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Ethics and the insurance industry

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Adopting a strong, ethical approach to business requires a top-down, enterprise-wide approach.

A 2012 Gallup survey asked Americans to rate the honesty and ethical standards of people in various professions by assigning one of three ratings: very high/high, average, or very low/low.

Topping the list with the highest percentage of very high/high ratings were nurses (85%), followed by pharmacists (75%), doctors (70%), and engineers (70%). While advertising practitioners (11%), Members of Congress (10%) and car salespeople (8%) received the lowest scores, not far behind were those in the insurance industry, whose 15% very high/high rating was just one point higher than that for Senators and four points lower than the rating for lawyers.

Indeed, the public perception of those in the insurance industry is meager, with 36% of

respondents attributing a very low/low honesty rating to industry professionals, an assessment that has remained fairly consistent over the 40 years that Gallup has conducted its poll.

“Since 1977, no more than 15% of respondents have said our industry’s ethical standards are high, while no fewer than 25% have ranked us below average,” said Peter Miller, president and CEO of The Institutes, a provider of professional insurance education, in a column for BusinessInsurance.com.

The Institutes, along with the Society of Chartered Property and Casualty Underwriters (CPCU), conducted its own survey, polling risk and insurance professionals and asking them to rate their perception of ethics in the industry. More than 90% responded with a “largely ethical” assessment, with more than half (55%) conceding that the public has a negative perception of the industry.

“This is striking evidence that many professionals believe their profession has an undeservedly negative reputation. All of us in the industry have a role in changing that perception, and we need to work together to accomplish that,” said Jane Wahl, president and chair of the CPCU Society Leadership Council. “The Institutes, the CPCU Society and our partners will continue to encourage ethical training and awareness both inside and outside our industry.”

To change public and industry perceptions requires a top-down approach, the Institutes maintains, pointing to survey feedback where 40% of respondents said, “Demonstrating leadership support” would have the most significant impact ensuring ethical behavior.

“Our members are sending a clear message that risk management and insurance

executives need to lead by example on ethics,” Miller said. “Leaders should not only tell associates that ethics is a priority, but they also need to exhibit that ideal every day.”

As a first step, executives must have a firm understanding of ethics and what it means to act ethically, said David Walker, president of Hartland Insurance Agency, Inc., at the Sixth Annual Plante Moran Annual Insurance Conference, held October 22, 2015, in Chicago.

Easier said than done.

“Ethics is a standard of conduct based on moral duties and virtues,” Walker explained, “which includes principles of right and wrong. It’s good versus evil with a moral duty — conforming to a standard of right behavior.”

If all of this sounds subjective, Walker concedes that it is — while laying out a list of guiding principles, which includes:

- Honest and integrity
- Respect and caring for others
- Recognize stakeholders rights
- Promise keeping
- Trustworthiness
- Fairness
- Personal responsibility

To ensure ethics is applied consistently across an organization, Walker advocates developing a code of ethics, “a statement of core values and ethical principles designed to guide behavior and/or provide inspiration.”

Even with such a structured approach, though, Walker says success is limited by personal choice. “Enron published a detailed values statement, one based on respect, integrity, and communication and excellence. These were honorable on their face,” he said. “If you read the statement, you would have thought it was a great place to work. But the value proposition did not carry over to what the leadership actually did.”

As you encounter ethical dilemmas, Walker recommends asking yourself a checklist of questions to assist in the decision-making process:

- Could the decision become habit forming?
- Is it legal?
- Is it safe?
- Is it the right thing to do?
- Will this stand the test of public scrutiny?
- If something terrible were to happen, could I defend the actions?
- Is it just, balanced, and fair?
- How will it make me feel about myself?
- Does this choice lead to the greatest good for the greatest number?
- Would I do this in front of my mother?

“The culture that existed at Enron was based on fear where failure wasn’t an option,” Walker said. “That meant anyone that was unsuccessful would be fired, which led to ethical lapses.”

To counteract such fear, Walker adds one additional question — “the most important” — to ensure the approach is an ethical one: “Would I do this in front of my mother?” Walker said. “Ask yourself that before you act.

“The answer will be clear.”

You make the call: Do wrong and wrong make it right?

An ethical approach to decision-making does not always present clearly defined right vs. wrong choices, said Chris Amrhein, president of Amrhein and Associates who developed a “Street-Level Ethics” workshop (sponsored by the American Institute for Chartered Property Casualty Underwriters and Insurance Institute of America). To illustrate the challenge, he offered a number of scenarios, including the one below. How would you act? Is that the ethical choice?

“You can’t believe what you are holding in your hand. This should have been the simplest claim in the world to pay, but not any more. For some reason, of the hundreds of policies you have seen from this carrier on this type of account, this one is totally messed up. The usual endorsements are missing, including the one that provides coverage for this particular claim. When you check with the underwriter, he claims the agent asked for the policy that way. When you call the agent, she tells you she just asked for the typical policy. So one of them made a big mistake, but you don’t know which. All you know for sure is that this insured is being given the honor of paying for the mistake. You know if this account had been handled by standard procedures, the claim would be covered. But you also know that following the policy in your hand means you have to turn it down. If you do, by all rights, the insured should be suing somebody for E&O. Some days you just hate this job!

Do you decide not to punish the insured for the mistakes of others? Or do you follow the clear language of the policy you are holding?”



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