
**The CIP Society
Ethics Series**

The CIP Society
Insurance Institute
of Canada

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. The CIP Society, through articles such as this, is working to bring ethical issues to the forefront and provide learning opportunities that enhance the professional ethics of all insurance professionals.



Gift of Giving?

Business gifts. Are they always sincere and simple demonstrations of appreciation? Or do these gifts sometimes come with strings attached? How can rules-based, people-based and situation-based guidance help insurance professionals determine an ethical course of action?

Over the past year, an insurance company's branch manager and a local broker found themselves having many business-related conversations. During these conversations, they discovered their mutual love of hockey. As they both lived and worked in a large Canadian city, there were many opportunities to attend games of different levels of hockey.

During one of their conversations, the broker

said he had just been given a pair of tickets for one of the local junior team's games and asked whether or not the branch manager would like to attend with him. Appearing to be simply a friendly gesture, the manager agreed and the following Friday night, the broker picked up the manager at the office.

While chatting away, the manager noticed that they were heading towards the home venue of the local NHL team and wondered if the junior team was playing there that night instead. The two started walking, continuing their chatting, until the broker excused himself to make a call. Upon returning, the two proceeded inside.

Once inside, the broker led them to their seats, which happened to be at platinum-level and centre ice. By this time, the manager realized they were about to watch the pros play.

The manager asked what had happened to change the original plans for the evening and the broker advised him that he had misplaced the junior team tickets and did not want to ruin the manager's evening. He confessed that when he

said he was making a phone call earlier, he was actually purchasing the tickets from a scalper.

Doing the calculations in his head, the manager estimated the evening must have cost between \$500 and \$800.

He was concerned for all the obvious reasons, including appearances and potential expectations, and wondered what he should do next.

They were already seated and watching the game. He did not want to appear ungrateful or rude, but how should the situation be addressed?

Mike Kosturik, BA, FCIP

*Regional Vice President, Toronto Region
Intact Insurance Company*

Most insurance companies, including Intact, have established protocols around the acceptance of gifts and entertainment, and that is typically the best place to start when considering what to do.

At Intact, the approach to the giving and receiving of gifts and entertainment is not zero-tolerance; rather, the time must be taken to consider each scenario.

First, is the value of the offered gift reasonable? In this situation, the value of the tickets would not be viewed as reasonable or nominal. NHL tickets are quite costly and above the value of the normal course of gift-giving from Intact's view of a reasonable value.

It would also be important to know if the gift is recurring in nature, and if it can suggest an improper motive. In the present case, it would not appear from the facts that this is the first time such a gift has been given to the branch manager.

Finally, it would be necessary to know if the intent is to improperly influence the receiver of the gift.

It appears here the intention of the broker's gift is not to deceive the branch manager. However, there are a few points that may lead one to question whether or not the broker was trying to gain favour with the branch manager.

Based on their face value alone, the cost of the tickets would violate company policy. That said, evaluating the appropriateness of a gift requires discretion and sometimes flexibility. The

branch manager did not solicit or ask for the tickets and was unaware that the gift was going to be pricey NHL tickets when he initially accepted.

Under these circumstances, the recommendation would be that the branch manager attend the game with the broker, but politely advise him that this value of gift is unnecessary for the sake of the business relationship and is contrary to the company's policies.



This may be a good opportunity for the company to review its code of conduct or ethics, and remind employees about the importance of acting ethically. This shows good corporate governance, sets expectations with employees and lets external sources know they should not attempt to influence employees to gain favours.

Doug Laird, BSc., FCIP

*President (Edmonton)
McLean & Shaw Insurance Inc.*

A business gift, if used appropriately, can help strengthen relationships, build

trust and show appreciation for business conducted between two entities — as long as the gift falls within the parameters of both companies' business gift guidelines.

A broker entertaining a branch manager and bringing him to a junior or NHL hockey game is a common practice across the country. It is a great way to spend a few hours with someone and discuss interests other than day-to-day business issues.

The objective of this type of business gift should be to strengthen the bond between the two professionals and must be done with trust, honesty and integrity. By not making the manager aware of the change in plans, however, the broker has breached the manager's trust.

Despite the fact that the broker was not trying to be deceitful, the manager could have easily perceived it that way. The change of plans did not provide the manager ample time to decline if the NHL hockey ticket was at odds with his company's policies.

Because the business gift was not an attempt to deceive, the manager should respond by bringing clarity to the situation and explaining both his intent and expectations of going to a hockey game with the broker.

The gift was an attempt to bring two professionals together who share a common passion, so it is important that the manager's approach derives something good from the situation.

Obviously, there is a lot of goodwill between the two individuals, as they have built a relationship over the past year.

Giovanna Alvaro, CIP

*Senior Manager, Regional Underwriting Operations
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The situation in this scenario has many dimensions that can be analyzed, including the relationship between the two individuals; the value of the gift, which was small when accepted, and changed to a rather large one; and, finally, the legality of the gift, as the NHL tickets were scalped at the venue.

Had this come from a personal friend,



the friend receiving the ticket can then sink into his seat at the game, tell the friend that next time he would walk out if he buys scalped tickets, and then have a couple of beers and enjoy the game.

Had this been an established business relationship, and the tickets were purchased normally, then the manager should remind the broker that he had only agreed to come to a junior game, thank him and ensure that the broker understands that he would not try to reciprocate his gift.

But the fact that this is a business relationship and the tickets were purchased in the black market, the manager should not accept the gift. The manager should simply walk away.

While it may have been a very innocent move for the broker to choose to buy scalped tickets, he could have easily made other arrangements, say, treating the manager to supper at a bar where the game was showing.

There is also the risk that there was an underlying reason that the broker went through so much trouble for the tickets.

What happens if, in a future business meeting, there is mention of this event? Yikes!

Darrell Mack, FCIP

Manager, Saskatoon Injury Claims
Saskatchewan Government Insurance

From the scenario, it appears the manager has innocently agreed to attend a junior hockey game with a broker who writes business for the manager's company.

The manager may intend to buy a snack or beverage in appreciation of the tickets and the ride to the game. But the broker appears to have a different agenda, in which his intent is to impress the manager and, perhaps, go so far as to influence the manager on existing or future claims coverage issues.

Less probable, perhaps, is that the broker wants to gain favour so the manager will direct business his way.

What should the manager do? He has an obligation to inform his manager or his company's ethics advisor. This is done so that his reputation is not brought into question at a later date.

The insurance company likely has a code of conduct or ethics that guides both personal and business situations. The code would help determine if there is an actual or perceived conflict of interest, and what needs to be done.

In this case, the manager realized a problem with the size of the gratuity and the broker being less than honest after the fact. He has an opportunity and obligation to bring this to the attention of his employer.

He could then advise the broker that he is unable to accept a similar invitation in the future because of company policy, or a broker service manager could help deliver the message.

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FINAL WORD

When faced with ethical scenarios, insurance professionals can make use of three different approaches to help provide guidance on what course of action to take in response. First, look to formal rules that apply in the situation (rules-based). Second, try to maximize outcomes for individual stakeholders (people-based). And, third, focus on the end result (situation-based).

In the aforementioned situation, if the focus is on the rules, insurance professionals can be guided by company policies specific to gift-giving and receiving.

If the focus is the stakeholders, consider the relationship between the broker and manager as being paramount to the decision that is made.

And finally, if the focus is on the end result, evaluate the perception that accepting or rejecting the tickets would have on the business relationship of the broker and manager in the future.

Perhaps the most confident outcome may come from using a combination of the three approaches. In that way, the complexity of the situation can be fully appreciated, and both the intent and perceived intent of receiving the gift can be well-understood. ≡