

INSURANCE: HOW PROFESSIONAL

BEING TEXT OF A PAPER

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INSURANCE: HOW PROFESSIONAL?

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1. INTRODUCTION

I wish to express my profound gratitude to **CIIN** members in Port Harcourt for inviting me to share little knowledge with you this evening.

I am glad to acknowledge that **CIIN** has consistently lived up to the challenges of manpower training through this type of workshop which serves the purpose of building capacity for the insurance industry in Nigeria. I have great hope that at the end of our discussions today, we all must have learnt one or two things that will update our knowledge, enhance our intellectual capacity and improve our professional skills in today's challenging business environment. In addition, you will also capitalize on the rare privilege offered by this meeting, to exchange useful information with your colleagues on how to re-energize and reposition the insurance profession.

Now let's consider the subject of our discussion today which is "**Insurance: How Professional**". In my humble opinion, I believe the aim of this paper is to present an insurance practitioner's viewpoint on what insurance professionalism is all about. If this is the case, I will like us to begin by defining the key word "professional."

2. DEFINITION OF A PROFESSIONAL

John Clark¹ stated that a professional is a member of one of the professions (e.g. medicine, law, accountancy, insurance). Increasingly the term is used to describe someone paid to do a job or perform a duty, particularly one requiring special skills or long training, or merely someone who takes his or her job seriously.

The insurance professional is not necessarily one who has acquired the Diploma of the Chartered Insurance Institute. He is one who has gone through a systematic training and imbibed sufficient knowledge in insurance or allied discipline and possesses such technical skill to enable him render service to clients and customers. However, he must be a registered member of the Chartered Insurance Institute of Nigeria either as a Fellow, Associate or Ordinary member.

Professionalism in the insurance industry means the management of insurance companies in accordance with sound insurance principles. Underwriting must be done scientifically, reinsurance must be adequate, insurance funds must be invested in avenues that combine the features of security with high yield and claims must be settled promptly. Professionalism entails the demonstration of competence in a particular field as well as the display of objectivity and ability to act or advise without personal, religious, political or ethnic bias. A professional must not make a

secret profit or put himself in a position where his duty to his client or employer will conflict with his personal interest. He must be capable of keeping confidential information and act independently without undue influence or pressure from any quarters.²

Professionalism connotes the utmost demonstration of integrity and probity. That is, the professional must always display the ability to stand up to the test of accountability. He must not do anything that will not stand to private or public scrutiny. He must be a person of impeccable character who will not compromise moral principles and the ethics of his profession. He must be loyal to his profession, trustworthy, virtuous, sincere, upright, candid and honest. To the professional, falsehood and fraudulent dealings must be an abomination. The professional must have the ability to resist temptation and must never sacrifice truth for personal gain. He must be one who cannot be bought.

Bearing in mind the above definitions, we articulate the main attributes of a professional as follows:

- (i) possession of knowledge acquired after a process of training in both the theory and practice of a vocation;
- (ii) Membership of a body which regulates entry qualifications of members;
- (iii) Adherence to universally acknowledged standards that guide performance;

- (iv) Adherence to a code of conduct and practice as well as the taking of disciplinary actions against members who breach the code of practice.

For instance, as a professional, an Insurance Broker is expected to display expertise and ensure that the covers proposed by him shall meet the need of his client. He is required to make an in-depth analysis of his client's insurance needs and recommend advisable methods of loss prevention, especially when they may give rise to favourable rating. The Broker is professionally expected to cooperate technically with the Underwriter and under no circumstance must he compel an insurer to settle a claim that is not genuine or that has no legal basis. Loss Adjusters, on their part, are expected to display a very sound knowledge of insurance warranties and policy terms. They must see themselves as independent consultants and not the agent or employee of either party to an insurance contract.

To the professional, honour, service and social responsibility is the essence of his practice and money-making is secondary. This is what distinguishes a profession from a trade or ordinary occupation where economic and financial considerations are the primary motives.

3. PROFESSIONAL ETHICS IN INSURANCE BUSINESS

Insurance is a business which is under the management of professionals. Beside the insurance professionals (i.e. Insurers or

Underwriters, Reinsurers and Insurance Brokers), there are other professionals who are rendering ancillary services in the industry. They include Actuaries, Loss Adjusters, Accountants, Administrators, Lawyers and others.

The issue of business ethics and professionalism in today's world is acknowledged to percolate every area of business management. Corporate managers have now realized that ethics and professionalism cannot be divorced from corporate success and that ethical issues should be the norms rather than exceptions. To this end, professional and trade bodies are engaged in systematic attempts to encourage ethical conduct among their members.

Notwithstanding the above, it appears professional ethics are increasingly being ignored nowadays due mainly to declining societal values especially in this environment. It is common knowledge that cherished values have been badly desecrated in Nigeria.

According to the *Transparency International Corruption Perception Index*, Nigeria was found in 1995-1997 to be the most corrupt country in the world. Again, in the 1998 Report of the same body, Nigeria was ranked as the most corrupt country in the world. In its 1999 Report, Nigeria was rated as the second most corrupt country on earth. It was reported that "Toll Gates" exist not only in the Civil Service but also in the private sector. In 1999 the Olusegun Obasanjo administration launched a crusade

against corruption. The effect of the anti-corruption policy is however yet to be visible.

Causes of unethical practices in business and professions include the following:

- Corruption which has virtually become a way of life among the elites;
- Widespread poverty;
- Deterioration in societal values;
- Propensity to enjoy unreasonably high standard of living;
- Pressures from extended family and other hangers-on;
- Inordinate desire to excel materially;
- The principle of "If you cannot beat them, join them."
- Cut-throat competition where some operators are prepared to do anything to survive.

The most common unethical practices in the industry include:-

- With-holding of premiums by intermediaries;
- Purchase of insurance premiums by Underwriters;
- Collusion between unscrupulous Loss Adjusters and Claim assessors and claimants to defraud Insurers.

4. INSURANCE INDUSTRY'S CODE OF ETHICS

Ethics is the core of insurance business since insurance is built on utmost good faith. One of the functions of professional and trade

associations is the prescription of Code of Ethics for their members. This is to be expected because such bodies are usually concerned about the integrity of their members.

In 1991, the Nigerian insurance industry revised and codified the ethical rules applicable to insurance practice. The rules sought to regulate the conduct of insurance operators in the course of exercising their professional duties albeit through moral suasion. An insurance professional must put service above self and should always endeavour to employ the most effective and economic ways of doing his business and achieving the legitimate objectives of his company.

The Code stipulates that every insurance practitioner must observe the general law of the land as well as adhere to guidelines and decisions of his professional and trade association. He must ensure that his business is conducted in accordance with sound insurance principles. Rules are made to ensure that operators adhere to high moral standard in the performance of their duties. Appropriate rules are made for the guidance of Insurance Brokers, Underwriters and Loss Adjusters. Procedures for the enforcement of sanctions against breach are also contained in the code.

The self-regulatory body of insurers in Nigeria is also promoting and enforcing professionalism in the industry. In the words of Rev. Funmi Adeyemi, the Nigerian Insurers Association has an effective

Disciplinary Committee. Between 1992 and 30th September 1999, 144 cases or reports of breach of the Code were brought before the committee. Many companies had during the said period appeared more than thrice. Within the same period, 39 members had disciplinary actions such as suspension or termination of membership taken against them. The Institute of Loss Adjusters of Nigeria and the Nigerian Corporation of Insurance Brokers are also known to have enforced disciplinary measures against some of their members.

The only body in the industry which is rather constrained in enforcing discipline against its members is the Chartered Insurance Institute of Nigeria due to some militating factors brought about by the predominance of corporate entities in the employment of professionals. Unlike the situation in some other professions such as law, accountancy or surveying where most of the members practice in their individual names or partnerships, insurance practice, in most parts of the world, is actualized at the corporate level. Indeed, insurance is seen more as a business enterprise than as a profession. Almost all the insurance professionals in Nigeria are employees of insurance companies, broking companies, loss adjusting companies and other corporate bodies. Perhaps, it is high time that a move be made to further strengthen the existing statute empowering the CIIN to discipline erring members such that employers are compelled to respect the spirit of any measures taken by the institute in this regard.

5. INSURANCE PROFESSIONALISM AND THE LAW

There are two major instruments of law that deals with the issue of insurance professionalism in Nigeria. These are the Insurance Act 2003 and the Chartered Insurance Institute of Nigeria Act (Decree No. 22) of 1993. I will try to explain how each of these legislations influences the practice of insurance and behaviour of insurance professionals in this country.

5. 1. The Insurance Act 2003

The provisions of the Act which are aimed at promoting business and professional ethics include the following:

- Registration of Insurance Institutions – Sections 6, 34, 36, 43 and 45.
- Subscription to the Code of Conduct of the insurance profession (S. 79)
- Disqualification of certain classes of people for appointment as a Director of an Insurance Company. For instance, under Section 12, a person who has been convicted of any offence involving dishonesty or fraud is disqualified. Also disqualified is a person who has been a director of or has been directly concerned with the management of an insurance institution whose licence to operate is cancelled or whose business has been wound up on the grounds of insolvency.
- A partner in the firm of Insurance Brokers or Loss Adjusters is disqualified from being a director or manager in an Insurance

or Reinsurance Company (S.12 (2)). Also, an Insurance Broker cannot practice as Loss Adjuster and vice versa. These are aimed at preventing conflict of interest.

- Receipt of premium as a condition precedent to the validity of policy (S.50).
- Insurance Brokers are required to maintain a trust account into which moneys received on behalf of clients, insurers and re-insurers are to be banked (S.40).
- Restriction of grounds upon which an Insurer may repudiate liability for claims – (S.59).
- Regulation on settlement of claims (S.69 & 70).
- Prohibition against making of misleading statements (S.75).
- Prohibition of rebates (S.76)
- Restrictions on loans to directors (S.77).
- Regulations on dividends and safe-guarding of investments (S.88).

5. 2. The Chartered Insurance Institute of Nigeria Act (Decree No. 22) of 1993

This legislation was made in fulfillment of the aspirations of members of the insurance trade.

In a recent paper by Paul Okafor (2003)³ titled “the Institute Enabling Law and its impact on the Insurance Industry”; the main objectives of the Act were stated as follows:

- ❖ Set standard of knowledge and skills required for persons seeking to be registered as members of the Insurance Profession and continuous review of the standard.
- ❖ Keep a register of members in the defined categories viz Fellows, Associates and Ordinary members and from time to time publish the list of persons on the register.
- ❖ Establish windows for regular funding of the professional body.
- ❖ Establish an administrative machinery to perform the functions conferred by the Act. Namely the Governing Council, The Registrar (now Director General) etc.
- ❖ Establish the enabling (legal) environment for professional discipline, ethics and investigations and penalizing unprofessional conduct, misbehaviour and unethical practices by members.
- ❖ Create the authority and empowerment for the prescription of the Form of Licence to Practice, regulate training, qualifications, approve/accredit training institutions for

acquisition of Insurance knowledge and skill for the practice of the profession and supervise the institutions to be approved.

Essentially, Section 14(3) of the Act establishes an investigating panel charged with responsibility for conducting investigations where the Institute receives an allegation that a member has misbehaved in his capacity as an insurance professional. The section also establishes a Disciplinary Committee with power to sanction any member who is found guilty of infamous conduct in any professional respect. The expression "infamous conduct" is not defined in the Act. However, the expression has been judicially defined as when a professional does something in regard to his profession "which would reasonably be regarded as disgraceful and dishonorable by his professional brethren of good repute and competence.

6. CHALLENGES BEFORE TODAY'S INSURANCE PROFESSIONALS

Notwithstanding the plethora of statutory provisions and the code of ethics on the industry, unprofessional practices still abound especially in the areas of business acquisition as prospective insureds and intermediaries are always inclined to exploit the cut-throat competition in the industry earlier mentioned. Many underwriters are prepared to submit to pressures for fear of losing business. Rate-cutting and offer of illegal inducements have eroded the profitability of the industry.

The experience in the industry is a reflection of the situation in the larger Nigerian society. Competition, especially illegal and immoral enrichment, has become endemic in the nation. The challenge before the nation is that everyone should endeavour to expose corrupt practices. Givers and receivers of bribes must desist from these acts for if there is no greedy giver there may be no corrupt receiver. The Bible says that righteousness exalts a nation and I am of the opinion that a nation that has a culture of condoning unethical practices and lacks certainty of sanctions is doomed for socio-economic destruction. Nigeria will be great and investor friendly when public officers, professionals and business men and women jettison "get rich quick" mentality and cultivate self-discipline, probity and high ethical values.

Conscious of the crucial role of trade bodies in the enforcement of professional ethics particularly the negative implications of lack of professionalism in the industry, the Nigerian Insurers Association in July 2002 decided to get its members to sign a market agreement under which the members expressed commitment to professionalism.

The agreement which came into effect from 1st September 2002 enjoined member companies to operate in accordance with sound insurance principles and in compliance with the law, the code of ethics and the operational manuals of the Association. The Inspectorate Unit of the Secretariat was empowered to visit

member companies with a view to investigating reports or allegations of professional misconduct. The agreement makes elaborate provisions on sanctions against breach. The steps taken by the NIA is commendable and worthy of emulation by other trade and professional bodies. These bodies have a great stake in the integrity and survival of their businesses and ought not to relent in their fight against indiscipline and unprofessional practices.

7. PROFESSIONAL SERVICE IN INSURANCE BUSINESS

A recent work done over a period of two years in a financial institution operating in several countries in West Africa shows that superior service quality can be achieved if a company focuses on professionalism. Insurance professionals are not allergic to superior quality services considering that insurance is a service business.

A superior service strategy suitable for the insurance industry would incorporate amongst other things, providing quality and speedy service capable of attracting the attention of the insuring public. This I think is the road map for propagating the insurance culture in Nigeria. According to Chris Ogbechie⁴ (2001), professional aspects of service are manifested in:

- **Competence** – Knowledge of the job, accuracy of work, willingness to give satisfactory answers to customers and ensuring that all systems and processes in the company work efficiently and effectively.

- **Reliability** – Being consistent in what is said to the customer, following through in whatever is being done for the customer, being perceived as dependable by the customer.

- **Credibility** – Having a good reputation in the market, and being honest all the time with the customer.

As a professional, you are expected to walk your talk and not to promise what you cannot deliver.

8. **CONCLUSION**

My distinguished audience, you will agree with me that this paper has attempted to shed light on many important issues concerning the insurance professional. In the foregoing paragraphs, we have been able to define who an insurance professional is. We also discussed professional ethics and identified unethical practices existing in the industry. We looked at the legal aspect of the insurance profession, the insurance industry code of ethics, the challenges before modern day insurance managers like your good selves and ended with professional service in insurance business. I wish to encourage us to always exhibit professional skills as a way of improving our service quality to the insurance public.

I thank you all for giving me your rapt attention during the period of this presentation. Once again, I commend CIIN Port Harcourt

and implore you to keep on with this trend of providing your members the opportunity to learn on the job through this type of forum. I strongly believe that the knowledge that we have shared here today will contribute tremendously in our professional advancement.

Thank you and God bless.

WALE ONAOLAPO

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