

MEASURING PROFESSIONAL STANDARDS:

Demonstrating positive outcomes
from doing the right thing

A Discussion Paper

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About the Author

This paper was prepared by Ms Jackie Wells BA, MSc, an independent financial services consultant specialising in professionalism, market analysis, consumer behaviour, policy and regulatory developments. She has led several studies on these subjects for clients including the FSA on several occasions, HM Treasury, Age UK, the Financial Services Consumer Panel, and the CII. Jackie is reading towards a PhD in Gerontology at Southampton University, and is an Associate Fellow at the International Longevity Centre. She is also a lay member and member respectively of the CII’s Board and Professional Standards Board.

Foreword

The CII celebrates its centenary year as a Chartered body this year, and the concept of professionalism is seeing a renaissance in our society. Over recent years and months, the public has witnessed some vivid examples of what *unprofessional behaviour* looks like, most recently among journalists.

Our own profession too has also been in the crosshairs, and we are now seeing both regulatory-driven change for financial advisers and voluntary initiatives in general insurance, both aimed at raising professional standards. Consumers certainly know the difference professionalism can make: our own research suggests that over two-thirds of financial advice consumers have greater trust and confidence in Chartered practitioners, but we need to prove the cause.

We are undertaking a major research project to demonstrate that adopting higher professional standards in general insurance contributes to positive outcomes, not just for retail and commercial customers but also the sector's ability to attract and keep talent. Demonstrating any of this will be challenging and will take some time. Convincing the public, Government and regulators that professional standards have become embedded in an industry sector or in a particular company's culture will not be easy. Demonstrating that these standards will lead to better outcomes for society and customers could be harder still.

This paper is the starting point for this research. As a prelude to further work, CII Board member Jackie Wells has sketched out how such a project could proceed. We have published this as a public *Paper in Professionalism* not just to share our thinking with the sector and broader professional bodies community, but also because we are open to feedback, thoughts and suggestions from readers to inform our work going forward.

Dr Alexander Scott
Chief Executive Officer
The Chartered Insurance Institute

February 2012



1. Introduction

“As members of the Insurance Profession Task Force, we call upon colleagues and firms throughout the general insurance sector to commit to a common framework for professional standards.”

The Aldermanbury Declaration

Professionalism is high on the agenda for Government, regulators and companies following recent exposures of unethical behaviour among a number of occupations and professions¹. Calls are being made for greater accountability, increased regulation and adherence to ethical standards.

In financial services and insurance markets, moves to improve professional standards are well advanced with the FSA’s Retail Distribution Review (RDR) and an insurance industry initiative known as the Aldermanbury Declaration (AD). The latter is a voluntary scheme supported by insurers, brokers and other service providers in the general insurance sector. The Declaration requires that firms signing up commit to meet common professional standards covering:

- Commitment to excellence
- Training and development
- Professionalism within insurers
- Professionalism within brokers
- Broking, underwriting, claims and management standards.²

For these changes to have a real impact, changes in behaviour must be both visible and effective in improving outcomes for stakeholders: personal and business consumers, regulators, employees, firm shareholders and ultimately for society in general. Although the AD has been widely welcomed both within and outside the general insurance sector, it is important that the external call to prove the impact can be addressed over time.

In theory, the benefits of the insurance sector adopting higher professional standards should be felt by all stakeholders

- customers should have access to better quality products designed to meet their needs, better service, and higher standards of advice and information;
- corporate clients should find their businesses more sustainable with positive effects on the economy;
- society should benefit from higher levels of trust in the insurance sector and better levels of protection and provision for the future;
- the taxpayer should incur lower costs to support uninsured catastrophes;

¹ This paper was written shortly after the 2011 phone hacking allegations were made against News International, the arrest of several journalists and the resignation of senior police officials.

² The Aldermanbury Declaration will be discussed in more detail below, and for more information including the firms and organisations that have signed up, see: www.cii.co.uk/aldermanburydeclaration

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- the need for regulatory oversight should reduce along with regulatory and compensation costs;
- employees should improve their human capital and self-esteem through training and ethical behaviour;
- firms adopting higher standards should gain a competitive advantage, attract and retain a more competitive talent pool and achieve higher returns.

Taken together these benefits should lead to a more profitable and sustainable industry.

Demonstrating any of this will be challenging and will take some time. Convincing the public, customers, Government and regulators that professional standards have become embedded in an industry sector or in a particular company will not be easy. Demonstrating that higher standards have led to better outcomes for society and customers could be harder still.

This paper is intended as a starting point for discussions about how best to demonstrate positive outcomes from the adoption of higher professional standards. In it we consider:

- why it might be important to measure professionalism and its impact (chapter 2);
- how an evaluation model might be developed (chapter 3);
- whether and how it is possible to measure standards of professionalism in the insurance sector (chapter 4);
- whether it is possible to measure the impact that changes have on consumers and society in general (chapter 5); and
- how the industry might progress in developing measures that track progress (chapter 6).

Questions and Comments

This paper raises a number of questions to which the CII would welcome feedback. If you have any views or comments towards these questions, or any views generally towards these thoughts, we would be grateful if you contacted us by **16 March 2012**:

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2. Addressing market imperfections

“We want standards of professionalism that inspire consumer confidence...”

Financial Services Authority³

Much has been written on the subject of professionalism in recent times. Examples of unethical behaviour and associated issues of trust, accountability and integrity have been making headlines. The reputations of the police, journalists and politicians have been tarnished by accusations of unprofessional behaviour. Financial services markets have, on several occasions, come under criticism from consumer bodies, regulators and media. A long trail of mis-selling, examples of unethical behaviour and corporate failures have contributed to public mistrust of and lack of confidence. Meanwhile, recent disclosures related to the general insurance sector show that, while it may not share the same level of mistrust as other financial services sectors, it is not immune from criticism.

Academic commentators suggest that trust is a critical ingredient in markets where there is asymmetry of information, and that professional standards are a key element of establishing and maintaining trust. Research conducted for the FSA in 2009 illustrated how a lack of professional standards can lead to trust being undermined with lack of competence, unethical behaviour and mis-selling in particular being a cause of a lack of confidence in at least parts of the financial services and insurance sectors. The report concluded that:

“Trust theories suggest that integrity and benevolence, both of which would seem to be supported by a set of ethical standards, are the most important indicator of trustworthiness [...] However, it is also clear that high minimum qualification levels can be an important signal to consumers that a profession is selective and sets high standards. Indeed without high minimum qualifications, it is questionable whether an occupation can truly be regarded as a profession.”⁴

Whilst some consumer lobbyists maintain that too much trust should not be placed in any commercial organisation, they nevertheless believe that consumers should be able to buy the industry’s products and services with confidence. Without trust and confidence, markets will suffer and be under-valued by consumers, and society in general will suffer from under-provision for retirement and catastrophic events.

A number of steps have been taken in recent times to address the perceived lack of professionalism and to restore trust in the industry. The FSA’s RDR has, as one of its planks, sought to advance professional standards in the market for financial advice. Meanwhile the general insurance industry has taken the initiative to improve public trust and confidence by developing and implementing the Aldermanbury Declaration and Chartered status to raise professional standards among firms.

Whilst it is widely agreed that raising professional standards is a positive move for this industry, very little work has been carried out on the measurement and impact of raising standards. Whilst some professions, particularly in the US, have developed self-assessment and peer assessment tools to measure levels of

³ Financial Services Authority, Discussion Paper 07/1: *A Review of Retail Distribution*, London, June 2007.

⁴ Jackie Wells & Mary Gostelow, *Professionalism and Consumer Trust, A summary of existing literature*, FSA, London, 2009.

professional behaviour in individual practitioners, very little work appears to have been done to measure the impact on external stakeholders such as the public at large or customers.

Before considering how to measure the effect of higher professional standards, it is necessary to ask the questions ‘why are we doing this’ and ‘what do we hope to achieve’.

In the case of the RDR the decision to address the issue of professionalism was the regulator’s and the questions were addressed by the FSA in its 2007 discussion paper. The root cause of the problem is seen to lie in the complexity of products and pricing, and the asymmetry of information that exists between the industry and its customers or potential customers. As a result, the market is heavily intermediated but with examples of poor quality advice and service (as evidenced by FSA disciplinary actions and research). The consequences include the scope for mismatched incentives for advisers, poor communication with consumers, mis-selling or poor quality of advice, high levels of complaints, fines and compensation, a lack of consumer trust and engagement with the industry and its products and ultimately depressed levels of demand. In setting out proposals for higher standards of professionalism, the FSA sought ‘*a market which allows consumers to have their needs and wants addressed*’ and ‘*standards of professionalism that inspire consumer confidence and build trust*’. If successful, the long term impact should be higher levels of demand and a larger and stronger industry.

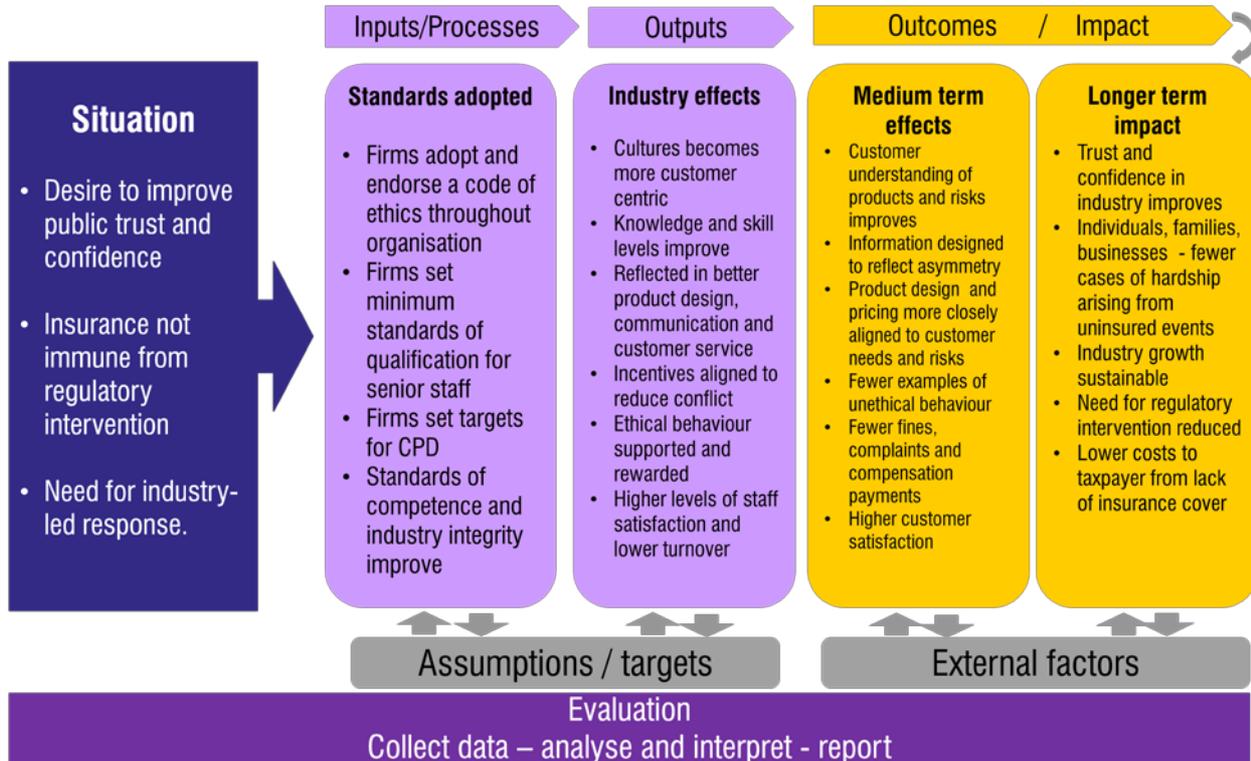
With the general insurance markets, the issues are similar but the solution is being driven by the industry itself with initiatives such as the Aldermanbury Declaration and Chartered status. Before considering how best to evaluate the impact of these measures, a small team from the CII⁵ worked with the author of this paper and an economist, John Forth from NIESR to develop a logic model describing the background to the initiative, the solution being implemented and the hoped for outcomes. The logic model is summarised in the diagram in Figure 1 below.

The starting point for the analysis was to examine the characteristics of the market that have given rise to the Declaration, starting with analysis of market failures and the barriers to a fully efficient market where demand and supply are in harmony. The characteristics described by the FSA in the development of RDR have some resonance in general insurance markets, albeit that, barring one or two notable market failures, the issues are generally less pronounced.

Whilst asymmetry of information might be argued to be somewhat less evident in some general insurance markets, the industry is not immune from criticism about poor communication with customers on policy exclusions and some potentially questionable practices when dealing with customers and their details post-sale. Characteristics such as high levels of intermediation (particularly in commercial markets) imply market asymmetry and can act as a barrier to entry, as can high capital requirements, leading to a lack of competition in some market segments.

⁵ David Thomson, Laurence Baxter, Margaret West, Ben Franklin

Figure 1: Aldermanbury Declaration Logic Model



Source: CII working group on measuring the effects of professional standards

Information asymmetry in general insurance markets lies largely in the area of failure of customers to understand fully the risks to which they are exposed, the benefits of insurance and when it should and should not pay out, and the price and value of insuring against those risks. Insurers and intermediaries are better placed to understand these issues, but this can give rise to poor communication between suppliers, intermediaries and their customers at both point of sale and point of claim, as well as poor product design.

As a result, customers may be uninsured, under-insured or over-insured and, in some cases, unaware of the risks that this poses until a catastrophe arises. A recent report by MacTavish⁶ highlighted the weaknesses in the corporate protection market, with products not fit for purpose, a focus on low cost, low levels of contract certainty, and poor communication of product features and risks. More extreme cases of asymmetry exploitation have led to cases of mis-selling or failure to pay out valid claims. These in turn have led to higher regulatory costs as regulators seek to address market imperfections and to high profile and high cost fines and compensation.

Recent research by the CII highlighted consumer and business customer perceptions of the general insurance⁷. Overall, small business and retail customers described an industry that they felt was ‘insufficiently professional’, particularly in relation to claims management but with weaknesses and conflicts evident in loss adjusting, broking and comparison sites.

⁶ MacTavish (2011), Corporate risk & insurance: the case for Placement Reform, The Mactavish Protocols

⁷ CII (2009), Findings from desk research, stakeholder interviews and consumer / SME focus groups.

Actual or perceived unethical behaviour on the part of certain parts of the industry can lead to longer term consequences such as limited demand for insurance products, an inappropriate focus on price rather than product benefits, fraudulent claims, and low levels of trust and confidence in the industry. These in turn have consequences for society as a whole, costs to the taxpayer and growth in the insurance industry and economy more widely.

The actions being taken by the industry in developing and implementing the Declaration are designed to address these issues and to bring about changes in the way firms and individuals working within them operate. Whilst the industry motivation behind the Declaration might include a desire to self-regulate more effectively rather than be subject to more external regulation, the most important long term impact for the industry are more confident and trusting buyers who engage more actively with the industry and drive forward growth. The intention is that this will be achieved through delivering better outcomes for consumers, by way of better products, clearer information, guidance or advice and higher standards of service all delivered with integrity by staff who adopt high standards of professional behaviour.

In order to measure the effectiveness of higher professional standards being introduced through implementation of the Aldermanbury Declaration, it will be imperative to explore and define in more detail what outputs and outcomes are desirable and how these relate to professional standards.

Feedback question:

Q1. Do you agree with the desired outcomes for stakeholders that we have suggested should flow from implementation of the Aldermanbury Declaration?

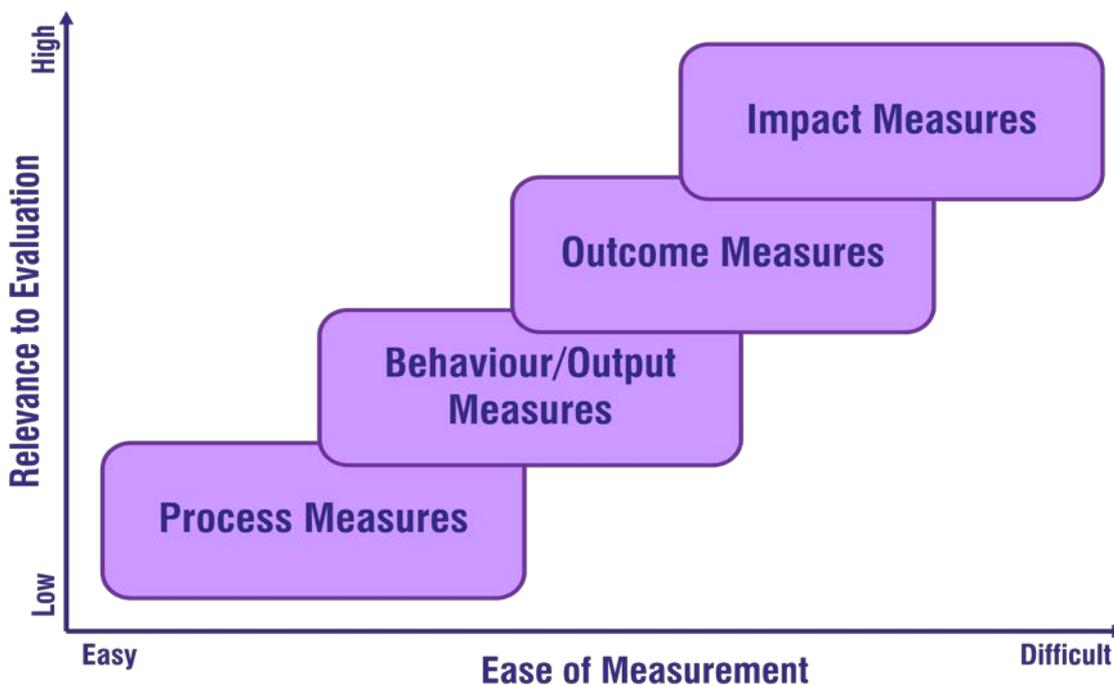
3. A conceptual framework for measuring the effect of raising professional standards

“Although assessing professionalism poses many challenges, gauging and ascertaining growth in professionalism is impossible without measurement.”⁸

In order to demonstrate that the raising of standards has a positive effect on stakeholders – firms, individual employees, consumers and the public in general, regulators and government – it is first necessary to measure what is happening and to demonstrate that professional standards are in fact improving – this may prove to be the easier part of the equation. Secondly, it is necessary to show that improving standards leads to better outcomes for society in general and/or consumers in particular. Demonstrating this link is much harder.

In determining how to measure the effect of higher professional standards, the profession must take account of the reliability of the data collected, whether data is valid in answering the research question and whether collecting the data is feasible and cost-effective. A conceptual framework for considering how to measure professionalism is summarised in the diagram below.

Figure 2: A conceptual framework for measuring the effect of professionalism



Source: Author’s analysis

⁸ Lynch DC, Surdyk PM, Esier AR. Assessing professionalism: a review of the literature. Med Teach. 2004; 26: 366–73.

The framework suggests four different types of measurement:

- **Process measures:** The most basic measurement of adherence to processes is perhaps the easiest to measure. Examples of process measures might include implementation of a code of ethics or CPD programme. If raising professional standards only leads to improvements in process, the whole programme risks being labelled as box ticking. Whilst reliable, feasible and cost effective, such measures may not prove valid in demonstrating a real effect on stakeholders.
- **Output measures:** More difficult and costly to measure, but more important than mere process, are the outputs or behaviour changes that should come with higher professional standards. In an organisation, these might be measured by a change in values reflected in a culture of doing right by the customer and society in general. In individuals, changing behaviours might include questioning the ethical behaviour of the firm and reporting lapses or changes in the delivery of customer service. Measuring changes in behaviour gets closer to demonstrating a positive outcome for stakeholders. .
- **Outcome measures:** Most policy evaluations now conducted in the public sector tend to focus on outcomes rather than outputs or process. Outcome-based evaluations examine the effects of the policy on particular audiences or stakeholders. Outcomes from raising professional standards might be focused on customers receiving better service or advice; consumer (or business customer) confidence in the quality of products and services; higher take-up of products leading to a reduction in the protection gap; or greater value placed on the products and service delivered by the industry. Whilst measuring outcomes is desirable, it is also more difficult and, potentially, even more costly. It requires more thought about what outcomes for customers or society are desirable and whether these outcomes can be translated into meaningful and robust metrics.
- **Impact measures:** The holy grail of evaluations is to be able to demonstrate a definitive and causal link between higher professional standards and outcomes for stakeholders. Demonstrating that the outcomes, if achieved, would not have happened without the Declaration (or RDR) is the most difficult part of the design of any programme of research. Often other factors will influence the outcomes and a relationship might be hard to prove. If one of the ultimate goals is to improve levels of trust in the industry, any improvements would need to be clearly linked back to the implementation of the Declaration by controlling for other external factors which may affect the outcome.

The first two of these measures might be thought of as supply measures: they focus on internal adherence to the Declaration. The second two are more outward looking measures: they focus on the impact on other stakeholders and demand.

Whilst demonstrating whether professional standards are improving and whether higher standards are leading to improved outcomes for the public, society at large and consumers is not easy, measurement itself could bring benefits. If positive change and outcomes are achieved and can be measured, the measurement itself (if publicised widely) could have a number of knock on effects. It could:

- Encourage more firms to adopt higher standards by demonstrating a commercial benefit. It could also re-affirm the benefits to those who have already engaged positively in the process.
- Provide encouragement and endorsement to individuals who have adopted professional standards.

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- Provide regulators and government with additional information with which to gauge firms' behaviours and confidence that adherence to professional standards does improve outcomes that are aligned to the regulator's own statutory and operational objectives
- Help to demonstrate to consumers that the industry is doing the right thing, improve consumer confidence in the industry and encourage consumers to choose firms with higher standards.
- Point to areas where further change is required.

We consider below the challenges faced in trying to define how changes could be measured.

Feedback Question:

Q2. Do you agree with our framework for designing the potential effects of increased professional standards in general insurance markets?

4. Measuring process and output

“The recommended direction in the Declaration must be on the critical path of change for our profession, if we are to remain fit for purpose”

Benedict Burke, Chief Executive UK & Ireland, Crawford & Co⁹

Before we can link any societal or consumer outcomes to higher professional standards, we first need to be able to show that the standards laid down in the Declaration have been implemented, that standards have indeed risen or (in time) that they are being maintained, and that standards are having an impact on behaviour.

It is widely agreed that professionalism is made up of three distinct elements and the Declaration sets standards for each:

- High entry standards, typically indicated by a minimum qualification standard – the Declaration establishes standards;
- The requirement to maintain standards of knowledge through continuous professional development (CPD);
- Adherence to a code of ethics.

It is immediately clear that some of these elements are easier to measure than others. It is a matter of fact and public record whether practitioners have reached a particular standard of qualification, whether the minimum or beyond. Measuring progress towards and into Chartered Status, both among individuals, within individual firms and for firms themselves could provide one indication of increased professionalism. Increases in membership of the professional body could also indicate increased levels of professionalism and cohesion within the industry.

It is also relatively easy, although not a matter of public record, to measure whether practitioners are meeting or exceeding desired levels of CPD and whether firms have introduced formal CPD programmes and monitoring.

Given that examinations and CPD are designed to measure an increase in knowledge and its application, over time an increase in the proportion of individuals within the profession holding a particular qualification should be an indication of higher levels of knowledge and skill in applying that knowledge. However, it is important to acknowledge that, in the early days, higher qualifications may simply be a formal measure of levels of knowledge and skill that already existed in the population but had not previously been measured or recognised through the taking of examinations.

The difficulty in using process measures to define increased professionalism becomes particularly evident when considering how to measure whether the firms and individuals have embraced the concepts and requirements of the code of ethics. The existence of a corporate code of ethics and the way in which this is communicated, monitored and dealt with can provide some insights into the culture of the organisation.

⁹ Benedict Burke Chief Executive, UK & Ireland, Crawford Member of the Insurance Profession Task Force

However, it is not simply putting a code in place and training staff, or indeed the number of calls to an ethics helpline, that matter, but whether this is reflected in the values that permeate the organisation and the behaviour of the individuals that make up the organisation.

Nevertheless, it will be important to track in the first instance how many firms have signed up to the standards set down in the Declaration and whether firms have implemented procedures to deliver to the standards of qualification, CPD and ethics, including a baseline measure that enables progress to be tracked.

It could be argued that measuring qualification, CPD and ethics processes are not what matters in improving professional standards. What is more important, but harder to measure, are the attitudinal and behavioural changes that should come from such measures.

We perhaps need to look beyond these process measures of professionalism to look at real behaviour change related to higher standards of qualification. Back in 1957, W. Goode¹⁰ suggested that a true profession had the characteristics listed below, and it is perhaps in considering these characteristics that we might find additional methods of measuring changes in professionalism within the financial services / insurance industries. The characteristics included:

- A professions members are bound by a sense of identity
- Once in it, few leave the profession, so that it is a terminal or continuing status
- Its members share values in common
- Its role definitions vis-a-vis both members and non-members are agreed upon and are the same for all members
- Within the area of communal action there is a common language which is understood only partially by outsiders
- The community has power over its members
- The professions limits are reasonably clear, though they are not physical and geographical, but social
- Though it does not produce the next generation biologically, it does so socially through its control over selection of professional trainees, and through its training processes it sends these recruits through an adult socialisation process.

These characteristics suggest other ways of measuring the progress of a profession beyond measuring mere process:

- Tracking the sense of identity and cohesion within the members of a profession could contribute to an overall measure of progress: how do members of the profession feel about their professional body?; how valuable is their membership to them?; to what extent does enhance their career path?; the extent of participation in local membership organisations/institute activities; participation in pro-bono work or mentoring of new members.

¹⁰ Goode W (1957), Community within a community: The Professions. American Sociological Review, 22: 194-200

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- Measuring the extent to which new trainees entering the profession ‘stick’ with the profession or the average number of years that members work in the profession. It might also be relevant to measure levels of staff retention within firms.
- The level of agreement among members about the future direction of the profession (e.g. minimum qualifications) and issues that are critical for the profession to regulate.
- The degree of support for the professional body among its members; levels of public criticism of the professional body by its members
- Measuring the extent to which the profession is inclusive and does not put up barriers to entry to some social groups.

A study in Australia¹¹ used surveys of more than 3000 teachers to gather information about the impact of professional programmes on their knowledge, practice, sense of efficacy, their students’ learning and the impact on collaboration between colleagues. One important finding from the study was the extent to which programmes led to stronger collaboration between the members of the profession. This was held to be an important indicator of the programme’s impact. In other words, if raising professional standards brought the professional community closer together, it was also more likely to have had a positive impact on other measures such as student outcomes. Some of the measures used in the study could be translated into measures for the insurance and financial services sectors. Questions might include:

- Whether employers actively support and encourage professional development / alternatively whether employers make insufficient time available;
- Whether follow up for professional development is available and whether collaboration to resolve learning issues is encouraged;
- Whether issues learned through professional development are implemented in their every day jobs (this could apply separately to knowledge-based, skill-based and ethical learning);
- Whether they feel better able to meet the needs and expectations of their job / customers / peers; and
- Whether they feel that their customers (whether internal or external) are better served because of their professional development / whether customers are responding more positively to advice, information or guidance given to them.

Although this particular study did demonstrate a link between efforts to raise professional standards and changes in teacher practices (behaviour), the researchers acknowledged that the study could not adequately measure the impact on student (customer) outcomes simply by surveying the members of the profession.

Another example of measuring professionalism has been developed by the Canadian legal profession¹². This set out the following questions which could be used to assess progress on improving professional standards:

- Does the profession have whistle-blowing procedures to bring attention to misconduct?
- Is there both a licensing and member interest body?

¹¹ Ingvarson, L., Meiers, M. & Beavis, A. (2005, January 29). Factors affecting the impact of professional development programs on teachers’ knowledge, practice, student outcomes & efficacy. Education Policy Analysis Archives, 13(10). Retrieved 01/08/2011 from <http://epaa.asu.edu/epaa/v13n10/>.

¹² Mastromatteo M (2004), Measuring Professionalism

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- Is the profession self-regulating?
- How does the profession balance members' commercial interests with public service?
- Are there mentorship and internship programmes?
- What does the profession do to reach out to the public and community?

A considerable body of research exists on measuring ethical behaviour and culture, although it is also recognised as a developing discipline¹³. Typical questions used to measure ethical standards include asking members of a firm / profession:

1. Whether management demonstrate a consistent commitment to the importance of ethical behaviour and set good examples of ethical conduct.
2. Whether employees can report unethical behaviour in the workplace without fear of repercussions.
3. Whether raising a concern about unethical behaviour would lead to an open discussion of that concern.
4. Whether or not employees would hesitate to report unethical behaviour if it were to occur.

Other important research issues concern who to collect data from and how to collect it. Whilst asking firms and individuals directly about their own behaviour can provide important insights into process and outputs, it may also sometimes be relevant to ask firms and individuals about their peers' attitudes and behaviour. Surveys of firms and/or individual members of a profession are often the preferred method of data collection but can suffer from low response rates or, in the case of firms, completion by different individuals (with different views) over time. The robustness of any data capture will need to be considered if data is to be used to demonstrate positive outcomes from raising professional standards.

All or some of the measures suggested above could be tracked through surveys of firms, individual members of staff and/or evidence from customers. Taken together the data could provide an overall measure of the level of professional standards across the industry. They could also contribute to measuring whether the insurance sector is developing a working culture that will attract high standards of new entrant, develop and retain high quality staff and provide more rewarding careers for those who stay in the industry.

¹³ Rutherford C (2006), Why measure ethical effectiveness, Ethics Resource Centre.

Feedback Questions:

Q3. Is it important that the profession should track how the Aldermanbury Declaration is implemented?

Q4. Do you agree with the suggestions for ways in which to measure successful implementation?

Q5. Are some measures more important to track than others?

Q6. Should the profession track outputs and behaviours among both firms and individual members?

5. Measuring the outcome and impact

“We believe that commitment to this package of professionalism represents a determined statement of the intent of our profession to raise its standing and reputation with the public.”

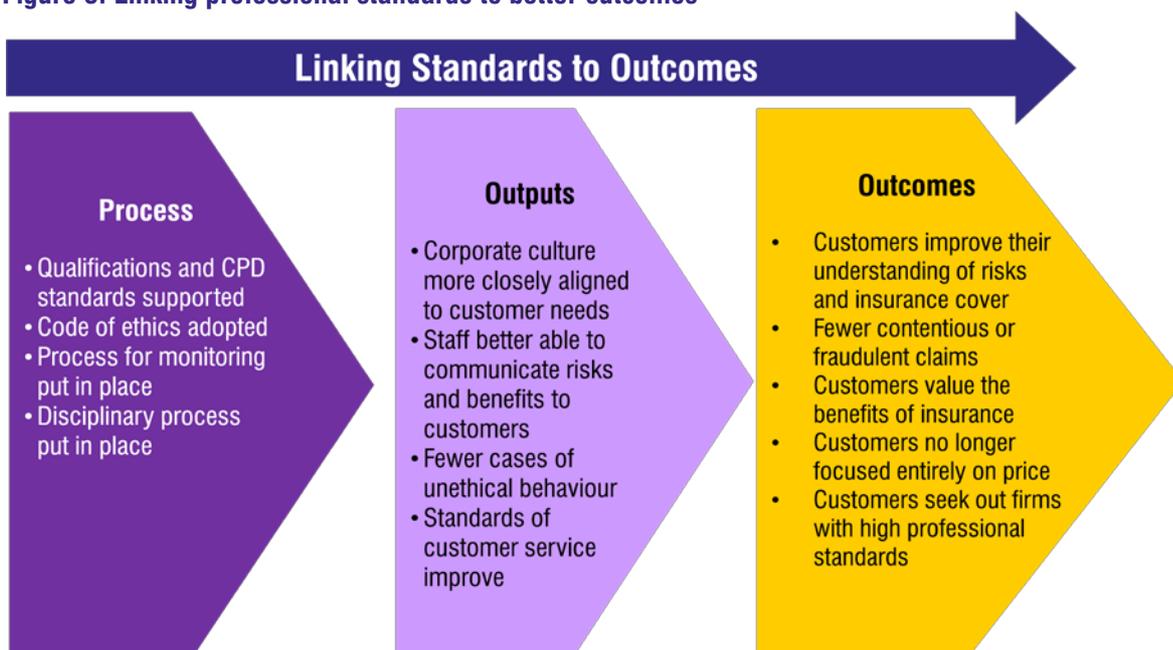
The Aldermanbury Declaration, March 2010¹⁴

Whilst measuring outputs, attitudes, behaviour and culture can tell us quite a lot about whether individuals and firms are applying professional standards in the way that they work, they still do not tell us whether society in general or customers are benefiting from improved professional standards.

In communicating with government and regulators, it has become increasingly important to demonstrate the outcome or impact of any initiatives that the industry or profession takes. Outcome-based research would be designed to show what difference the profession is making to its customers (whether personal or business customers) and the public at large. The difference between outcome and impact assessments is that the latter is intended to take account of what would have happened anyway (in this case, in the absence of the Aldermanbury Declaration) and produce a net effect of the intervention in question. An impact assessment establishes a causal effect whereas an outcome-based assessment simply measures what has happened against a list of desired outcomes.

In order to deliver a persuasive argument on the impact of professional standards, it is necessary to demonstrate the link between the standards and market outcomes. An example is shown in the diagram below.

Figure 3: Linking professional standards to better outcomes



¹⁴ Aldermanbury Declaration, http://www.cii.co.uk/pages/generalinsurance/aldermanbury_declaration/declaration.aspx

The starting point in designing any research to demonstrate outcomes is to think about the type of outcomes and impact that raising professional standards are intended to achieve for customers and the public at large. This is no simple task in itself. Defining the specific outcomes that the industry might seek to measure requires getting down to detail. In order to make the process manageable, it is necessary to think about outcomes for different categories of stakeholder against different business processes.

A starting framework is suggested below for discussion by the industry. The framework seeks to trace the improvements to professional standards and behaviour through specific processes that address the weakness in the market that were identified at the outset of this report, namely: asymmetry of information, the need for improved standards of advice and guidance, the need for better products and services, and questionable practices.

Figure 4: A framework for measuring outcomes

Outcomes and Impact	Better communication and information	Better standards of service, advice and guidance	Products and services designed to meet needs	Ethical behaviour
Society	<p>The role, benefits and costs of insurance more widely understood.</p> <p>Information is more readily available to all those with a need for insurance.</p> <p>Consumers / business community more willingness to consider insurance.</p>	<p>Greater willingness to seek out and pay for advice and guidance where needed.</p>	<p>Products and services offered by industry meet the needs of society at point of sale and point of claim.</p> <p>Uninsured / underinsured / over-insured population reduced.</p> <p>Reduction in financial hardship arising from insurable events.</p> <p>Improvements in business continuity.</p> <p>Lower costs for the taxpayer.</p>	<p>Insurance industry reputation enhanced in comparison to other industries and services.</p> <p>Greater sense that the industry treats its customers fairly.</p> <p>Higher general levels of trust and confidence in industry.</p> <p>Positive impact on economic growth.</p>
Consumers / Business Community	<p>Better information and communication leads to consumers gaining a better understanding of the risks they face and the insurance products that can serve to mitigate those risks.</p> <p>Reduced levels of confusion about the nature of cover people have.</p>	<p>Increased demand for advice.</p> <p>Role of loss adjustors more widely understood and respected.</p>	<p>Improved professionalism in claims processes leads to improvements in perception of fairness.</p>	<p>Higher levels of trust in 'my insurance company', 'my adviser or broker'.</p> <p>Demand for insurance rises.</p> <p>Fewer cases of fraudulent claims (because industry can be trusted).</p>
Retail customers / Business customers	<p>Fewer problems encountered during claims process.</p> <p>Customers feel confident about the level and nature of cover they have.</p>	<p>Customers receive higher quality advice.</p> <p>More professional sales processes lead to fewer cases of misselling.</p>	<p>Improved underwriting and claims processes lead to fewer complaints.</p> <p>Product design and pricing that lead to higher levels of customer satisfaction.</p>	<p>Customers proactively seek out firms with higher professional standards.</p>

Source: Author's analysis.

Having agreed a set of outcomes that can be traced back to higher professional standards, the next step is to translate these into measures that can be tracked over time and to decide on a suitable methodology. This may involve using a combination of:

- Making best use of existing data sets: for example, the Nottingham University Business School measures of trust in the financial services sector; GfK NOP's Financial Research Survey to track penetration of different insurance products; data from the Financial Ombudsman Service on complaints (in particular complaints investigated and upheld).
- Original quantitative research to measure consumer / business attitudes towards the industry (not simply customers), consumer / business engagement with the industry, customer experiences, levels of trust in specific organisations.
- Original qualitative research to explore attitudes and experiences in more depth.
- Models that calculate the cost to the taxpayer and society of the absence of insurance or underinsurance with tracking over time to show a social benefit.

The choice of method will depend in large part upon the budget available. Quantitative data from existing sources may be the most cost effective but relies on consistent, continued data collection by others. Original quantitative research can be costly but is more robust, controllable and consistent. Qualitative research is unlikely to be suitable on its own but can be powerful in illustrating details behind the numbers derived from quantitative studies. Constructing models of social benefit could be powerful in demonstrating the benefits of professionalism but costly to develop and maintain.

In describing outcomes and impacts, it is clear that attributing changes in outcomes to higher professional standards might prove difficult. Many other factors will have an effect: economic conditions, cohort effects in the population, age effects, changes in the competitive landscape, other regulatory factors, and social change could all have an effect on long term behaviour.

Impact evaluations often use experimental research which incorporates a control group which provides evidence of a counterfactual. In this case, the closest that we have to a counterfactual is the outcomes for those firms (and their customers) who do not engage or fully engage with implementation of the Declaration. This would make it important to measure not only the behaviour of firms, and customers of firms, who have signed up to the declaration but also those who have not. This would enable a more segmented approach to be adopted in report results and a comparison between:

- Those who have fully embraced the standards.
- Those who have signed up to the standards but have not fully adopted them.
- Those who have not signed up to the Declaration standards but nevertheless exhibit high standards.
- Those who have not signed up to the Declaration standards and fall short of them.

There are also important issues of timing in establishing a causal relationship. In order to demonstrate that change has occurred, it is necessary to start measuring before changes are implemented – in an ideal world, for some time before. This in turn raises further questions of how to measure outcomes which may take some

time to be realised, for example, claims on business insurances. Developing a set of measures that can track outcomes will be an important component of demonstrating the success of the Declaration.

Feedback Questions:

Q7. Do you agree with the framework for measuring outcomes?

Q8. Should the profession seek to measure outcomes and if so, which are most important to measure?

Q9. Can we differentiate between expected short term outcomes and those which will take longer to emerge?

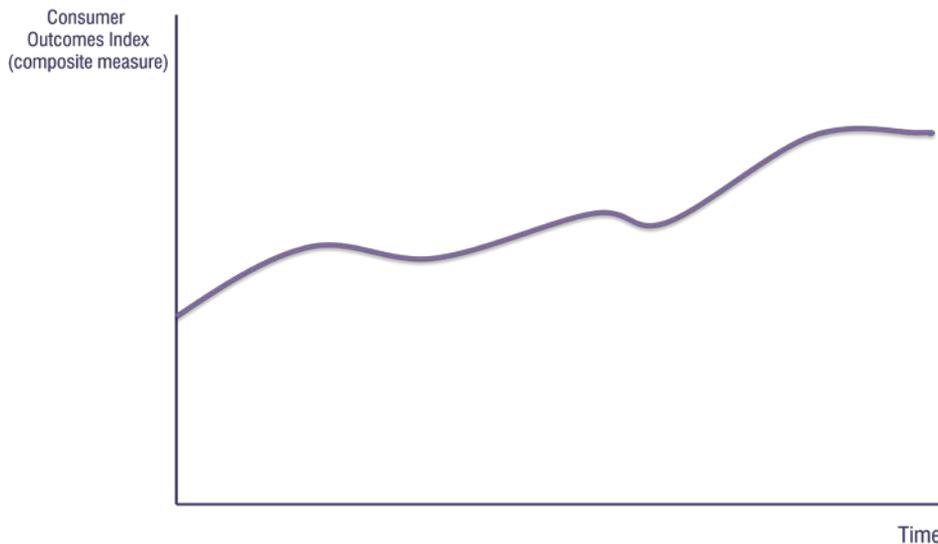
6. Can we demonstrate a link between higher professional standards and outcomes?

Proving a link between higher professional standards and better outcomes for society, consumers and business customers to the satisfaction of regulators, economists and Government may prove difficult and costly. However, some steps can be taken to start collecting information that will measure process and output on the supply side and customer outcomes. Steps can also be taken to consider how best to analyse, model and communicate the information collected.

Building two composite measures that consistently track industry output on professionalism and outcomes might enable what could be a complex story to be communicated more easily and clearly over time. Statistical techniques such as factor analysis can help to simplify several strands of data into a simpler set of variables.

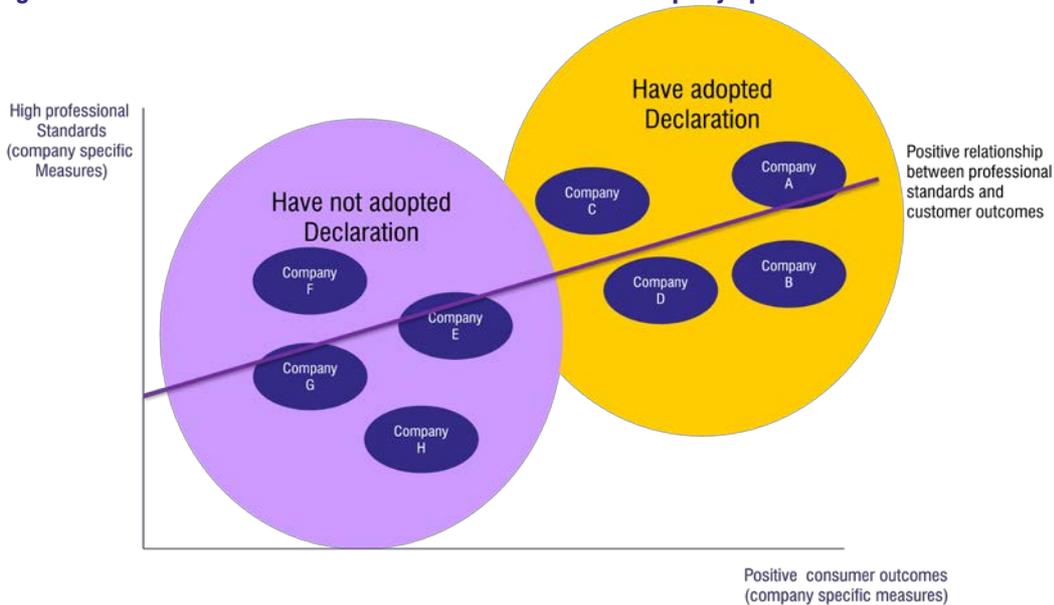
An example of data simplification is the Nationwide measure of consumer confidence that draws on several questions asked in a quantitative survey. These two measures could then be compared over time, as illustrated in the chart below. Commentary could then be added to the picture, describing in particular the exogenous factors that could also have had an effect on the results (e.g. the economy, social change, government policy).

Figure 5: Professionalism and consumer outcomes



Depending upon the nature and level of detail collected, it might also be possible to illustrate the differential results between customers of those organisations that have adopted the Declaration and those that have not. Whilst more difficult, this might provide a more compelling link than simply showing that outcomes have changed. Tracking the changes between the two groups (adopters *v.* non-adopters) and over time would enable a ‘differences-in-differences’ analysis to be undertaken, with the non-adopters being used as a control group.

Figure 6: Professionalism and Consumer Outcomes – company specific



Measuring the impact of the AD will not be simple or cost free. For the measurement to be credible, the process and desired outcomes must be clearly thought through, data must be objective and robust, measures must be relevant and sustainable over time, and wherever possible not influenced strongly by other external events.

The next steps for the industry and CII are to debate and agree a set of outputs and outcomes that should be measured and to develop a programme of research that can establish some baseline data and track on-going progress. The key steps in designing the research will be:

- To define the most effective measures that can be tracked and the market segments that that should be monitored taking account of budgetary constraints;
- To collect the baseline data required through surveys and/or collating existing data sets;
- To analyse the data and build ‘models’ that enable data to be presented clearly;
- To present the findings of baseline research;
- To develop and collect measures for on-going tracking; and finally
- To disseminate the results of the research to wider publics.

Feedback Questions:

Q10. Is it feasible to try to attribute any change in outcomes for stakeholders to the Aldermanbury Declaration?

Q11. Should we aim to compare outcomes for those firms who are implementing the Declaration with those who are not?

If you have any comments or feedback on this paper, please do not hesitate to contact us: Laurence Baxter, Head of Policy & Research, the Chartered Insurance Institute. laurence.baxter@cii.co.uk.

Previous CII Papers in Professionalism

As part of our long term drive to promote greater levels of professionalism and ethical behaviour in insurance and financial services, we have been publishing a series of papers looking at the way forward for a modern and progressive profession. The series explores, in depth, various issues around raising standards and building trust in our sector. Individual topics include continuing professional development and ethical behaviour. Below are the most recent titles, and all are available free on the CII website: www.cii.co.uk/papersinprofessionalism

11: Discover Professionalism

Young people are looking for fulfilling and worthwhile careers. The 'professions' are frequently cited as a means of achieving such a career - but insurance is rarely considered as a profession. [This paper](#) takes those themes of professionalism and worthwhile careers and explores them within the context of insurance.

10: Professionalism for the 21st Century – Revisited

Our first paper in professionalism published in 2009 examined the meaning of professionalism, the evolution of the professions, key challenges, and our vision for the future of professionalism. [This latest paper](#) updates these, taking into account the debates that have taken place over the last three years. We also identify the key characteristics of the 'new wave' professions that focus on the public rather than the profession itself.

9: Professional Education: Blending the Best of Academic and Vocational Education

Professional Bodies, like the CII, have been at the forefront of designing and providing learning which meets the needs of firms, individuals and society for many years. The importance of professional education is often underestimated, particularly by policy makers. [This paper](#) explains the elements that make up professional education, its relevance in the twenty first century and the benefits it brings to our economy and wider society.

8: A New Approach to Financial Regulation: Embedding Professional Standards in Regulatory Culture

Ahead of the government's draft legislation reforming the UK's financial regulatory landscape we set out the need for the proposals to address cultural issues, such as ethical behaviour, and not simply a concentration on structural detail. [Click here](#)

7: Everybody Wins: Pro Bono as a Hallmark of the Professional

Pro bono work undertaken in support of the community is becoming increasingly popular for many professions. This paper entitled [Everybody Wins: Pro Bono as a Hallmark of the Professional](#) argues that "giving something back" to society through either in-kind gratis work for the public or volunteering in support of a worthy cause is as much a part of professionalism as passing exams, attaining qualifications or doing CPD.

6: Building Trust Through Independent Standards: Our View on an Independent Professional Standards Board

This paper sets out our proposals for a Professional Standards Board which had been under consideration as part of the FSA's Retail Distribution Review. [Click here](#)

5: The Stamp of Quality? The importance of Being Chartered

[The Stamp of Quality?](#), presents consumer and member research on the value of the Chartered brand. The key findings suggest that the public know and trust the Chartered mark more than any other professional designation. At a time when trust is a rare commodity, this makes Chartered more important and relevant than ever.