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Building trust through ethical culture – a guide for SME firms

Knowledge and skills for overseeing ethical culture

Insurance has always evolved to reflect client needs, but insurance seems to be changing at a rapid rate now. New ways of doing business, new products, new ideas: all of these present opportunities.

Yet few opportunities are not without risk, and while new ways of doing things can be exciting, they can sometimes strain (or even put at risk some aspect of) a firm's ethical culture.

It's important therefore for those in oversight roles to understand where those risks to the firm's ethical culture might lie. Ethical culture can't be left to look after itself, for that risks building a climate of indifference towards behaviours that could expose the firm to regulatory intervention or reputational damage.

Small to medium firms needn't rely on outside experts to understand where those risks lie. With a little professional development, those in oversight roles can develop sufficient knowledge and skills to carry this out for themselves.

Who exactly is it that needs that knowledge and those skills? There are three possible types of people, with varying levels of responsibility for oversight, who would benefit:

- a non-executive director, with responsibility for the firm's soundness and stability:
- a compliance manager, who monitors the conduct aspect of the firm's operations;
- a manager with responsibility for the performance of suppliers.

This guidance identifies the essential knowledge and skills that these three types of people need for overseeing their firm's ethical culture. They will already be capable of some of them: others can be acquired through formal professional development or informal self learning.

One further point: one important consequence of the changes that technology is bringing to insurance is the increasing use of business partners and specialist suppliers. How those organisations deliver their products and services can influence the host firm's ethical culture, making it much more permeable than in the past. That makes the supplier relationship manager an increasingly key figure for the firm's ethical culture.

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Essential knowledge

Essential skills

Essential knowledge

- It is important for those in oversight roles to understand what ethical risks their firm will commonly encounter. It is around such risks that key attributes of the firm's ethical culture will be most evident and so that is where most attention should be directed. Evidence of how such risks are being managed will signal something similar about the firm's handling of its ethical culture.
- Understanding something of the language associated with those ethical risks will help those in oversight roles to grasp the significance of how certain developments might impact on the firm's ethical culture. For example, a project to distribute a new product online, or to assess claims in a new way, can be more effectively weighed up if those in oversight roles have the language to address the ethical side of how these projects are being designed and rolled out.
- Understanding something of how certain behavioural patterns can influence a firm's ethical culture is important. It allows those in oversight roles to critique changing circumstances or new projects in a more effective way. Examples of such behavioural patterns are:
 - 'group think', where a team is too close to something to recognise how it appears to others:
 - the 'self serving bias', where proponents of a project for example, quite often recognise and weigh up its outcomes in ways that support their own aspirations.

Being able to recognise such behaviours allows those in oversight roles to identify where the firm's ethical culture is being inadvertently exposed.

numerous guides.

A lot of this essential knowledge can be built up through the resource that CII members can access online about ethics: for example, through the online ethics course and

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- The ability to forge some form of vision of what a good ethical culture should achieve for your firm helps a lot, for it extends the dialogue from where the firm is now, to encompass where it should get to. What this does is move the firm from seeing its ethical culture as a 'pot half empty' thing that needs fixing, to seeing it as a 'pot half full' thing that can help extend the trust people have in the firm.
- The ability (and confidence) to ask pertinent questions relating to particular aspects of the firm's ethical culture. This is the natural consequence of knowing something about the language and the risks mentioned above. These questions can be very simple (for example, why?) or more involved (is there any independent evidence for this?). And of course, enough should be known of that language and those risks to be able to understand and critique the answers given in response to those questions.
- The ability to not get lost in the detail: in other words, to be able to see, as the saying goes, both the forest and the trees. As insurance becomes more digitised, there's a risk that the traditional insurance people often found in board oversight roles will uncritically accept some of the exciting achievements that such and such a piece of software will deliver. Their accountability for the consequences however should encourage them to stand back and understand the wider implications that could be produced.

along positive lines.

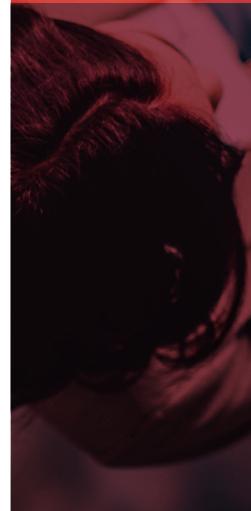
Such skills are often developed through experience and from an independence of mind. Their purpose is not to challenge, but to encourage greater transparency and explanation, something that can only help a firm's ethical culture develop

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Essential knowledge

Essential skills



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