Issues on Management Ethics in Korean Insurance Industry

The purpose of this report is to survey the current state of insurers’ management ethics and to search for a better way for implementing their management ethics. We surveyed 41 insurers (all direct insurers except reinsurers) on how they operate the management ethics. According to the survey, insurers have weaker determination to the management ethics than general companies, which are 200 largest companies in Korea. At the operation level of the management ethics, in general, life insurers are comparable to non-life insurers. However, in terms of philanthropy and education on business ethics, the survey shows better results for life insurers than non-life insurers.

This report suggests how to improve management ethics as follows. At the industry level, it is necessary for insurers to establish the standard principles of ethical market conducts, certified by an independent organization. It is also recommended that consumers assess business ethics of insurers regularly, and the supervisory authority encourage management ethics by giving incentives in management assessment process such as CAMEL system.

At the insurer level, CEO, officers and employees have to recognize the need of strengthening the business ethics, and CEO especially needs to urge for employees to comply the business ethics. Educating employees on the business ethics is also needed to form a consensus on management ethics and to comply the business ethics. Insurers need to educate affiliated organizations, such as independent agencies and insurance adjusters, on the business ethics. To enhance the
effectiveness and credibility, insurers need to assess the management ethics system and to publish the annual report with the assessment results. Finally, insurers have to prepare for upcoming ISO 26000, the international standard of social responsibility for human rights, labour, and environments, to apply all the organizations. The preparation for ISO 26000 is necessary for insurers to expand business globally.