
    - Do unto others as would have them do to you.



## 2) Universalism

- This dictates that if a business operation/action is not right for all business situations, then it is not right for any specific business situation.
- One bad act among nine good ones renders all ten bad.

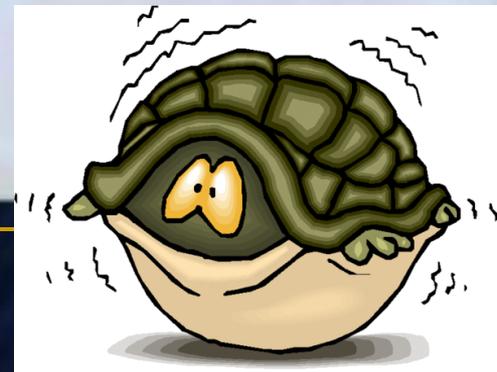


### 3) Collective utilitarian principle

- Actions of an organization should stress achievement of values that the large community (society) upholds.

### 4) Risk aversion

- This rule guides the business organization in taking the action that produces the least harm, or the least potential cost.



## 5) No free service

- This rule assumes that virtually all tangible and intangible services are someone else's creation and doing unless there is a specific declaration otherwise.
- Compensation for the work.



## 6) Perfect information rule

- Activities should be conducted with utter honesty, sincerity, legal and moral observance.



# What are some of the Unethical Practices in Loss Adjusting and Risk Surveying

- 1) A subjective investigation; interpreting facts so as to provide your principals or indeed the insured (at the behest of intermediaries) with advantage in the claims handling process.
- 2) Claims bullying; using the unfortunate circumstances of a claimant in the midst of a crisis to browbeat, corner or force unreasonable compromises on the claimant.





- 3) Horse trading or wheeler dealing; using a position of influence and/or the promise of short term gain to coax claimants into settlements which are below actual policy entitlements.
- 4) Never promise settlement of the claim to an insured to buy investigation time when the intention behind the investigation might be quite to the contrary.

- 5) Being aggressive or abusive to any party to the investigation.
  - A firm and objective attitude will carry the competent adjuster through the most heated and tense of exchanges.
- 6) Submitting inferior quality reports to the underwriters/customers.



7) Charging high fees

8) Providing inefficient services by not meeting deadlines and expectations.

9) Paying low wages, providing inferior quality welfare facilities and indecent treatment employees.

10) Avoiding payment of taxes or levies as per existing laws.



- 11) Giving bribes, gifts, donations, payment of kickback money for certain benefits.
- 12) Over invoicing.



# Why the presence of Unethical business practices?

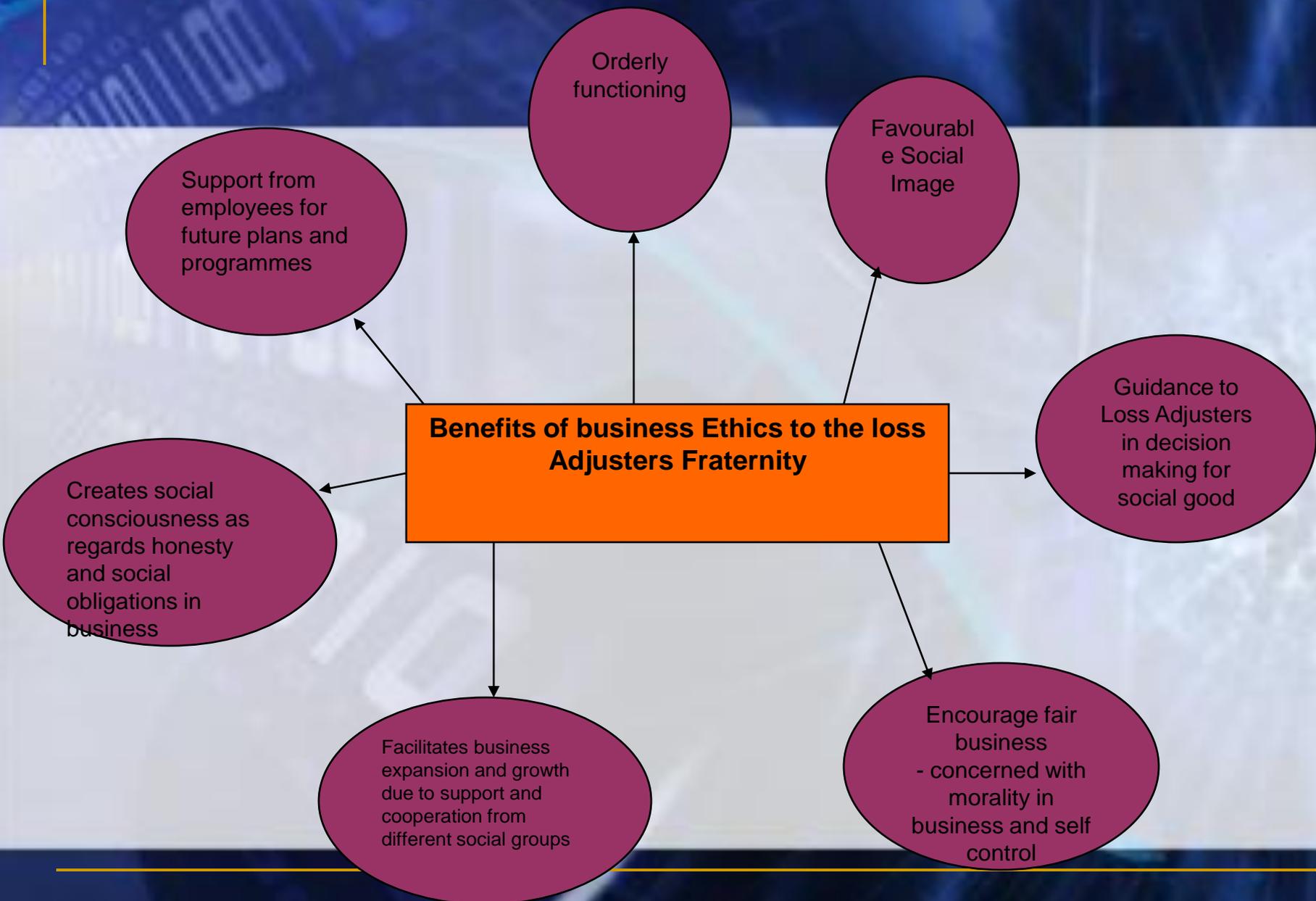
1. Psychology of businessmen is favourable to unethical practices.
  - ❑ The tradition of profit making has not changed.
2. Some consumers are poor, illiterate and submissive.
3. Absence of well organized consumer movements at the national level.
  - ❑ Consumers are not united.
  - ❑ They do not have adequate consumer education and guidance.

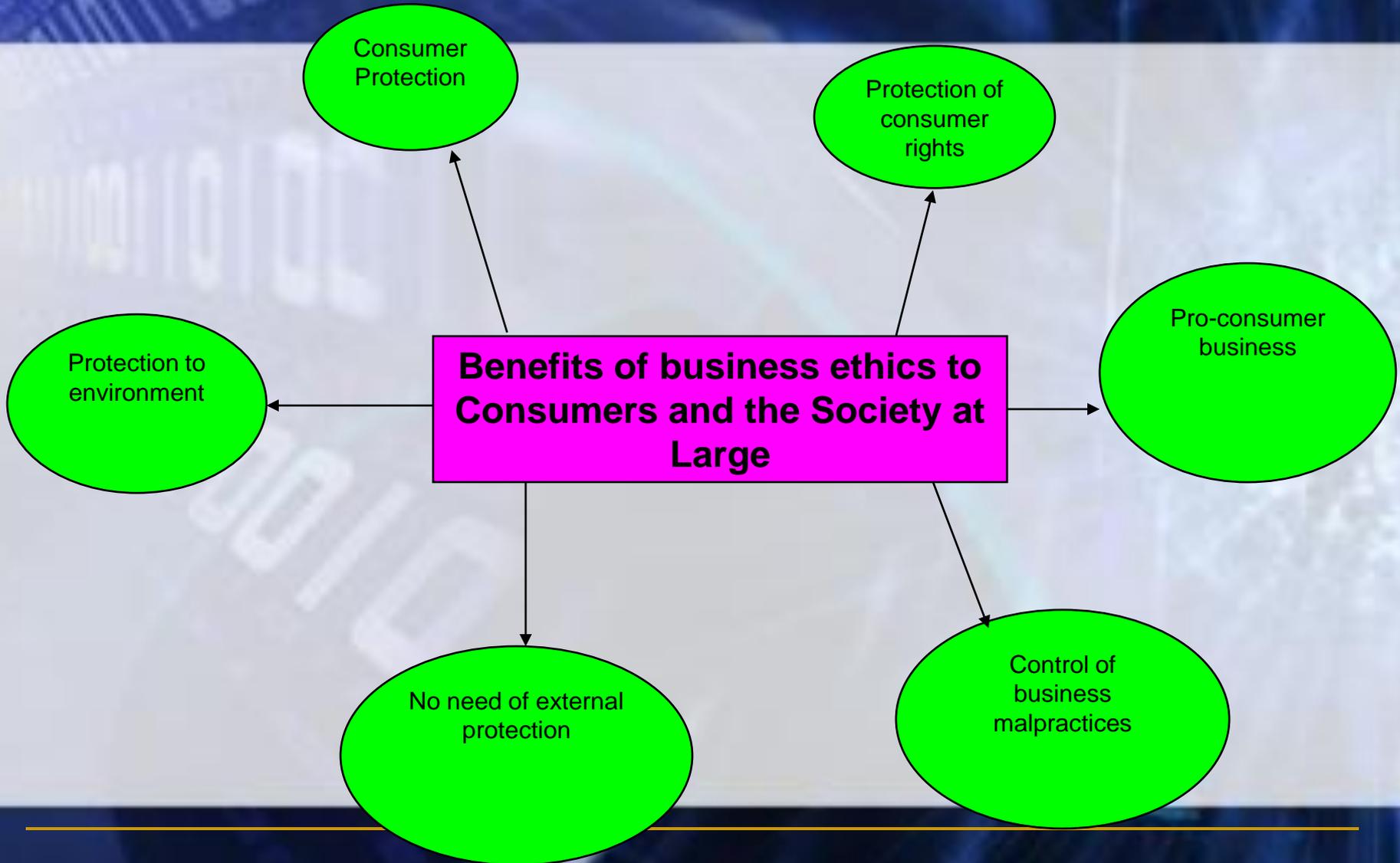
4. Ineffective laws for consumer education in many countries especially developing.
5. Lack of proper education and training of some of the personnel involved in loss adjusting and surveying.

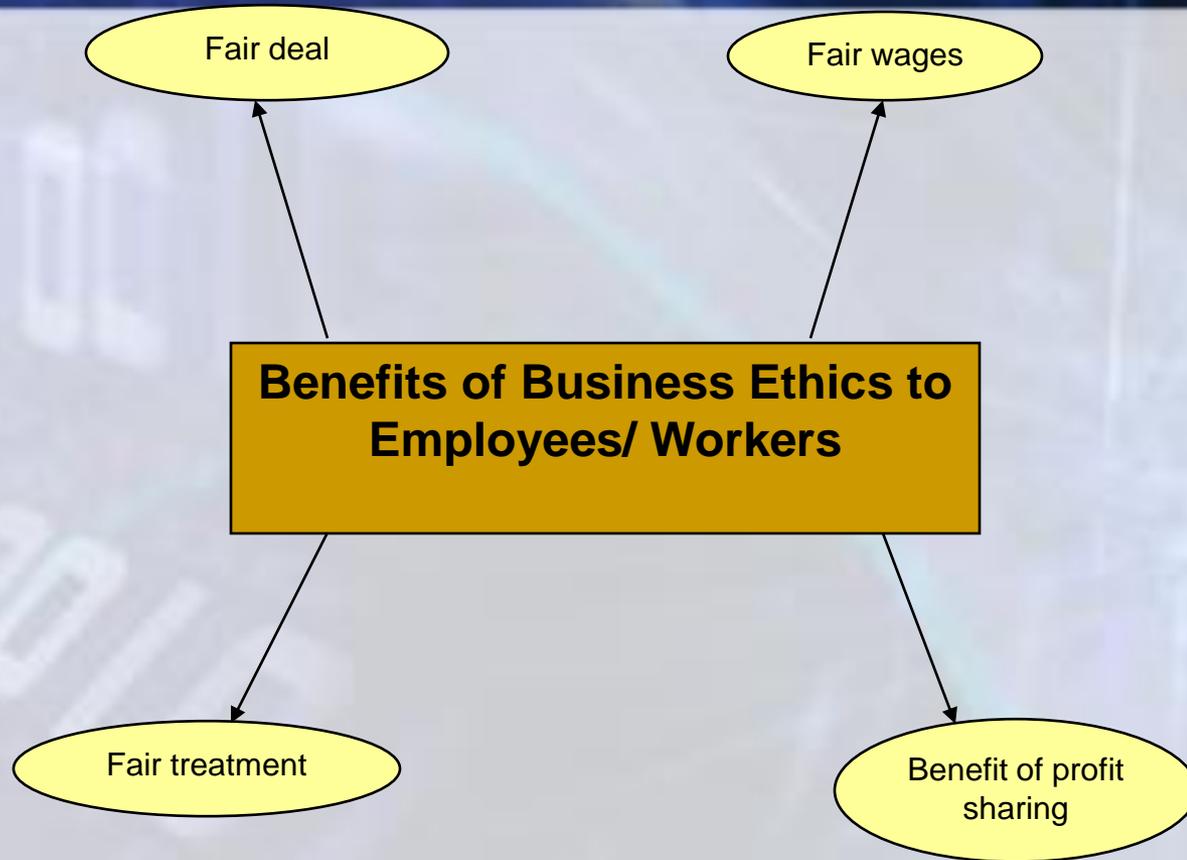
# What are the benefits of sound Business Ethics?

1. Benefits to the Loss Adjusting fraternity.
2. Benefits to the Consumers and Society at large.
3. Benefits to the Employees/Workers









# What roles can the Association of ILARS play in promoting Business Ethics?

## 1) Formation of code of ethics:

- ❑ The Association can formulate a code of conduct for members.
- ❑ Such code contains rules and principles of fair/ethical practices which all members are expected to follow while conducting their business activities.
- ❑ The code should be functional and practicable.



## 2) Education and persuasion of members:

- ❑ The Association should provide education, guidance and training to members through annual meetings or monthly meetings.
- ❑ Similarly, workshops, seminars, special lectures are encouraged.
- ❑ The members have to realize that honesty is the best policy even in business. Being honest is to build character and character is the greatest asset even in the case members.



### 3)Moral Sanctions:

- ❑ The Association can introduce incentives/rewards to those members who follow business ethics honesty.
- ❑ In addition, there should be provision of punishment to those who disregard such ethical norms frequently.
- ❑ Even the membership of such irresponsible members should be terminated.



# Conclusion

- Renowned Jurist Late Nani Palkhivala rightly observed. “What is the point in having laws and laws upon laws if your inner consciousness is not there, which enables you to do the right thing for a right conclusion.”
- In other words, if the ethical sense dies in your heart, no constitution, no law, no court can save it.
- It is only within yourself that you have to find the ideals you are struggling to establish.



**CONCLUSION**

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- In an endeavour to operate ethically, Loss Adjusters should observe utmost good faith and disclose all material facts in respect of their reports.
- Truth and Ethics are more important to build business and development, than just profits and growth.
- Ethics is applicable to our social, economic, political and religious activities.
- **NO ETHICS, NO BUSINESS.**
- **GOOD BUSINESS IS GOOD ETHICS.**



# Q & A

