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Transparency and insurance a Companion to the Code of Ethics

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Contents

Introduction	6	Duty 4. You must provide a high standard of service	17
About this guide	7	Duty 5. You must treat people fairly regardless of: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation	21
Application of your duties	9	The benefits of a transparent approach	23
Duty 1. You must comply with this Code and all relevant laws and regulations	9	With thanks	24
Duty 2. You must act with consistent ethical standards and integrity	12	Sources and further reading	25
Duty 3. You must act in the best interests of each client	14		

“When people buy insurance, they are buying a promise of help when things go wrong. But too often, there is an expectation gap between what customers thought that promise was and what the provider intended. To improve trust, we must understand exactly what leads to that gap, and how we can reduce it together. This Companion Guide seeks to set out ‘what good looks like’ and encourage good practice across the profession.”

Sian Fisher
ACII, Chartered Insurance Practitioner, Chief Executive Officer, Chartered Insurance Institute

“The CII Professional Standards Committee provides strategic expertise and challenge to ensure that the CII and its members in the insurance and financial planning sectors operate with professional standards and ethical behaviour. Through its work the Committee seeks to build and maintain public trust in these sectors. As a result, I strongly endorse the publication of this Companion Guide.

Using this Guide, and the further sources highlighted within it, is the first step insurance professionals can take to tackle the important issues facing the profession and – importantly – maintain and build public trust in insurance.”

Jennette Newman
Chair CII Professional Standards Committee, Partner Clyde & Co

Introduction

The CII Code of Ethics provides members of the insurance and personal finance professions with a framework in which to apply their role-specific technical knowledge in delivering positive consumer and business outcomes.

This Transparency Companion supports the **five core duties** set out in the Code of Ethics. These core duties can be used as lens through which we approach all aspects of our professional work – from interacting with customers and colleagues, to making decisions and applying policies and procedures.

In this Companion to the Code of Ethics, we apply that lens to the ethical value of transparency and look in detail at how we can ensure our actions and decisions are transparent at all times. Particular focus is given to reducing the expectation gap between what customers expect, and what insurance providers deliver.

Five core duties of the CII Code of Ethics

1. You must comply with this Code and all relevant laws and regulations
2. You must act with consistent ethical standards and integrity
3. You must act in the best interest of each client
4. You must provide a high standard of service
5. You must treat people fairly regardless of: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation

About this guide

This guide:

- Summarises the key principles relating to transparency which insurance professionals should observe at each of the following four stages of their customer engagement process:
 - Designing products and services
 - Marketing products and services
 - Engaging with customers for the first time
 - Servicing customers throughout the policy life cycle.
- Is particularly complementary to the third and fourth ‘Core Duties’ within the CII’s Code of Ethics:
 - To “act in the best interests of each client”; and
 - To “provide a high standard of service”.
- Is intended to be used by any and all members of the insurance profession, recognising that each individual will have different levels of direct personal responsibilities. For example, recognising the different distribution models and regulatory limitations that exist, responsibility for customer advice is unlikely to sit with a manufacturing environment, and product pricing unlikely within a distributor. However, practitioners should always seek to understand the entire value chain and their part within it.
- Where the practitioner reads terminology such as “client” within a context that implies a direct relationship which they don’t have, they should consider whether the guidance could also apply to them within an intermediated context, and vice versa.
- Is intended to be relevant to all sectors, including Personal Lines and Commercial Insurance. While the need for individual guidance and terminology is likely to be greatest in areas where customers may not have professional advice or personal expertise, the principles apply to all business and customer types.

About this guide continued

This guide does not:

- provide the “right answer” for every conceivable circumstance which professionals will face, as it is not possible to account for every scenario an individual may encounter in the workplace;
- replace existing regulation or standards;
- provide a detailed checklist for how the duties and principles apply to every functional specialism or department within a company or practice;
- include binding requirements that members must adhere to. Instead, the guide is intended to provide helpful prompts and areas of reflection to enable members to effectively increase transparency throughout the insurance profession.

1. “You must comply with this Code and all relevant laws and regulations”

As set out within the CII Code of Ethics, this duty requires more than just staying on the right side of the law. It means setting an example in how you conduct yourself at work, being clear about what your professional and legal obligations are. It means being open and honest about how you uphold them, and – if possible – making sure your firm has effective compliance policies and procedures.

You should understand and abide by laws and regulations relating to transparency, and meet the FCA’s expectations including (but not limited to):

1. The Insurance: Conduct of Business Sourcebook (ICOBS), including the “Clear, fair and not misleading” rule, which states that when a firm

communicates information, including a financial promotion, to a customer it must ensure that is clear, fair and not misleading;

2. Treating Customers Fairly and acting in a customer’s best interests; and
3. The FCA Individual Conduct Rules, specifically rule 3 which requires individuals to “be open and cooperative with the FCA, the PRA and other regulators”.

It is important to remember that core duty 1 includes an expectation that members will not only work within the letter of the law, but also within the spirit of the law.

This means that members should positively and proactively enhance clarity of wordings to the average customer, and not allow confusing or unclear wordings which may result in disadvantaging the customer.

Core duty 1 continued

If within your control, ensure that your organisation's regulations and compliance arrangements ensure transparency.

Members are particularly encouraged to embed learning from customer queries and complaints to clarify future wordings and promotions.

Particularly relevant areas of the Code of Ethics

- 1.4 meeting any Continuing Professional Development (CPD) requirements
- 1.5 working not only within the law but also within the spirit of the law.

Case study

A Customer Operations Executive for a large household insurer noticed a growing trend in complaints from customers expressing disappointment in the way Wear and Tear had been applied.

She raised this with her manager and led a project to review the whole customer journey to understand how relevant prompts, guidance and case studies could be used to improve customers' awareness and understanding of how the clause would apply to realistic scenarios based on some of the complaints they had analysed. As a result of this initiative, complaints relating to wear and tear significantly reduced.

2.

“You must act with consistent ethical standards and integrity”

Adhering to this duty means that you can be, and are, regarded as trustworthy.

Consider whether you are demonstrating that you can be trusted through your actions, decisions and behaviour.

Strive for objectivity. Consider what a reasonable person with the information at hand at the time of contact would make of the wording. Where any interpretation could be made, err on the side of the customer.

Seek to promote professional standards throughout the sector.

Share good practice with other professionals in the insurance sector. For example, contribute to the Chartered Transparency Forum any improvements your organisation has achieved to customer facing policy wordings that could benefit customers of other similar organisations.

Encourage your company to publish a strategy for promoting wording transparency, which includes proactively welcoming internal and external feedback about wording clarity and using that feedback to make improvements.

Maintain awareness of any third party research into customers’ understanding of cover and policy terms, and **periodically assess and record how your own products and services** can be improved in the light of any such research.

Particularly relevant areas of the Code of Ethics

- 2.1 being honest and trustworthy
- 2.3 not taking unfair advantage of a client, a colleague or a third party
- 2.6 promoting professional standards within the sector.

Case study

An insurance professional working for a pet insurance company arranged a series of focus groups with customers from different ages and social backgrounds to review how well they understood their cover, and how it compared with their peers.

The exercise demonstrated that some customers were highly influenced by relatively low-value add-ons to some products and that they benefited from clearer understanding of how the core policy responded to the majority of high-frequency claims.



3.

“You must act in the best interests of each client”

This core duty is about knowing your customer and putting their interests ahead of yours, even when they may appear to be at odds.

Remember that you're the expert, and you should be careful to **use language and terms that can be easily understood** by someone who does not have the same benefit of knowledge and familiarity with terms and concepts as you do. Using clear 'plain English' and pausing to check understanding are examples of how this can be achieved.

A good rule is to **aim for all reading material to be written for a reading age of 13 or less**. Seek opportunities not just to define the meaning of any complex terms (minimising their use generally), but to educate and engage customers in how these may apply to them in practice.

You should **vary your advice, guidance and offerings to suit the level of knowledge and experience of the customer you are interacting with**, and be able to explain what you have done to act in their best interest.

The application of core duty 3 also extends to some procedural and technical aspects of your role, including (but not limited to):

- If you are reliant on intermediaries to understand the customer's knowledge and experience, you must take responsibility for that being appropriately applied to the way your products and services are distributed.
- All significant or unusual exclusions should be highlighted to the customer and where appropriate you should provide guidance and tools to inform their choices by understanding how these compare with other products and any impact on premium.

Core duty 3 continued

- Where contextual information, conventions or precedents will be relied upon in the wording's interpretation, these should be volunteered and promoted at the time of sale. For example, if an 'all risks' policy relies upon a property damage trigger, this should be made clear to the customer, with examples of claims that would be included and excluded as a result.
- Demonstrate that cover and limits are designed to meet the needs of their target audience – and that 'superfluous' cover is not provided with the intent of comparing positively with competitors' products or to secure product ratings unless these are used and understood by customers.

Particularly relevant areas of the Code of Ethics

- 3.1 encouraging your organisation to put fair treatment of clients at the centre of its corporate culture
- 3.2 basing your decisions on a clear understanding of client needs, priorities, concerns and circumstances
- 3.3 giving your client all the information, of which you are aware, which is needed for your client to make an informed decision provided that information is not confidential to another client
- 3.4 making sure the promises you make to clients about a product's performance and the after sale service are true.

Case study

A motor underwriter helped his firm's customers to understand who to put down as the main insured and who should be a named driver by explaining the implications for both parties in a number of scenarios.

During customer focus group research it became clear that some customers had lost out because they didn't know that their No Claims Discount (NCD) could not be transferred in the event that named driver wished in future to take out their own insurance.

The underwriter recognised that this situation was particularly likely to affect female partners in a relationship where the male partner was the main insured, and that following potential relationship breakdown her premium could be adversely affected. Focusing on a life scenario, rather than simply explaining the technical wording helped customers to see how it could affect them, and how to decide who should be named on the policy.

4. “You must provide a high standard of service”

This core duty, alongside core duty 3, is particularly relevant when thinking about transparency. It includes behaviours such as meeting your promises and actively listening to customers.

The CII Code of Ethics specifically requires members, under core duty 4, **to be transparent about fees and other costs.**

In order to ensure all advice is accurate and suitable, it is essential to not only understand the needs of the individual customer, but to ensure you fully understand the wording of a policy – as well as any implications of certain policy wordings and phrases – before communicating with customers. For example, where underwriters adopt another organisation's wordings, they have a duty to review and demonstrate understanding of the scope of cover under the wordings.

The Code of Ethics also requires members to **communicate with each customer in a way that is accurate and straightforward and expressed in a way that they can understand.** Where terms, clauses and definitions have been shown to be misunderstood by customers, seek to clarify, improve or remove them. Any complaints caused by customers' misunderstanding cover should be used to reflect on how future confusion could be reduced.

This also encompasses **appropriate use of standard terms**, for example:

- Where your company's wording uses terms, clauses and definitions that are not shared with peers offering the same cover to the same intended audiences, consider whether this is to the benefit or the detriment of the customer.

Core duty 4 continued

- Wherever non-standard terms cannot be demonstrated to be a) better understood by the customer or b) offering an alternative choice of cover (with the customer's ability to consciously choose it), the standard wording should be used.
- Do not rely on legal interpretations or counter-intuitive application of terms that a customer could not be expected to understand. For example, think about how a customer might interpret 'all risks' and consider alternative language.

Do not prioritise simplicity and speed of the purchase journey at the expense of understanding and engagement.

Provide clear information before, during and after the point of sale. For example, where possible, offer the customer options to 'buy back' exclusions or extend limits, and use this interaction to help customers to understand how

the policy will apply in practice to their situation. If exclusions cannot be 'bought back' or limits extended because cover cannot be provided, signposting should be provided to alternative providers if they exist for this cover.

Case study

An insurer received a large number of business interruption claims across several small business policy wordings.

After evaluating these claims, it found that they were not covered under the existing policy wordings. This affected many customers who thought they were covered, and a number of complaints then followed. As a result of this, the insurer's head of claims instigated a comprehensive review and amendment of all its policy wordings covering business interruption to ensure that what was covered was clear, and policyholders would not mistakenly believe they were covered in the future, except in very specified situations.

Core duty 4 continued

Particularly relevant areas of the Code of Ethics

- | | |
|---|--|
| 4.1 communicating with each client in a way that is accurate and straightforward and expressed in a way that the individual client can understand | 4.9 ensuring those who work for you have appropriate training and supervision contributing to their learning and development |
| 4.2 being transparent about fees and other costs; | 4.10 if it is within your control, making sure your firm has a clear written complaints procedure which is followed. |
| 4.3 making sure reasonable steps are taken to ensure all advice is accurate and suitable for the individual client | |
| 4.8 ensuring your knowledge and expertise is kept up-to-date and relevant for your work | |

5. “You must treat people fairly regardless of: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation”

This duty is about putting yourself in your customers’ shoes, challenging unfair practices and treating everyone with respect.

Any written materials (including digital and printed), including policy wordings, guidance or contracts should be **written for a reading age of 13 or less, and not assume a specialist legal or insurance knowledge.**

Furthermore, accessibility must be considered to **maximise legibility for those with visual impairments**, including font size, colour contrast, and availability in braille, for instance.

The length of any documentation must strike the right balance between **digestibility for the customer and depth of information.**

Particularly relevant areas of the Code of Ethics

- 5.2 challenging and reporting unlawful or otherwise unfair discriminatory behaviour and practice
- 5.3 always acting openly and fairly and treating employers, employees, colleagues, clients, potential clients and suppliers with equal respect and opportunity
- 5.5. encouraging your organisation to produce and promote an equality and diversity policy setting out how the business plans to promote equality, diversity and inclusion, prevent discrimination and deal with any instances of discrimination which might happen.

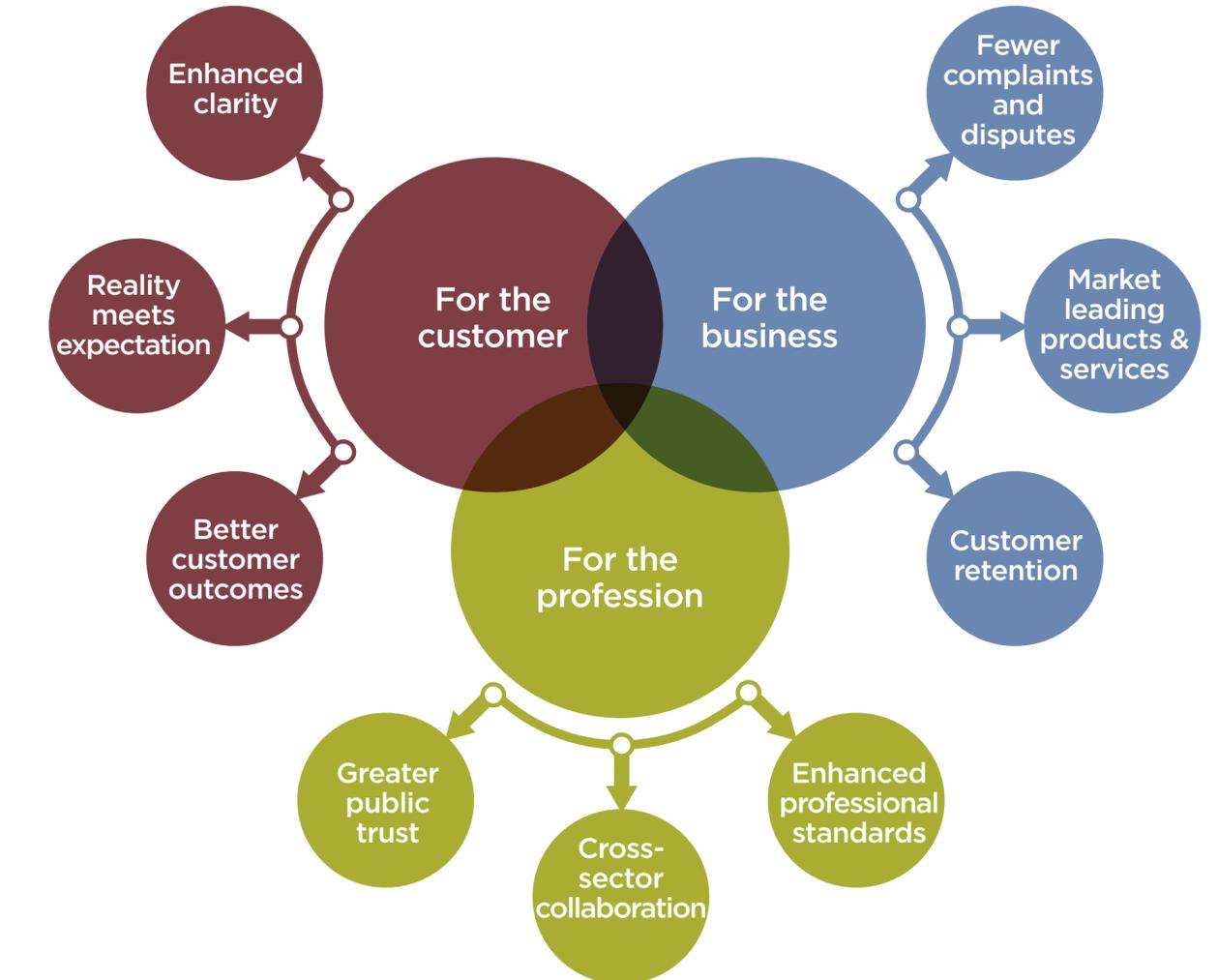
Case study

A marketing manager worked with a consumer consultancy to rewrite and redesign a travel policy document.

At the outset of the project, the document had a reading age of 21, and the marketing manager was seeing a number of complaints that resulted from customers not understanding the wording.

The consumer consultancy cut the word count from almost 23,000 words to under 10,000 and reduced the reading age to 11. After production of the new draft, 'challenge sessions' were held with key stakeholders to agree on all areas of the wording and ensure the document met the insurer's needs. In addition, the consultancy designed two new accessible versions of the policy document - one for print, and one online. The online version of the policy was responsively designed so that the text adapted to the size of the device that it was being read on.

The benefits of a transparent approach



With thanks

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Sources and further reading

CII Code of Ethics hub, including practical guides and other companions: cii.co.uk/code

Title	Organisation
ABI Guide to Minimum Standards for Critical Illness Cover	ABI
Mental Health and Insurance Standards	ABI
An Agreement on access to protection insurance for people with pre-existing medical conditions and disabilities	BIBA
Transparency and Access in Motor and Travel Insurance for Older People	BIBA
How clear are your policy wordings?	Browne Jacobson
Fairer Finance Clear & Simple Mark	Fairer Finance
The Fairer Finance Guide to Simple Writing	Fairer Finance
FCA Transparency Framework	FCA

Sources and further reading continued

Title	Organisation
AI transparency in financial services – why, what, who and when?	FCA
How we make decisions	Financial Ombudsman Service
Building simpler insurance products to better protect customers	Lloyd's
Lloyd's Culture Maturity Checklists	Lloyd's
Business Interruption Policy Wordings	The Insurance Institute of London and The Chartered Institute of Loss Adjusters
How to Write in Plain English	The Plain English Campaign
The A-Z of Alternative Words	The Plain English Campaign
The A-Z of Financial Terms	The Plain English Campaign

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