



Pressure Cooker

DON'T GIVE IN BECAUSE OF STRESS

By CIP Society/Canadian Insurance Magazine

of the relevant activities needs to be clearly secondary in everyone's minds.

**Douglas McIntyre, CEO,
Echelon General Insurance Co.**

"A deal ain't a deal, until it is a deal!" You can quote me on that (or maybe it was Yogi Berra). Anyway, reporting "almost sales" as sales is just plain wrong and, as it would drive a bonus payment here, the underwriter's motive would be construed by management to have been money. This apparently innocent underwriter would go from good employee to crook to fired in quick succession and rightly so.

No one (in any employment situation worth having) can be forced to falsify "the numbers" – pressured yes, forced no. So just say a very loud "no!"

The underwriter should explain to the supervisor, in writing, the true status of her accounts, and then hunker down to weather the storm. If the supervisor is thinking past the end of next week, she will appreciate the careful work of this employee. If the supervisor insists on achieving short-term production goals at any and all cost, this manager will be leaving the company soon anyway.

The truest statement I have heard in the last 35 years about our industry is that "any idiot can grow an insurance company." I am assuming here that this underwriter is productive, in that an adequate supply of profitable business will result from her work. In other words, we are talking about a delay of one month here, rather than being deficient every month; obviously, that would be a different issue.

**André Fredette, senior vice president
and general manager, CCR Canada**

A transparent and honest report to the underwriter's supervisor would serve her best in the long run from a credibility point of view. I would suggest she make two columns. One would list those policies that are actually closed and booked with their total premium. The second would list those risks that are not yet closed or booked but which she feels have a high probability of

An experienced underwriter has found herself assigned to a new supervisor, who is rather demanding and always pushing for higher output and productivity from staff. Unaccustomed to this management style, the underwriter feels constant pressure to perform and to meet her superior's immediate goals and targets.

Approaching month-end, the supervisor has requested an accounting of premiums written on the part of each underwriter. Recognizing that each case she has worked on has not yet closed, the underwriter feels confident that they will all be successful and feels justified in reporting them as such.

In doing so, perhaps some of the stress she feels will diminish. In addition, reporting her productivity in this way will increase a quarterly performance bonus for which she is due. She deliberates for a while and ponders what she should do. Her primary interest is not in receiving the bonus but in mitigating the productivity pressure.

How would you proceed if you were in the underwriter's shoes?

**Steve Smith, president and CEO,
Farm Mutual Reinsurance Plan Inc.**

Integrity and reputation will certainly outlast and outweigh any benefits gained from short-term financial goals. Realizing that it is not uncommon for senior and middle management expectations to sometimes create a conflict with sound principles, such as adequate pricing and underwriting integrity, keeping management grounded is very important.

Recognizing that the anticipated unrealized successes that are being reported, plus creating a false sense of achievement will ultimately reflect poorly on both integrity and reputation, it is important to maintain a position of honesty and candour.

Ensuring that management understands what the communicated expectations will mean to future experience

and bottom line results is a key issue. It is important that the underwriter manage that outlook and focus on the quality of the underwriting responsibilities, subject to management giving clear directives that could potentially compromise sound practices.

If there are already reports being generated that are not accurate, the underwriter needs to come clean and correct the practice. Being open and forthright is the priority and will supersede any other action at this point. There should be a meeting with the supervisor to review the mandate.

External issues, peer comparisons and reporting protocol should be discussed in detail and with openness to ensure that the supervisor clearly understands and accepts the risks identified. Any personal gain as a result

closing in the near future. This would give her supervisor the most accurate report on her situation.

I remember a large Canadian communications company that had the habit of booking contracts before they were closed and this got it into a lot of hot water with shareholders. Accounting numbers had to be restated.

In the long run most people do better by being forthright and honest with their supervisors or shareholders.

John F. Cairns, vice president and general counsel, Chubb Insurance Company of Canada

The underwriter would be committing a major folly if she succumbed to the temptation to record as closed cases that are still outstanding. She may consider what she is contemplating as merely “bending the truth” or as a “little white lie,” but if she thought about some notorious corporate fraud cases she might reconsider this view.

Many such frauds have involved companies that improperly manipulated their sales so that revenue could be booked before it was actually earned, thus inflating the company’s earnings. These inflated earnings, in turn, resulted in higher bonus payments and more lucrative stock options for the executives involved in perpetrating the fraud. Where such fraud was proved, the executives were sentenced to prison.

Regardless of her motive, what this underwriter is about to do is not really much different – it’s just on a smaller scale.

The underwriter should tell the truth. She should record in her report only the premium from closed deals. She can attach a note to her supervisor explaining that she is working on several deals that are nearing completion. Her bonus may be affected, but her integrity will be preserved and, hopefully, she will be rewarded on her next bonus if the deals close as expected.

The underwriter’s reaction to her supervisor raises related concerns. While no fraud on his or her part is mentioned, studies have shown

Thorn in the Side

In the middle of a cold December, things were heating up for a harried claims representative. It seemed that there was never enough time in the day to accomplish all of his work. Moreover, the company was approaching its month-end, quarter-end, and year-end simultaneously, and senior management was encouraging staff to wrap up matters as quickly as possible.

Amid the daily challenges, the claims representative found himself managing the file of a difficult and abrupt claimant. Each step in the process, from telephone conversation to emails and letters, was adversarial. The situation was not totally unfamiliar as the claims rep considered that aggravation often comes with the territory, but this time it seemed different. The reason for the claimant’s behaviour was unclear and he was demanding an inordinate amount of the representative’s time. The claim wasn’t particularly large; in fact, it was rather small. Yet this file was rapidly becoming a distraction and a nuisance.

Feeling pressured, the claims representative was unsure what step to take next. It was tempting to give the claimant what he wanted – although it would have been excessive – and thereby free up time to focus on more important matters. After all, whom would that hurt? What would be the best course of action to take? Is there a bigger picture to consider?

that if employees see their supervisor acting unethically, they feel pressure to act unethically themselves. Prudent companies should ensure that their employees have an effective way of reporting fraud, abuse, harassment or unethical or illegal behaviour.

Paul Griffin, formerly director, compliance/Operations ING

The underwriter would be making a fundamental error in judgment by choosing to misrepresent her productivity figures, regardless of her confidence in the final outcome of the files she’s working on. First and foremost, it would not be truthful and is not an accurate reflection of reality. Beyond this, she is not considering the bigger picture and is overlooking the impact her decision may have on the various audiences for the productivity figures.

Strategic and tactical decisions that arise from grassroots reports are hampered by flawed information and data. It is difficult for other stakeholders to

make commitments in pursuit of corporate goals under such circumstances. In addition, if the underwriter were to achieve her performance bonus as a by-product of the decision to overstate her figures, this would cast an even greater cloud over her motivation.

The underwriter’s concern is likely a symptom of another problem. Although her supervisor appears demanding, there may be a communication issue between them as well. It would behoove her to have a frank and honest dialogue with her supervisor, explaining that she deeply wants to contribute to the organization’s success. Discussions surrounding methods of working together as a team will create a more positive atmosphere, and staff will not feel intimidated into misrepresenting productivity. But as always, there are two sides to every story, and it would be interesting to gain the supervisor’s perspective.  [CIP Society members benefit](#)

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