



Case Study 1

You should have a copy of the CII Code of Ethics and Conduct to refer to when attempting this case study.

The aim of this case study is to acquaint you with the Key Values of the Code and to give you some idea of good and bad practice in relation to those Values.

At the end of this exercise you should have a greater understanding of what might go wrong when a practitioner does not work with these Key Values in mind. You should be able to express an opinion about how other actions and behaviour might affect the Key Values.

Bear in mind that this is not an assessment of competence but a tool to analyse your understanding of the CII Code of Ethics and Conduct. Should there be any gaps in your knowledge which you are not able to address yourself, please contact the CII. It is important to remember that, although a breach of the Code may not result in any action by the CII against you, that breach could count as evidence in a legal action against you or your firm.

Key Values

The following list of six Key Values is taken from paragraph A of the Code of Ethics and Conduct:

- behaving with responsibility;
- behaving with integrity;
- taking into account wider responsibilities to society as a whole;
- acting in a courteous, honest and fair manner;
- being trustworthy; and
- not putting own interests or interests of others above the legitimate interests of stakeholders.

The case study

Look at the six Key Values above. As you read the following case study you will see letters which correspond to at least one of each of the Key Values. See if you can match them to the correct one. For example, in paragraph three of the case study there is the letter J. To which of the above Key Values do you think this corresponds? At the end of the case study are some suggested answers.

There are also three letters which highlight situations that might not be a breach of the Code. Which are they?



The scenario: a day in the life of John Huggins

John is a member of the CII.

John Huggins awoke early. It was going to be a big day. He had worked for ACME Insurance Consultants for 10 years and he had completed the Financial Planning Certificate some years earlier. What was exciting about this day was that, having passed five papers of the CII AFPC exams (including the pensions paper), this was the first time that he was going to see a corporate client without any constant supervision. Until now he had been able to advise unaided for the directors on everything but pensions and this had really inhibited his performance earnings.

Today he was hoping to sell some really large annual premium business to the three directors: Jane, Philip and David Swaneshold of Swaneshold Limited, a local and successful engineering company that he had been courting for 18 months.

Lying on the mat in the hall were the tickets for the luxury holiday that he had already bought for his wife and family in expectation of a nice fat commission cheque at the end of the month (J). His basic salary would not pay for more than a week on the coast in the UK but today should see them basking in the Caribbean for three weeks, and he had already handed over the 20% deposit to the travel agent that weekend. He was certainly the hero of the moment at home and by the end of the day he was going to be the hero at the office as well.

His wife had been concerned when he told her about the possibility of the holiday and so he told her that the business was already completed (a white lie in his opinion). She had allowed him to pay the deposit from her savings, two thousand pounds she had been left by her mother when she died and which was earmarked to help their son Crippen through college (A).

It was certainly a chirpy group he left at home that morning.

He was about five miles from home when his car phone rang and his world began to fall apart. It was Jean, his assistant from the office. Apparently, Jane Swaneshold had rung asking to postpone the meeting for a few months as, whilst she and Philip were happy to proceed with ACME's recommendations, her brother David, the technical director, was having reservations about putting more than a few hundred pounds aside per year.

John gripped the wheel tightly and, thinking swiftly, asked Jean to ring the clients advising them that she was unable to get hold of him and that he would arrive anyway for the meeting (D). At least he might have a chance to dissuade the clients face to face from their chosen route and could try to save the day. He managed to call in to the travel agent before he arrived at the Swaneshold premises but found that the deposit was not returnable (E).

The twenty or so minutes respite between the call from his office and arriving at the Swaneshold Limited premises gave him time to think about the dilemma. Of course Jane Swaneshold started by announcing the directors' decision but John was ready and, having expressed a contrived surprise at the news (G), he gave an explanation about the tax advantages of making a substantial investment before the end of the fiscal year (B).

The meeting was not going well however, and it was becoming clear that David Swaneshold had developed deep-rooted concerns about investing any sizeable amounts in a pension arrangement and, despite the many reasons John was able to think of from his studies to persuade the client otherwise (G), it was clear that no sale was going to take place.

Somehow, John had to earn some money from the situation to pay for his holiday (F) so he decided to change tack. He tried to make the clients feel guilty for wasting his time over getting everything ready (H) and started to talk about a fee for that wasted time.

Philip Swaneshold pointed out that this had not been the basis of John's firm's terms of business but John was quite adamant on the point and the directors agreed to make a payment. It did not equal the amount of commission that would have been earned if they had gone ahead but John was pleased that he would earn enough to cover the cost of the deposit on the holiday.

John was not a happy man and on his walk back to the car he took great delight in aiming a kick at an inoffensive litter bin, spewing the contents all over the lawn of Mrs Mable Gripdyke living at number 27 Acacia Avenue (J).



The purpose of the exercise is to acquaint you the list of Key Values identified within the Code.

Behaving with responsibility and integrity in their professional life and taking into account their wider responsibilities to society as a whole. Acting in a courteous, honest and fair manner towards anyone they deal with. Being trustworthy and never putting their interests or the interests of others above the legitimate interests of their stakeholders.

There are no right or wrong answers, only opinions, and you are entitled to interpret the Code as you wish. Ultimately, it is a panel of your peers (the Disciplinary Committee) which can stand in judgment.

So how did you get on? Here are the suggested answers:

- **Behaving with responsibility**

(J) It was irresponsible of John to book a holiday he could not afford on the basis of speculation of earnings, linked to a sale that had not been made. The potential breach lies in the conflict of interest in that he assumed the sale would take place and he needed to make the sale to pay for this financial commitment. Generally there will be no breach if a member is irresponsible financially unless bankruptcy, formal arrangement with creditors or criminal charges occur. The CII should be informed in such circumstances.

- **Behaving with Integrity**

(D) John was lacking in integrity when he asked his assistant to lie for him.

- **Taking into account wider responsibilities to society as a whole**

(J) A professional person is considered by many to have a responsibility to act in a responsible manner in their lives with particular regard to the concept of 'thinking of others'. This can be in the broader contexts, such as investing customers' funds (exploitation and green issues), not being unduly discriminatory about others or, more specifically, acting directly as an individual in a manner that causes others discomfort, whether physical or mental.

A good example of how a major insurer approached this Key Value in a positive manner was to set up a system whereby staff could spend an evening a month reading for the visually impaired, as part of its CPD scheme. Taking into account one's responsibilities to society as a whole is as much about putting something back as thinking about how your actions affect others.

In this case John was probably not in breach of the Code when he kicked the litter bin but that might not have been the case were he a well-known figure commonly associated with the insurance business, or, if Mrs Gridyke or anyone else saw him upending the rubbish, knew him to be a CII member and complained.

- **Acting in a courteous, honest and fair manner**

(H) To bully clients and make them feel guilty is not courteous. It might also be seen as lacking in integrity. Excessively hard and manipulative sales techniques could well be a breach of the Code, particularly if it is illegal and/or in breach of a regulator's requirement.

- **Being trustworthy**

(G) It is astonishing just how much trust a customer puts in an insurance or financial adviser and thinking of any reason to persuade a client to effect a contract is a breach of trust. We tend to relate trust to the safe-keeping of something (a trustee), but in a world where the public rely so much on members of the CII and practitioners generally to recommend to them products suitable to their needs, it is imperative that we consider trustworthiness in a much wider context. There is no reason at all why practitioners should not feel proud of the trust a client invests in them. It is a tough standard to maintain but no different to that of other professions, such as lawyers and accountants.



- **Not putting own interests or interests of others above the legitimate interests of stakeholders**

(F) There are many ways that a professional person can put interests in the wrong order of priority. Earning money as a priority over giving suitable advice is a good and obvious example, but it might equally have applied if John had been in the habit of taking Friday afternoons off to play golf without arranging for someone to be in the office to answer customers' queries or deal with their needs. If the customers don't know there is no service on a Friday afternoon (which a member of the public might reasonably expect of a professional adviser), then John might be accused of putting his own interests before those of his customers. The matter is solved simply by John telling his customers that there is no service on a Friday afternoon. They can then contact him at another time or find another adviser.

The following involve no breach of the CII Code:

- (A) Taking his wife's money under false pretences might well be an indication of his character but it is not something that specifically falls within his professional life. If a criminal conviction were involved it might be relevant.
- (E) This is just a matter of fact. The breach of the Code lay in the irresponsibility of spending money that might have been earned from professional activities before the client had affected the contract (a conflict of interest), not his weakness or carelessness in not knowing the terms of a private contract he had entered into.
- (B) Whether or not there was a financial benefit in investing early for tax purposes is not known. This could be a question of competence (and not a matter for this particular case study) or it could be another attempt to persuade the customers to effect a contract they do not want, in which case this could be another answer relating to trustworthiness.

Clearly John is acting unethically and the chances are that this day in his life will not feature in any disciplinary or Court action, but gone are the days when practitioners are able to conduct their business like this without eventually being held accountable.

The purpose of publishing these Key Values is to provide a template of how a practitioner should act and of how a customer should expect to be treated.