

BUSINESS ETHICS IN THE ROMANIAN INSURANCE MARKET

Gabriela -Mihaela MUREȘAN¹, ORCID: 0000-0001-6715-740

Abstract: *Starting from the idea that ethical codes guide employee behaviour, we have implemented qualitative methods to assess the importance of business ethics. This paper aims to achieve a ranking of the ethical codes of Romanian insurers based on document analysis. Our results show that few Romanian insurance companies have published their code of ethics on the official site. Moreover, Gothaer seems to have the most complete code of ethics.*

Key words: *insurance, code, ethics, employees.*

JEL classification: G22.

Introduction

The ethical codes have the role to regulate the professional behaviour of the insurer. However, we have not identified in the literature "the magic solution", although, the practice reduces the importance of ethics to the existence of code as "the most visible sign of the ethical philosophy of a company" (Stead et al., 1990). According to Cupach & Carson (2002), the insurance industry promotes codes of ethics as an "effort to convey professionalism and win customer trust".

At the international level, we have identified specific ethical codes for insurance activity. John Kennedy founded the United States Agency for International Development (USAID), which published in May 2006 the "Code of Ethics for Insurance Professionals." On other hand, at national level, there is an ethical code of insurance brokers members of UNSICAR (National Union of Insurance Brokerage and Consulting Companies in Romania), which is based on 15 principles, according to the official website of the organization.

The paper is organized as follows: *Section 2* reviews previous studies regarding ethics, *Section 3* describes the methodology and the database employed in this study, *Section 4* offers information regarding our results, and *Section 5* presents our conclusions.

Literature review

The elaboration and the assumption of the codes of ethics by the employees presents a series of advantages among which we mention: contributes to the development of an ethical climate (Vitell et al., 1993); unethical behaviours are less common in organizations with ethical codes (Adams et al., 2001; Trevino & Weaver, 2001; Kaptein, 2011); have a positive effect on ethical decisions (Mc Devitt & Van Hise, 2002); have a financial impact on performance (according to the Institute of Business Ethics in the United Kingdom); offers several important benefits (Somers, 2001).

Adams et al. (2001) conducted an exploratory study on how having a code of ethics influences the perception of ethical behaviour. The method of data collection was the

¹ Lecturer, Finance Department, Faculty of Economics and Business Administration, Babes Bolyai University.
Corresponding author: gabriela.muresan@econ.ubbcluj.ro
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structured interview, and the interview guide included 40 closed questions, respectively 11 open questions.

The 136 interviewers analyzed each answer in detail based on grounded theory. Finally, the database was composed of 766 respondents, and 465 employees from companies that hold codes of ethics. They feel much more encouraged, supported, and consequently more ethical, compared to employees in companies that do not have such codes (N = 305). In other words, the presence of a code of ethics has a positive impact on the perception of ethical behaviour. In contrast, Eastman et al., (1996) find no link between the ethical behaviour of insurance agencies and the existence of a code of ethics.

The Institute of Business Ethics of the United Kingdom, founded in 1986, holds various works and relevant results. It provided conclusive evidence regarding the link between ethical behaviour and the financial results of a company. Webley & More (2003), researchers at the institute, publishes the paper "Does business ethics pay. Ethics and financial performance" which investigates whether a commitment to ethics has a cost. They included in their analysis two categories of indicators that focus on financial performance on the one hand, and ethics on the other, by using 7 indicators such as market value added (MVA), economic value added (EVA), price per earnings (P / E), return on capital employed (ROCE), the existence of the code of ethics, the risk management rating and the ranking for the most admired companies in the United Kingdom. The sample consisted of 41 to 86 companies, for the period 1997-2001 and these were subgrouped according to the explicit declaration of the existence of codes of ethics/conduct/ for a period of at least 5 years. The results showed that the companies that have a code of ethics/conduct exceeded the performances of those without a code. Companies without a code generate significantly less EVA and MVA than those with code and have more P / E volatility.

Methodology and methods used

We intend to analyze the transparency and quality of the information found in each Code of ethics accessible on the official website of the insurers in the Romanian insurance market. According to the list of companies authorized by the Financial Supervisory Authority, we have analyzed 29 companies (see table below), mentioning that two of them (Eurolife and Uniqa Insurance) have common sites for the two segments of insurance (LI-life insurance, respectively, LIG – non-life insurance).

Table no. 1 List of insurance companies authorized by ASF

N o.	Insurer	Market segment	Code	Web address
1	ABC ASIGURARI-REASIGURARI S.A.	NLI	No	www.abcasigurari.ro
2	ALLIANZ - TIRIAC ASIGURARI S.A.	NLI-LI	No	www.allianztiriac.ro
3	ASIGURARE REASIGURARE ASIMED S.A.	NLI	No	www.asig-asimed.ro
4	ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A.	NLI-LI	No	www.asirom.ro
5	ASITO KAPITAL S.A.	NLI	No	www.asitokapital.com
6	ATE INSURANCE ROMANIA S.A.	NLI-LI	No	www.ateinsurance.ro
7	AXA LIFE INSURANCE S.A.	LI	No	www.axa-asigurari.ro
8	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP S.A.	LI	No	www.bcrasigviata.ro
9	BRD ASIGURARI DE VIATA S.A.	LI	No	www.brdasigurarideviata.ro
10	CERTASIG - SOCIETATE DE ASIGURARE SI REASIGURARE S.A.	NLI	No	www.certasig.ro
11	COMPANIA DE ASIGURARI - REASIGURARI EXIM ROMANIA (CARE - ROMANIA) S.A.	NLI	No	www.eximasig.ro
12	ERGO ASIGURARI DE VIATA S.A.	LI	No	ergo.ro
13	EUROINS ROMANIA ASIGURARE REASIGURARE S.A.	NLI	No	www.euroins.ro

14	EUROLIFE ERB ASIGURARI DE VIATA S.A.	LI	No	www.eurolife-asigurari.ro
15	EUROLIFE ERB ASIGURARI GENERALE S.A.	NLI	No	
16	GARANTA ASIGURARI S.A.	NLI-LI	No	www.garanta.ro
17	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	NLI-LI	Yes	www.generali.ro
18	GERMAN ROMANIAN ASSURANCE S.A.	NLI	No	www.gerroma.ro
19	GOTHAER ASIGURARI - REASIGURARI S.A.	LI	Yes	www.gothaer.ro
20	GRAWE ROMANIA ASIGURARE S.A.	NLI-LI	No	www.grawe.ro
21	GROUPAMA ASIGURARI S.A.	NLI-LI	No	www.groupama.ro
22	NN ASIGURARI DE VIATA S.A	LI	No	www.nn.roasigurari
23	OMNIASIG VIENNA INSURANCE GROUP S.A.	NLI	No	www.omniasig.ro
24	ONIX ASIGURARI S.A.	NLI	No	www.onix.eu.com
25	POOL-UL DE ASIGURARE IMPOTRIVA DEZASTRELOR NATURALE S.A. (PAID)	NLI	No	www.paidromania.ro
26	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	LI	No	www.signal-iduna.ro
27	SOCIETATEA DE ASIGURARE - REASIGURARE CITY INSURANCE S.A.	NLI	Yes	cityinsurance.ro
28	UNIQA ASIGURARI DE VIATA S.A.	LI	No	www.uniqa.ro
29	UNIQA ASIGURARI S.A.	NLI	No	

Source: Insurer Register processing available online on the ASF website, accessed February 26, 2018

We use the document analysis method because it is adequate for the purpose mentioned above. Bowen (2009) defines document analysis as "a systematic procedure for reviewing or evaluating documents, both on paper and electronic media", and this whole iterative process combines elements of content analysis and thematic analysis. To achieve a hierarchy of existing codes by tracking their quality, we propose to develop a scoring model focused on the 3 dimensions:

- the *time dimension* captures the accessibility and the actuality of the code. In other words, the ease of finding the code on the official website of the company, respectively, how it corresponds to the "present";

- the *shape dimension* is characterized by the organization of the content and the way it is presented. It considers aspects related to the formatting of the document that can give it its aesthetic note. In addition, the form can facilitate the way you read the document.

- the *content dimension* is the most complex. In our vision, this should focus mainly on: applicability, relevance, coherence, intelligibility, completeness and the way the sanctions are presented.

Summarizing these subdivisions, it could be written as questions: to whom it is addressed, how relevant it is, there is a logical thread, it is easy to understand, it is complete and what are the consequences in case of non-compliance with the code.

The final score represents the sum of the score obtained on each criterion. Thus, for each criterion of the 10, a score from 1 to 4 points will be assigned. The maximum score that can be obtained is 40 points and reflects the highest degree of quality of the information given

the time allocated, the form and the content presented. In this respect, the proposed evaluation scale can be found in Table no. 2.

Table 2 Scale of evaluation of ethical codes

No.	Quality of information		Points:				The maximum score per dimension
			1 point	2 points	3 points	4 points	
I.	Time dimension	Accessibility					8 points
		Actuality					
II.	Shape dimension	Organizing content					8 points
		The way of presentation					
III.	Content dimension	Applicability					24 points
		Relevance					
		Coherence					
		Intelligibility					
		Completeness					
		Presentation of sanctions					
Score obtained *			* Total points = $\sum_{i=1}^{III} p_i$				40 points
The place obtained by the insurer			**				

Source: personal processing

* Where: p_i - score obtained at dimension i ;

points minimum: 10 points;

points maximum: 40 points.

** Descending ranking.

Results

Our first step was to identify the codes published on the official websites of the companies. Regarding the first indicator, the transparency of the codes, unfortunately, a number of 3 insurance companies, about 11% of the total market, offered the possibility to access such a code on their site, but we do not deny the existence in the internal flow of the other companies.

With the completion of the first stage, we noticed that the concept of ethics and conduct is misused. Although at first glance, we tend to believe that these notions are synonymous, there is still a subtle difference. The codes of ethics concern the values, mission, and principles of a company with the role of guiding the behaviour of the employees to take different decisions. Their content is general and normally, they do not provide for sanctions applied in case of deviation. Instead, codes of conduct are more specific and contain detailed information about what is good, or, on the contrary, bad. The content of these codes must include clear specifications regarding the behaviour of the employees and the sanctions applied. According to the Code of Conduct of the Gothaer Group, the German Insurance Association (GDV) has drafted such a code for the first time, and in time, it has received special relevance in other industries.

Next step, we analyzed all documents and they are presented punctually, in Appendix no. 1 and include the aspects observed on the 3 dimensions (time, shape and content).

Quality of information		Code of															
		conduct:												ethics:			
		UNSAR				City Insurance				Gothaer				Generali			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Time dimension	Accessibility			X		X							X		X		
	Actuality			X			X					X				X	
Shape dimension	Organizing content		X						X				X				X
	The way of presentation		X						X				X				X
Content dimension	Applicability				X				X				X				X
	Relevance				X				X				X				X
	Coherence		X					X					X				X
	Intelligibility			X					X				X				X
	Completeness			X				X				X				X	
	Presentation of sanctions			X					X				X				X
Score obtained		29 points				33 points				38 points				36 points			
Ranking						II.				I.							

However, in table no. 3, we present the final scores obtained based on the algorithm elaborated.

Table no. 3 Final rankings of insurance code

Source: personal processing

Conclusion

Following the document analysis, we found that ethics does not seem to be a central element of the organizational culture, well-integrated and presented on the websites of the companies. Thus, we identified various confusions between ethics and behaviour; principles, values, and purpose. It is worth noting, however, the effort of the Generali Group, which seems to have understood and at the same time assumed one of the basic principles of ethics, namely transparency.

However, Chonko & Hunt (1985, cited in Vitell et al. 1993) point out that most of the time companies develop ethical codes, but they are "kept away" and are not incorporated into the organizational culture. Moreover, within the Romanian insurance market, we do not deny their existence internally, but we want to highlight in terms of transparency the following aspects:

- at the beginning of 2018, about 10% of the codes of ethics/conduct are public on official websites;
- no references are made on the site to the UNSAR code of conduct, although most insurance companies are members of the union.

On the other hand, regarding the quality of the information reflected in codes subject to the present analysis, we note as strengths:

- the existence of a code of conduct translated in parallel into a language of international circulation;
- conceptualization of ethical principles designed to favour the engagement in ethical behaviours;
- the applicability of the ethical code without discrimination to all employees;
- low level of transparency of ethical codes;
- accessibility and current status of existing codes;

- confusion between ethics and conduct, principles and values.

In our vision, insurers should promote values such as human dignity, transparency, fairness, honesty, integrity, solicitude and respect.

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Appendix no. 1 Document analysis

A) Codes of conduct

A1.1. UNSAR

<i>Time dimension</i>
- unfortunately, it is not easily accessible and visible to the general public on the websites of the member companies but is easily found on the official site of this professional organization.
<i>Shape dimension</i>
- first of all, we would like to mention that there are two codes accessible in the online environment of UNSAR (approved on March 5, 1996, and July 10, 2013).
<i>Content dimension</i>
- some sections contain clear details ("UNSAR members are obliged to ..."; "not allowed"), others have evasive content (aspects related to the first part of the code have generated confusion between purpose, principles, and values);
- the second section - rules - contains 17 punctual observations, some grouped according to the recipient of the information, others not. We mention that there is no logical sequence of content. Clarifications regarding the conflict with the UNSAR status, the compulsory code, the connection with the natural or legal persons, the unfair competition, the prohibition of dumping, the confidentiality of the data, the publicity, the interest, the discrimination, the transparency, and the social responsibility are provided;
- the third section - the brokers - is forbidden to obtain information on competition;
- the fourth section - the advertisement - punctual and well-specified information on the "prohibition of the misleading advertisement";
- the fifth section - the media - clear specifications regarding the danger of information in this environment;
- the last part - final provisions - information on the compulsory code, references to sanctions (we mention that they are not explicitly presented, but are referred to the UNSAR Statute).

A1.2. CITY INSURANCE S.A.

<i>i) Time dimension</i>
- the code is not easily accessible.
<i>ii) Shape dimension</i>
- it is very well structured, at the beginning is presented a table with the role of summarizing the 16 sections.
<i>iii) Content dimension</i>
I. General provisions - illustrates the importance of the application of the code: "the conduct of the employees directly influences the image of the company", the universality and the obligation of the code.
II. The mission and values of the company - clarifications regarding compliance with the legal framework, rules, and norms, as well as values: "integrity, honesty, professionalism and team spirit". Moreover, employees must "have fair and dignified behaviour both in the workplace and in their private life."
III. Fairness and non-discrimination - two very important principles for carrying out the activity, presented in great detail and on time.
IV. Integration of new employees - concerns regarding their familiarization by encouraging open communication, collegiality, and lifelong learning.
V. Communication within the company - focused on trust, respect, active involvement and open-door culture.
VI. Relations with the media - clear details on public appearances and non-involvement in company politics.
VIII. Meeting the needs of clients / proactive attitude - commitments regarding their compliance.
IX. The director's additional responsibilities - are "to create and maintain an ethical work environment".
X. Confidentiality of information - very clear details.
XI. Loyalty obligation - the denigration of any kind is forbidden.
XII. Conflict of interests - strictly forbidden and may lead to the termination of the employee's employment contract.
XIII. Behavior and dress attire - "a measure of the respect we give to both clients and employees, but also to the seriousness with which we treat our role in the organization" by introducing a dress code.
XIV. Respect for the property of the company and the property of others
XV. Consulting and customer information - based on integrity and honesty.
XVI. Final provisions - specifying the compulsory code. Our attention was drawn to the following clarification: "it does not cover all situations that may arise, and individual discernment will use its

principles in the personal conduct of each."

A1.3. GOTHAER ASIGURĂRI-REASIGURĂRI S.A.

i) Time dimension

- easily accessible and available to the general public.

ii) Shape dimension

- a very well-structured code, organized in two columns (in the first column the content is presented in English, and the second in Romanian). The 11 sections are summarized in the code and presented below.

iii) Content dimension

I. Principles - this section contains information related to the purpose, values, and general information and little focus on the content of the principles. However, we identified the following:

- the principle of fairness - "we strive to always deal with each other correctly and, in this regard, to act based on valid standards";

- the principle of compulsory compliance with legal and official regulations - "The framework of our commercial activity consists of legal and official regulations, which we are obliged to respect at all times and in all areas";

- the principle of transparency - "We frequently provide our directors and employees with an overview of the business situation of the company, as well as the subsequent evolution and the stage of implementation of our group strategies." The managers are the ones who must "make sure that their employees become familiar with the content of this code and that it respects the rules and principles of valid conduct.

II. Respecting human dignity - we consider that this should be a fundamental principle for any insurance company and not only. Gothaer managed to include in an intelligible paragraph this source of all rights, regulated by the Constitution of Romania, the Civil Code and so on.

III. Combating discrimination and ensuring equal opportunities - based on the content presented, I labelled it as the principle of non-discrimination in employment relationships. "We do not tolerate the prohibited discrimination of employees based on ethnicity, race, gender, religion or philosophy, disability, age or sexual orientation." Are there cases when discrimination is allowed? In our view, ethics and discrimination are two terms located at two opposite poles. Thus, we consider that ethical behaviour in no way supports discrimination.

IV. Data protection and confidentiality - "a fundamental obligation for us, as an insurer", which continues "after the termination of the contractual relationship". At least at the declarative level, it can be observed the commitment of this insurer to the information received from the clients.

V. Avoiding conflicts of interest - by eliminating actions that can endanger society.

VI. Rules on combating the misuse of inside information - issues related to the conduct of the capital market.

Combating corruption - active and passive corruption is strictly prohibited among employees.

VIII. Donations and sponsorships - any action that could harm the company is prohibited.

IX. Compliance with the competition law - in addition to the competition laws, mention is also made of the "Code of Conduct for the sale of insurance products".

X. Prevention of money laundering and terrorist financing - Gothaer does not conclude transactions if partners cannot be identified. In addition, it assumes the prevention of money laundering and terrorist financing by training employees.

XI. Protecting the environment - "is an essential component of the image" of the Gothaer Group.

XII. Use of the company's resources - "operationally and cost-effectively." Clear specifications are provided regarding the ownership of the company and the work environment in a safe working environment.

XIII. Communication with the media - is done through a specialized department that aims at "transparency" and sincerity.

XIV. Managing complaints - it is done seriously, with the help of implemented rules.

XV. Compliance with this Code of Conduct - is mandatory. On the other hand, non-compliance entails "from reputational damage and concrete financial disadvantages to personal criminal consequences."

B) Code of ethics
B.1.1. GENERALI Group

<i>i) Time dimension</i>
- easy to find and access. We also mention that it is the only code of ethics in the Romanian insurance industry available on the website of a company.
<i>ii) Shape dimension</i>
- the code is very well structured and divided.
<i>iii) Content dimension</i>
- The Generali Group has joined the international corporate sustainability program, which is based on 10 fundamental principles grouped into 4 categories related to human rights, labour, environment, and corruption. - is also involved in the Carbon Disclosure Project which aims to analyze the strategies adopted by companies regarding climate change. - in the first section of the Code of Ethics - Guiding Principles the company assumes: "1. Fairness and honesty; 2. Impartiality; 3. Confidentiality; 4. Conflict of interests; 5. Free competition; 6. Transparency and completeness of the information. " - In the second section of the code, Sectors involved we noticed that there are multiple references to the ethical principles. Below, you can find the syntheses made according to the group's relations with various parties.