

# Doing THE RIGHT THING

WITH THIS ISSUE, THE CIP SOCIETY AND *CANADIAN INSURANCE* MAGAZINE ARE INTRODUCING A NEW ETHICS COLUMN. THINKING ABOUT CORPORATE AND PROFESSIONAL ETHICS IS IMPORTANT FOR A NUMBER OF REASONS AND WE ARE EXCITED TO BE INITIATING A DIALOGUE WITH READERS.



By The CIP Society

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As recent corporate mega-scandals, both in and outside of the insurance industry, attest, business professionals do not always act scrupulously. Indeed, given the high-level executive suite malfeasance of the past few years, governments have been forced to step in with regulation — such as Sarbanes-Oxley in the United States and Bill 198 in Canada, which amended the Ontario Securities Act — to better enforce regulatory compliance.

That has put the spotlight on transparency, disclosure and organizational responsibility, leading to a much greater focus on corporate governance and best practices — strengthening accounting and reporting standards to help prevent wrongdoing.

Given how complex and intangible insurance is and how little consumers understand it, it behooves those working in the p&c industry to embrace an even higher professional and corporate ethical standard. Consid-

ering the constantly changing nature of the business, there are new and different situations that are emerging to which an ethical response may not always be self-evident or top of mind. This is not due to ill will or conscious intent, but perhaps more unintentionally or as a result of different drivers working at cross-purposes.

As part of the lifelong learning required of insurance professionals, it seems prudent to remind us all of the concepts of ethics, professionalism,



fairness, integrity, weighing not only industry expectations but consumer expectations as well.

Through these columns, readers will learn:

- Why professional ethics is important to the credibility of both you and your company.
- How ethical practices make good business sense.
- What key questions to ask when considering an ethical dilemma.
- Why it is important to use principled reasoning and judgment in resolving ethical issues.
- How to demonstrate to others your commitment to professional ethics.
- When and how to identify and resolve ethical dilemmas in insurance situations.

### What is ethics?

Ethics is the process of learning what is right or wrong, then doing what is right. Ethics involves applying personal, professional, social and corporate values and standards to balance various interests and make the best possible decision for all parties concerned.

### What relevance do ethics have to business?

Ethics plays an increasingly important role in business today. Societal expectations apply to individuals as well as companies. People believe that companies should act with honesty and integrity, and be responsible for and respectful of their employees, their customers and their communities.

Consumers presume that insurance companies, in particular, will be honest, fair and reasonable and that they will protect them and deliver on the promises made. Unprincipled practices might net the premium in the short run but won't measure up in the long run. Proper conduct by industry professionals may inspire conscientious behaviour on the part of consumers in return.

An ethical company, as outlined in *My First Book of Ethics* by Alan Axelrod (2004, Quirk Books, Philadelphia):

- Treats all stakeholders adequately

and fairly.

- Consistently makes fairness the first priority.
- Expects individual, rather than vaguely collective, accountability.
- Defines objectives and goals that all members value.
- Portrays a clear vision of integrity, exemplified by management.
- Demands and rewards integrity at all times and in all situations.
- Has a code of ethics in place and actively works to have it understood, used, taught, monitored and regularly evaluated and revised by its employees.

How does your company measure up? When was the last time you looked at your company's code of ethics?

### What is professional ethics?

Professional ethics is about being ethical, making ethical decisions and acting ethically whereby an individual makes the best choice in compliance with his or her duty rather than the best choice for him or her personally (see *Ethics Considerations for Property & Casualty Insurance Professionals*, 2006, International Risk Management Institute Inc., Dallas).

The concept relates to how people behave in relation to their chosen career. Doctors, lawyers, accountants, engineers, insurance professionals and others are expected to function in a certain way or follow specific codes of conduct. Professionally, your ethical behaviour influences your personal reputation, that of your company, and the whole profession or industry. It can result in favour and goodwill or, when lacking, in disrepute.

### Can a person be ethical and still successful?

Ethics is all about character — the personal qualities and values each of us has or can cultivate that define our ethical behaviour. *My First Book of Ethics* includes the following characteristics:

- Trustworthiness — Ethical professionals behave so that others do not need to police them to ensure that they meet their obligations and perform as promised. Acting honestly

ensures others that what they say is a truthful expression of their convictions and intentions.

- Integrity — People with integrity act according to their convictions, based on principles, not changing beliefs that may vary according to the situation at hand or what might be easier in any given moment.
- Loyalty — Ethical professionals offer allegiance to their employers, their customers, and their stakeholders and they rightly anticipate the same kind of steadfastness in return. An ethical person does not confuse loyalty with favouritism, friendship or relationships based on intimidation. Some of the most difficult ethical decisions involve defining this faithfulness and prioritizing multiple loyalties.
- Accountability — Ethical people take responsibility for their actions. They do not pass the buck. Moreover, if their organizations have a problem, they take ownership of it and make themselves accountable for working towards a solution.
- Fairness — Ethical professionals make informed decisions based on having done due diligence in their research and assessment. The process of gathering and evaluating information is demonstrably objective and unbiased. As detailed in *My First Book of Ethics*, actions taken as a result of fair decisions are both equitable — applying to everyone in the organization and all customers — and proportionate — they do not reward the undeserving, punish the blameless, or impose outrageous penalties.

Over the long term, a personal and professional reputation earned through consistent ethical behaviour will produce far greater career rewards than may be gained through limited or random acts of ethical behaviour. Professionals who routinely make ethical decisions gain the trust and respect of others.

### What are ethical dilemmas?

Ethical dilemmas arise when it is not

## CASE STUDIES

This column will not be about defining codes of ethics as codes exist: All graduates of the Insurance Institute of Canada (IIC) — Chartered Insurance Professionals (CIPs) and Fellow Chartered Insurance Professionals (FCIPs) — agree to abide by the organization's Code of Ethics.

The Registered Insurance Brokers of Ontario (RIBO) and the Canadian Independent Adjusters Association (CIAA) also have Codes of Conduct. As well, the Insurance Bureau of Canada (IBC) has a "Code of Consumer Rights and Responsibilities," and the Insurance Brokers Association of Canada (IBAC) has published the "Principles and Practices for the Sale of Products and Services by Property and Casualty Insurance Brokers." Further, most companies have codes of conduct governing behaviour in the workplace and towards customers.

The goal instead is to provide insight and advice into how to make better ethical decisions when presented with situations that may be subject to interpretation. The idea is to open up a discussion about best practices and decision-making frameworks that will help insurance professionals approach ethical decisions with greater awareness and better judgment. A code of ethics lived daily becomes good habit and good faith from which everyone can benefit.

For our next column, in the July issue, we will explore the moral and ethical dilemmas involved in the following scenario:

*A home inspector goes out to conduct a meet-and-greet with a new client and carry out an inspection to determine insurance coverage. The inspector introduces himself and outlines the process, explaining that he will need to explore every room in the client's home, identify all belongings and itemize key property that may need special consideration. The homeowner appears uncomfortable and without explanation abruptly ends the meeting.*

*The home inspector returns to his office to report the aborted mission. A customer service representative calls the homeowner, who describes the inspector's behaviour as unprofessional and not at all what she expected. She didn't anticipate that the inspector would need to touch everything, look in every cupboard and closet, ask so many questions about her personal possessions, and cause such disruption or disarray.*

*The home inspector has previously mentioned perceived discomfort in a couple of other customer encounters. Is he perhaps unwittingly conducting himself in a manner that is proper and appropriate from his perspective but seems impolite, overbearing or unseemly to the client?*

The Institute's Code of Ethics states that in all dealings graduates shall conduct themselves with dignity and shall avoid conduct that would discredit the profession of insurance or the Institute. How should the inspector proceed: Try to carry on as best as possible or try to figure out what is going awry and how difficult situations can be avoided in the future?

How can the employer determine whether the inspector or the client is at fault? What action should be taken if the inspector is suspected of being unwittingly tactless or out of bounds? What should the employer do if unprofessional behaviour is found to be a factor? What if the employer also has a code of conduct that values customer service above all else?

We invite comments at [cips@insuranceinstitute.ca](mailto:cips@insuranceinstitute.ca).



merely a decision between doing what seems "right" or "wrong" but, rather, when faced with two possible "rights," determining which is the most principled choice to make. Often these grey areas involve more complex issues of obligations, duties, responsibilities, fairness, consequences, perceptions, and understanding.

Easier ethical decisions involve a right versus wrong answer, especially if addressed in a corporate or professional code of ethics. For example, the vast majority of people will agree that it is morally unacceptable to claim someone else's work as your own. However, an example of a complex ethical dilemma might be where you uncover a colleague's misdemeanour. You have a duty to notify your employer, an obligation to report it if it affects a client, and also a responsibility to be loyal to your co-worker in a situation that could lead to dismissal (see *Ethics Considerations for Property & Casualty Professions, 2006*, International Risk Management Institute Inc., Dallas).

Issues contributing to ethical dilemmas may include: The letter of the law versus the spirit of the law; intentional versus unintentional acts; corporate policies and procedures; corporate versus personal motives and practices; and perception versus reality.

### Letter versus spirit of the law

"While the law provides some help, it doesn't go far enough to be the person's only guide to ethical behaviour. Laws are not generally adequate standards for reaching ethical decisions," explains the *Ethics Considerations for Property & Casualty Professions*. "Illegal acts are unethical, but compliance with the law does not always equate to ethical behaviour.

"In other words, actions that are completely legal may still be unethical. Essentially laws might be viewed as establishing the minimum standard of acceptable behaviour in a society while ethics goes beyond the minimum standard to promote optimal behaviour. Ethical behaviour recognizes and abides by the spirit of the law, not just the law itself."



## Intentional versus unintentional acts

In this highly regulated industry, acting in bad faith often is a conscious act where someone intentionally and knowingly has chosen to behave in an unfair, unprofessional, and perhaps illegal manner. Intentional misrepresentation is contrary to the Insurance Institute's Code of Ethics and most every code of conduct governing insurance professionals.

There is, however, a misperception that a legal violation needs to be intentional. Be warned that a professional could unintentionally commit an unethical and illegal act. In other words, you can still be held legally responsible for wrongdoing even if you didn't know that your conduct was unethical or illegal. For example, the "that's the way we've always done it" argument may not be a strong enough defence. Procedures and policies of decades ago that are taken for granted may not be in keeping with the principles and practices of your company today.

## Corporate policies and procedures

In this context, for example, issues like privacy and confidentiality of company information and client records need to be built into corporate policies and procedures for the protection and understanding of employees and the safeguarding of property and consumers. An organization's exposure is broadened with expanded Internet use, such as employee access of corporate records from their home. Incomplete policies or loose business practices may lead to unintentional or intentional breaches of privacy and confidentiality.

## Corporate versus personal motives and practices

Sometimes employees may experience conflict between their personal principles and the motives and practices of their employers. Brokers, underwriters and adjusters may face somewhat opposing interests among their employer, customers and the insurers that they may represent.

More obvious dilemmas might come from the giving and receiving of gifts. Should an employee accept a gift from a client? Is it ethical for a broker to offer a gift to an underwriter? Are there acceptable limits before conflict of interest and self-benefit or favouritism come into play? We say this might be an easier dilemma because most corporate codes of ethics address this issue, so "right" and "wrong" are typically defined. Areas like a company's claims philosophy may lead to more complex dilemmas for insurance professionals.

## Perception versus reality

This kind of disconnect may arise in a number of situations, particularly with consumers. For example, much of the disconnect with consumers may be that they have little understanding of the policy coverage and the exclusions, rely heavily on the belief that the broker or agent has sold them "what coverage they need" and it is not until faced with a claim that the reality of the coverage, or lack thereof, may come to light.

## Determining the right action to take

The first step is to recognize the key issue involved in the scenario: Is it one of morality, law, company standards, social norms, or personal values? Step two is to identify those who are or will be affected by the decision. Next, ensure that you've done your due diligence. Do you have all the facts in the case? Have you consulted with those who may be affected? Can you make an objective, unbiased decision?

The fourth step is to consider whether you have contemplated all potential options. If so, which choice does the most good or the least harm for the greatest number of people? Are you rationalizing in arriving at this decision?

Lastly, (as compiled from Ethics Considerations for Property & Casualty Insurance Professional; the Institute of Business Ethics, U.K., [www.ibe.org.uk](http://www.ibe.org.uk); The Business of Insurance, C-16 text, 2002, Insurance Institute of Canada, Toronto, and the

Code of Ethics of the Insurance Institute of Canada, [www.insuranceinstitute.ca](http://www.insuranceinstitute.ca)), can you pass the following ethics test?

Can you honestly say that your decision will be:

- Fair — Will my decision be considered fair by those affected? Have I considered the effects from their vantage point? If I put myself in their shoes, would I do the same thing?
- Harmless — Who does my decision affect? Does it hurt anyone? Are there any negative consequences and are they limited as much as possible?
- Consistent — Is this a decision in keeping with my principles?
- Transparent — Do I mind others knowing what I have decided?
- Law-abiding — What are my legal duties and contractual obligations in this situation? Is my decision in keeping with my company's code of ethics or conduct?
- Perceived correctly — Is it possible that my decision might be misconstrued as unethical? How will it look if it becomes public? How will it be viewed five years from now?
- Mother-approved — What would my mother think? How would I feel about my decision being reported on the front page of tomorrow's newspaper? Could I comfortably inform my children of my behaviour?

Professional ethics is about ensuring that your decisions are fair, harmless, consistent, transparent, in line with legal and code of conduct guidelines, perceived correctly and subject to mother-approval. ∞

*The CIP Society represents 15,000 graduates of the Insurance Institute of Canada's Fellow Chartered Insurance Professional (FCIP) and Chartered Insurance Professional (CIP) Programs. As the professionals' division of the Institute, the Society offers continuing professional development, information services, networking opportunities, and recognition and promotion of the designations. This article is archived on The CIP Society's web site at: [www.insuranceinstitute.ca/cipsociety](http://www.insuranceinstitute.ca/cipsociety).*