Factors Influencing Unethical Behavior of Insurance Agents

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Abstract

The study investigates the relationships between supervisory influence, role ambiguity and sales target on intention to perform unethical behavior. It also examines how attitudes, perceived behavioral control, subjective norm and moral obligation mediates the relationship of supervisory influence, role ambiguity and sales target on intention to perform unethical behavior. The respondents of the study comprise 246 individual insurance agents. The result of the study shows that there is a relationship between supervisory influence, role ambiguity and sales target on intention to perform unethical behavior. The study found that attitude partially mediates the relationship between supervisory influence, role ambiguity and sales target on intention to perform unethical behavior. Subjective norm and moral obligation was found to partially mediate the relationship of supervisory influence and role ambiguity on intention to perform unethical behavior. The implication from this study shows that there is a need for constant monitoring, support and encouragement and making sure clear roles are presented and sales targets sets are achievable to the insurance agents in order to minimize their unethical behavior.

Keywords: Unethical behavior, role ambiguity, insurance agent, moral obligation, sales target

1. Introduction

In Malaysia, prior to 1997, the insurance companies are operating as a private company governed by the 1963 Insurance Act. However with the enactment of the Insurance Act 1996 which came into force on 1st January 1997, all insurance business are licensed by the Ministry of Finance and it has to be a public company under the Companies Act 1965. The Insurance Regulations 1996 is part of the Insurance Act 1996 which prescribe the details of mandatory requirements contained in certain provisions of the Act. Under the Act, Bank Negara Malaysia is empowered to specify matters pursuant to the Act. Insurance business growth is in tandem with the domestic economy. For 2005, the insurance industry recorded a growth of 6.9 percent in combined life and general premium income to reach RM23,564.6 million. The life industry premium growth was 0.6 percent at RM6,701.4 million, attributed largely to the scaling back of sales of capital-guaranteed investment-linked products. (Insurance Annual Report, 2005).

In the event of dispute between the insurance policy holder and the insurance company, the policy holder can seek redress from the Insurance Mediation Bureau (IMB). The objective of the bureau is to provide dispute resolution procedures for policy holders and insurers. In the event that any party is not satisfied, they can seek remedy in a court of law. Currently the scope of the IMB is confined to claims not exceeding RM100,000 per case. Out of 1,070 cases handled in 2003, 44 percent was related to life insurance while the remaining 56 percent involved general insurance (Insurance Annual Report, 2003). Effective from 2005, Bank Negara Malaysia has merged the IMB and Banking Mediation Bureau to become the Financial Mediation Bureau (BNM, 2005). In 2005 the Customer Service Bureau (CSB) of Bank Negara Malaysia saw an increased of 43.5% in complaints relating to life insurance from 485 in to 2004 to 696 in 2005. (Insurance Annual Report, 2005)Insurance business is expanding in Malaysia as the combined premium income of the industry for 2005 is 5.0 percent of Nominal Gross National Product (Insurance Annual report, 2005). Malaysia has at least 18 life insurance companies. In addition to the insurance companies, we also have financial institutions like banks and finance companies that set up their own bank assurance units selling life insurance products. These financial institutions are a great competitor to the traditional agents, as they have a large customer data bases. With the increasing and escalating medical costs, we see that there is a huge demand for life and medical insurance coverage.

With the government advocating that all Malaysian should possess a life and medical insurance coverage, we can see the setting up of Sihat Malaysia by a consortium of banks and insurance companies initiated by the government, in order to provide cheap and affordable life and medical insurance to the public.Life insurance business is based on trust and honesty requiring a high degree of responsibility and professionalism from the agents. Selling insurance is possible when the prospect trusts the agent. In the trusting relationship, the prospect allocates trust insofar as they found the conduct of the agent as credible and reliable. Life Insurance of Malaysia has its own Code of Ethics. The industry encourages insurance professional to be accredited as Certified Financial Planner. The accreditation is useful in securing an investment license from the Securities Commission to those involved in selling investment products.At the Malaysian Insurance Institute's Annual Lecture in 2000, the then Assistant Governor of Bank Negara Malaysia Datuk Awang Adek Husin reiterated that Bank Negara Malaysia have received complaints from the public against insurers and healthcare related entities which have tie-ups with insurers, alleging improper selling and claims settlement practices(Husin, 2000).

A number of cases have been highlighted in the local newspapers of unethical behavior of agents such as a company director who was also a part time insurance agent was reported to have collected and absconded with the insurance premium in the sum of RM540, 000 (The Star, 16 September,2004). A client wrote in *The Star* alleging an agent had *misrepresented facts* in his proposal forms and withheld medical documents on the pretext of ensuring the proposal was approved and upon correcting the error, the client policy was suspended. Subsequently when the client met with an accident, his medical claim was rejected (The Star, 24 July, 2004).There is an increase of complaints related to conduct of agents and repudiation of liability (Insurance Annual Report, 2005). Even though there are no real studies that have been empirically tested concerning unethical behavior of insurance agents in Malaysia, from our personal interviews with Chua Seong Teng an Agency Manager with AIA Penang in February, 2005, there are incidents of unethical behavior among insurance agents. This could be because of their desires to achieve their sales target so as to gain commission from sales.

Previous studies (Dubinsky & Yammarino, 1985; Kurland, 1996; Cupach & Carson, 2002; Bellizzi & Hasty, 2003) found that supervisor influence, role ambiguity and sales target have an effect on unethical intention. Also previous studies (Cheng, Lam, & Hsu, 2004; Hanson, Jensen & Solgaard, 2004) found that attitude, perceived behavioral intention, subjective norm and moral obligation mediates the relationship on behavioral intention. Situational factors such as size of commission, level of monitoring or supervision, organizational structure and culture also have been found to influence ethical behavior (Ross & Robertson, 2003). The current study therefore wishes to answer the questions as to what are the factors that cause an insurance agent to perform unethically. The objectives of the study are as follows (1) to examine whether attitudes, perceived behavioral control, subjective norm, and moral obligation will have an influence on intention to perform unethical behavior and (2) to examine whether attitude, perceived behavioral control, subjective norm and moral obligation will mediate the relationship of supervisory influence, role ambiguity and sales target on intention to perform unethical behavior.

2.0 Literature Review

Bank Negara Malaysia indicated the existence of complaints in life insurance industry, but the issues have not been given due consideration (Insurance Annual Report, 2003). Complaints encompassed the unethical behaviour of accountants. This section will discuss the definition of unethical behavior and also the factors influencing unethical behavior of insurance agents.

Definition of unethical behavior

Cooper and Frank (1991) conducted a survey in The Life Insurance Industry. The survey consisted of 32 ethics-related statement sent to 1,173 insurance professionals members of the American Society of CLU and ChFC. A total of 437 CLUs and ChFCs responded to the surveys and the respondents were asked to give a rating on a 5 point scale of from very helpful to least helpful. A regression analysis was used to determine the mean rating of the respondents. The study identified 6 issues of concern namely; (1)false or misleading representations of products or services in marketing, advertising, or sales efforts, (2)failure to identify the clients needs and recommend products and services that meet those needs, (3)lack of knowledge or skills to competently perform one's duties, (4) conflicts between opportunities for personal financial gain or other personal benefits and proper performance of one's responsibilities, (5) misrepresenting or concealing limitations in one's abilities to provide services, (6) making disparaging remarks about competitors, their products, or their employees or agents. Further studies by Howe, Hoffman and Hardigree (1994); and Cooper and Frank (2002) reinforced the findings of Cooper and Frank (1991). Howe, Hoffman and Hardigree (1994) identified nine ethical issues used in their studies namely misrepresent, down selling, letter, twisting, rebating, non licensed agent, equivalent, lowball and false information.

The findings show down selling and twisting as the two biggest problems industry wide. Within agency, down selling and false information were the biggest perceived problems facing the agency. Successful agent tends to be involved in down selling, lowball pricing and providing false information. Nine ethical issues were utilized in the survey namely; (1) Assisting a customer in *misrepresenting* a claim to the company – Misrepresent, (2) *Misrepresenting/down selling* a competitor's product to gain a competitive edge – Down selling,(3)Obtaining an agent-of record *letter* without fully informing the consumer of the consequences – Letter, (4)*Twisting/replacement* of policies without offering full disclosure of consequences to the consumer – Twisting, (5)*Rebating* part of the commission as an incentive to the potential policyholder – Rebating, (6) The selling of insurance by *non-licensed* agents – Non-Licensed, (7) Agent claiming that his/her policy and competitive policies are *equivalent* when in fact they are not i.e. misrepresentation regarding product – Equivalent, (8) Offering *lower price* on policy without disclosing higher deductibles or other changes in classification – Lowball, (9) Providing *false information* to company and or underwriters – False Info.

Their findings found that *down selling* and *twisting* as the two biggest problems industry wide. Within agency, *down selling* and *false information* were the biggest perceived problems facing the agents. There is a tendency that successful agents tend to be involved in *down selling, lowball pricing* and *providing false information*. In accessing and understanding the ethical attitudes of insurance practitioners, Marcum and Robin (2003) used scenarios to capture ethical perceptions a model developed by Robin, The scenarios used by Marcum and Robins are based on 4 areas namely, (1)The settlement of a claim for an amount that is well below that which would be considered customary or normal; (2) an experienced adjuster conducting part time business as a claimant consultant without the knowledge of his employer, (3) an underwriter rejecting coverage for a firm with which she has had a bad personal experience; and (4) a regional manager who exerts minimal effort to discourage kickbacks being paid by a well performing district office.

Factors influencing unethical behavior

Leonard, Cronan and Kreie (2004) proposed an IT ethical behavioral model that includes individual characteristics (age, gender), attitude, and perceived importance, subjective norm, and situational factors. Leonard et al. uses scenarios in presenting their study on what influences IT ethical behaviors intention. Their studies reaffirmed that behavioral intention involves many components depending on the areas of study. Their study show attitudes and personal normative beliefs affect intention.

Other variables identified by them are ego strength, perceived importance and sex. A person's gender, strength of conviction, and judgment of the importance of the ethical issues consistently affected behavioral intention. Cooper and Frank (1991) in a survey of 1,170 Chartered Life Underwriters (CLUs) and Chartered Financial Consultants (ChFCs) with a response rate of 31 percent or 361 CLUs and ChFCs identified that in responding to ethical dilemmas, the following factors influence unethical behavior. They are: (1) Own personal moral values and standards, (2) Family and friends who provide support and insight in resolving ethical issues, (3) Immediate boss does not pressure into compromising ethical standards, (4) A company environment/culture which does not encourage agents to compromise their ethical values to achieve organizational goals, (5) A company management philosophy which emphasizes ethics in business operations, (6) The professional codes of ethics of the American College and the American Society. Other factors influencing unethical behavior identified by Cooper and Frank (1991) are intense competition in the insurance industry which forces owners, managers, and others to focus on the bottom line and not on business ethics. Performance based on quotas such as amounts of insurance sold, cases under-written, or claims processed. Thus measuring employee performance on the basis of end results without also considering how ethical the means were to achieve those results.

Unethical demands made by clients or customers, and finally mid-level managers who are only concerned with their own personal gain. Howe, Hoffman, and Hardigree (1994) examined the relationship between ethical behavior and customer orientation of insurance sales agents shows there were significant relationship between agent's performance and compensation to unethical behavior. He explained that individuals learn behavior from significant others with which they interact. Those who engage in ethical behaviors believe that their set of significant others are engaging in these type of behavior as well. Bellizzi and Hasty (2003) found that the performance of top sales producing unit and top performers is associated with the sales manager rewards. As such top performers are given more lenient treatment than poor sales performance when it involves unethical selling behavior which is in violation of company policy. Kurland (1996) uses the modified theory of planned behavior (TPB) which includes a measure of moral obligation to further predict ethical intentions. She believes agency theory can effectively address the issues of moral hazards and adverse selection and the straight commission compensation system (SCCS) where there is only one principal and one agent help resolves the issues of moral hazards and adverse selection.

Under moral hazard, it aligns the agent's interest with that of the company interest since when the product is sold both the agent and the firm is rewarded simultaneously. Problem of adverse selection is overcome since non performing agent will leave the firm voluntarily or be fired. SCCS is less effective when it involve a second principal that is the client as the client interest is not aligned with the agent's interest. Her first hypothesis was that the percentage of income agent earns from commissions will negatively predict their ethical intentions towards clients. Since the SCCS reward is derived from the company, the agent tends to engage in behavior that satisfies the company and will neglect the client's interest. Her other criteria is that of experience level whereby she hypothesise that the more experience agents have, the less likely the will act unethically towards their clients. As income is a major indication of agent success in the industry in respective of their experience, therefore an agent who achieved a little monetary success in the short term would face more pressure for short term results than will the agent who has achieved high success. The findings supported the modified theory of planned behavior where intentions are driven by moral obligations, perceived behavioral control, and attitudes but not by commission or agent's experience.

Leonard, Cronan and Kreie (2004) identified several factors that influence ethical behavioral intention namely attitude towards the situation, personal values, professional environment, legal environment and business environment. Their study showed that attitude has a significant influence on behavioral intention. A study by Cooper and Frank (2002) further identified an additional four issues to the six issues presented by them earlier in 1991. The four are 1) failure to be objective; 2) failure to provide prompt, honest responses to clients' inquiries and request; 3) failure to provide product and services of the highest quality, and 4) conflicts of interest involving business or financial relationships with clients and others. It was found that the issues identified are almost identical that is whether in life insurance business or property liability insurance business, both faces the same kind of ethical dilemmas and challenges.

In another study by Kurland (1995) on ethics, incentives and conflict of interest, she was looking at agent display of ethical intentions through SCCS. In SCCS Kurland argued that the agent may face a conflict of interest between his or her own self interest to earn a commission from the sale of a particular product and the client best interest to receive an appropriate investment advised. This would affect the agents' ethical behavior and/or intentions. She was hypothesizing that the more agents' depend on commission for income, the less ethical will be their intentions towards their clients. She chose agents that are licensed to sell tax sheltered annuities (TSAs). She was focusing on one ethical decision that the financial service agents face that is whether to disclose information provided about a product before recommending it to the client.

This issues were highlighted by Cooper's and Frank's (1991) survey ranked false or misleading representation of products or services in marketing, advertising or sales efforts as the number one problem in life insurance industry. She used scenarios to examine ethical decision making as well as open ended questions in telephone interviews with the researcher. The results indicated did not support the hypothesis that agents' form of compensation influences their ethical intentions towards their clients. Bellizzi and Hasty (2003) found that the influence of sales production on the level of punishment for unethical behavior meted out by managers on sales top performers tends to be lenient as managers tends to favor sales production rather than ethical behavior. In a study of the influence of compensation on product recommendations made by agents, Cupach and Carson (2002) manipulated compensation on eight different products using scenarios in their presentations to the respondents. A self administered survey was mailed to a random sample of 2550 insurance agents. The respondents ages ranges from 21 to 91 with an average age of 49 years. Years of experience ranges from 0 to 66 years with an average age of 17.8 years.

Respondents consist of males 78 % and females 22 %. In assessing the potential influence of compensation on product recommendation, Cupach and Carson uses a hypothetical case. In the case, the agents were required to recommend one of the eight products listed. In order to minimize social desirability bias, participants were randomly assigned to one of the five versions of the survey. In the study of determinants and consequences of ethical behavior, Roman, Luis and Ruiz (2002) found that reward and control system are important determinants of salesperson's ethical behavior, and age to be a significant antecedent of ethical selling behavior. They also found that salesperson's ethical behavior reduces role conflict and increases job satisfactions.Eastman, Eastman, and Drennan (1997) studied the educational ethics of insurance agents as compared to insurance students. Eastman et al. (1997) studied the ethical issues used by other researchers like those of Cooper and Frank (1990); Hoffman, Howe, and Hardigree (1991) as well as Woolley and DeGeorge (1994).

The issues raised are lack of knowledge, failure to provide quality services, misrepresentation of services and misleading product information among others. Woolley and DeGeorge (1994) as quoted by Eastman et al. (1997) further identified factors leading to unethical behavior which are issues of compensation, difference in regulation within states, inadequate controls, and increase competition. Eastman et al. (1997) research focus on ethical dilemma faced by insurance agents and students on their professional and personal activities. There were three different types of scenarios covering "*Down-selling*" where the agent convinces the client to drop a competitor's superior product for the lower quality product. Second scenario is "*Over-selling*" where the agent convinces the client to purchase a product which the client's need but at the same time provides other unrequested and unneeded coverage that increases the premiums hence increases the agent's commission.

3.0 Theory of Planned Behavior

According to the theory of planned behavior (Ajzen 2002), human action is guided by three types of consideration. First are the beliefs about the likely outcomes of the behavior and the evaluation of these outcomes (behavioral beliefs). The second is the beliefs about the normative expectations of others and motivation to comply with these expectations (normative belief). Thirdly is the belief about the presence of factors that may facilitate or impede performance of the behavior and the perceived power of these factors (control beliefs). Therefore behavioral beliefs produces a favorable or unfavorable attitude towards behavior, normative belief resulted in perceived social pressure or subjective norm; and finally control beliefs give rise to perceived control behavior. By combining the attitude toward behavior, subjective norm, and perception of behavioral control lead to the behavioral intention.

According to Azjen (2002) the more favorable the attitude and subjective norm, and the greater the perceived behavioral control, the stronger should be the person's intention to perform the behavior in questions. In the study of typology situational factors, impact on salesperson decision making about ethical issues, Ross and Robertson (2003) found that situational factors do influence salesperson's decision making about ethical issues. They found that percent of incentive-based compensation and ethical clarity have statistically significant effect on the salesperson judgment on ethical issues. Size of commission was found to have significant interaction with age and gender. They further view that the loss of one's own income, or responsibility for the loss of the job, may be expected to lead to more unethical behavior. The study only uses one unethical issue that is bribery. Cheng, Lam and Hsu (2004) used attitudes, perceived behavioral control, and subjective norm as mediating variables in their study between past behavior and dissatisfaction response (voice) intention.They found that subjective norm served as a perfect mediating variable in the relationship between past behavior and voice intention.

Whereas attitude towards negative word of mouth communication, provides a perfect mediating effect on the relationship between past behavior, and negative word of mouth communication. For perceived behavioral control a partial mediating effect was achieved. Their study indicates that the TPB variables of attitude, perceived behavioral control and subjective norm all serve as mediating variables in various relationships between past behavior and dissatisfaction response (voice) intention. Dubinsky and Yammarino (1985) studied the relationship between supervisory, task related, and person-related factors and agents attitudinal and behavior responses in a multi line insurance company. The result of the study posited that agents having higher levels of autonomy tend to have lower role ambiguity. This is because they are more satisfied with their supervisors and the organization; therefore they have a higher level of performance and commitment. In another study by Dubinsky, Childers, Skinner and Gencturk (1988), in the study whether the leadership behavior of agents' sales supervisor influence selected agent attitudes and performance.

They found that role conflict was positively related to agent performance and this suggested that role conflict is inherent in selling environment. When supervisors are supportive, friendly, consultative and encouraging, agent has less role ambiguity and more job satisfaction.In the study of impact of sales supervisor leadership behavior on insurance agent attitudes and performance (Dubinsky, Childers, Skinner & Gencturk. 1988), they found that role conflict is positively related to agent performance instead of a negative relationship. The findings suggested that when agents' sales supervisor high on initiating structure like being supportive, friendly and consultative, agents has less role ambiguity and a greater job satisfaction. Armitage and Conner (2001) in the meta analytic review of theory of planned behavior found that theory of planned behavior is capable of explaining 20% of the variance in prospective measure of actual behavior, Their study showed that perceived behavior control independently predicted intentions and behavior. Subjective norm was found to be a weak predictor of intention partly due to poor measurement.

Control variables

Demographic variables such as age, and experience used as control variables has been shown in previous literature to have an impact on intention (Tennyson, 1997). According to Leonard and Haines (2004) the variables are belief to influence ethical behavior. Therefore in this study we have included age and experience as a control variables. Other studies have also found significant influence of age and experience on unethical behaviour (Leonard, Cronan & Kreie, 2004& Kurland, 1996,).

4.0 Theoretical Framework and Hypotheses

Referring to the objectives of the study and the literature review provided, modified theory of planned behavior was used as a basis of constructing the framework. Figure 1 shows the study's theoretical framework with *intention* as the dependent variable and *attitude, subjective norms, perceived behavioral control and moral obligations* as the mediating variables. The independent variables of the study are age, experience, supervisors influence, role ambiguity and sales target (Crosby et al. 1991; Ross & Robertson, 2003).

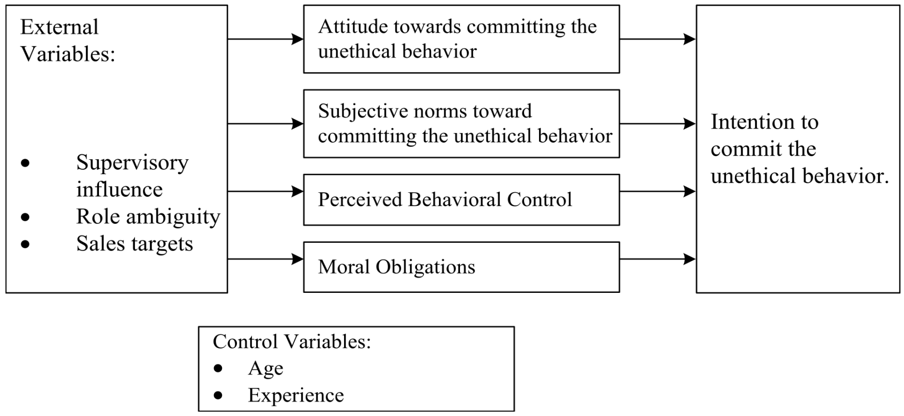


Figure 1: Theoretical Framework

Hypotheses Development

Bellizzi et al. (2003) found that sales manager tends to favor sales production then ethical behavior. Punishment for unethical behavior by top performers tends to be lenient. Supervisor influence is based on attention and feedback individual agents received. It can have an adverse psychological and behavioral consequences such decreased job satisfaction, stress and motivation of individual agents. Sales target relates to amount of rewards they receive and subsequent impact on motivation and behavior (Dubinsky & Yammarino, 1985).

H1: There is a significant relationship between supervisory influence, role ambiguity and sales target on intention to commit the unethical behavioral

Cheng et al. (2004) found that TPB variables of attitude, perceived behavioral control and subjective norm all serves as mediating variables in various relationships between past behavior and customer dissatisfaction. While Godin, Gagne and Sheeran (2004) found that PBC only partially mediates the power belief – intention relation in four studies, full mediation in two studies and no mediation in two others. Thus the hypotheses 7 for the study are as follows:

H2: Attitude, Perceived Behavioral Control, Subjective Norm and Moral Obligation mediate the relationship between supervisory influence, role ambiguity and sales target on intention to commit the unethical behavior.

H2a: Attitude towards committing the unethical behavior mediates the relationship between supervisory influence on intention to commit the unethical behavior.

H2b: Attitude towards committing the unethical behavior mediates the relationship between role ambiguity on intention to commit the unethical behavior.

H2c: Attitude towards committing the unethical behavior mediates the relationship between sales target on intention to commit the unethical behavior.

H2d: Perceived Behavioral Control towards committing the unethical behavior mediates the relationship between supervisory influences on intention to commit the unethical behavior.

H2e: Perceived Behavioral Control towards committing the unethical behavior mediates the relationship between role ambiguity on intention to commit the unethical behavior.

H2f: Perceived Behavioral Control towards committing the unethical behavior mediates the relationship between sales target on intention to commit the unethical behavior.

H2g: Subjective Norm towards committing the unethical behavior mediates the relationship between supervisory influence on intention to commit the unethical behavior.

H2h: Subjective Norm towards committing the unethical behavior mediates the relationship between role ambiguity on intention to commit the unethical behavior.

H2i: Subjective Norm towards committing the unethical behavior mediates the relationship between sales target on intention to commit the unethical behavior.

H2j: Moral Obligation towards committing the unethical behavior mediates the relationship between supervisory influence on intention to commit the unethical behavior.

H2k: Moral Obligation towards committing the unethical behavior mediates the relationship between role ambiguity on intention to commit the unethical behavior.

H2l: Moral Obligation towards committing the unethical behavior mediates the relationship between sales target on intention to commit the unethical behavior.

5.0 Methodology

Research Design

The basic research design utilized for this study will be using primary data by means of a questionnaire for collection of data. The questionnaire will present four (4) types of scenarios to the respondents for them to answer.These four scenarios measure their unethical intention. Each scenario sketched a hypothetical or even actual situation which included an ethical problem that the respondents may face in reality. For each situation, respondent has to indicate on a 7 point interval scale to what extent they would engage in a particular ethical perceptions across functional areas.

Data Collection

A packet containing the questionnaire, a letter that described the nature and importance of the study were mailed to the insurance agents. Questionnaires will take about 30 minutes to answer.

Sampling Design

The population of the study will comprises of insurance agents in the insurance company as well as in the banking sectors that is commission agents and salaried agents. . In view of the total life insurance agents in the Insurance Annual Report 2003 were 86,230 the study will source for about 1200 agents representing about 1.39 percent of total number of registered agents, convenient sampling will be used. In view of the in availability of the agent's correspondence address, all questionnaires will be directed to the insurance company selected randomly for distribution.From LIAM website (http//www.liam.org.my) a total of 336 offices were identified and written down individually for balloting. Then a total of 100 offices were randomly selected from the 336 offices identified and a total of 1,200 self addressed envelops with the questionnaires were posted out. Finally the envelopes containing the questionnaire were left to the offices managers on how to distribute them to the agents. Out of 1,200 questionnaires sent out, only 300 replies were received, of which 54 were not fully answered. Only 246 percent were completely answered and were used in the analysis. Qualitative studies typically use small sample sizes, the sampling design will be convenience sampling (Sekaran, 2003)

Research Instrument

The questionnaires were designed to obtain the primary data. Details of measurements are as follows:

1. For the demographics age, gender, race, experience, and annual income, the respondents were asked to tick the respective boxes groupings.
2. For Intention, Attitude, Perceived Behavioral Control, Subjective Norm, Moral Obligation, and Sales Target, the respondents were asked to rank from 1 being strongly disagree to 7 being strongly agrees based on 7 point Likert scale.
3. For Supervisory Influence a 7 point Likert scale of 1 none to 7 a lot; Role Ambiguity a 7 point Likert scale of 1 very false to 7 very true and Sales Target a 7 point Likert scale from 1 being strongly disagree to 7 being strongly aggress were used.

Data Analysis

Hierarchical Multiple Regression

Hierarchical multiple regression will be used to determine whether the variables moderated the form of relationship between the attributes of job characteristics and theory of planned behavior to the performance of unethical behavioral intention.

Mediating Effects

According to Baron and Kenny (1986), a variable functions as a mediator when it meets the following conditions:

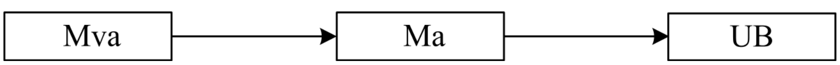
1. The independent variable significantly affects the mediator.
2. The mediator has significant unique effects on the dependent variable.
3. The independent variable significantly affects the dependent variable that is intention in the absence of the mediator. When (1) and (2) are controlled, a previously significant relationship between the independent variable and dependent variable is no longer significant or it is significantly decreased.

If Z = dependent variable, X = independent variable, and Y = intervening variable. (Jantan, Ndubisi, & Richardson,(2001)

$Z = f(X) = a + bX$	$Y = f(X) = c + dX$
$Z = f(Y) = e + fY$	$Z = f(X,Y) = g + hX + jY$
Full Effect:	Partial Effect:
* $b \neq 0$	*$b \neq 0$
* $d \neq 0$	*$d \neq 0$
* $f \neq 0$ also $j \neq 0$	*$f \neq 0$ also $j \neq 0$
* $h=0$	* $h \neq 0$ but $h< b$

Therefore, regression analysis was used to find out whether there was any mediator effect of intervening variable on relationship of the independent variables on intention to commit unethical behavior and four models have been proposed as follows:

Independent Variables Mediating Variable Dependent variables



Model 1 – UB = a + bMva
Model 2 – Ma = c + dMva
Model 3 – UB = e + fMa
Model 4 – UB = g + hMva + j Ma

Where:-
UB = dependent variable (unethical intention)
Mva = independent variables (supervisory influence, role ambiguity, sales target)
Ma = mediating (attitude, perceived behavior control, subjective norm, moral obligation

b = Mva and UB
d = Mva and Ma
f = Ma and UB
h = Mva, Ma and UB
j = Mva, Ma and UB

According to Baron and Kenny (1986), in testing the mediating effect, the above criteria should be fulfilling for the full mediator or partial mediator.

6.0 Data Analysis and Results

Profile of the Respondents

The subjects used in this study were insurance agents from various companies throughout Malaysia including Sabah and Sarawak. Table 1 shows the information on sampling and return rates of the questionnaires sent to the insurance agents. Of the 1, 200 questionnaires mailed, only 300 responses were received resulting in a response rate of 25 %.

Table 1 *Summary of Response Rates*

Questionnaires mailed	1, 200
No. of Responses	300
Incomplete Responses	54
Usable Responses	246
Responses rates (300/1200)	25%

The majority of the samples are in the age group of between 26 years to 45 years old. Between them they have 6 to 25 years experience in the insurance industry or 73.2 percent of the respondents. It can be seen the respondents' gender is dominated by female agents, which is 55.3 percents. In terms of race, majority were Chinese with 35 percent, followed by Malay with 28.9 percent, Indian with 25.6 percent, and Others 10.6 percent.Summaries of the demographic data collected from the insurance agents are shown in Tables 2 and 3.

Table 2 *Frequencies and Percentage of Respondents' Profile*

Demographic of Respondents	Characteristics	Frequency	Percentage
1. Age	20 to 25 years old	45	18.3
	26 to 35 years old	74	30.1
	36 to 45 years old	96	39.0
	45 and above	31	12.6
2. Gender	Male	110	44.7
	Female	136	55.3
3. Race	Malay	71	28.9
	Chinese	86	35.0
	Indian	63	25.6
	Others	26	10.5
4. Experience	1 to 5 years	58	23.6
	5 to 15 years	107	43.5
	16 to 25 years	73	29.7
	25 years and above	8	3.2

Table 3 *Respondent's Organization Profile*

Organization	Frequency	Percent
1. AIA	55	22.4
2. MAA	51	20.7
3. Takaful	26	10.6
4. MNI	22	8.9
5. Asialife	19	7.7
6. MCISZurich	17	6.9
7. Allianz	16	6.5
8. Great Eastern Life	15	6.1
9. Prudential	13	5.3
10. Others	12	4.9

Table 3 shows the frequency and percentages of respondent's profile. The respondents' were sourced from various companies through out Malaysia, with AIA agents contributed 22.4 percent, followed by MAA with 20.7 percent and Takaful with 10.6 percent. The remainder 46.3 percents are being contributed by 12 companies such as Allianz, Asialife, Great Eastern, MCIS Zurich, MNI, Prudential and 6 other companies.

Factor Analysis

Factor analysis was also done for the independent variables supervisory influence, role ambiguity and sales target. Using the varimax rotated component analysis, all items selected had factor loadings greater than .50 Items with loading below .50 and cross loading items with loading above .35 on two or more factors will be dropped from using in further analysis (Igbaria et al. 1995).
However following the recommendations of Barclay, Higgins and Thompson (1995) as cited in Enns, Huff and Higgins (2003), cross loaded items was included if their primary loading was theoretically justifiable and if their elimination would have a negative impact on the reliability of the construct. The main purpose of applying factor analysis was to assist in reducing the number of variables to a more meaningful and interpretable factors (Sekaran, 2000).

Table 4 *Rotated factors and factor loading for Independent Variables*

Items	Component		
	1	2	3
Supervisor1	**.703**	.288	.349
Supervisor2	**.824**	.269	.323
Supervisor3	**.823**	.417	.076
Superviosr4	**.876**	.320	.226
Supervisor5	**.824**	.381	.228
Supervisor6	**.831**	.418	.176
RoleAmbiquity1	.449	**.689**	.269
RoleAmbiquity2	.413	**.796**	.141
RoleAmbiquity3	.523	**.708**	.187
RoleAmbiquity4	.270	**.876**	.140
RoleAmbiquity5	.236	**.860**	.169
RoleAmbiquity6	.337	**.807**	.183
Sales Target1	.218	.149	**.918**
Sales Target2	.185	.200	**.914**
Sales Target3	.246		
KMO	.890		
Chi square	4729.678		

Measure of sampling adequacy was carried out and the diagonal entries for the anti image correlation matrix show all items reading in the table were 0.5 or more (Hair et al, 1998). The anti-image correlation matrixes were ranging from .84 to .93 indicating a high degree of sampling adequacy for each of the 15 items. The items were found to fall neatly in the respective categories (Supervisory influence, role ambiguity and sales target). Therefore no items were dropped. The Kaiser-Meyer-Olkin measure of sampling adequacy was .890 and the Bartlett test of sphericity shown significance overall correlations with the correlation matrix. Three factors met the selection criteria of eigen values greater than 1.0 explaining a total variance of 84.058 %. All items selected had factor loadings greater than 0.50. Items with loading below .50 and cross loading items with loading above 0.35 on two or more factors would be dropped from using in further analysis (Igbaria et al., 1995). Factor analysis for the mediating variables, attitude, perceived behavioral control, subjective norm and moral obligation was done for each factor. This can be done as the variables are already well established in the literature and in theory. Nevertheless in this study it is done (Hair et al.1998).

Table5.5

Factor loadings of Unethical Behavioral Intention

Items	Loading
Perceived Behavioral Control	
25. My client has full confidence in what I say	0.910
26. My client would not understand even if I told her.	0.869
27. If I disclose the relevant information, it would be difficult for me to sell the policy	0.715
KMO	0.617
Chi Square	261.607
Percentage of Variance	69.799
Attitude	
28. I feel I should tell the client about the effect of telling about his condition has on the policy.	0.924
29. I feel I should inform the client about the probability of rejection	0.911
30. I am comfortable with my decision of not telling her about the rejection	0.551
31. It was expected of me to be frank/opened with my client	0.889

Table 5.5

Factor loadings of Unethical Behavioral Intention(continued)

Items	Loading
Perceived Behavioral Control	
25. My client has full confidence in what I say	0.910
26. My client would not understand even if I told her.	0.869
27. If I disclose the relevant information, it would be difficult for me to sell the policy	0.715
KMO	0.617
Chi Square	261.607
Percentage of Variance	69.799
Attitude	
28. I feel I should tell the client about the effect of telling about his condition has on the policy.	0.924
29. I feel I should inform the client about the probability of rejection	0.911
30. I am comfortable with my decision of not telling her about the rejection	0.551
31. It was expected of me to be frank/opened with my client	0.889
KMO	0.787
Chi Square	554.181
Percentage of Variance	69.445
Subjective Norm	
32. Most people who are important to me probably think I should	0.901
disclose the information	0.901
33. Generally speaking I want to do what most people who are important to me think I should do.	
KMO	0.500
Chi Square	119.431
Percentage of Variance	81.131

Hypothesis 1

Table 6 show, the model is significant (F = 161.317)(Sig. F = 0.000). The model is able explain 86.9% of the variance on intention to commit the unethical behavior. The significant relationships are supervisory influence (Beta =0.442, $p \leq 0.05$)(F = 0.000), role ambiguity (Beta = 0.600, $p \leq 0.05$)(F = 0.000) and sales target (Beta = -0.114, $p \leq 0.05$)(F =0.000). There is evidence to support that there is a significant relationship between the supervisory influence, role ambiguity and sales target on insurance agents' intention to commit the unethical behavior. The results supported the studies by Bellizzi et al. (2003); and Ross et al (2003). Therefore hypothesis 6 is accepted. There is also evidence to show that there is a significant difference between age group 3 (age 36 – 45 years) and age group 4 (age above 45 years) is significant. This means to say that age group 3 (age 36 – 45 years) and age group 4 (age above 45 years) is significantly difference in terms of their intention to comply.

Table 6
Results of Hypothesis 6 – relationship between supervisory influence, role ambiguity and sales target on intention

Coefficients(a)

Model		Std Coeff Beta	t	Sig.
1	(Constant)		25.290	0.000
	Dummy for Age grp 1	0.123	1.148	0.252
	Dummy for Age grp 2	0.013	0.109	0.913
	Dummy for Age grp 3	0.151	1.302	0.194
	Dummy for Exp grp 1	0.300	-1.684	0.094
	Dummy for Exp grp 2	0.007	-0.037	0.971
	Dummy for Exp grp 3	0.047	0.252	0.801
2	(Constant)		1.416	0.158
	Dummy for Age grp 1	0.039	0.940	0.349
	Dummy for Age grp 2	0.049	1.089	0.278
	Dummy for Age grp 3	0.126	2.828	0.005
	Dummy for Exp grp 1	0.009	-0.135	0.893
	Dummy for Exp grp 2	0.091	1.192	0.235
	Dummy for Exp grp 3	0.003	0.040	0.968
	Supervisory Influence	0.442	11.669	.000**
	Role Ambiguity	0.600	16.399	.000**
	Sales Target	0.114	-3.896	.000**

$R^2 = 0.869$
F = 161.317
N = 218
a Dependent Variable: Intentioncomp
* at 0.01 level of significance
** at 0.05 level of significance

Hypothesis 2

Attitude, Perceived Behavioral Control, Subjective Norm and Moral Obligation mediates the relationship between age, experience, supervisory influence, role ambiguity and sales target on intention to commit the unethical behavior.

Table 7
Results of Mediating Variables.

Mva -Independent Var	Planned Behavior Ma- Mediating Var	b	d	f	h	j	Conclusion Mediating
Supervisory Influence	Attitude	0.793	0.177	0.639	0.649	0.185	Partial
Role Ambiguity	Attitude	0.886	0.478	0.639	0.796	0.116	Partial
Sales Target	Attitude	0.333	0.419	0.639	0.193	0.825	Partial
Supervisory Influence	PBControl	0.793	0.201	-0.169	0.828	Ns	No Mediating effect
Role Ambiguity	PBControl	0.886	0.142	0.169	0.855	Ns	No Mediating effect
Sales Target	PBControl	0.333	0.735	0.169	NS	0.600	No Mediating effect
Supervisory Influence	S.Norm	0.793	0.091	0.205	0.653	0.276	Partial
Role Ambiguity	S.Norm	0.886	1.004	0.205	0.821	0.101	Partial
Sales Target	S.Norm	0.333	ns	0.205	0.013	Ns	No Mediating effect
Supervisory Influence	Moral Ob.	0.793	0.125	0.468	0.664	0.256	Partial
Role Ambiguity	Moral Ob.	0.886	0.976	0.468	0.697	0.276	Partial
Sales Target	Moral Ob.	0.333	ns	0.468	0.063	0.833	No Mediating effect

Note: b = Mva and AF; d = Mva and Ma; f = Ma and UB; h = Mva, Ma and AF; ns = not significant

All variables are significant at p<0.05

Conclusion based on Barron & Kenny's (1986) whereby h<b reflecting partial mediation and b, d, f, h, j are all significant at p<0.05. No mediating effect being j is not significant.Results from Table 7 shows that there are only partial mediating effects between supervisory influence, role ambiguity and sales target, attitude and intention to commit the unethical behavior. There are no mediating effects on independent variable, perceived behavioral control and intention to commit the unethical behavior. There are only partial mediating effects between supervisory influence, role ambiguity, subjective norm and intention to commit the unethical behavior. However there is no effect on sales target, subjective norm and intention to commit the unethical behavior. Finally there are only partial mediating effects on independent variable supervisory influence, role ambiguity, moral obligation and intention to commit the unethical behavior. Also, there is no effect on sales target, moral obligation and intention to commit the unethical behavior.

6.0 Discussion and Conclusions

Unethical Intention

One of the major findings in this research is the extent of unethical intention committed by insurance agents in Malaysia. The independent variables such as supervisory influence, role ambiguity and sales target were derived from previous research on ethical behavior (Dubinsky & Yammarino, 1985). The variables for planned behavior, attitude, perceived behavioral control and moral obligation were derived from previous research on ethical behavior (Kurland, 1996; Fishbein & Ajzen, 1999).The study is also inline with some of the theoretical perspectives and empirical works of other researches. If agents perceived the supervisor does not assert his authority on others when they have commit an unethical act, the believed that he would also not be faced with any untoward punishment. In relation to that when an agent perceived his role is to ensure the group success in challenging environment, the intention to commit the unethical behavior would exist. Supervisory influence, role ambiguity and sales target have a significant relationship on intention to commit the unethical behavior. The agent believes that even though they received good support from the supervisor and their roles are clear, the underlying factor is achievement. In order to achieve higher level of performance, there are tendency for intention to be unethical. As the supervisors performance are correlated with the performance of the agent, the tendency for the supervisors to be lenient with those agents that are performers.

Performing agents in any unit is limited and thus the punishment for unethical behavior is lesser (Bellizzi & Hasty, 2003). Sales and company policy would be the driving force for unethical intention, as agents needs to constantly match the expectations and targets set by the company. The study indicated that even with good supervision and clear roles, insurance agent desires to commit an unethical behavior will still be strong with changing government and company policies. The bottom line performance is a major consideration.

Mediating Effects

It can be shown that attitude; subjective norm and moral obligation mediated the relationship of supervisory influence and role ambiguity to behavioral intention. However there is a mediating effect of attitude on sales target. There is no mediating effect on perceived behavioral control on the independent variables. The mediation analyses show that, among the four TPB variables, only attitude was able to meet all the conditions mentioned in the context of unethical behavior. Management needs to ensure that supervisors play their role in communicating, motivating and providing continuous support to the agents as the actions would help enhance the morale of the agents. The positive attitude develop would reduce role ambiguity. Thus the gents would comply with the social norms and act ethically in the sales activities. There could be other functions or variables that might affect the relationship between the variables on intention to commit the unethical behavior. Gordon, Gagne and Sheeran (2004) found that perceived behavioral control only partially mediates the power beliefs and intention relation.

In our study perceived behavioral control is a direct path to intention. Armitage and Conner (2001) in Meta analysis of theory of planned behavior posited that perceived behavior control influence intention behavior directly and indirectly. The studies by Chang (1998); Cheng et al. (2004); and Leonard et al. (2004) also supported the validity theory of planned behavior in respect of the usefulness of perceived behavioral control in predicting unethical behavior intentions. Studies by Hansen et al. (2004) presented a R^2 of 0.748 and 0.621 under their model 3 using TPB of which they claimed that it significantly improves the model fit. The same was presented by Leonard et al. (2004) whereby the full model R^2 was 0.61 and for various scenarios, the R^2 ranges from 0.49 to 0.63.The study suggests that management can improve compensation programs with additional discretionary bonus for team performance to be shared by the team as a motivation for achieving overall sales target therefore eliminating the need to commit unethical behavior. Constant monitoring of their performance and the need for regularly meetings and motivation counseling will enhance the sales aptitude of the insurance agent.

Realistic targets need to be set for each financial year and company plans for any introduction of new products needs to be projected in the performance schedule and to notify the agents, to enable the agents to have a better plan of approach in achieving the performances.Training program on improving agents' skills needs to be well structured to meet the current market requirement instead to confine to product training. Human skill, communication skill and interaction skill needed to be included. Certain legal issues need to be address and agents need to have training in order to be competent especially the industry is propagating insurance agents to be financial advisors and consultants. Supervisors and managers need to also upgrade their supervisory skills and intellectual development so as their ability to provide support and guidance could boaster the agents as well as the team performances.

7.0 Limitations of the study and suggestions for future research

This study provides empirical evidence that insurance agents in Malaysia do commit unethical intention. This may due to less emphasis by companies on ethical issues and more emphasis on achieving sales and revenue targets.This study, however, has its limitations. The non availability of agent's names and mailing addresses have force the questionnaires to be sent to the insurance company's regional offices through out Malaysia. Of the 1, 200 questionnaires sent out which represent 1.4% of the total 86,000 agents in Malaysia, only 300 were return of which only 246 were usable. There is no record of active and inactive agents were made available. Consequently, the results may not be generalisable to the population of insurance agents.The study incorporated the intentions of the four scenarios as one and not as individual intentions based each different scenario. This could have an impact on the overall results.The respondent responses to the questionnaires are left to their own interpretation as against the interview where the agent might be asked why they would not disclose the information to the client. Another limitation is that all issues pertaining to complaints of unethical behavioral intention are not available for the public as Bank Negara Malaysia the governing body considered it as confidential.

Future research should be looking at degree of punishment meted out to agents committing unethical behavior irrespective whether they are performers or non performers. Other variables that could be used in the study would be organizational climate, race, as well as commission versus salaried agents. The reasons being insurance are being sold not by the insurance companies but also by the banks. Banks financial executives are fixed salaried employees. Race being suggested because different races in Malaysia view insurance needs differently therefore religious belief dictated their preference of coverage. Future research could also look at conventional agents as against Takaful agents in respect of their behavioral intention.

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