



Insurance  
Regulatory  
Authority

*Bima Bora kwa Taifa*

**I R A**



# **BUSINESS ETHICS**

# BUSINESS ETHICS

- Ethics refers to **sound and fair** business practices and conduct used by an organisation to steer itself and its employees, in their business activities, both internal and in relation to the outside world.
- This **incorporates rules of conduct based on values, honesty and fairness, acceptable to a business community and the society at large. Human societies need moral principles in order for people to live harmoniously.**

# Illustration

- A story is told of a rear door of an armoured truck which flew open and bags of money containing about two million dollars fluttered in the wind and littered the highway. Motorists jumped out of their vehicles and stuffed money in their pockets with others sending messages to friends to come! Official pleading with a 10% reward yielded no response, with others claiming it was 'a gift from God'! **Upright persons are always caught up in situations like this, indicating how twisted the popular concepts of morality are.**

# Fundamental Principles of Business Ethics

# 1) Integrity

- This refers to the quality of being honest and having **strong moral** principles. Businesses or individuals with integrity are reliable and stand by their actions. It includes honoring agreements.

## 2) Fairness

- Fairness means treating people equally and in a just manner. **Rules should be applied systematically and without favor or unexplained exceptions.** A fair person does not engage in discriminatory practices. They must give fair and proper consideration to the interests and requirements of customers. A fair person is respectful.

### 3) Honest

- Honesty means telling the **truth**. It means being accurate in description and keeping one's word.

## 4) Objectivity

- One must not be influenced by personal feelings or opinions when relating with others in business. Being objective **removes personal biases** in decision-making and behavior For example; recommendations to customers must be made without bias.



## 5) Confidentiality

- This means that information meant to be kept secret should not be revealed or shared with other people.

## 6) Professionalism

- Business people should endeavor to acquire the special training, skills and education that their occupation requires. **They must maintain the high standards that the public expects from them as professionals.**

## 7) Competence

- Competence is the ability to do something well. A person should acquire enough skill or knowledge to **do something well** and to the necessary standard. A person should act only within the limits of personal competence and authorization.

## 8) Diligence

- A diligent person shows care, effort and thoroughness in their work. Such a person is not lax in their work and does not take short cuts in it.

# Responsibility of the Insurance Industry

- 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 protection and therefore clients are in a vulnerable position when they place their trust and faith in the insurance organization or individual.

# ETHICAL BEHAVIOUR

- In an endeavour to operate ethically, insurance practitioners should observe **utmost good faith and disclose all material facts in respect of products at the time of negotiation of cover.** Agents and brokers should use only the right methods in persuading clients to buy their products and services. They should disclose all favourable features of the products and all unfavourable features at the earliest stage possible in a bid to ensure that the client makes an informed decision. At the same time, they **should treat clients' information as classified and privileged** and should not divulge it to others because confidentiality is important in the conduct of agency business.

# UNETHICAL BEHAVIOUR IN SELLING INSURANCE

# 1) Twisting

- This is the act of advising policyholders to cancel applicable policies and change insurers and agents with the motive of making additional sales.
- This is unethical because it has the repercussions of loss of discounts where applicable, application of short period rates for annual covers and application of surrender value clause where this clause is incorporated in the policy.



## 2) Churning

- Encouraging policyholders to increase applicable policy limits or change covers with the sole motive of increasing commission is unethical.

### 3) Duplication of Cover

- In some instances intermediaries may advise clients to take policies which cover needs that are already catered for by similar existing policies with the sole aim of increasing commissions.
- The intermediary will be disregarding the needs of clients, as they will only catering for their own needs.
- In general insurance business, clients will be disadvantaged because in the event of losses the principle of contribution will be applicable.

## 4) Failure to disclose Status

- Intermediaries should disclose their statuses when dealing with prospective clients because clients may not want their insurance placed with a certain insurer due to past bad experiences or personal biases.

## 5) 'Buy while stocks last'

- Selling something that is not really suitable for their client , simply because it will be withdrawn in the near future.

# Professionalism

- Each sector in the economy is striving to streamline their business to attain and maintain professionalism in their activities, and the insurance industry is not an exception.
- Insurance practitioners should place ethical issues first in order to uphold and maintain integrity and honesty.
- There is need to train staff in business ethics and inform them what constitutes ethical behaviour.
- All players in the industry should maintain sound business relationships with other service providers and co-operate in all positive under-takings.
- They should not engage in unethical actions nor bring the image of the industry to disrepute unjustifiably. All players must endeavor to avoid 'bad press' which brings the industry into focus of the public as a bad business.

- There are other types of unethical behaviour practiced by different persons involved in insurance. Examples of these are as follows:

# A) Insurance Companies

- Insurance companies may charge low premiums in order to gain a competitive edge in business. These premiums are inadequate and the insurer will face difficulty in paying claims. Insurers may also delay claims payment. This lowers the public's trust in the insurance industry.

## B) Insurance Brokers

- In addition to unethical behaviour in selling insurance, brokers may also engage in unfair business practices and activities that adversely affect the insurance industry. They might quote low and incorrect premiums in order to undercut the competition. These premiums may not be acceptable to any insurer and the client will suffer delay in obtaining insurance cover and additional cost of re-tendering for it. It is for this reason that most clients now require that insurers issue them with a bid bond for the quotations they submit. Brokers may also offer inappropriate inducements, gifts and commission rebates to acquire new business. Sometimes brokers may give falsified returns to the Supervisory Authority in order to avoid the penalties for late remittance of premiums.
- This unethical behaviour is contrary to the high degree of integrity and professionalism expected of an insurance broker.



## C) Motor Assessors

- Motor Assessors may collude with garage operators to exaggerate repair cost of vehicles or to have repairable cars declared total losses so that they may buy and sell them for a profit. Assessors may also inflate the prices of spare parts. This behaviour causes unnecessary financial loss to the insurers and affects their ability to meet legitimate claims. It is also a form of theft from the insured's who may wish to retain their vehicles.

# D) Doctors and Lawyers

- Medical practitioners involved in making assessments for insurance companies, for example for life assurance proposed life assureds, may give false reports to the insurer. These affect correct underwriting of the life risk by the insurer who may take on unsatisfactory insured's. They may also award exaggerated level of benefits for Workmen's Compensation and Personal Accident in return for a commission by the insured. Medical doctors may sometimes charge exorbitant fees, higher than normal, for patients who have medical insurance. This adversely affects the insurer's claims experience and affects other insured's who may have to pay higher premiums in future to help cover the increased claims amounts. Alternatively, the insurers may not be able to offer the cover any more.
- Lawyers may help clients lodge fraudulent claims. They may also act as ambulance chasers and lodge claims on the lives of the public who may not know these claims have been made. This habit negatively affected the insurance of Public Service Vehicles in Kenya and has threatened the existence of some insurers burdened by these claims.

# E) Risk Surveyors and Loss Adjusters

- These are persons who are the ‘eyes and ears’ of the insurers when sent to survey risks or to adjust losses. They may fail to carry out their work diligently and promptly thereby causing undue suffering to the insured and claimant. Failure to submit a Loss Adjusters report promptly will lead to a delay in claim settlement.

## F) Investigators

- Investigators engage in unethical behaviour when they misuse confidential information they have discovered in the course of their duties. Such investigators may collude with lawyers to defraud insurance companies by provoking innocent third parties to lodge dubious claims.

# G) The Public

- The public also lodges fraudulent and exaggerated insurance claims. They may collude with garage operators to have extra repairs carried out on their vehicles for which the insurer should not be liable. The public may also demand a commission rebate from the insurer, agent or broker. This is unethical because the insurance providers have earned the premiums and commissions and it is their right to retain them. These demands cause undue pressure on the insurance industry players and may prevent them from performing their duties in a professional manner.

# RELATIONSHIP WITH OTHER MARKET PLAYERS



- All players in the industry should maintain sound business relationships with other service providers and co-operate in all positive under-takings. They should neither induce them to engage in unethical actions nor bring their image to disrepute unjustifiably. Further, they should strive to increase their insurance knowledge and thereby add value to the services they provide to their clients by sitting for relevant professional insurance examinations. They should also update their knowledge of new products in the market and advise their clients accordingly.

# THE EAGLE



# You Must Possess The Seven Leadership Characteristics of An Eagle



# 1. Fearless

- An eagle has absolutely no fear of its prey, no matter what the size. It's like being a parent and seeing an attacker coming towards your child. No matter what the size of that person or what weapon they maybe holding, you would attack them without thought or regard for yourself. It wouldn't even dawn on you to be afraid because your instinct is to protect that which you love and cherish.
- Well, that child is your vision, your dreams, your legacy and that attacker is the human emotion of fear. You have to be fearless and attack fear; no matter how large it is before it attacks your future.

## 2. Tenacious/ flies into storms

- An eagle looks for and flies into storms. As storms approach, lesser birds head for cover, but the eagle spreads its wings and mounts upon the powerful winds, soaring to great heights. Eagles actually use the storm to lift them. Leaders use storms (challenges); we don't run from them. To leaders, storms are tools used for development. I believe it was Jim Rohn who said don't wish it were easier, wish you were better.

# Isaiah 40:31

- But those who hope in the Lord; will renew their strength; They will soar on wings like eagles; They will run and not grow weary; They will walk and not faint.

### 3. Nurturing/ Gentle

- The eagle is known for its ferociousness, yet no member of the bird family is more gentle and attentive to its young. At just the right time, the mother eagle begins to teach her eaglets how to fly. She gathers an eaglet onto her back, and spreading her wings, flies high. Suddenly she swoops out from under the eaglet and allows it to fall. As it falls, it gradually learns what its wings are for until the mother catches it once again. The process is repeated. If the young is slow to learn or cowardly, she returns him to the nest, and begins to tear it apart, until there is nothing left for the eaglet to cling to. Then she nudges him off the cliff. In summary, **TEACH AND TRAIN** your organization!

## 4. High-flier

- Eagles can fly up to an altitude of 10,000 feet, but they are able to swiftly land on the ground. The descending glide of an eagle can be anywhere from 50-75+ mph. Here's the point, leaders are down to earth. You maybe the top dog in your company, but you must be able to touch people, so you have to know how to fly back down to earth swiftly. You must be relatable. Remember, the three obstacles you must overcome with your prospects: Know me, Like me, Trust me. Not possible when you're 10,000 feet in the air.
- **Three enemies of success** - 3G's ;Gold, Glory, Girls.

## 5. Eagles Never Eat Dead Meat

- You will never see an eagle eating meat that it did not kill. An eagle is not a scavenger. It hunts for and kills its own food. It hunts for the prey while it's warm and alive. You as a leader must go to where the action is. You must go hunt down and find lively people to grow your business. Where is that? Forums, social media sites, YouTube, offline network marketing events, article directories, to name a few. Just be sure to bring the right bait when you hunt.

# 6. Vitality

- An eagle is full of life and has the power to endure. By the time the eagle reaches about 30 yrs. old, life gets hard. Its physical condition has deteriorated to the point where survival is difficult: its talons lose flexibility and can't properly grip their prey, its beak becomes dull and bent, its wing feathers get heavy and dull which impairs flight ability, but does the eagle cry woe is me, curl up in a ball and die. Absolutely Not!
- The eagle retreats to a mountaintop and over a five month period goes through a metamorphosis. It knocks off its own beak by banging it against a rock, plucks out its talons and then feathers.

# Conti....

- Each stage produces a regrowth of the removed body parts, allowing the eagle to live for another 30 – 40 years. No wonder the Bible talks about God renewing our youth like the eagle's.
- As leaders, we have to renew ourselves through personal development and constant learning.
- A great practical way to do that is to read 10 pages of a good book and listen to 15 minutes of something good everyday. It'll transform your life. Leaders must have a holistic approach to life. Remember the acronym **S.P.I.C.E.** – Spiritually, Physically, Intellectually, Community, Emotionally. Develop yourself in each of these areas, without neglect to any.



# 7. Vision

- Eagles have a keen vision. Their eyes are specially designed for long distance focus and clarity. They can spot another eagle soaring from 50 miles away. Just like the eagle, all leaders must have vision. You, being the leader of your team, must have vision. You must have a vision that guides and leads your team towards the organization's goals. The vision must be big and focused. A big, focused vision will always produce big results.

# Conti....

- What's your vision for yourself? For your team? For your family? Is it written? If not, before you go another' further, stop and write it down. That is only if you really want to accomplish it.
- I hope you guys have been enlightened as I was by gleaning from the leadership characteristics of the eagle. If you develop and use them, you will grow and soar to great heights.
- You may not have all these qualities, but **the good news** is leaders aren't born, they're made.

# The End

# Thank you God bless you.



# END