



CII Professional Standards Board

Annual report 2014



CII

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The Chartered Insurance Institute (CII) Professionalism in practice

As the premier professional body for the insurance and financial services profession, the CII promotes higher standards of integrity, technical competence and business capability.

With over 115,000 members in more than 150 countries, the CII is the world's largest professional body dedicated to this sector.

Success in CII qualifications is universally recognised as evidence of knowledge and understanding. Membership of the CII signals a desire to develop broad professional capability and subscribe to the standards associated with professional status.

The CII works with businesses to develop bespoke, company-wide solutions that ensure competitive advantage by enhancing employees' technical and professional competence.

Individually, CII's members are able to drive their personal development and maintain their professional standing through an unrivalled range of learning services and by adhering to the CII's Code of Ethics.

Our Charter remit is to protect the public by guiding the profession. For more information on the CII and its policy and public affairs function, including examples of the range of issues in financial services and insurance that we cover, please visit:

www.cii.co.uk/policy



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2 Introduction

I am delighted to provide an introduction to my first report as chairman of the CII's Professional Standards Board (PSB).

The work of the Board continues to evolve as the CII's professional standards develop to reflect changes in the external environment, both in terms of regulatory developments and raised public expectations for those operating in the insurance profession.

The CII is on a journey to develop its capacity from its traditional role as an awarding body – its role for most of the last century – to that of a more comprehensive professional body with all the activities and resources that this entails. Last year was no exception with a number of developments either launched or under way to help the profession on this journey.

As part of this evolution, the PSB published its second standalone report last year, reflecting the increased status of the Board and changes to its structure and remit over recent years. It also provides a clear public report of the work and activities on the Board. I believe this report illuminates the importance of the PSB's role in acting as a guardian of the profession and its standards.

This annual report reflects the independence of the Board – which tries to strike the right balance in maintaining and improving independent self-regulatory structures without taking on the aspects of a regulatory body itself. Indeed the Board, which is independently chaired, now has a lay majority, which is the direction of travel for many bodies with public interest requirements.

It is worth pointing out that in an age of public scepticism toward institutions and bodies in general, and financial services in particular, the CII has an important role to play in encouraging and guiding the profession to strive to meet public interest expectations. Whilst some members of the profession may, from time to time, chafe against this, it is important that this Board help to keep the CII's focus on the bigger public interest picture.

The PSB has considered a number of issues throughout the past year in our work to improve the profession. An integral part of this has been taking a wider view of developments in the external world in terms of consumer, regulatory or other developments, which impact the public interest.

Despite its utility, a model of self-regulation must be constantly justified as an appropriate and relevant model. I believe this report can play a part in ensuring this debate is both transparent and has high awareness within the profession, across the industry and with the wider public.

On a final note, I pay tribute to two members of the Board who will be standing down in early 2015 – Jackie Wells and Eddie Grant – both of whom have made a great contribution not only on this Board but also in previous guises to the CII.



David Hertzell

Chair of the CII Professional Standards Board



Protecting the public interest is central to the Chartered Insurance Institute's purpose, as the CII's Royal Charter states, and a key component of this is maintaining and improving public confidence and trust in the financial services market. This will be best achieved by creating a genuinely global profession where the best interests of the public are to the fore, where ongoing learning and expertise are cherished, and where the highest standards of ethical behaviour are pursued.

Modern professional bodies need to demonstrate to the wider public that there is good governance in place to guide this work whilst challenging George Bernard Shaw's assertion that "all professions are conspiracies against the laity".

The CII's commitment to higher technical and ethical standards is achieved through a broad range of services, including membership, qualifications, continuing professional development and a code of ethics guiding professional behaviour. But for this to work it must be governed by a robust set of processes which are seen to be, and are, acting in the public interest.

Central to this oversight is an independent process for the CII's disciplinary machinery which oversees the policing of the CII's Code of Ethics and other regulations and rules – and the Disciplinary and Appeals Committees are in place to see this happens. Both of these Committees are currently independently chaired by practising lawyers. In addition there is a secretariat which provides support to these committees.

In creating the PSB over a decade ago to oversee its professional standards framework, the CII ensured there was a further lock in place. The first independent chairman of the PSB was Lord Hunt of Wirral and the current chairman is David Hertzell.



4 Role and purpose

The role of the Professional Standards Board (PSB) is to:

- Develop policy and standards for CII members, including professional conduct and trust, discipline, ethics and competence;
- Develop appropriate policy and standards for the CII's governance including accountability, diversity, consumer representation and transparency;
- Monitor and review these standards;
- Communicate the standards to the members and committees; and
- Promote professionalism and the adoption of high standards within the industry, with government, with regulators and, most importantly, to consumers.

The Board comprises a mix of senior insurance and financial services practitioners and lay members who provide a wide range of expertise to help provide a strong and diverse oversight of professional standards activity in the insurance and financial services sector.

The PSB plays a vital role in acting as the voice of the public overseeing the development of the profession. It plays a vital part reinforcing and enhancing the key purpose of the Royal Charter: to promote the public interest and to provide public trust and confidence in the profession.

2015 will see the start of a general review of the governance of the CII and this will include a review of all the boards and committees of the CII and their terms of reference. Next year's report will provide an update on the progress of this important project.



The Professional Standards Board covered a range of activities and issues in a year where professional standards, conduct and public trust and confidence in the broader financial services sector were particularly to the fore. The consumer and regulatory debate over the question of culture and ethics in financial services has rarely been out of the news, particularly in relation to the banking sector. This continued trend, along with developments in other professional spheres, reinforced the PSB's determination to focus on what changes were required to keep pace with public expectations across all parts of the CII membership.

Governance

As part of its normal governance and oversight responsibilities, the Board received reports and oral presentations from the Disciplinary Committee (which is the main committee for cases of breaches of the Code of Ethics and other CII regulations and rules); the Appeals Committee (where disputed cases are heard); Accreditation Panel (which oversee the CII's accreditation process); the Diversity Action Group, and the Qualifications Examination and Assessments Committee (QEAC – the main CII committee for the review of CII examinations and qualifications).

A fuller explanation and terms of reference for these bodies are available on the CII website in the Board regulations section: www.cii.co.uk/about/governance/current-boards,-committee-and-panel-vacancies

An outline of disciplinary activity is set out later in this report.

Raising the profile of the work of the Board

Considerable efforts have been made to raise the profile of professional standards and the role and profile of the work of the Board amongst CII (and Personal Finance Society) members. This included a major article of the work of the Board and an interview with the chairman for both the Journal and Financial Solutions.

The Board also welcomes the CII's efforts to communicate the importance of the Code of Ethics and to extend the range of related guidance and support. Initiatives have included a new publication of a practical guide to the code which provides case studies to help illustrate the Code, two further guidance papers on ethics and culture as part of an ongoing series, support material for Chartered firms on conduct and ethics as well as the publication of guidance material on whistleblowing.

Following a review of current developments relating to whistleblowing and benchmarking of other professional bodies' and relevant organisations' approaches to it, the CII produced a set of guidance papers for members. The aim of this was to help members understand the process for, and be more aware of 'speaking up' and whistleblowing. This was published in July 2014. The Board will monitor the development of the guidance into 2015, taking into account anticipated regulatory changes.

The Aldermanbury Declaration and Standards in General Insurance

The Board regularly discussed key professional standards debates and initiatives promoted by, or involving, the CII. Central to these initiatives was follow-up activity to the Aldermanbury Declaration – which seeks to raise professional standards, voluntarily, across the General Insurance sector. The Board received regular updates on the measurement work to measure the impact on consumers of these professional standards changes. A Baseline measurement has been completed and was used in 2014 for follow-up consumer research to track progress, both in terms of commercial and retail consumer experience. This is being re-run in early 2015.

Post Retail Distribution Review and the CII Accredited Body

The Professional Standards Board monitored the development of the CII Accredited Body which oversees the professional standards and issuance of Statements of Professional Standing (SPSs) for regulated financial advisers. The CII is by far the largest of the eight Accredited Bodies overseen by the Financial Conduct Authority.

The Accredited Body's role is to monitor the process for issuing Statements of Professional Standing (SPSs), the CPD sampling process for members and the Code of Ethics and disciplinary process which underpins it. Regulatory requirements mean that financial advisers now have to hold a Level 4 qualification, meet new CPD requirements and commit to a Code of Ethics.

This was the second full year of operation and numbers of CII SPSs remained stable at around 21,500 throughout the year, which represents about two thirds of the number of regulated advisers.

The Accredited Body received a successful external audit for 2013 and submitted its 2014 audit to the FCA in December 2014 for approval.



Banking professional standards

The Board discussed the CII's continuing work to support efforts to improve professional standards for banking. This has included the CII's active role and contributions to the development of the Banking Standards Review Council (BSRC) and engagement with Sir Richard Lambert who led the initial work to create the Board.

6 Programme of work in 2014

Pensions review and public interest issues

An emerging major issue to the fore of the Board's discussions was the reform of UK pensions and annuities announced in the 2014 Budget. Of paramount importance were the issues relating to public interest and consumer detriment which could arise as a result of the reforms. The Board welcomed the consumer research the CII conducted to gauge awareness and views on the proposed pensions guidance by 'near to retiral' consumers. We expect this will be a major focus for 2015.



Guaranteed Guidance for retirement What consumers want

October 2014



Corporate Chartered status

The Board discussed the ongoing work to review and strengthen the CII's corporate Chartered titles (CCS). The review had looked at the processes, criteria and standards. Following consultations with the profession and public interest stakeholders, revised standards were developed and will be launched in early 2015.

Other work in 2014

The Board debated how it operated as part of its regular discussions on its evolution. One innovation was its contribution, at an early stage, to the formulation of the CII's strategy. The Board also discussed a number of issues specific to insurance or financial services, and to professionalism more generally, where there were potential implications for the CII. Other prominent issues included: professional standards in the banking industry, regulatory developments on culture and ethics within financial services; the CII's equality plan; the Government's Insurance growth strategy, and whistleblowing.

Looking forward to 2015

The Board intends to look at a number of issues in the forthcoming year. These will include emerging consumer issues affecting insurance and wider financial services, the development of professionalism in financial advice. It will also be looking at some of the specific initiatives which the CII will be promoting in 2015, including those around chartered title as well as initiatives to make insurance products and services simpler for consumers to understand and to be more transparent. The Board will continue to monitor the development of banking professional standards and their oversight by the Banking Standards Review Council. The changes to regulation arising out of changes to banking and insurance and their implications for culture and ethics within firms will continue to be a major focus. Finally, there will be a strong focus on the introduction of pensions freedoms in April 2015 as well as the guidance process which will underpin the new freedoms, and how this will change the prospects for at retirement advice and products.

The CII promotes standards and competence and has a duty to ensure that its members are qualified for the work they undertake and that they observe the principles of best practice. The CII Disciplinary and eligibility processes aim to uphold the standards and reputation of the insurance industry.

To support this aim every member of the CII is required to abide by the **Charter and Bye-laws** and **Code of Ethics**. A commitment to this is made upon joining the Institute. If found to be in breach of the Charter and bye-laws and/or Code of Ethics, members can be brought before a Disciplinary Panel to give an account of themselves. As part of their compliance with the Code of Ethics, qualified members are required to maintain their competence by completing ongoing **Continuing Professional Development** and face disciplinary action if they do not. The majority of the cases where sanctions were applied in 2014 were plagiarism cases. This was for breaches of the Coursework or Continuous Assessment Guidelines as opposed to the Code of Ethics or Charter and Bye-laws. Also, many of the people sanctioned were non members who were Coursework or Continuous Assessment candidates.

The Disciplinary Regulations and Disciplinary Procedure Rules govern the work of the CII Case Examiner (who can issue sanctions or agree consensual orders with people who are under investigation). They also set out a number of sanctions which may be applied where a complaint is upheld and an individual is found guilty of misconduct. These may include anything from a simple reprimand to exclusion from examinations and membership. The objective of the disciplinary and appeal procedures is always a positive one: to uphold the standards and reputation of the insurance industry and to act as a deterrent.

More information about the disciplinary process can be found on the CII website: www.cii.co.uk/about/professional-standards/disciplinary-and-appeals-decisions

Disciplinary and eligibility activity

As a result of changes to how disciplinary cases are dealt with including the use of Consensual Orders, it is not possible to give like for like numerical comparisons with last year but we intend to publish more detailed statistics next year once the new processes have settled down and we have more meaningful comparators. When compared to other profession bodies the overall percentage of members who are the subject of a formal complaint is low.

This reflects a number of things: the greater public awareness of complaints mechanisms for some of the older professions and those who have traditionally had a higher profile of liability. We would suggest that the increase during the past few years does, however, point towards a greater awareness and reflect the greater emphasis on professionalism promoted by the CII. Therefore we anticipate this continuing to grow over time.

MASC governance

One minor change of accountability took place in 2014 with the Membership Application Sub-Committee (MASC), which is responsible for considering membership eligibility cases, switching to a direct reporting role to the Professional Standards Board whereas previously it had reported indirectly, via the Disciplinary Committee.

Hearings

There were no hearings this year, which is largely a consequence of a change in the rules made recently where complaints whose nature and extent might lead them to a consensual resolution via a Consensual Order. 58 cases were resolved by use of Consensual Order in 2014.

Themes

Whilst there is the usual broad range of themes, one particular issue that has been to the fore has been the upturn in the number of plagiarism cases. This is thanks in part to the use of more sophisticated detection software introduced at the end of 2013. To help prevent plagiarism in the future the CII has taken a number of steps to try and ensure that students embarking on non exam-based working are made aware of the dangers of what is permissible and what constitutes plagiarism.

Internal oversight

The Disciplinary Panel decisions and Case Examiner decisions are subject to a periodic review by the Disciplinary Decisions Review Panel (DDRP) to ensure consistency of approach.

Training

Both the Disciplinary and Appeals Committee members took part in a training exercise as part of the effort to ensure skills are kept up to date.

8 The Board – membership in 2014

The Professional Standards Board members during 2014 were:

Lay members

David Hertzell (Chairman)
Jackie Wells (retired at end of 2014)
Professor Charles Munn
Sue Lewis
Teresa Hunter
James Morris

Practitioner members

Tom McGrath, CBE, FCII, Chartered Insurance Broker
Jonathan Bush, ACII, Chartered Insurance Broker
Edward Grant, FPFS, Chartered Financial Planner
(retired at end of 2014)

Ex officio

Sandy Scott, Chief Executive Officer, CII *
David Thomson, Director of Policy and Public Affairs, CII *
NB *Following changes to the composition of the Board introduced in 2013 executive members of the CII no longer sit on the Board as members, but do attend.

Board changes

David Hertzell took over as chair from David McIntosh QC (Hon) in January 2014.

Appendix 1 – Board membership

David Hertzell, Chair (January 2014)

David Hertzell was Managing Partner of city law firm DAC until 2006. He was appointed a Law Commissioner in 2007 and served there until December 2014. He previously chaired the Airmic (the UK risk managers association) Captive Insurance Focus Group and was a member of the BSI drafting committee on risk management. He was also an independent member on the audit and risk committee of the Judicial Appointments Committee.

David is currently president of the British Insurance Law Association and Chair of the CII Professional Standards Board. He is also a pension fund trustee for the DAC Retirement Benefits Fund. As a Law Commissioner David was responsible for various commercial and common law projects, including the reform of insurance contract law, the law relating to the supply of goods and services and the fiduciary duties of investment intermediaries. He recently joined law firm BLM and Mactavish as a consultant and chairs the new government inquiry into insurance fraud.

Edward Grant, FPFs, Chartered Financial Planner, Practitioner Member

Edward is a passionate advocate of the financial planning profession and during his extensive career spanning over 20 years he has sought to support, mentor and lead the development of initiatives to build consumer confidence and trust in financial advice.

He is a past president and board member of the Personal Finance Society (PFS) and a current Vice President of the Chartered Insurance Institute and the Insurance Institute of London.

Edward recognises the importance of the consumer at the heart of the profession and led the Tomorrow's Client, www.tomorrowclient.co.uk, initiatives which focused on their future needs. In addition he has participated on projects to reenergize the regions and enhancing the membership support for those seeking to achieve their Level 4 diploma and Chartered Financial Planner qualifications.

Jackie Wells, Lay Member

Jackie is head of Policy and Research at the National Association of Pensions funds. Jackie has spent the past seven years leading a diverse range of consultancy projects for the FSA/FCA, Government departments and other not-for-profit organisations as well as a number of commercial businesses. Her work ranged from considering the implications of changes to pension taxation for pension schemes and members to exploring the subject of consumer responsibility in financial services markets. Jackie has great experience of working on pension policy issues having previously worked in Deloitte's consultancy team where she worked with DWP on the Pensions Commission reforms as well as with providers and schemes on the impact of auto-enrolment. She has previously led the strategy team at Bacon & Woodrow and in similar roles at other consultancies and life companies. Jackie also sits on the Chartered Insurance Institute's (CII) Professional Standards Board and is an associate fellow at ILC UK.

James Morris, Solicitor, Lay Member

James is the former Chairman of DAC Beachcroft's Claims Solutions Group. He is a senior partner within the firm and sits on both the UK CSG Board and also on the Scotland Board of the firm.

DAC Beachcroft is a top 20 UK law firm employing over 2,300 staff with a gross annual turn-over of in excess of £200 million. It has a substantial network of offices abroad including Spain, New Zealand, Singapore and Latin America.

James has been a partner with DAC Beachcroft since 2001 and has held a variety of roles including Chairman of Claims Solutions Group. He has a particular interest in ELPL claims and bodily injury claims of a catastrophic nature. He advises a number of leading UK Insurers and PLCs and has a particular interest in Government and Industry Affairs. He specialises in Insurance related law and is widely listed in legal journals as one of the UK's leading Insurance lawyers.

Jonathan Bush, ACII, Chartered Insurance Broker, Practitioner Member

Jonathan is an insurance broker who has held previous posts with Minet, Aon and Marsh. He was a director on the insurance banking desk at Barclays Bank providing senior debt finance and banking services to global wholesale clients, before moving to Willis in 2014, where he is the UK Leader for the Financial Institutions Group.

Professor Charles Munn, OBE, BA, PhD, FCIBS, Lay member

Professor Munn is a Board member of the European Financial Planning Association and a former lay member of the CII Board and its Audit committee. He was, until recently, a lay member of the Investigations and Professional Enforcement Committee of the Institute of Chartered Accountants of Scotland and was an adviser on ethics to the then Lothian and Borders Police. In 1988 he became Chief Executive of the Chartered Institute of Bankers in Scotland where he remained for 19 years. During that time he served a term as President of the European Bank Training Network and co-wrote the Institute's book on Ethics, Integrity and Reputation. He was also a Director of the Quality Assurance Agency for Higher Education, the Scottish Qualifications Authority and Chairman of the Customer Contact Association. He is the author of several books on the development of financial institutions. He is an honorary professor in the universities of Dundee and Stirling. He received the OBE in 2005 for services to banking.

Sue Lewis, Lay Member

Sue has a range of consultancy and Board roles. She chairs the Financial Services Consumer Panel, and is a trustee of Young Enterprise and of StepChange debt charity. Sue has international expertise in financial education, working with the OECD and other overseas clients. She is also a member of the Financial Services User Group, which advises the European Commission on legislation or policy initiatives which affect the users of financial services, and a member of the Fair Banking Mark accreditation panel. Sue was previously a senior civil servant, advising Ministers on a range of policy issues including financial services, early years, children and young people, and gender equality.

10 Appendices

Teresa Hunter, Journalist, Lay Member

Teresa Hunter is a consumer and personal finance journalist who has covered the financial services world for nearly 30 years. She is currently a regular contributor to the Telegraph Group, Sunday Times and Corporate Adviser. She began writing about financial matters, including insurance and regulation, in 1985, as a senior member of a small team which launched Money Marketing. After this she joined the Guardian where she worked for 13 years, before moving to television and BBC1's Watchdog and news output. She has won many awards for her work, and has an MA in Critical and Creative Writing from Southampton University.

Tom McGrath, CBE, FCII, Chartered Insurance Broker, Practitioner Member

Tom commenced his career with Sun Insurance Office and transferred to broking where he specialised in Professional Indemnity Insurance. He spent most of his broking career with Marsh, held a number of positions and was a MD of Marsh McLennan Inc. Tom has a particular interest in standards within Insurance and particularly those of brokers. Tom is a frequent presenter on broker negligence at conferences and provides expert witness services and litigation support in the jurisdictions of England and Wales, Scotland, Republic of Ireland and N. Ireland. He operates a consultancy service providing auditing to Brokers and Lloyd's Underwriters and training to Brokers on Professional Negligence Avoidance. He has been an Examiner for the CII and served two terms on the Education Committee and was President of the Belfast Insurance Institute for two sessions, one being its Centenary Year in 2007-2008. He was awarded the CII Exceptional Service Medal and has served as Chairman of BIBA in Northern Ireland. In addition to a career in Insurance, he has served on a number of Public Bodies and in 2009 was appointed Chief Commissioner of the Charity Commission of Northern Ireland.

Tom has been appointed in January 2015 to the CII Membership Application Sub-Committee.

Appendix 2 – Other relevant committee chairs

Chair of Qualifications and Examinations and Assessments Committee (QEAC) – Dr Julie Robson, ACII

Chair of Disciplinary Committee – Peter Taylor (retired Solicitor)

Chair of Appeals Committee – Michael Williams (Barrister)

Chair of Diversity Action Group (DAG) – Liz Coyle, ACII, FPFS, Chartered Financial Planner

Full details of the compositions of these committees can be found online in the CII annual report.

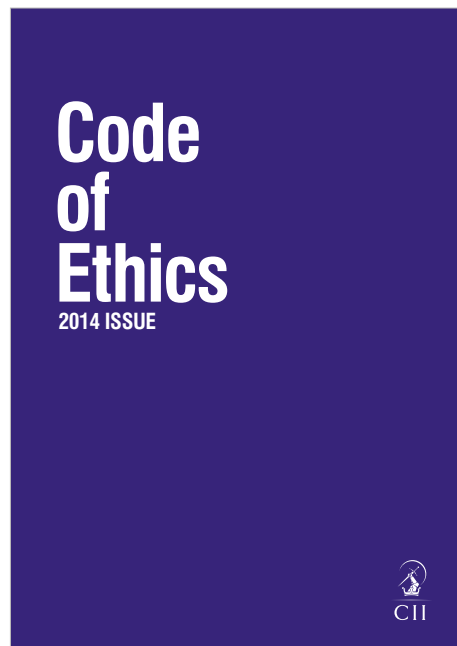
Appendix 3 – Code of Ethics

The CII encourages the highest professional and ethical standards in insurance and financial services worldwide. Consumers and the membership of the CII expect all members to meet these standards and maintain the reputation of the CII by following the Code of Ethics.

The code sets down the principles which all members of the CII should follow in the course of their professional duties. Members are obliged to comply with this code. If they do not comply, this may result in the CII taking disciplinary action against the member.

The latest version of the Code of Ethics came into force at the CII's AGM in July 2014.

The Code can be found online on the CII website at www.cii.co.uk/about/professional-standards/code-of-ethics



Appendix 4 – Equality & diversity

The CII values and respects diversity and strives in all its activities to take account of and reflect the interests of all the people it serves. Diversity values the differences which exist between people. These differences are embraced to promote an environment where everyone's characteristics are valued, respected and fully utilised.

Equality is a shorthand term referring to the range of work aimed at ensuring the full and fair participation of marginalised or under-represented groups, where these groups may be excluded from full and fair participation as a result of discrimination and disadvantage, or other barriers. This has a particular reference to race, disability, sex, gender identity, sexual orientation, religion and belief, pregnancy and maternity, marriage and civil partnership, and age.

The CII values and respects diversity and strives in all of its activities to take account of and reflect the interests of all the people it serves in line with Section 5 of the CII Code of Ethics. Whilst the CII is not a public body it does have a public interest function in line with its Charter. As part of CII's commitment to striving towards best practice it has an Equality and Diversity Good Practice Guide.

The CII Board has approved an equality strategy for the CII which is in the process of being implemented. There will be an update on this next year.



Equality & Diversity

A good practice guide from
The Chartered Insurance Institute



The Chartered Insurance Institute 42–48 High Road, South Woodford, London E18 2JP
tel: **+44 (0)20 8989 8464** email: **customer.serv@cii.co.uk** website: **www.cii.co.uk**

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