ETHICAL STANDARDS IN LIFE INSURANCE COMPANIES IN BANGLADESH: THE POLICY HOLDERS' VIEW

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Abstract

Life insurance policies are not that popular in Bangladesh, even if there is a huge market for it. It is perceived as the most widely misused financial instrument where unethical business practices are common. In Bangladesh, there is a general perception that insurance companies will do and say anything to gain premiums at the expense of the policy holders. Keeping these in mind this study tried to find out the policy holders view regarding the ethical standards of the life insurance companies. To conduct the researchfour parameters of ethical standardsare considered: Transparency, Compliance with the law, Customer Service and Professionalism. The parameters were then split into a number ofcomplexand simple variables. A total number of 102 life insurance policy holders are surveyed using a non-probability convenience sampling technique.

The study noted that life insurance companies are not fair and committed to their customers.The companies in many cases dounlawful business and unfairly influence in their practices. The study found that the companies' pre and post contract services are inconsistent and unethical. The insurance companies try to portray a false image of their competitors and conduct morally unjust methods in the course of business.The study also identified eight unethical factors[1] as perceived by the policy holders. These factors mainly focus on company fairness and complaint resolution. The study noted that there is ample scope of growth of life insurance business in Bangladesh. The policy holders expect the life insurance companies to act truthfully, show transparency and commitment, abide by the law of the land and ensure responsible use of the company's assets in serving the stake holders. Any deceitful act by the life insurance companies willresult in distrust and harm the entire life insurance industry as a whole.

1.0 INTRODUCTION

1.1 Background

Life insurance was introduced in Bangladesh in the pre-independence period (1971) with the opening of business by the then American Life Insurance Company, popularly known as ALICO (now MetLife ALICO). Although the business of life insurance has greatly developed over the years in Bangladesh with the rapid growth of private life insurance companies besides the country's sole public life insurance company JibanBima Corporation, people still perceive it to be sortsof unethical business. This is also reflected by the small number of policyholders in Bangladesh. Data reveals that only four persons out of 1,000 have a life insurance policy in Bangladesh. The number is 37 in India and 21 in Pakistan. In developed countries, an individual may even have four to five policies (BIA 2012). In the broader perspective, insurance services is a huge industry of the country, any development in thissector will prove to be highly beneficial for the economy of Bangladesh.

Insurance companies have expanded in late eighties in the country after denationalization of this sector;however, it has not gained that much popularity here as in other developing or developed countries. Generally, the insurance industry often experiences an image problem caused by

ethical lapses. Insurance products are complex in nature and often confusing to clients, hence clients in this industry are often at the mercy of the insurance agents' ethical behaviour, which is influenced by various factors such as values and moral development. It is perceived that lack of maintaining ethical standards is a key factor why people are unwilling to become insured. To gain insight into the matter, it is imperative to research on the ethical issues of the life insurance companies. The research problem as identified is whether there are discrepancies between business ethics and the ethical standards maintained by the life insurance companies in Bangladesh, according to the life insurance policy holders.

1.2   Research Objectives

Broad objective

To find out the customers' point of view regarding the ethical standards maintainedby the life insurance companies of Bangladesh.

Specific objective

1. To find out if transparency exists in the life insurance companies;
2. To find out if the ethical issues complies with the existing law and regulations of the life insurance companies;
3. To find out if the customer care adequately incorporates the ethical issues;
4. To find out any ethical issues regarding professionalism of the employees within the life insurance companies.

2.0   Literature Review

2.1   Ethics in Business

Ethics, also known as moral philosophy, is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong behavior. Applied ethics is a discipline of philosophy that attempts to apply ethical theory to real-life situations. A broad category of applied ethics is business ethics, which examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.Another category of applied ethics is public service ethics, a set of principles that guide public officials in their service to their constituents, including their decision-making on behalf of their constituents. Fundamental to the concept of public service ethics is the notion that decisions and actions are based on what best serves the public's interests, as opposed to the official's personal interests (including financial interests) or self-serving political interests. A life insurance company, being a business organization both in the public and private sector, needs to maintain ethical standards defined in both business ethics and public sector ethics, the latter being more appropriate for JibanBima Corporation, the only public life insurance company in Bangladesh.

The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Today most major corporations promote their

commitment to non-economic values under headings such as ethics codes and social responsibility charters. Governments use laws and regulations to point business behavior in what they perceive to be beneficial directions. Economist Milton Friedman writes that corporate executives' "responsibility generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom" (Chemtech 1974). Friedman also said, "The only entities who can have responsibilities are individuals. ... A business cannot have responsibilities. So the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no, they do not."

2.2   Unethical Behavior Displayed by Life Insurance Companies

Ethical behavior is crucial to preserving not only the trust on which insurance transactions are based, but also the public's trust in the insurance industry as a whole. For example, honesty plays a central role in its continued success and growth. Over the years many have experienced unethical behavior by insurance agents. The central ethical issue in the insurance industry centers on money rather than customer support. Greed seems to play a role and being ignorant of the industry adds to the issues. Sometimes agents get incentives or "kick backs" for promoting or selling certain products. The products being offered may not even be needed by the customer but just because it creates a bigger paycheck for the agent they pitch it to the customer and the customer buys it.

An example of unethical behavior in the insurance sector was informing a client that life insurance was mandatory for an ABSA Platinum One Account (Greunen, 2010). The client reluctantly signed the insurance contract and paid approximately $1,000 over the next three years. The client found out, from a Discovery Life representative, that there was no such requirement. Another example is that of a policy holder who was in financial trouble and could not afford to pay two months premiums. When she paid the full arrears the following month, the policy lapsed, despite the fact that the policy did not include a penalty clause for late payments (Greunen, 2010). Such unethical behavior severely harasses the policy holders and makes people hold a negative perception about the life insurance industry as a whole, for which they choose not to get insured at all.

The possible unethical behavior by the employees of life insurance companies includes (Ontario Insurance Commission, 2012):

1. Holding out, directly or indirectly, by representation or omission, in a way that is misleading about the life insurance services that the agent can provide.
2. Misrepresenting his or her training, qualifications or skills.
3. Making any false or misleading statement or representation in the course of selling or servicing an insurance policy.
4. Using methods of solicitation or advertising that are misleading as to the terms, benefits or investment risks, if any, of any insurance policy.

5. Inducing or attempting to induce, directly or indirectly, a client to replace any contract of insurance unless, having regard to the specific circumstances of the client, the replacement is in the best interests of the client.
6. Engaging in the indiscriminate replacement of life insurance contracts or adopting as a sales strategy any plan involving the indiscriminate replacement of life insurance contracts.
7. Using coercion or undue influence in order to control, direct or secure insurance business.
8. Taking advantage of a client if the agent knows or ought to know that the client is unable to understand the character, nature, language or effect of the transaction or proposed transaction.
9. Using unfair or deceptive means to collect personal information.
10. Submitting information on behalf of a client on an application for insurance knowing that the applicant or a person whose life is to be insured has misrepresented or failed to provide to the insurer information that is requested by the insurer.
11. Failing to deliver to an insured in a timely manner an insurance policy and any related documents received from an insurer subject to any conditions specified by the insurer.
12. Charging a prospective buyer of life insurance or an insured any fee, charge or other amount, in addition to the premium, that is unfair or unreasonable.

1.3   Ethical Issues in the Life Insurance Companies in Bangladesh

There are only 18 life insurance companies which are inadequate to provide services to the entire population. Despite the rapid growth of life insurance companies, the number of policy holders is also not increasing satisfactorily. These factors lead to not only the very low per capita income of the population ($ 0.6) but also a lot many other factors. The study titled "Factors for Not Buying Life Insurance Policies in a Developing country: A Case of Bangladesh" by Islam and Mamun (2005) identifies key factors that refrain people in Bangladesh from availing life insurance policies include difficulty in continuation of the policy, behavior of insurance agents, awareness about life insurance etc.In order to find the extent to which the life insurance companies in Bangladesh maintain ethical standards from the customers' point of view, the study focused on only the factors that reflect the ethical standards: claim settlement hurdle, general belief about life insurance and the controversies in the idea, behavior of insurance agents, lack of availability of insurance information and poor institutional preparation of life insurance companies.

In another study titled "Performance Evaluation of the Private Life Insurance Companies: A Public-Private Comparison" by Mamun and Rahman (2002), it has been concluded that the private life insurance companies are better utilizing their assets to improve sales and overall profitability than JibanBima Corporation (JBC), the only nationalized public life insurance company in Bangladesh. This can be attributed to the higher efficiency of the private life companies to meet short-term obligations and the larger margin of protection they provide to their creditors, in comparison to JBC which is not very efficient in managing its current assets and providing creditor cushion. These two factors were used to evaluate the ethical standards maintained by the overall life insurance companies in Bangladesh since they highly influence the consumers' choice of life insurance companies before buying the policy.

The study titled "The Investment of Life Fund: A Study of JibanBima Corporation" by Dutta (1992) states that building the life fund depends on the efforts of sales, development staff of the

insurers and efficiency in managing and directing the fund for profitable investment; and are indicators of the success of life insurance companies. Embedded in the effort on sales and the staff development of the companies are the ethical standards maintained by them, which directly influence people's policy buying behavior. In another article titled "Perceptions of the Customers towards Insurance Companies in Bangladesh-A Study Based on the SQ Model", by Chowdhury, Rahman and Afza(2007) shows that there is a gap between the customers and the companies in the insurance sector. Through the use of the Service Quality Model, the authors have determined that the people of our country prefer private insurance companies more than the public ones. Also, the consumers prefer foreign insurance companies among the privateinsurance companies. The main identified reason for this issue is the trustworthiness of the companies.

Haron, Ismail and Razak (2011) carried out a study to investigate the relationship between supervisory influence, role ambiguity and sales target on intention to perform unethical behavior in the article titled "Factors Influencing Unethical Behavior of Insurance Studies". The ethical issues of insurance workers are examined here through the assorted perspective of sociology, psychology and organizational behavior. The study made an effort to test the extent of mediation of mentioned elements by attitudes, perceived behavior control, subjective norm and moral obligation. The result of the study showed that there is a relationship between supervisory influence, role ambiguity and sales target on intention to perform unethical behavior. Among the mediating factors, attitude, subjective norm and moral obligation were found to partially mediate the relationship between supervisory influence, role ambiguity and sales target on intention to perform unethical behavior. The conclusion from this study shows that there is a necessity of constant monitoring, support and encouragement and making sure clear roles are presented and sales target sets are feasible to the insurance agents in order to minimize their unethical behavior.

3.0 METHODOLOGY

For this research both primary and secondary data and pertinent literature was used (Greuen2010; Cooper 2005; Rossiter, 2006, etc.).The primary sources of information include executives and policy holders of the life insurance companies. A questionnaires basedsurveywas carried out on a sample of 102 customers. A non-probabilistic convenience sampling method has been used. The sample frame includes the life insurance policy holders of all the 18 life insurance companies located within Dhaka city.The customers were directly asked to rate 29 ethical issues involved with the life insurance companies in a 5-point likert scale. The secondary sources of information were books, journals articles, annual financial reports of the life insurance companies and other relevant reports.

The questionnaire was developed using a coordination schema of 4 parameters divided into 11 complex and 29 simple variables (Appendix 1) using a 5-pointlikert scale. The study has used face validity to test the validity of the variables of this research. From the literature reviews, we have logically determined the items to measure the variable. The reliability of data was verified using both Alpha and Split Half Technique. The score was found reliable (Cronbach's Alpha $0.891 \geq 0.70$). Statistical tools like indexing, factor analyses[2], regression model and correlation coefficients were used in the research.

4.0 FINDINGS AND ANALYSIS

4.1 Variable Index Analysis

This section of the research displays the findings of the survey (Mean Indices) regarding ethical standards, categorized according to the parameters (4), which are further categorized according to complex (10) and simple (29) variables (Appendix 2). The detailed analysis is given below.

Parameter 1: Transparency

The following table 1 shows the index values of the different variables of the parameter transparency in a 5 point scale (+2: strongly agree, - 2: strongly disagree). As noted the index value of the parameter (0.02) shows that the respondents are quite indifferent regarding the transparency of the companies. Though the respondents are found quite positive regarding the articulation of the documents (0.39); but they are a little skeptical regarding company's fairness (-0.14) and commitment (-0.08). From the responses it is also clear that the respondents are doubtful about the company's trustworthy advertisement to public (-0.40), honest drafting policies (-0.37), realistic, fair and understandable insurance premium and benefit assurance (-0.33), and proof of actuarial qualifications (-0.14). On the other hand the respondents are found to be quite positive regarding expressiveness and clarity to reduce conflict (1.11), feedback of full and timely compensations earned or expected (0.44) and trustworthiness of secrecy (0.14).

Table 1: Transparency Index Values

Parameter	Complex Variables	Simple Variables	Mean Index
Transparency (0.02)	Fairness (-0.14)	Honest in drafting policies	-0.37
		Trustworthy of secrecy	0.10
	Articulateness (0.39)	Expressiveness and clarity to reduce conflict	1.11
		Realistic, fair and understandable insurance premium and benefit assurance	-0.33
	Commitment (-0.08)	Proof of broker/agent's qualifications to customers	-0.23
		Customers are provided with proof of actuarial qualifications	-0.14
		Feedback of full and timely compensations earned or expected	0.44
		No deceitful Advertisement to public	-0.40

Parameter 2: Compliance with Law and Regulations

Regarding compliance with law and regulations it is observed that the respondents overall perception is to some extent positive (0.29). Regarding legitimacy they are found to be more positive (0.49) than consistency (0.08). At the micro level the respondents are found positive in all the variables except adjusters'[3] proper company background knowledge (-0.02).

Table 1:Compliance with Law and Regulations Index Values

Parameter	Complex Variables	Simple Variables	Mean Index
Compliance with Law &	Legitimacy(0.49)	Policies follow the content and spirit of the law	0.15
		Cooperation with BIA	0.82

		No deviation in premium for partner companies	0.18
Regulations (0.29)	Consistency (0.08)	Adjusters have proper company background knowledge	-0.02

Parameter 3: Customer Service

An interesting observation is made regarding the findings of the customer service. Although the customers are a little skeptical regarding the overall customer service (-0.03), but a very clear perception is noted regarding the pre- and post- contact customer services. Though the customers are found positive regarding pre-contract customer service (0.19) but they are found quite negative regarding post-contract customer service (-0.32).

Table 2:Customer Service Index Values

Parameter	Complex Variables	Simple Variables	Mean Index
Customer service (-0.03)	Pre-contract service (0.19)	Pre-contract prompt customer service to query	0.57
		Customer need analysis before advice	0.36
		No enticement	0.10
		No practicing Lowball (lower price offer)	-0.26
	Post-contract service (-0.32)	Post-contract prompt customer service to query	-0.27
		Identifying needs and solution for advice for clients	-0.44
		Help in filing and resolving complaints	-0.25

Parameter 4: Professionalism

The parameter professionalism has four complex variables. Each of them is again divided into a number of simple variables. As noted the respondents are a little negative towards the company'soverall professionalism (- 0.08). The study found unconstructive business behavior (- 0.21) and more personal bias (- 0.17) of the companies. The respondents hardly believe that the companies never directly criticize competitors (- 0.49), underwriters[4] are unbiased in selecting clients (- 0.17) and adjusters are unbiased in investigating claims (- 0.17). On the other hand the respondents are quite indifferent towards myopia and influence by the companies.

Table 3:Professionalism Index Values

Parameter	Complex Variables	Simple Variables	Mean Index
Professionalism (-0.08)	Myopia (0.0)	Conscientious to customers	0.30
		Good faith and Objectivity in claim	0.01
		Competency to maintain global standard	-0.31
	Influence (-0.01)	Impartial advice to prospective clients	-0.08
		No undue pressure to purchase policy	-0.04
		Appropriate direction while processing insurance claims	0.08
	Business Behaviour (-0.21)	Never directly criticize competitors (Down-selling)	-0.49
		Adjuster commitment to job	0.08
	Personal Bias	Underwriters are unbiased in selecting clients	-0.17

| | (-0.17) | Adjusters are unbiased in investigating claims | -0.17 |

Overall Ethical Standard

Regarding overall ethical standard of the companies the respondents gave an indifferent view (0.00). Almost similar result is observed from the mean index value of the 29 simple variables (0.003). Hence it can be concluded that the respondents are apathetic regarding overall ethical standard of the companies.

4.2   Factor Analysis

Factor analysis is conducted to identify unobserved variables that explain patterns of correlations within the set of 29 observed variables. A Principal Component Analysis with an orthogonal rotation[5] (Varimax) using the SPSS[6] statistical package was performed on the survey data and was used to separate the factors. The study found eight factors which explained 66.84% of the variance embedded in 29 variables. The KMO (Kaiser-Meyer-Olkin) value of 0.788 ($\geq$ 0.70) measured the sampling adequacy[7] for a satisfactory factor analysis to proceed. Also the Bartlett's test of sphericity (significance level 0.000) showed that the correlation matrix is not an identity matrix indicating that the factor model is appropriate. The communalities[8] of the variables that constituted the factors are found comparatively high, which indicates that a variable has much in common with the other variables taken as a group (Appendix 3). The details of the factors which influence the ethical standards in customers' minds are described below.

Factor 1: Fairness andcomplaint resolution

The first factor, which contains 11 variables, appeared to be the most important factor. As noted, this factor explained28.34% of the variability. The variables included in the group are shown below. As noted the factor loadings[9] (within parenthesis) are quite high showing strong correlation of the variables with the factors. Most of the factors in this group are related to company fairness and complaints resolution.

1) Help in filing and resolving complaints (0.78)
2) Identifying needs and solution for advice for clients (0.75)
3) No deceitful advertisement to public (0.75)
4) Good faith and objectivity in claim (0.70)
5) Policies follow the content and spirit of the law (0.65)
6) Appropriate direction while processing insurance claims (0.65)
7) Post-contract prompt customer service to query (0.62)
8) Realistic, fair and understandable insurance premium and benefit assurance (0.61)
9) Supply full and timely compensations earned or expected (0.61)
10) Impartial advice to prospective clients (0.60)
11) Conscientious to customers (0.53)

Factor 2: Underwriter bias

This factor explained 9.354% of the variability. Four variables are included in this group with high factor loadings. The variables mainly related to underwriter bias.

1) Underwriters are unbiased in selecting clients (0.86)
2) Adjusters are unbiased in investigating claims (0.85)
3) No enticement (0.50)
4) Honest in drafting policies (0.49)

Factor 3: Proof of broker/agent qualifications

The third factor mainly concerned with customers' knowledge about broker/agents qualification and competence explains 6.97% of the variability. Here three variables included with moderately high factor loadings.

1) Proof of broker/agent's qualifications to customers (0.67)
2) Adjusters have proper company background knowledge (0.60)
3) Customers are provided with proof of actuarial qualifications(0.59)

Factor 4:Customer Service

The factor 4, customer service, mainly focuses pre-contract customer service. Here three variables are included which explains 6.05% of the variability. The variables in this group have low to high factor loadings.

1) Pre-contract prompt customer service to query (0.78)
2) Customer need analysis before advice (0.75)
3) Adjuster commitment to job (0.44)

Factor 5: Articulateness

The fifth factor containing two variables with high factor loadings explains 4.43% of the variability. This factor mainly focuses expressiveness and clarity.

1) Expressiveness and clarity to reduce conflict (0.74)
2) Cooperation with BIA(0.68)

Factor 6: Down-selling

The sixth factor containing two variables with high factor loadings explains 4.18% of the variability. This factor mainly focuses professionalism (down-selling and global standard).

1) Never directly criticize competitors (Down-selling) (0.73)
2) Competency to maintain global standard (-0.60)

Factor 7: Undue pressure

The seventh factor containing two variables with mixed factor loadings explains 3.95% of the variability. This factor broadly focuses professionalism and customer service.
1)   No undue pressure to purchase policy (0.74)
2)   No practicing Lowball (lower price offer) (0.48)

Factor 8: Constant amount of premium

The last (eighth) factor containing two variables with moderate variability explains 3.58% of the variability. This factor mainly focuses compliance and transparency.

1)   No deviation in premium for partner companies (0.66)
2)   Trustworthy of secrecy (-0.55)

4.3   Regression Analysis with Factors

A linear Regression model is developed (Table 5) with the above 8 factors as explanatory variable and "overall ethical standard" as dependent variable. The results showed a coefficient of determination (Adjusted) of 0.569 indicates that 56.9% of the overall ethical standards can be explained by the factors determined by the research. The correlation coefficient (0.777) indicated a strong relationship in the customer's perception towards ethical standard with the factors. Customer's overall perception move towards the changes in dependent variables associated with our research.A high F value indicated high level of confidence (1.00).

Table 5: Regression Co-efficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.010	.076		-.130	.897
	REGR factor score 1	.793	.076	.681	10.420	.000
	REGR factor score 2	-.087	.076	-.074	-1.139	.258
	REGR factor score 3	.180	.076	.154	2.362	.020
	REGR factor score 4	.313	.076	.269	4.112	.000
	REGR factor score 5	.166	.076	.142	2.179	.032
	REGR factor score 6	.028	.076	.024	.374	.709
	REGR factor score 7	.147	.076	.126	1.928	.057
	REGR factor score 8	-.046	.076	-.040	-.610	.544
a. Dependent Variable: Overall ethical standard						

The regression model is:

$$Y = -0.010 + 0.793f_1 - 0.087f_2 + 0.18f_3 + 0.313f_4 + 0.166f_5 + 0.028f_6 + 0.147f_7 - 0.046f_8$$

The beta co-efficient explains how strongly the factors are associated with the overall ethical standard and the corresponding significance value show how assertive we can be about the association. As noted factors 2, 6, and 8 has quite high level of significance.

4.4 Bivariate Analysis (Correlation)

A number of bivariate analysis is conducted between overall ethical standardand other variables (e.g., Gender, Education, Income, Income,). Overall ethical standardis found to be weakly correlated with Gender (r=0.284 α =0.1), and Education (r=0.13 α =0.1). Income has shown a weak negative correlation with overall ethical standard (r=- 0.284 α =0.096).

5.0   SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Life insurance has a huge market in Bangladesh. It is perceived that insurance companies do unethical practices at the expense of the policy holders. Keeping these in mind this study tried to find out the policy holders view regarding the ethical standards of the life insurance companies. To conduct the research, four parameters of ethical standards are considered: Transparency, Compliance with law, Customer Service and Professionalism. The parameters are then split into a number of complex (11) and simple (29) variables. A total number of 102 life insurance policy holders are surveyed using a non-probability convenience sampling technique.

The study found out that the customers are quite apathetic regarding overall ethical standard of the companies. As noted the respondents are quite indifferent regarding the transparency of the companies. Though the respondents are found quite positive regarding the articulation of the documents; but they are a little skeptical regarding company's fairness and commitment. From the responses it is also clear that the respondents are doubtful about the company's trustworthy advertisement to public, honest drafting policies, "realistic, fair and understandable insurance premium and benefit assurance", and proof of actuarial qualifications. On the other hand the respondents are found to be quite positive regarding expressiveness and clarity to reduce conflict, feedback of full and timely compensations earned or expected, and trustworthiness of secrecy.

Regarding compliance with law and regulations it is observed that the respondents overall perception is to some extent positive. Regarding legitimacy they are found to be more positive than consistency. At the micro level the respondents are found positive in all the variables except adjusters' proper company background knowledge. An interesting observation is made regarding the findings of the customer service. Although the customers are a little skeptical regarding the overall customer service, but a very clear perception is noted regarding the pre- and post- contact customer services. Though the customers are found positive regarding pre-contract customer service but they are found quite negative regarding post-contract customer service.

As noted the respondents are a little negative towards the company's overall professionalism. The study found unconstructive business behavior and more personal bias of the companies. The respondents hardly believe that the companies never directly criticize competitors, underwriters are unbiased in selecting clients and adjusters are unbiased in investigating claims. On the other hand the respondents are quite indifferent towards myopia and influence by the companies.

A factor analysis is conducted and identifiedeight factors which explained 66.84% of the variance embedded in 29 variables. The first factor, which contains 11 variables, appeared to be the most important factor. As noted, this factor explained 28.34% of the variability. Most of the

variables in this group are related to company fairness and complaints resolution. The second factor explained 9.35% of the variability including four variables mainly related to underwriter bias. The third factor mainly concerned with customers' knowledge about broker/agents qualification and competence explains 6.97% of the variability.

The forth factor, mainly focuses pre-contract customer service. Here three variables are included which explains 6.05% of the variability. The fifth factor, articulateness, containing two variables with high factor loadings explains 4.43% of the variability. This factor mainly focuses expressiveness and clarity. The sixth factor, containing two variables with high factor loadings explains 4.18% of the variability. This factor mainly focuses professionalism (down-selling and global standard). The seventh factor containing two variables with mixed factor loadings explain 3.95% of the variability. This factor broadly focuses professionalism and customer service. The last (eighth) factor containing two variables with moderate variability explains 3.58% of the variability. This factor mainly focuses compliance and transparency.

A linear Regression model is developed with the above 8 factors as explanatory variable and "overall ethical standard" as dependent variable. The results showed a coefficient of determination (Adjusted) of 0.569 indicates that 56.9% of the overall ethical standards can be explained by the factors. The correlation coefficient indicated a strong relationship in the customer's perception towards ethical standard with the factors. A number of bi-variate analysis is conducted between overall ethical standardand other variables. Overall ethical standardis found to be weakly correlated with Gender, and Education. Income has shown a weak negative correlation with overall ethical standard.

From the perception of life insurance policyholders obtained from this study, it can be inferred that in the near future the whole industry might not grow due to the growing apathy among them. To improve such overall indifferent image, emphasis should be put on the promotion of the industry. Also it is important to maintain clarity in the terms and conditions in policy contract paper, and to update the policyholders about additional benefits. Life insurance is an unsought product which needs to gain the trust of the customers and create an overall favorable image to ensure that people are eager to undertake life insurance, which will ensure sustainability in the long run. Most importantly, the concept of the business of life insurance rests on reciprocity. If the companies are able to provide the clients' according to their needs, these satisfied clients' will indirectly ensure successful business in the present and in the long run as well. While dealing with a sensitive product like life insurance which has emotional linkage to its customers, keeping the clients satisfied through ethical business methods is of paramount importance.

NOTES

1   Factor is a linear combination of the original variables. Factors also represent the underlying dimensions (constructs) that summarize or account for the original set of observed variables.
2   Factor Analysis is a type of analysis used to discern the underlying dimensions or regularity in phenomenon. It general purpose is to summarize the information contained in a large number of variables into a smaller number of factors. It is an interdependence technique in which all variables are simultaneously considered.
3   Adjusters are the people who approve of the insurance claim.
4   Underwriters are the persons who approve of the life insurance application.

5   Orthogonal refers to the mathematical independence of factor axes to each other's (i.e., at right angles, or 90 degrees). Factor rotation is the process of manipulating or adjusting the factor axes to achieve a simpler and pragmatically more meaningful factor solution.

6   SPSS refers to Statistical Package for the Social Sciences.

7   Ideally the sample size should be at least 145 (subject to variable ratio greater than 5). But due to time and other limitations we have to limit our responses to 102 which is less than preferred one (145). But the factor analysis of 29 variables with 102 sample is found adequate (KMO test result = 0.788 ≥0.5) and valid (Bartlett's test of sphericityindicates a significance level of 0.000).

8   Communality refers to a measure of the percentage of a variable's variation that is explained by the factors. It is the amount of variance an original variable share with all other variables included in the analysis. A relatively higher communality indicates that a variable has much in common with the other variables taken as a group.

9   'Factor Loading' is a measure of the importance of the variable in measuring each factor. It is used for interpreting and labeling a factor. It is the correlation between the original variables and the factors, and key to understanding the nature of a particular factor.

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Appendix 1: Coordination Schema

Parameter	Complex Variables	Simple Variables	Question No.
Transparency	Fairness	Honest in drafting policies	19
		Trustworthy of secrecy	20
	Articulateness	Expressiveness and clarity will reduce conflict	28
		Insurance premium and benefit assurance are realistic, fair and understandable	21
	Commitment	Customers are provided with proof of broker/agent's qualifications	22
		Customers are provided with proof of actuarial qualifications	23
		Feedback of full and timely compensations earned or expected to be earned	29
		No deceitful Advertisement to public	24
Compliance with Law & Regulations	Legitimacy	Policies follow the content and spirit of the law	25
		Cooperation with BIA	26
	Consistency	No deviation in premium for partner companies	27
		Adjusters have proper company background knowledge	13
Customer service	Pre-contract	Pre-contract prompt customer service to query	10
		Customer need analysis before advice and Fulfilment	11
		No enticement	14
		No practicing Lowball (lower price offer)	15
	Post-contract	Post-contract prompt customer service to query	16
		Identifying needs and solution for advice	17
		Help in filing and resolving complaints	18
Professionalism	Myopia	Conscientious to customers	1
		Good faith and Objectivity in claim	2
		Competency to maintain global standard	9
	Influence	Impartial advice to prospective clients	3
		No undue pressure to purchase policy	4
		Appropriate direction while processing insurance claims	5
	Business Behaviour	Never directly criticise competitors	6
		Adjuster commitment to job	12
	Personal Bias	Underwriters are unbiased in selecting clients	7
		Adjusters are unbiased in investigating claims	8

Appendix 2: Mean Indices of the Variables

Parameter	Complex Variables	Simple Variables	Mean Index
Transparency (0.02)	Fairness (-0.14)	Honest in drafting policies	-0.37
		Trustworthy of secrecy	0.10
	Articulateness (0.39)	Expressiveness and clarity to reduce conflict	1.11
		Realistic, fair and understandable insurance premium and benefit assurance	-0.33
	Commitment (-0.08)	Proof of broker/agent's qualifications to customers	-0.23
		Customers are provided with proof of actuarial qualifications	-0.14
		Supply full and timely compensations earned or expected	0.44
		No deceitful Advertisement to public	-0.40
Compliance with Law & Regulations (0.29)	Legitimacy (0.49)	Policies follow the content and spirit of the law	0.15
		Cooperation with BIA	0.82
	Consistency (0.08)	No deviation in premium for partner companies	0.18
		Adjusters have proper company background knowledge	-0.02
Customer service (-0.03)	Pre-contract service (0.19)	Pre-contract prompt customer service to query	0.57
		Customer need analysis before advice	0.36
		No enticement	0.10
		No practicing Lowball (lower price offer)	-0.26
	Post-contract service (-0.32)	Post-contract prompt customer service to query	-0.27
		Identifying needs and solution for advice for clients	-0.44
		Help in filing and resolving complaints	-0.25
Professionalism (-0.08)	Myopia (0.0)	Conscientious to customers	0.30
		Good faith and Objectivity in claim	0.01
		Competency to maintain global standard	-0.31
	Influence (-0.01)	Impartial advice to prospective clients	-0.08
		No undue pressure to purchase policy	-0.04
		Appropriate direction while processing insurance claims	0.08
	Business Behaviour (-0.21)	Never directly criticise competitors (Down-selling)	-0.49
		Adjuster commitment to job	0.08
	Personal Bias (-0.17)	Underwriters are unbiased in selecting clients	-0.17
		Adjusters are unbiased in investigating claims	-0.17

Appendix 3: Communalities

Variables	Initial	Extraction	Variables	Initial	Extraction
1. Conscientiousness	1.000	.736	15. Practicing lowball	1.000	.417
2. Good faith and objectivity	1.000	.750	16. Post-contract prompt and efficient customer service	1.000	.564
3. Impartial advice	1.000	.510	17. Identifying needs and solution	1.000	.657
4. Undue pressure	1.000	.727	18. Complaints	1.000	.726
5. Appropriate direction while processing insurance claims	1.000	.717	19. Honesty	1.000	.620
6. Down-selling	1.000	.673	20. Trustworthiness	1.000	.712
7. Underwriter bias	1.000	.804	21. Realistic, fair and understandable	1.000	.763
8. Adjuster bias	1.000	.750	22. Proof of broker/agent qualifications	1.000	.608
9. Global standard for professional competency	1.000	.725	23. Proof of actuarial qualifications	1.000	.723
10. Pre-contract prompt and efficient customer service	1.000	.685	24. Deceitful advertising	1.000	.655
11. Advice and fulfillment	1.000	.674	25. Content and spirit of the law	1.000	.674
12. Adjusters' commitment	1.000	.712	26. Cooperation with BIA	1.000	.672
13. Background knowledge	1.000	.643	27. Constant amount of premium	1.000	.625
14. Enticement	1.000	.592	28. Expressiveness and clarity	1.000	.614
Extraction Method: Principal Component Analysis.			29. Disclosure of compensation	1.000	.657