



**The CIP Society
Ethics Series**

Unsocial Function

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.

How does an insurance professional, who is attending a social function, deal with someone who voices vigorous disenchantment with the industry? One course of action may be for the industry and its professionals to do their best to educate and clearly communicate with the consumer — regardless of the setting.

So, what do you do?

A bunch of old university friends, accompanied by their spouses and partners, gathered together for a dinner reunion. While catching up and exchanging stories about their careers, an insurance professional found herself cornered by a pair of individuals who were quite expressive about their disenchantment with the insurance industry.

One member of the unhappy pair went on at

length about what he felt was unfair treatment after putting in a claim, and suggested that insurance companies all conspire to take money from people with the intent of never paying claims. The other person indicated she has never made a claim in almost 20 years, yet her premiums keep going up.

The insurance professional felt somewhat attacked, this not being the first time that she had encountered negative attitudes about her profession. Unlike her colleagues in accounting, law and finance, she realized she had had to defend her choice of industry on a number of occasions similar to this.

As the unhappy pair continued with a barrage of complaints, the remainder of the dinner attendees took a collective interest in the conversation. The professional began formulating a response in her mind, but paused before speaking to consider a few things, including the following:

1. Is there a general comment she could make?
2. Where is the onus for the consumer's negative experience: on the industry, the industry professional and/or the consumer?
3. What can the industry and industry professionals do to improve the public's perception of the industry?

Pat Van Bakel, BA, CIP

President and CEO

Crawford & Company (Canada) Inc.

I think it is incumbent on all of us, as professionals in the insurance industry, to be prepared to speak openly about the strengths and values our industry provides to communities and industries across Canada. We are very fortunate to live in a very stable economy and our industry can be proud of being a fundamental contributor in this regard.

Having said that, I think the conversation has to begin much sooner than when it is raised in a social setting. It is critical that we truly understand not only what we do, but more important, why we do it.

One of our former CEOs, Glenn Gibson, made a very emphatic point as he travelled across Canada, addressing graduates of the Insurance Institute at convocation celebrations. Gibson said, “We help people,” a simple message that has stuck with me over the years.

There is still much more that can be done to improve the image of our industry with the general consumer. Much of it comes down to communication.

As claims professionals, it is remarkable how often we come across scenarios where the policyholder has no idea what coverage was purchased until it comes time to make a claim, or the number of times a restrictive clause was added to the policy on renewal that the policyholder claims to have been completely unaware of, including things like increased deductibles and new or reduced sublimits.

Another area we can be better at is continuing to look for ways to simplify the process through the entire life cycle of an insurance policy. I think this comes back to truly understanding why we do the things we do — and understanding that from a policyholder perspective.

As a company, we spent a considerable amount of time over the past couple of years in an exercise called “day in the life of the customer.” It is a paradigm shift in both truly understanding and reacting to the unmet needs of our cus-

tomers, and value creation. I think we need to continually challenge ourselves to shift our focus from inside-out to outside-in when considering the public image of our industry.

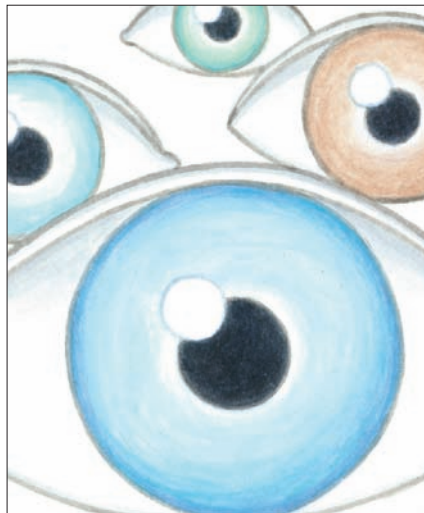
Marcus B. Snowden &

Bradley J. Wells

Partners

Snowden LLP, Coverage Counsel

No matter on which side of the industry a professional works (broker, agent, underwriter, independent adjuster, claims examiner, etc.), all can be painted with



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the same brush by consumers who have had a “bad experience.”

As tempting as it is to address her dinner companions’ specific complaints, the insurance professional in our scenario should refrain from doing so. Even if she feels the complaints are justified, it does not enhance the insurance in-

dustry’s image for one insurance professional to criticize another, especially without first hearing both sides.

The professional could suggest her companions speak to their respective insurance brokers or agents, as only they can properly address their concerns and propose a solution. She can also remind them that the insurance industry has a variety of complaint resolution processes, including ombudsmen and professional organizations.

The majority of consumers will only make one or two claims during their lifetimes, and many do not understand the claims process. The important role for the broker/agent and claims adjuster is to properly explain the process from the outset, so as to ensure the consumer’s expectations are set at an appropriate level. As well, the broker or agent must be involved throughout the claim to ensure that the consumer does not feel lost or forgotten in the process.

To improve its public perception, the insurance industry and insurance professionals should recall that the vast majority of consumers need to have their coverages, deductibles, premiums and claims processes carefully explained to them. Although insurance policies often use “plain language,” there are situations that have insurance professionals, lawyers and the courts scratching their heads on what exactly is covered. Expecting the average consumer to understand the issues they face is unfair and leads to frustration.

To improve its image, the insurance industry and its professionals should do their best to educate and clearly communicate with the consumer. A knowledgeable consumer is more likely to be a happy consumer.

Donna Ince, CPA, CA, CIP

Senior Vice President

Personal & Commercial Insurance

RSA Insurance

Everything we do in life is inherently risky. Insurance is a financial product that transfers risk from your balance sheet to that of someone else (an insurer) who, for a fee (a premium), assumes

some of the risk you take on by driving a car, owning a home or operating a business.

Consider the implications of assuming these risks on your own. What would it cost a family to support a teenage driver left disabled by a car accident, for the rest of his life? What would it cost a



business owner and her employees if their entire establishment, with saleable goods and expensive equipment, burned to the ground?

If you have not transferred any of your risk to an insurer, you could be facing a lifetime of debt and the possibility of never again regaining the financial position — or the life — you had prior to a major loss. One of the key principles of insurance is to get you back to the position you were in prior to the loss.

By assuming a portion of the risks faced every day by individuals and companies, insurance forms the building blocks of our economy. It allows us to create a sustainable society — from the infrastructure of our cities to our residences, our places of work, and every life event you can think of.

Without having experienced a significant loss, it can be difficult for consumers to understand the real impact and the process to get that loss adjudicated. Natural disasters such as floods, hurricanes and other major catastrophes can very quickly bring the reality of loss into sharp focus. It is important to view these types of catastrophic events as op-

portunities for consumer education.

As independent experts, individual brokers play a key role in this process. By building relationships as trusted advisors with customers' best interests in mind, brokers are in a unique position to guide clients in preventing risk and choosing insurance products that will meet their needs. Brokers also play a unique role in the claims process as an advocate for their customers.

Insurance is a complex model and easily misunderstood. My key message is this: Insurance underpins our economy and our lives. As an industry, we need to help people understand why that is important.

J.R. (Bob) Tisdale, MBA, FCIP, CRM

President and COO

Pembridge Insurance Company

In this situation, a tactful and diplomatic approach would be to explain to the group what insurance is and what it is not. Insurance is not a bank account where you bank your premiums in case you might have a loss some day.

Insurance is simply a pooling of funds

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where the premiums of many pay for the losses of few. The more losses that occur or the higher the potential for losses, the more funds that are required to ensure that adequate funding is available. Insurance companies then charge an administration cost to provide the necessary services, such as premium collection and claims payouts.

Taking an educational approach may

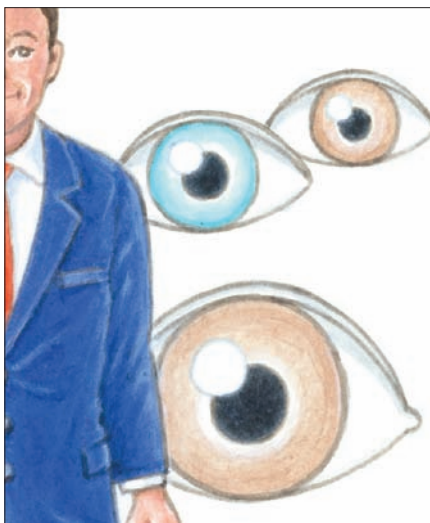
help ease the tension and negativity that arises during these types of conversations about insurance.

The onus of the consumer's negative experience lies with our industry. We have much room for improvement when it comes to educating the consumer about insurance. We should generate more positive press about the many things we do to help people, such as helping restore someone's quality of life after a bad accident, or rebuilding someone's home after a fire.

We need to find better ways of educating consumers about what they are actually purchasing when they buy insurance.

Many times, I hear industry professionals say that they would rather not tell others what they do for a living. I disagree with this approach and think it is unfortunate that they feel that way.

Insurance is the lifeblood of the economy. Without insurance there would be fewer houses, fewer businesses, fewer



cars, fewer vacations, fewer everything. The fact that insurance exists allows people to take risks that they could not afford to take on their own. We need to be proud of what we do.

I have found from personal experience that by taking the time to explain what we do, and why we do it, we can change perceptions of even the biggest critics of our industry.

We do a lot of good things for many people and we should be proud to share these stories. ≡