



## ETHICAL BEHAVIOUR

# After further review....

An insured is owed more money than they claimed. Do you disclose the oversight?

BY CIP SOCIETY, *Insurance Institute of Canada*

An insurance adjuster is assigned a series of claims files for different policyholders related to a common incident that occurred at a construction site.

The adjuster familiarizes herself with each file, as well as the incident that gave rise to the claims. Everything seems reasonable and straightforward when she interviews the insureds and visits the construction site.

When the files are almost complete and ready for approval, one of the insureds mentions something related to the claim that pertains to her policy. If true, the additional detail would result in a larger payout as per the terms of the policy. Upon further investigation, the adjuster discovers that the policyholder is correct and advises her of this.

Although each of the other policyholders is satisfied with the amount already communicated, the adjuster reviews the contents of their policies to see if they contain a similar additional bene-

fit. As it turns out, the remaining policyholders all have this similar entitlement under their contracts.

The adjuster feels somewhat conflicted by this discovery. Should she reveal to each of them that they would be entitled to a larger payout? Or, since they did not bring this matter forward themselves (as the one client did), should the adjuster say nothing and save the insurance company a lot of money?

## Analysis

Kyle Case, FCIP, CRM  
Unit Specialist,  
Claims Response Centre,  
The Co-operators

In this situation, the adjuster is the professional and owes a duty of utmost good faith to the client. The client, a layman in the insurance world, may not be aware of all the coverages available to

them under their policy.

It is the responsibility of the adjuster to review all the available coverages with insureds when they present a claim. If this was not done at the beginning of this claim, or if the coverage in question was missed in the review, the adjuster needs to make the client aware of this error and re-calculate the settlement offer. The client has paid premium for a specific coverage; knowingly not paying the full amount to which the insured is entitled is not only poor client service, but, in my opinion, it is also unethical. Not offering the full amount owed to the client could also result in negative consequences for the insurer.

If the insured's claim isn't settled appropriately, then, in addition to exposure to a bad faith claim and potentially punitive damages, the claim might be re-opened at a later date and additional payments made. This would mean additional time spent working on a file and

additional adjusting expenses.

Insurance exists to protect the assets of policyholders. We need to be sure that while we conduct business, we are doing so through a client-centric lens, making decisions that are fair for those whom we serve.

**Stephen Agnew,**  
Executive General Adjuster,  
Vice President  
ClaimsPro Specialty Risk Division

During the handling of the files, this adjuster committed an oversight in her interpretation of the coverage. Despite all other circumstances, it is the adjuster's obligation to inform all insureds of the oversight and correct the mistake immediately.

By pointing out the mistake or oversight, the adjuster is exercising her duty to assist the insured in making a proper claim. She is also satisfying the insurer's desire to pay the correct amount required under the contract of insurance.

Setting the obvious moral implica-

tions aside, by not disclosing the oversight to the insureds, the adjuster would be acting outside of the fiduciary responsibility owed to both the insureds and the insurers.

It is most cost-effective to disclose the error and pay the correct amount owed under the contract, thus avoiding inevitable additional costs such as mediations, appraisals, litigation, and possibly bad faith actions. Not only will the insurer be potentially exposed to the foregoing costs, the true value of the claim will of course ultimately need to be paid (plus interest).

In summary, we must always act with utmost good faith. Failing to do so will not only result in additional costs to the insurer, but will also reflect negatively against the individual adjuster, the broker or agent, the insurer, and the industry as a whole. CU

The CIP Society represents more than 17,000 graduates of the Insurance Institute of Canada's Fellow Chartered Insurance Professional (FCIP) and Chartered Insurance Professional (CIP) Programs.

TRUSTED ADVISOR

**I just found out from an insurer that my client, who has a stellar driving record and no prior claims experience, is due for a big auto rate increase. How do I tell them the bad news?**

— Breaking Bad



Dear Breaking,  
**Your client will not be as frustrated by the news** if they are prepared for it in advance, according to the findings of several Canadian auto insurance consumer studies by J.D. Power. Probably the worst thing you can do is say nothing and wait until they get their bill before you explain. That won't do much for your relationship and, by extension, your retention. Insurers suggest that brokers educate their clients about the reasons for the rate increases well before the next renewal cycle. This should be done in a personal way, and not in the form of a footnote at the bottom of an annual renewal notice. Psychological studies show that people prefer to hear about bad news in their own individual ways, and brokers will need to be sensitive to that. Most prefer to hear the entire truth, some think it depends on the situation, and a small minority would rather not hear the truth at all. Bad news is often as hard on the people having to tell it. There is a concern that the news will reflect badly on the broker. For example, a broker may think: "I told them how great this carrier is, and now I am telling them the insurer is raising their rates. They must think that they can't trust my advice." Because of this inclination to save face, those telling bad news will often stay mum about undesirable messages. Tell the truth as soon as possible, but don't rush the telling of bad news either. Spend some time thinking about how you will break that bad news before you have the conversation with the client. Once those words are out of your mouth, they don't come back, so don't rush telling the message just to make yourself feel better. Think about what you are going to say before you deliver the news.

BY THE NUMBERS

## Intelligence-gathering

Insurance professionals may have something to learn from risk-focused professionals using artificial intelligence (AI) in the other financial service sectors. Analytics firm SAS and the Global Association of Risk Professionals (GARP) conducted a survey of 2,000 reps in the banking, securities, and wealth/asset management sectors.

Here is what they found:

**81%** | reported already seeing benefits from AI technologies

### Top Benefits

- 52%** | Improved process automation
- 45%** | Credit scoring
- 43%** | Data preparation
- 33%** | Model validation, calibration & selection

### Obstacles to AI adoption

- 59%** | Data availability and quality
- 54%** | Lack of understanding of AI
- 47%** | Difficulties around interpreting models