Ethical Issues in Insurance Marketing
The Case of Western India

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Abstract: This is a paper based on empirical investigation conducted in Western India between 2002 and 2012 especially at a time when the Indian economy is in a stage of transition from state capitalism to free market capitalism, albeit both of a retarded variety. It takes the 7 Ps of services marketing and cross verifies responses against seven dimensions of ethical conduct. The study is based on questionnaires followed by interviews. The target respondents were life insurance employees of bank assurance involved in marketing life insurance policies to customers in the urban sector. The study brought to the fore the fact that commissions were more important that telling the truth while selling policies. In the process ethical considerations conveniently went out of the window. To protect the interest of the unsuspecting clients a plea is made to have governance machinery in place that will make the insurance marketing personnel accountable for what and how they sell their wares. This need is especially felt in a country where the social security net is virtually non-existent and the erstwhile joint family system is on a fast decline. In such circumstances a lack of ethical norms on the part of the insurer is an unacceptable sociological proposition and borders on gross unethical behaviour. The task of people management experts to address this issue is of the paramount importance and urgency if the Indian life insurance industry is to sustain its social image in a highly competitive market where foreign players are steadily entering the domestic scene.

Keywords: empirical investigation; Western India; Indian economy

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1. Background

It is hard to find an executive who would disagree with what Woody Allen says above. The second name for an insurance salesman is persistence and why not? His/her life depends on the sale made no matter what the cost to the customer may turn out to be. There is an old saying that goes something like this. *An actuary is an accountant without the personality*. If we were to ask a common man in India he will very likely to say that insurance is a necessary evil especially when there is no

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state security cover available. If we were to ask a person working in the insurance industry, most people would tend to confide in saying that insurance is boring. Many B-School graduates in India would rather opt to wait for a while, unemployed than join an insurance company which offers them a job. Far from bringing to the fore any imagination of the intellectual variety it is more likely to bring out the fraud and deceit character in the salesman who tends to hide the fine print and sells a lemon for the price of gold. A typical insurance salesman is a smooth talking silver tongued individual who makes it amply clear that buying the policy would be the best thing one has ever done and except for a minority of such individuals, they become conspicuous by the absence from the scene once the policy has been sold. Interaction with clients who felt they were duped by insurance brokers one is easily reminded of Shakespeare's Julius Caesar and the famous words uttered by Caesar after being stabbed by Brutus: *Et tu, Brute! Then fall, Caesar.* Seeing his trusted confidant Brutus among the assassins caused Caesar more pain than the daggers themselves. Mark Antony eloquently analyses this:

For Brutus, as you know, was Caesar's angel:

Judge, O you gods, how dearly Caesar loved him!

This was the unkindest cut of all.

In real world perception often becomes the reality and so we believe that financial planners who operate even in the light-grey areas of ethics run the risk of playing the role of Brutus. If the utterances of CII and other professional bodies in India are anything to go by, corporate governance and business ethics is high on the agenda of CEOs who head insurance companies. Whether that percolates down the hierarchy is another matter altogether. The balancing act between long term goals and short run imperatives is not easy under the smoothest of conditions.

Any violation of ethics by a financial professional is cause for concern, but we opine that an ethics violation relating to insurance could be especially onerous. The purpose of insurance is to provide protection, and in this sense clients are in a vulnerable position when they place their faith in the financial planner. The planner who sells an insurance policy that is inappropriate or overpriced is analogous to a policeman who burglarizes a house or a minister who steals from the collection plate or a nurse who intentionally administers the wrong medication. Their positions, and perhaps their actual voices, say, “Trust me.” Such duplicity, we opine, is not just wrong, but it is traitorous.

How often do we find a financial planner looking forward to the opportunity of attending an ethics seminar? Foe many ethics is an unnecessary hindrance to business, (read profits). For many financial planners, operating according to the Biblical Golden Rule—*do unto others as you would have them do unto you* - seems sufficient. There is an amazing universality of the Biblical Golden Rule. Some version of it is embraced by most of the major religions of the world, including Judaism, Buddhism, Hinduism, Islam, Zoroastrianism and Confucianism. However, in an old time move "the Fastest Gun Alive", the hero says *in my line of business, padre, you do it to others before they do it to you*. That seems to be the credo of many insurance salesmen fighting over the finite pie (read customer base).

Let us for the sake of an example consider two hypothetical college roommates. Shrikant comes from a large family and has a share-and-share-alike attitude. Divakar is an only child who has always had everything to himself. Shrikant thinks nothing of smoking the cigars that Divakar purchased, and would be perfectly happy if Divakar ate some of Shrikant's homemade delicacies. Divakar, on the other hand, would never eat someone else's delicacies unless they were offered to him. He (perhaps even) writes his name on his cigar carton to discourage Shrikant from taking any, and practically accuses Shrikant of theft if even if the cigar carton is displaced or has its lid partly open. Shrikant thinks Divakar is miserly and selfish. Each roommate applies his own standard fairly to himself and his roommate, yet each thinks, nay believes that the other is misbehaving. Now let us imagine that Shrikant is a financial planner and Divakar is his client. Could be justifiably suppose that Divakar will be satisfied knowing that Shrikant follows the Biblical Golden Rule?

Since applying the Biblical Golden Rule fails to acknowledge cultural and personal differences, we posit an alternative Universal Diamond Rule thus phrased: *do unto others as they would have you do unto them*. What seem to be more predominant is the (pragmatic) attitudes of *do not expect others to do unto you what you would have them do unto you*. Thereby we are applying the other person's standards to ourselves rather than forcing our standards upon them. Now suppose one were to come across an egotistical professor of ethics, he/she would probably have followed the rule: *I shall, in light of all conditions surrounding those I serve, which I shall make every conscientious effort to ascertain and understand, render that service which they would apply to themselves if they were as knowledgeable and competent as I am.*

If there really were a Universal Diamond Rule and Ethical Rule, they would represent an effort to personalize service and adopt behaviour that is viewed as ethical by each individual client. Unfortunately, this would mean that they must treat each client differently, which may cause more than a few hard feelings among clients and more than desirable interest from regulators. It also would mean that we must obtain unassailable knowledge of our clients' cultural and behavioural expectations. This is indeed a tough call to make.

If the Biblical Golden Rule implies applying standards that vary from planner to planner, and if the Universal Diamond Rule means trying to apply a set of standards that varies from client to client, what would be the likely solution? The solution is for all financial planners to maintain the same set of standards - standards that are clear, protective of the client's interests, published, and acknowledged and agreed to by financial planners. This may sound as if it has been taken straight out of a Corporate Governance Handbook, but is it realistic, we ask?

One of the most or in fact the most important element in any insurance deal is the degree of trust. This point was eloquently driven home in an interview by Martin Taylor of Norman A. Baglini, former chairman and chief executive officer of the American Institute for CPCU, the Insurance Institute of America, and the Insurance Institute for Applied Ethics in November 1998 when the following issues were highlighted. (1995-2000) the Institute for Global Ethics, Camden, Maine)

Trust is a fundamental principle of insurance. The insurance agent who writes a policy, and the underwriter who approves it as business for his company, must trust that the information on the application is correct. The agent and the company providing the insurance must trust that the policyholder making a claim will accurately assess the loss. In turn, the applicant must trust that the agent is giving proper advice, untainted by a conflict of self-interest. The applicant must trust that the company underwriter will not discriminate when establishing the premium. Lastly, the policyholder must have faith that the company adjusters will pay a fair amount for a claim, should it become necessary. In the absence of trust, the transactional fees from legal and governmental bodies would make a business like insurance difficult at least, and perhaps impossible. Without trust, insurance cannot perform its proper function as a risk management device for companies and individuals. No industry depends more on trust, and this trust comes from a series of events in which ethical values are demonstrated. For instance, a life insurance policy might provide coverage for decades, although it is only a piece of paper. That piece of paper, however, commands a series of premium payments totalling thousands of dollars over many years. The same piece of paper, in return, promises a large payment sometime in the future.

2. Introduction

In a developing country like India which is making a gradual and often spasmodic transition from being a state capitalist economy to a free market economy albeit both of retarded variety, the absence of a social security network is glaring. Rising unemployment rates and the disintegration of the joint family system have made working people even more vulnerable to the ravages of economic exploitation. (Sadri, 2004) The poor quality of living conditions and health support systems prevailing in the lower order of civil society makes insurance a highly desirable option for the well-being of the dependent members of the urban family. The development path spoken of in political circles then remains but an illusion of progress in reality. (Acton, 1955) Mindsets change as does the socio-political and economic environment. (Aga, 1994) In spite of the fact that we have been registering development-less growth, India is emerging as a global force to be reckoned with. (Sadri, Tara & Patil, 2012)

It is clear that who-so-ever is dealing in insurance sector must realize that people of India have strong fascination for savings. The Savings Function has traditionally been stronger than the Investment Function demonstrating the feudal-mercantilist mindset of people in rural India. (Hegde and Sadri 1999, Sadri, 2004) Without a state security cover, people would like savings to be linked with risk coverage and therefore insurance has a very important and a powerful attraction for the people. This is the point which we would like to emphasize that public sector insurance companies and specially the LIC has proved that doing business in rural India is profitable, and therefore, do not confine their activities to the urban India only.

Under such conditions it is almost vituperative to find that a life insurance policy is being sold on the basis of half truths and the insurer is often at sea about what vicissitudes of nature he can be protected against and what he cannot. (Sadri and Jayashree, 2007a). The absence a proper countervailing tendency that can act as a governance mechanism to prevent the life insurance marketing agents from taking the unsuspecting client up the garden path only to be dumped when the need arises is also visible. (Niebuhr, 1960; Jayashree, 2003a)

However, in this paper we have concentrated only on *bankassurance channels* for life insurance since the executives in this channel are paid staff and not commissioned based operatives (agents). So the need for them to be at least more ethical than the commission based part time agents is accentuated. (Eisenhardt, 1989) From an initial survey prior to this study, we found that it becomes more important for the sales team to get their bonus than it is for them to play fair. In a study involving ethics of medical practitioners a similar finding arose as well. (Sadri and Jayashree, 2007) The brand name of the company can go to blazes for all they care as long as their coffers are well lined. This was the general impression of the two authors who independently worked on this problem from 2004 onwards only to get together in 2007, compare their notes and produce this paper. (Sadri and Jayashree, 2007) A literature survey was undertaken and the principal works are cited at the end of the paper.

3. The Survey Framework

Data after pilot study was collected in three stages. Firstly we examined responses from employees at middle management level. Then we validated this through interviews with senior management personnel in the life insurance industry. Finally we administered another questionnaire and sought senior management response regarding attitudes towards ethical dimensions. (Krishnaswamy, Sivakumar &

Mathirajan, 2006) We took the 7 Ps of services marketing and took 7 dimensions of ethical conduct against which data was collected.

The ensuing discussion has focussed on the plight of the not adequately informed client and thereby to highlight some of the more significant ethical issues in financial services marketing. Similar observations, albeit in slightly different contexts, have been made by Donaldson 1982, Goodpaster 1986 and Oakes 1990. In particular, it is generally argued that the combination of certain structural features in the market for savings and investments products and gaps in the regulatory regime suggest that there is potential for ethical abuses in the marketing of savings and investment products (Sadri Jayashree and Sharma, 2012). Public interest is sacrificed at the altar of personal gain (Sadri and Jayashree, 2008). While there is a considerable amount of anecdotal evidence on the nature of this problem from a consumer perspective, little is known about industry views on the extent to which ethical problems arise in marketing of life insurance policies. The life insurance industry, which constitutes one of the major suppliers of savings and investments products, was selected as an appropriate environment for an examination of managerial perceptions of the extent to which ethically questionable practices are employed in marketing. Data for the study was collected by means of a postal questionnaire distributed on strict conditions of anonymity to *middle managementexecutives* in Indian life insurance companies between September and December 2006. The names and addresses of respondents were drawn from the database generated with the help of management students who undertook their summer projects in these companies during the academic year 2004-05. The questionnaire sought to collect factual information on the importance attached to ethics within the respondent's immediate company along with attitudinal data concerning perceptions of the ethical behaviour of insurance companies, (Sadri *et al.*, 1999). In particular, respondents were asked how frequently they thought their company engaged in a series of marketing activities which have significant ethical dimensions. This issue is particularly relevant given the social role played by the insurance industry the world over as was highlighted by Robin and Reibenbach 1987. We followed the example set in the works of Buccholz 1979 and that of Lacznick 1983 for this purpose. However, Diacon and Ennew’s 1996 work in UK is particularly relevant since it adopted a similar approach to ours.

4. Results and Discussion

A first draft of the questionnaire was pilot tested on 30 insurance industry specialists and the final form of the questionnaire was distributed to 500 named individuals, who are middle management employees of the leading life insurance companies in western India. A similar approach was also been on a wider scale in Jayashree (et al, 2008). Managerial functional categories were those given in the table below. A total of 118 useable responses were received representing a response rate of 23.6%. A breakdown of the personal characteristics of respondents has been provided in Table 1.

Table 1. Occupation & Characteristic of Respondents

Occupation	**Number**	**Characteristic**	**No of Respondents**
1. Marketing/sales	40	Male (n)	101
2. Accounting/finance	16	Female (n)	17
3. Planning/strategy	8	Insurance Qualification	92
4. Actuarial	13	Average Age	29.7 years
5. Operational Staff	26	Average years in Insurance	4.3 years
6. General management	15	Average time with company	0.8333 years

Cronbach's α (alpha) has an important use as a measure of the reliability of a psychometric instrument. It was first named as alpha by Cronbach (1951), as he had intended to continue with further instruments. It is the extension of an earlier version, the Kuder-Richardson Formula 20 (often shortened to KR-20), which is the equivalent for dichotomous items, and Guttman (1945) developed the same quantity under the name lambda-2.

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Cronbach's α is defined as

$$\frac{N}{N-1}\left(\frac{\sigma_X^2 - \sum_{i=1}^{N}\sigma_{Y_i}^2}{\sigma_X^2}\right),$$

where *N* is the number of components (items), σ_X^2 is the variance of the observed total test scores, and $\sigma_{Y_i}^2$ is the variance of component *i*. Alternatively, the standardized Cronbach's α can also be defined as

$$\alpha = \frac{N \cdot \bar{r}}{(1 + (N-1) \cdot \bar{r})}$$

where N is the number of components (items) and $\bar{r}$ is the average of all (Pearson) *correlation coefficients* between the components.

It has been seen that Cronbach's alpha will generally increase when the correlations between the items increase. For this reason the coefficient is also called the internal consistency or the internal consistency reliability of a test. The questionnaire generated by us needed to be tested for reliability before being administered. This was done using Cronbach's alpha and monitored as shown in the table given below. Accordingly, Table 2 details the descriptive statistics of the responses gathered from 118 respondents. It is generally understood that the value of Cronbach Alpha above 0. 65 makes the questionnaire reliable for such type of surveys. Since, the author was interested in studying the correlation between principal components of items/scale with the occupation of the respondents, the extraction of such principal components has also been presented in the Table 2.

Table 2. Descriptive Statistics and Extraction of Principal Component

Scale/item	Measurement	Principal Component	Mean	Std. Dev.	Alpha
PRODUCT RELATED ISSUES	**Mean of items**		**2.930**	**3.476**	**0.891**
Delay in making payment of valid claims	1 = Always Do … 5 = Never Do 1 … 5 1 … 5	0.840	3.008	1.146	n.a.
Not complying with codes of practice		0.794	2.771	0.960	n.a.
Use small print clauses to camouflage the truth		0.666	3.127	1.005	n.a.
Not inform customers about insurance ombudsman		0.732	2.813	0.873	n.a.
PRICING RELATED ISSUES	**Mean of items**		**2.890**	**1.927**	**0.796**
Quote higher premiums than necessary to meet targets	1 … 5	0.836	3.008	1.146	n.a.

Do not interpret commission structures to agents to avoid product bias	1 … 5	0.836	2.771	0.960	n. a.
PROMOTION RELATED ISSUES	**Mean of items**		**3.486**	**1.382**	**0.702**
Promote inappropriate and supplementary products	1 … 5	0.644	3.678	0.662	n.a.
Not inform public fully about privacy or security problems	1 … 5	0.795	3.551	0.497	n.a.
Use misleading information about competitors or make negative publicity about them.	1 … 5	0.493	3.229	0.574	n.a.
PLACE RELATED ISSUES	**Mean of items**		**2.085**	**0.816**	**0.742**
Use deceptive marketing by camouflaging the truth and using ambiguous language.	1 … 5	0.805	1.975	0.512	n.a.
Offer unauthorized gifts to prospective customers and other people who you feel can influence decisions.	1 … 5	0.805	2.195	0.396	n.a.
PEOPLE RELATED ISSUES	**Mean of items**		**2.008**	**1.782**	**0.708**
The Insurance Company does not take adequate pains to train the field sales executives about the product and the process.	1 … 5	0.872	1.992	0.529	n.a
The field sales executives are not knowledgeable about the product to be marketed and process involved.	1 … 5	0.738	2.220	0.414	n.a
Not provide adequate training for sales staff	1 … 5	0.880	1.805	0.556	n.a.
Not being transparent in rewards and recognitions	1 … 5	0.872	1.992	0.529	n.a.
Company policies not clearly communicated to those on the field.	1 … 5	0.463	2.034	0.581	n.a.
PHYSICAL PRESENCE ISSUES	**Mean of items**		**2.106**	**0.852**	**0.757**
Branches are opened not for customer service convenience but for penetrating the market.	1 … 5	0.814	1.992	0.529	n.a.

Overlook the serviceable locations criteria for want of high premiums	1 … 5	0.814	2.220	0.414	n.a.
PROCESS RELATED ISSUES	**Mean of items**		**1.959**	**2.128**	**0.670**
You always blame the bureaucracy and/or systems for late deliverables.	1 … 5	0.820	1.814	0.552	n.a.
The process flow is either not communicated to those operating down the line or there is a lot of ambiguity in it.	1 … 5	0.507	2.017	0.520	n.a.
Long term policies are sold as short to medium term policies by misinforming potential customers	1 … 5	0.766	1.924	0.507	n.a.
Customers are kept in the dark about charges related to disclosures when physically selling these policies.	1 … 5	0.839	2.008	0.529	n.a.
The correct combination of insurance and investment in life insurance policy is never disclosed to customers.	1 … 5	0.377	2.076	0.435	n.a.
The correct combination of fund allocation with respect to investor's age is not discussed in order to lure customers.	1 … 5	0.966	1.932	0.578	n.a.
ULIP regular premium plans are sold as savings account, home loans, single premium plans and mutual funds.	1 … 5	0.966	1.941	0.541	n.a.

Next we took up principal component analysis against the findings of the 7 Ps of services marketing enumerated in the table above. The descriptive statistics merely reveal that ethical violations are the norm. We then extracted the principal components to study the correlation with respect to occupations of the respondents which are being detailed below. Accordingly, for the study of correlation following components were considered (Table 3)

Table 3. Principal Components Item Wise

A	Delay in making payment of valid claims
B	Not inform public fully about privacy or security problems
C	Not provide adequate training for sales staff
D	The correct combination of fund allocation with respect to investor's age is not discussed in order to lure customers.
E	ULIP regular premium plans are sold as savings account, home loans, single premium plans and mutual funds.

Having taken into consideration the most prevalent ethical violations we correlated them with respect to occupation. We found that the correlation between item D and item E of Table 3 was highly and positively correlated. That means correct combination of fund allocation with respect to investor's age is not discussed in order to lure customers much the same way in which as ULIP regular premium plans are sold as savings account, home loans, single premium plans and mutual funds, simply to fulfil the targets of the company. This essentially highlights the fact that unethical practices are plentifully involved in marketing of life insurance in India (Table 4).

Table 4. Correlations

		A	B	C	D	E	Occupation
A	Pearson Correlation	1	0.051	0.003	0.103	0.083	-0.016
	Sig. (2-tailed)	.	0.581	0.978	0.266	0.373	0.864
	N	118	118	118	118	118	118
B	Pearson Correlation	0.051	1	-0.010	0.041	0.058	-0.059
	Sig. (2-tailed)	0.581	.	0.913	0.656	0.530	0.525
	N	118	118	118	118	118	118
C	Pearson Correlation	0.003	-0.010	1	-0.173	-0.123	-0.053
	Sig. (2-tailed)	0.978	0.913	.	0.061	0.185	0.567
	N	118	118	118	118	118	118
D	Pearson Correlation	0.103	0.041	-0.173	1	0.935(**)	-0.094
	Sig. (2-	0.266	0.656	0.061	.	0.000	0.313

	tailed)						
	N	118	118	118	118	118	118
E	Pearson Correlation	0.083	0.058	-0.123	0.935(**)	1	-0.084
	Sig. (2-tailed)	0.373	0.530	0.185	0.000	.	0.363
	N	118	118	118	118	118	118
Occupation	Pearson Correlation	-0.016	-.059	-0.053	-0.094	-0.084	1
	Sig. (2-tailed)	0.864	0.525	0.567	0.313	0.363	.
	N	118	118	118	118	118	118

** Correlation is significant at the 0. 01 level (2-tailed).

Also, 89 per cent of respondents indicated that their company had a formal statement of its ethical stance and over half (52 %) indicated that the company's mission statement included reference to ethical practices and behaviour. However, we were surprised that not a single respondent could tell us what the ethical stance was! This goes to indicate that at the point of sale, in the life insurance industry, ethics does not feature high in the individual's preferential calculus. We followed an analysis of the questionnaire with a one-to-one interaction with 20 respondents from senior management cadres, who were *not* the strategic decision makers. This statistic works out to 16. 67% of the total questionnaire responses. Care was taken to chose these 20 respondents (albeit randomly) but from those not included in filing the questionnaire. This was to enable us to reinforce our findings which we did.

In the process, we continued to unravel the reason for such unethical marketing practices prevalent in life insurance segment in western India. When we asked how was it that they could not tell us the ethical stance or policy, we did not get a satisfactorily reply. The following table indicates the means or methods of communicating ethical practices employed by life insurance companies towards their employees who go and sell their products. This data was deduced directly from the administered questionnaire (Table 5).

Table 5. Percolation of Policies

Method of communication	**Number citing**
Short training courses	39
Company newsletters	11
Staff briefings	9
Via line managers	13
Not at all	46
Total in Sample	118

Insights gleaned from examining middle management and senior management responses confirmed two things:

(a) The respondents were involved in gross ethical violations in their day to day working and

(b) They were either unaware of or did not bother to remember what the company's stance on ethics was.

Unfortunately this places the Human Resources function in life insurance companies in a poor light since they could not create a culture that would effectively negate the above, (Jayashree, 2003a). Since the Human Resource Managers were at sea when confronted with these issues, there also seemed to be a poor level of HRIS which is necessary for the success of every organisation. (Jayashree 2003b) Coming to the question of nailing down the precise ethical norms set by these companies we interviewed the HR Managers of these companies and in the process the following generalised definitions emerged. These give us some insight on how the strategic decision maker thinks and what (subjective) values he attaches to these norms.

(1) Honesty – Employees must not fabricate, falsify, or misrepresent data, or results of past or expected future performance benchmarks. They should be objective, unbiased, and truthful in passing the information to the stakeholders and customers.

(2) Carefulness – It means avoiding errors, especially while presenting result or projections.

(3) Openness – It means sharing data, results, methods, ideas, techniques, and tools to allow the review of analysis and be ready for criticism and new ideas.

(4) Freedom – Free to conduct the research on any problem or hypothesis so that new ideas may freely flow to criticise the older ones.

(5) Education – Employees orientation must be customer minded so that they may educate the customer and train their subordinates about the science of insurance.

(6) Opportunity – Employees must not unfairly deny to themselves the opportunity to use resources or advances in the profession of insurance.

(7) Respect for Subjects – When in the business of insurance, the employees must respect the concept of insurance in *so far as* the customer should fairly benefit.

The scale of collecting data from the investigation was again kept Likert [1 = Always Do … 5 = Never Do]. High values of standard deviation for Carefulness was undesirable, however, the remarks on account of Honesty, Freedom, and Education were not seen in line with the responses from the middle managers as found to be claimed by the HR Manager representing strategic decision makers (Table 6). Also, the mean on account of Openness was not found to be satisfactory.

Table 6. Descriptive Statistics of Strategic Decision Makers

	Mean	Std. Deviation	N
1. Honesty	1.9746	0.51411	118
2. Carefulness	3.0085	1.15096	118
3. Openness	3.5508	0.49953	118
4. Freedom	1.9915	0.53102	118
5. Education	1.9322	0.58073	118
6. Opportunity	3.2288	0.57603	118
7. Respect for Subjects	2.2203	0.41624	118

5. Concluding Remarks

Based on our investigative study we have found that the Indian customer is being short changed by the life insurance executives (paid employees). This is because for them incentives and bonuses have a higher value premium than ethical conduct of business. What is worse is that senior management in the industry seems oblivious of this fact. This paints a bleak picture of the industry and exposes the underbelly of peripheral capitalism of a retarded variety. More specifically the following issues were highlighted:

1. There was a great deal of confusion in the perception of managers who thought they owned the process and wanted to protect the *status quo* even

at the cost of sacrificing their professionalism. They consequently felt that not revealing information to clients was passé. Such an issue is a common problem highlighted by studies on agency distribution

2. There was an absence of governance in reality since misleading information and results were given to clients with very little transparency. In spite of this nobody seemed to feel that it was either unethical or improper.
3. There was a serious lacuna in the induction and training process since the respondents were oblivious about what the company's ethical stance was.
4. The correct combination of fund allocation with respect to investor's age was mostly not discussed in order to lure customers. This clearly indicated that either the life insurance agents were taking the issue too lightly and/or were ignorant about the implications of their ignorance. This casts a pale shadow on ethical practices in the life insurance industry.
5. Unit Linked Insurance Plan (ULIP), regular premium plans were sold as savings account, home loans, single premium plans and mutual funds. This involved fraudulent marketing of product as well as blatant misinformation with the intention of getting commission on products that the customer did not really require. Perhaps good governance norms based on sound ethical practices could have obviated this considerably.

In a country where there is little social security, where the joint family system is fast disintegrating and security of employment is not assured post 1991, life insurance industry is a saving grace for the average citizen. Traditionally the LIC was the sole player and in a democracy the government has a vicarious responsibility to safeguard interest of its citizens especially when other players entered the market. This being absent has exposed the average (uniformed) citizen to deception by agents who wanted their commission and managers who wanted to meet their target - both willing and able would stoop quite low. No doubt with the proposed opening up of the economy to Foreign Direct Investment in both Insurance and Retail sectors a plethora of ethics and governance issues will arise but for now we propose to wait and watch how this market driven economy, albeit of a retarded variety, will respond to the changing scenario.

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