CHAPTER 17.

THE CONTENT OF A CODE OF ETHICS FOR A CREDIT INSURER.

I start this chapter with some general issues concerning the content and tone of a code of ethics and then I provide a list of matters that can be included in a code for a credit insurance company.

The content of a code of ethics obviously depends on the First Decisions (see previous chapter). The content will also be influenced by the history of the company, its culture, values and service orientated business. The needs of the credit insurer’s clients and shareholders, the credit insurer’s requirements from re-insurers and other suppliers as well as their needs, the relationship with government (if any), the regulatory authorities and the community in general will also be reflected in a comprehensive code of ethics. Competition, the changing business climate and risk situation will impact on the content of the code.

The introduction to the code of ethics should set out the justification for the code – why the code has been developed, what its purpose is to be and who it is aimed at. The
introduction should endeavour to convince the reader of the importance of the code of ethics by pointing out the advantages to all concerned of adhering to it.

The starting point of the code must be the formulation of the basic business ethics principles (see section 1 of the list appearing on page 209 to 212). This should be followed by addressing more specific matters as laid out in sections 2 – 8 of this list.

When thinking about the credit insurer’s ethics principles one needs to keep in mind – as stated at the very beginning of this report – that standards of business ethics cannot be dictated by personal feelings and experience alone. For an ethics code to be legitimate, objective and to be the basis for morally justifiable actions, it needs to have its roots in independent normative ethical theory. Kant’s categorical imperative (page 11) and Rawls’s original position (page 24) provide the best ethical theory and process to ground a business’s moral principles in. A code of ethics provides pointers but it will usually be necessary to apply one’s mind, use reason and judgment, utilizing Kant’s universalization process and Rawls’s veil-of-ignorance to find answers to difficult moral questions or ethical dilemmas (see chapter 8 “How to deal with Dilemmas in Business Ethics”).

If the First Decisions have led the credit insurer to decide on a minimalist code of ethics, such as the Levi Strauss example on page 201, there is not much more to be said about the content. All that needs to be done is for the company, i.e., all its employees, the board of directors and the owners, to decide on the wording of the ethical values. Careful thought should also be given to the consequences for individuals who do not comply, although, as earlier mentioned, it may not always be easy to pinpoint non-compliance with such a vague guideline. To give another example of a very short code, here is McDonnell-Douglas’s code of ethics, which is expressed in nine bullet points:

- Honest and trustworthy in all our relationships;
- Reliable in carrying out assignments and responsibilities;
- Truthful and accurate in what we say and write;
- Cooperative and constructive in all work undertaken;
• Fair and considerate in our treatment of fellow employees, customers and all other persons;
• Law abiding in all our activities;
• Committed to accomplishing all tasks in a superior way;
• Economical in utilizing company resources;
• Dedicated in service to our company and to improvement of the quality of life in the world in which we live.

I personally prefer a more complete, detailed code of ethics which provides proper guidelines, not only a summary of elementary, broad-based behavioural directions. A comprehensive code needs to be carefully indexed and cross-referenced to make it easily accessible. A synopsis, putting the main points into a short (not longer than one page), concise précis may be helpful, provided such an abstract is seen as a pointer to the full code and not as a substitute. A code must be clear, simple, unambiguous, and honest, conform to all other corporate policies, and address all issues, particularly those which raise, within and without, the greatest controversies. The US Federal Sentencing Guidelines (as referred to in the King Report on Corporate Governance (50. King, 2002: 105) require business to adopt a comprehensive system of self-regulation, i.e., the more compliance based approach to business ethics.

As earlier mentioned, if the credit insurer writes business in more than one country, the code needs to make provision for this. When underwriting policies in Africa, Europe, the Far-, Middle- or Near East for instance, the code has to take cognizance of the different cultures and rules that apply in each of those markets. It would be arrogant, impractical and unwise to believe that the credit insurer’s ethics based solely on his home country can be imposed all around the world (see chapter 5 “Cultural Relativism”). The UN Declaration of Human Rights is a document worth perusing for a multinational credit insurer because it is a good measure of human rights and could be incorporated into the code of such a company.
The company’s corporate governance and sustainable development policies should be linked to the code of ethics, including, for instance, triple bottom line accountability and management (economic, social and environmental – see chapters 2 “Corporate Governance” and 3 “Sustainable Development”).

Whistle blowing, the protected raising of a concern about malpractices within the organization or through an independent structure associated with the business, should be described and supported through the code.

It is a good practice to combine economical and ethical issues in the code, e.g., market-leadership, survival, profitability with honesty, reliability, responsibility and respect. As recounted a number of times in this report, a business’s critical duty is to survive and to create long term shareholder/owner value, always remembering that public safety, human dignity and honesty, matter more. BP in its statement of business policies: *What we stand for: Our Business Policies*, published in 1998, says “A good business should be both competitively successful and a force for good.”

Business has a duty to develop the human capacity of rational and ethical thinking and ensure that all personnel are appropriately trained to provide a professional credit insurance service to the market (see page 12 and chapter 12 “Underwriting”). The code of ethics must reflect this.

The broad principles of the company’s compensation policy (e.g., what type of behaviour will be rewarded) should also be part of the code of ethics. Such a statement should give insight into and provide motivation to perform according to the company’s desired values and culture.

The needs - as far as they concern the company - of the customers, suppliers, shareholders and other stakeholders in addition to those of the company and its employees must be addressed in a code which is to have both internal and external application.
The code of ethics should provide for a system of arbitration to settle differences resulting from its interpretation and application. Sanctions for disregarding and/or rewards for honest compliance with the code need also to form part of it. Common sense would seem to suggest that sanctions will make people more mindful of an ethical code, but research has not been able to prove this (42. Rossouw, 2002: 131). Reward for moral behaviour seems to be a stronger incentive for adhering to an ethical code.

The tone in which a code is written can have a considerable influence on its effectiveness and will depend on whether the company in its First Decisions has opted for a compliance or integrity based code of ethics (see pages 202, chapter 16 “The First Decisions”). A compliance based code would have a more authoritarian, prohibiting tone, whereas an integrity based code will use inspiring, positive and supporting language. A good mix between compliance and integrity based systems seems advisable for a credit insurance business. Care should be taken that the code does not contain unreasonably repressive rules undermining trust, which always remains indispensable.

The responsibility lies with the board of directors to guide the development of the code and to put their stamp of approval on a code that is lucid, user-friendly and aligns ethics with the organization’s goals so that employees can easily make decisions based on the code.

I provide hereunder a list of issues that may be included, in one way or the other, in an ethics policy for a credit insurer. It is not exhaustive and its aim is merely to provide some guide for the discussions around and the drafting of a code. Some may believe this list to be far too long and detailed; others will think that some important points have been left out. It depends on the size, culture, preference and type of operation, as well as on the First Decisions referred to in chapter 16 “The First Decisions” as to how detailed the code of ethics will be for a particular company. In order to facilitate the use of the list, I have arranged the issues according to the main functions of a credit insurer (as addressed in this report) and also stated (where applicable) the page number of this report where the
respective issue is being discussed. The list begins with a group of issues under the heading of “General” which enumerates ethical points that apply to all actions in business. As a result of this method of sorting the various issues, a certain amount of duplication is unavoidable.

LIST OF SOME ISSUES THAT MAY BE INCLUDED IN AN ETHICS POLICY FOR A CREDIT INSURER.

1. GENERAL.
   1.1. Basic issues:
   - Do not lie, coerce or withhold essential information;
   - Do not be part of any fraud, reckless action or collusion and don’t be negligent;
   - Do not countenance bribery, extortion, corruption and exploitation;
   - Be helpful, courteous and enthusiastic;
   - Have the necessary knowledge and expertise and don’t be reticent in saying if you don’t;
   - Act responsibly, professionally, promptly and be reliable;
   - Always respect the dignity and autonomy of others;
   - Avoid all hate, sexual or race speech or actions;
   - Accept accountability; honor agreements, be transparent, bring credit to the organization and be proud of it;
   - Keep Kant’s categorical imperative in mind (see pages 11 to 17).

1.2. Legal issues: Always comply with the law.

1.3. Reputation issues: All who work in or for the company must assume responsibility for building and protecting the company’s reputation and image.

1.4. Staff issues:
• Provide staff with relevant training in technical and ethical matters and provide clear job-descriptions;
• Encourage learning from experience;
• Explain the company’s staff and other relevant policies including if applicable, the company’s affirmative action, employment equity and skills development policies.
• Staff to be at all times professional, reliable, trustworthy, helpful, courteous, and to respectful;
• Staff to be accurate, complete and relevant when dealing with others;
• Staff to avoid substance abuse and not to work for others without prior approval;
• Staff members’ job appraisals must rate these attributes;

1.5. Management:
• Protect the business and stakeholders, and ensure profitability and sustainable wealth creation in an ethical manner;
• Avoid greed;
• Act with integrity; give credit where due and set an example;
• Create an atmosphere of trust, respect and enthusiasm; give fair feedback;
• Remunerate fairly according to merit and ethical behaviour;
• Delegate responsibility and authority clearly and with trust;
• Install impartial, fair process for complaints from staff, customers and other stakeholders;
• Point out consequences of non-compliance with the code of ethics and company policies;
• Do not coerce, lie, cheat, misrepresent, defraud, act recklessly or negligently;
• Be open, honest and transparent in all dealings and information disclosure, which must be complete and user-friendly;
• Comply with government rules and regulations, e.g., in South Africa – Black Economic Empowerment.
1.6. Outside stakeholders: Ensure that all stakeholders know of the company’s code of ethics and respect it in their dealings with the company. Do not ignore or violate the interests of those affected by the business’s activities. Support businesses that act ethically;

1.7. Whistle blowing: The code of ethics should define whistle blowing, explain its operation and the protection it affords, its advantages and disadvantages and encourage all stakeholders to use the system judiciously;

1.8. Communications: All communications need to be open, complete, honest, prompt and voluntary;

1.9. Donations: Donations and charitable activities must be within a board approved budget. Major altruistic activities need the prior approval of shareholders;

1.10. Conflict of interest: Do not offer or accept unjust advantages, and declare any conflicts of interest. Ensure the concept is defined in the code of ethics;

1.11. Competition and antitrust matters: Treat competitors fairly and do not belittle, ridicule or tell untruths about them or their products. No industrial espionage, collusion, price fixing or similar anti-competition actions should be undertaken;

1.12. Company assets and resources: Care for and protect all company assets such as buildings, motor cars, IT, telephone, copiers etc. Ensure that debtors, investments, cash holdings as well as copyright, reputation and other intangible assets are carefully managed and secured. Develop a policy covering staff use of company assets;

1.13. Privacy: The company’s policy concerning privacy rights that arise for staff and the employer from the use of the company’s electronic network for personal messages must form part of the code;

1.14. Corporate governance: The company must have a corporate governance policy that should be linked to its code of ethics. The policy needs to be public and the company should report annually relating to its compliance. The policy should be scrutinized regularly to ensure that it remains up-to-date (see chapter 2 “Corporate Governance”);
1.15. Sustainable development: Environmental and social responsibility issues must be taken seriously (see chapters 3 “Sustainable Development” and 12 “Underwriting”) and relevant policies must be part of the ethics code;

1.16. Political support: Develop and adhere to a policy on political donations, e.g., to parties. Such a policy requires board and shareholder approval;

1.17. Information: Design and manage policies concerning information disclosure, storage and management, data protection, confidentiality, insider trading, company records, accounts, publications and media relations, advertising and public relations;

1.18. Workplace security and health: Draw up guidelines and make certain they are complied with;

1.19. Community: Describe the relationship the credit insurer wishes to foster with the community in general in its desire to be a responsible corporate citizen;

1.20. Investments: Ensure a board approved investment policy is in place and is followed;

1.21. Gifts: The giving and acceptance of gifts or other hand-outs needs to be prohibited or at least controlled and reported. The code of ethics should include a definition of “gift;”

1.22. International application: Where the code is to have international application the discussion in chapter 5 “Cultural Relativism” should be considered;

1.23. When faced with moral dilemmas, employ a suitable and disciplined method to solve it (pages 72 to 76). Use Kant’s categorical imperative but be tolerant of other theories (pages 78 and 81);

1.24. Sanctions: The code should include an arbitration clause and must state what sanctions will apply on breaching of its provisions;

1.25. Unreasonably repressive rules undermine trust, which is basic to any well functioning code of ethics.

2. MARKETING AND SALES.

2.1. Provide all relevant information.  
2.2. Take great care in advising clients.
2.3. Deal in an honest, trustworthy, legal and fair manner. Page 100
2.4. Be honest in advertising and public relations must be honest. Page 101
2.5. Do not coerce others to act in a specific way. Page 101
2.6. Help foster good community relationships. Page 101
2.7. Help publicize the company’s ethics policy. Page 101
2.8. Consider, if the business is international, chapter 5 “Cultural Relativism”. Page 102
2.9. Ensure the media has a good understanding of credit insurance. Page 102
2.10. Treat confidential information with care. Page 102
2.11. Listen to and respect the views of clients, brokers and the market. Page 103
2.12. Treat clients in accordance with and meet, as far as possible, the customers’ different needs. Page 103
2.13. Facilitate the building of the credit insurer’s reputation. Page 103
2.15. Do not employ an aggressive sales approach. Page 104
2.16. Fight the competition fairly and cleanly. Page 105
2.17. Deliver superior service. Page 105
2.18. Strive for a win/win position. Page 106
2.19. Foster good internal relations. Page 106
2.20. Explain the credit insurer’s expertise/service fully. Page 106
2.21. Do not promise or commit the company to anything it cannot deliver. Page 107
2.22. Treat no one merely as a means, but as an end-in-itself. Page 107
2.23. Staff marketing and sales with experts in their fields. Page 108
2.24. Provide the relevant training to employees. Page 108
2.25. Help train policyholders to properly administer the cover. Page 109
2.26. Audit policyholders’ compliance to avoid repudiations of claims. Page 109
2.27. Ensure that the remuneration policy for marketing and sales people encourages them to act ethically in the way the company wishes them to behave. Page 109
2.28. Demonstrate the “customer first” strategy.  
Page 110

2.29. Employ brokers with care, monitor their activities and make certain that commission payments are transparent.  
Page 111

2.30. Manage relationships with banks carefully.  
Page 112

2.31. Support the development of a credit insurance industry-wide code of ethics via the international associations.  
Page 113

2.32. Offer only those services for which the insurer is well qualified.  
Page 114

2.33. Help build normative trust.  
Page 118

3. UNDERWRITING – SHORT TERM POLICY UNDERWRITING.

3.1. Offer appropriate cover.  
Page 124

3.2. Don’t make promises that cannot be kept.  
Page 125

3.3. Explain policy terms and conditions.  
Page 125

3.4. Be consistent and fair in setting premium rates.  
Page 125

3.5. Design and adhere to rational standards.  
Page 125

3.6. Be circumspect in discounting rates.  
Page 128

3.7. Ensure that any Special agreements are in writing.  
Page 128

3.8. Avoid “small print” in policy wordings.  
Page 128

3.9. Comply with laws, regulations and industry code of ethics.  
Page 128

3.10. Avoid misunderstandings and delays and build a trusting relationship with clients.  
Page 129

3.11. Always disclose all relevant information to clients but keep confidential information confidential.  
Page 130

3.12. Help the client to comply with policy conditions.  
Page 130

3.13. Always deal fairly, correctly and ethically.  
Page 131

3.14. Deliver a prompt, personalized, quality service to all.  
Page 131

3.15. Try to help small business.  
Page 154

4. UNDERWRITING – MEDIUM-/ LONG TERM CONTRACTS POLICY UNDERWRITING.

4.1. The points listed under 3. also apply here.  
Page 131
4.2. Assist exporter in negotiating the export contract.  

4.3. Ensure the exporter is aware of all preconditions, documentation, studies and other requirements for the issue of a policy.  

4.4. Do not withhold relevant information, assist the exporter in overcoming shortfalls – exercise the duty of care.  

4.5. Consider environmental implications carefully.  

4.6. Do not support unethical or unviable projects.  

4.7. Comply with Berne Union agreements.  

4.8. Keep cultural variations in mind.  

5. UNDERWRITING – SHORT TERM CREDIT LIMIT UNDERWRITING.  

5.1. Underwrite carefully, fairly with relevant knowledge/experience.  

5.2. Train underwriters properly.  

5.3. Base decisions on facts and cool professional judgment.  

5.4. Consider environmental and social issues.  

5.5. Consider the corporate governance policy of large risks when making underwriting decision on them.  

5.6. Consider the ethical policies and behaviour of the risk.  

5.7. Examine the ability, experience, reputation and moral standing of the management of the risk.  

5.8. Build a loyal, trustworthy, committed and motivated underwriting staff.  

5.9. Make quality in the underwriting work paramount.  

5.10. Ensure underwriting staff have good people skills.  

5.11. Watch out for fraud, build strong culture and recruit with care.  

5.12. Do not divulge confidential information.  

5.13. Manage underwriting mandates carefully.  

5.14. Be cautious when drawing up and up-dating blacklists of risks, directors and others.  

5.15. Use circumspection in risk administration, management and diversification.
6. UNDERWRITING – COUNTRY UNDERWRITING.

6.1. Gather diligently and thorough all relevant country information and analyze it carefully. Page 158

6.2. Heed international agreements, sanctions or restrictions. Page 158

7. CLAIMS.

7.1. Attend to claims efficiently, promptly and professionally. Page 167

7.2. Assess claims diligently. Page 167

7.3. Find reasons for honoring the promise contained in the policy, trivial issues should not preclude the payment of a claim. Page 168

7.4. Do not condone material breaches of policy conditions. Page 168

7.5. Be helpful in the claims lodging process. Page 168

7.6. Help to mitigate losses. Page 168

7.7. Act responsibly. Page 169


7.9. Prevail on liquidators to act ethically and correctly. Page 169

7.10. Help detect and punish fraudulent and reckless behaviour by or collusion between directors/owners and others. Page 170

7.11. Ensure all relevant information is received and that the necessary infrastructure is in place to manage the claims process correctly. Page 170

7.12. Support the development and maintenance of relevant laws and institutions. Page 171

7.13. Pursue and where necessary institute legal action against officers for fraud, gross negligence and other untoward actions. Page 171


7.15. Keep brokers, cessionaries and re-insurers informed. Page 173

7.16. Follow up efficiently on salvages and account to the insured. Page 173
7.17. Ensure that only qualified staff members handle claims matters.  Page 173
7.18. Pay proper attention to the reserving of claims, salvages etc.  Page 173

8. REINSURANCE.

8.1. Reinsure risks appropriately.  Page 181
8.2. Ensure that the mix between own capital and reinsurance (including types of reinsurance) is optimal.  Page 182
8.3. Control the cost of reinsurance.  Page 182
8.4. Select re-insurers carefully.  Page 183
8.5. Build trust between the parties.  Page 185
8.6. Comply with the terms and conditions of the reinsurance treaty.  Page 185
8.7. Do not employ mechanisms that will distort or lead to opaqueness of the annual financial results/statements.  Page 186
8.8. Provide the re-insurer with all relevant information, including the code of ethics and obtain their support for these.  Page 186
8.9. Keep ambiguity, uncertainty and misleading terms and conditions out of treaty wordings.  Page 188
8.10. Consult the re-insurer before settling very large claims or making large ex gratia payments.  Page 188
8.11. Compile and provide the re-insurer with all relevant statistics.  Page 190