

Ethics: When Black & White Turn to Gray

I. Housekeeping (5 Minutes)

- A. Silence all cell phones and put away any other material
- B. Sign in done? Sign out at end
- C. What the course is NOT about –
 - a. Telling you how to behave
 - b. Interfering with your core beliefs

II. Morality and Ethics – Right vs. Wrong / Right vs. Right (30 Minutes)

- A. Morality – this is the easy part
 - 1) What we have been taught – do not lie, cheat, steal etc.
 - 2) Natural law
 - 3) Religion

- B. Ethics – A compass to guide us through moral dilemmas.
 - 1). Ethics is the study of conduct and moral judgments
 - 2). Ethical means conforming to standards of conduct
 - 3). Clinging to these principles throughout change.
 - 4). Not enough to “just talk about it”
 - 5). Ethical compasses – FINRA, ERISA, CLU, RHU

II. Getting Started (A look at some theories) (20 Minutes)

- A. Are there different standards for different cultures and times? (Look for actions vs. standards)
- B. Ethical Egoism - act to maximize his/her well being (What’s wrong with this picture?)
- C. Hedonism
- D. The greater good
 - Think of your decision as creating a universal law.

Break (10 Minutes)

III the Greater Good (20 Minutes)

- A. Definition

An action ought to be done if and only if it creates the greatest amount of good for those persons affected by the action, counting each person as one and no person more than one

- B. Applying this principle to business decisions
 - 1) Our responsibilities to all parties affected by our decisions: agents, carriers, insureds, and the industry
 - 2) Current issues affecting the insurance industry

IV Universal Law

(10 Minutes)

“Act only according to that maxim by which you can at the same time will that it should become a universal law” In other words when you make an ethical decision pretend that you are passing a universal law stating that everybody must make the same decision under similar circumstances

- A. Puts the correct decision in Perspective
- C. Examples
 - 1. Litmus test
 - 2. Moving an effective date up to get a timely quote.
 - 3. Little white lies to expedite a favorable quote
- D. The Golden Rule – is it enough?

V Combining the “greater good with universal law” (10 Minutes)

- A. These are both valid notions that provide an ethical compass. They are not mutually exclusive.
- B. One theory may fit certain situations better than the other
- C. Sometimes it may be necessary to combine both theories

VI Moral Courage – It’s time to execute

(10 Minutes)

- A. What defines moral courage: From *Moral Courage by Rushworth Kidder*
 - 1) A commitment to moral/ethical principles
 - 2) An awareness of the dangers involved in supporting these principles.
 - 3) A willingness to endure those dangers.
- B. Courage defined: That quality of mind which enables one to encounter danger or difficulties with firmness and without fear. But as John Wayne said “Courage is being scared to death and saddling up anyway”
- C. Moral courage is standing up and protecting your principles. Morally courageous leaders have the following attributes:
 - 1) Greater confidence in principles than in personalities
 - 2) Higher tolerance for ambiguity, exposure and personal loss

- 3) Acceptance of deferred gratification and simple rewards
- 4) Independence of thought
- 5) Strong persistence and determination

D. 6 Pillars of Character (From The Josephson Institute of Ethics)

- 1) Trustworthiness: honesty, loyalty
- 2) Respect: courtesy, tolerance
- 3) Responsibility: accountability
- 4) Caring: compassion, giving
- 5) Justice and fairness: impartiality
- 6) Civic virtue and citizenship: service

Break **(10 minutes)**

Case Studies (Lighter situations to Heavier)

(50 Minutes)

1 – The 2 ½ Story Aluminum-sided Brick Ranch

Dan is the owner's son-in-law. You are only a Customer Service Rep. You've noticed that Dan is a little creative with some of his submissions to the carriers – taking pictures of a different house than the one to be insured, fudging the dimensions to alter the value, signing applications for the insureds. You know that some of the risks are not acceptable, but Dan sees himself as kind of a Robin Hood in the industry. What do you do? You rationalize, "who is he really hurting?" You need your job and like working with the other agents.

(The actual outcome of the situation disclosed)

2 – Eye on the Prize

Terri is an agent in your highest producing agency; her manager has made your top 75 agents year in year out. The Top 75 contest with a week-long trip to the Greenbrier is coming to an end. Terri has been close, but needs 11 more life applications to qualify. You notice a flurry of applications from her, several with the same last name as hers. In the course of your underwriting interviews you have a few of the proposed insureds comment that they don't need the life insurance, but are only helping Terri. They don't plan on keeping the policies. You are torn between offending a key agent and agency, but you know how hard some have worked to earn the reward. What do you do?

(The actual outcome)

#3 - The Certificate Emergency

It's 4:30 PM on Friday and one of your good clients, a large drywall contractor calls and says they need a certificate of insurance today in order to stay on the job. They apologize for the last minute request but explain that they just found out. You know the job is critical to this contractor and you want to help in any way possible. So you say, "I'll fax it in five minutes".

After you hang up you remember that the account is written through and Excess & Surplus broker and even though you are comfortable certifying coverages accurately you know that you do not have authority to do so. In a panic you call the E&S broker only to get a message saying they will be out of the office until Monday. You call the carrier and don't even get voicemail.

Part of you wants to issue the certificate, after all, the party requesting the certificate is not asking for coverages that are not currently on the policy. But you're conflicted because doing so would violate your agreement with the E&S broker and besides, your signature would be unauthorized. How do you handle this?

4 - The Hurricane

The hurricane was over, leaving unbelievable devastation. As a claims adjuster, you've seen your share of catastrophes, but nothing like this. You set up your claims trailer and try to prepare yourself for what was to come for the next several days.

As you proceeded you discovered that most of the local insurance offices were destroyed or severely damaged along with their records. All communications channels were down, so you had no computer or phones to assist you. Nevertheless the line of claimants kept growing.

Some claims adjusters representing other carriers are overwhelmed to the point of simply taking names, phone numbers and addresses and giving each "claimant" a check for \$5,000 for food and shelter, telling them that they will complete the process later. All the while knowing that they are giving money away since to insist on proof of insurance would be cruel and unreasonable under these extreme conditions.

You are tempted to do likewise but you realize that you have an obligation to your company to pay only covered claims for their insureds. Despite your compassion in the midst of this unprecedented catastrophe you know that many of the checks would end up in the hands of people who were not policyholders with your company.
What would you do?

5 - The Good School

Despite the name, Global Fire, Casualty and Marine is a small regional carrier of which you've spent most of your insurance career. You are the only underwriter in a three-state region handling 40 agents including a handful of "big hitters" who have close personal connections with your president. You just helped Harvey, one of the most prominent agents, land a huge trucking account netting him a fat commission check. He told you that he "won't forget your efforts" but Harvey was a windbag and such comments were so easily ignored.

Meanwhile you learn that your daughter was accepted in a prestigious private school that has an excellent reputation for preparing students for the finest universities. You are surprised since the admissions office gave you the impression that your daughter stood little chance of getting in.

Upon attending the "welcome new parents" meeting you run into Harvey who congratulated you on your daughter being accepted. As he turns to greet other guests he lowers his voice to a near whisper and tells you, "Did you happen to notice my name on your admissions application as one of the board? I told you I wouldn't forget."

Now you're in a quandary, you know you did not do any special favors for him in the past but yet you feel compromised. Sure you were aggressive in your pricing but he is a big player and the premium could be justified. If you mention this to your manager she, she may insist that you pull your daughter out of school. This will end any chance of your daughter getting into a top university not to mention upsetting your wife. (And, no, she doesn't row!) If your underwriting department was larger you could request a different assignment but that is not going to happen. In addition you worry that future underwriting decisions involving Harvey could, subconsciously, be prejudiced even to the point of over compensating which would work against him. Either way you're afraid your judgement maybe contaminated. How do you get out of this mess?

#6 - Due Diligence

You are an Excess Surplus broker in a state where competition is fierce and the regional standard carriers write just about anything. One of your top agents submits a car dealership knowing that you have three A-rated carriers that love this type of risk. You submit this account to all three markets and one of the three offers a rather attractive proposal. The price was competitive and the coverages, though no match for a standard carrier, weren't bad.

But you're wondering why you were presented with this opportunity, since your agent has a standard market that would gladly accept this particular risk given the quality of its operation, safety program and stellar loss history. You proceed anyhow because this was one of your better agents and you didn't want to jeopardize the relationship by turning him down. After all he knows you have the markets and you know you're going to lose out on price and certainly quality of coverage. Besides the state requires due diligence, meaning he has to receive declinations for five carriers writing this type of risk and this is not going to occur. So you offer a quote knowing it's nothing more than a relationship building exercise.

To your surprise you get an order to bind. Sure the price looked unusually low, but the coverage was inferior to his standard carrier's and the due diligence requirement was obviously ignored. The effective date is three days away giving you time to do what's right. So what is right?

7 – The Rookie Mistake

Finally you get a chance to offer a proposal on a large sought after account. Your reputation as a true professional got you in the door. The prospect made no secret of shopping his insurance among several agents but you knew you had the best markets and most knowledge when it comes to large accounts. When it came time to present your proposal, you had all the confidence in the world that you would prevail. Well, that was until your prospect announced that you got “killed on price” with matching coverage. You asked the prospect who the winning carrier was and when he told you it sounded familiar. It should have since you represent that carrier.

Here’s the problem. You would have used that company had it not been for the SIC Code and number of 1099 employees. You knew they would not accept the risk had they known and they probably won’t know until its too. You would not have used them anyhow, since you’re a pro and you don’t want to put that company on an ineligible risk where they don’t belong.

You discover that the writing agent is fairly new in the industry and what happened was an honest mistake, one of which your prospect would not fully understand anyhow. Nevertheless this insured will most likely receive an unpleasant surprise at renewal and a very good insurance company is inadvertently on a risk that could affect its profit. Besides you walk away empty handed for being a true professional.

You want to explain the mistake to your prospect since you’re supposed to be the pro and getting beat by a rookie does not endear you to this blue ribbon account. Also you want to explain this scenario so as to prepare him for possible remedial actions in the future. But will you look like a consultative insurance professional or a whining chump. How would you handle this?

#8 – What is the Right Price?

You've had this benefits account for the last five years and each year at renewal your client puts his insurance program out to bid. It has been with the same carrier since you wrote it and the underwriter had been very helpful in retaining this insured. This year in preparation for your proposal the underwriter gives you a price of \$65,000/month explaining that this is a good price, given the loss history, exposures and market conditions. However, she tells you that if someone comes in at a better price you can lower the premium by as much as \$10,000, "but only if you have to."

Upon arriving to present your proposal, your client surprises you with this comment, "We have been very pleased with your service and integrity throughout the years, so much so that we decided not to entertain other proposals this year. After all, we know you will do what's best even if there is no competition. Now, what do you have for us?" What is the right price?