



ETHICS -

CAN and SHOULD are  
Two Different Things

# Our Time Together

- WHY we speak about “ethics” in the insurance industry
- Why focus on ETHICS and not Morality
- A brief history of Ethics
- To whom do we owe “Ethical” decisions?
- What are “Ethical” decisions? How to make them
- Ethical questions/issues in the business of insurance

# Remembering 2004



MARSH & MCLENNAN  
COMPANIES

# ETHICS

- "Relativity applies to physics, not ethics."
- *Albert Einstein (1879-1955), Physicist and Nobel Laureate*

# 5 P & C Companies Named...

- March, 2016, PropertyCasualty360.com
- 5 P & C Companies named to list of most ethical companies (Ethisphere Institute)
- Harford Financial Services Group, Allstate Corp., USAA, Arthur J. Gallagher & Co., Aflac Inc,

# Ethics vs. Morality



- ETHICS

- A code of values which guide our choices and actions and determine the purpose and course of our lives (Ayn Rand)
- The choice between right and right

- MORALITY

- A doctrine or system of moral conduct (Dictionary.com)
- A choice of right vs. wrong, good vs. evil

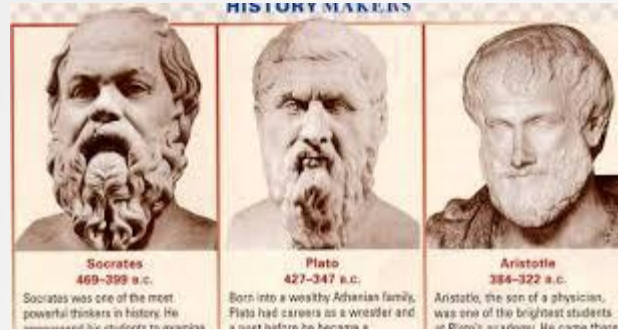
# Further Definition

- Cambridge Dictionary of Philosophy
  - The word itself is sometimes used to refer to the set of rules, principles or ways of thinking that guide, or claim authority to guide, the actions of a particular group; and sometimes it stands for a systematic study of reasoning about how we ought to act.

# It's ALL Greek To Me

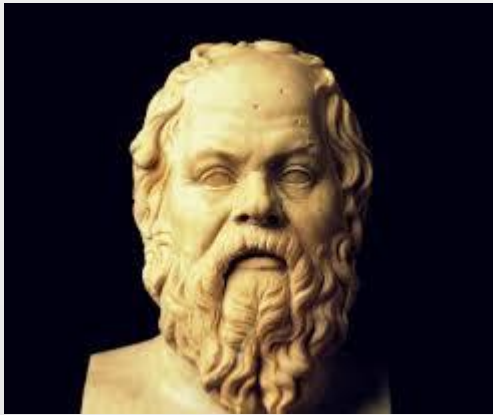
- ETHOS (Greek) of custom, habit, character
  - The fundamental character or spirit of a culture; the underlying sentiment that informs the beliefs, customs or practices of a group or society
  - The sentiment of the community





- It is all derived from the teachings of Socrates, teacher of Plato who then taught Aristotle





# Socrates

- Socrates' decision not to flee Athens to avoid his being put to death is based on the following principle of action expressed in Plato's Apology [28B]:
- “You are mistaken my friend, if you think that a man who is worth anything ought to spend his time weighing up the prospects of life and death. He has only one thing to consider in performing any action — that is, whether he is acting right or wrongly, like a good man or a bad one.”

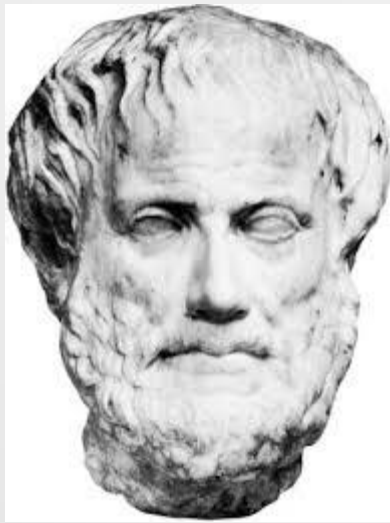
# Plato

sotruefacts: #1716

Play-doh was first manufactured in Cincinnati, Ohio, originally meant to be used as a wallpaper cleaner.

[sotruefacts.com](http://sotruefacts.com)

- Plato maintains a virtue-based eudaemonistic conception of ethics. That is to say, human well-being or happiness (eudaimonia) is the highest aim of moral thought and conduct, and the virtues (aretê: 'excellence') are the requisite skills and dispositions needed to attain it.



# Aristotle

- Aristotle believed that ethical knowledge is not only a theoretical knowledge, but rather that a person must have "experience of the actions in life" and have been "brought up in fine habits" to become good. For a person to become virtuous, he can't simply study what virtue is, but must actually do virtuous things.
- " We are not studying in order to know what virtue is, but to become good, for otherwise there would be no profit in it."

# The “Point” of Ethics Training

- Avoid “partisan bias” (we all have blind spots)
- Most ethical dilemmas arise from situations where individuals are unable to identify relevant ethical principles in the event of a crisis – not because they did not understand ethical rules (in the abstract) i.e. it is a practical application of ethical rules and behaviors
- Regular training assists in identification

# Just Suppose

- ABC, LLC has “enjoyed” some past claims history in the last five (5) years. The 100% same owners of ABC, now form another LLC, named XYZ LLC.
- In the application process the question is asked:
  - Has the insured had any claims in the past five (5) years?

# ETHICS

- "A man without ethics is a wild beast loosed upon this world."
- *Albert Camus (1913 - 1960), French Author, Philosopher, and Journalist*



## Recent Examples

- Uber and their 2016 data breach



- TripAdvisor and rape allegations at a Mexican resort
- Wells Fargo and cross-selling pressures

**WELLS FARGO**



# We ALL Carry Ethical Responsibilities

- Employee behavior
- Supplier/Customer relations
- Employee working conditions
- Decision making issues
- Compliance and governance issues

# ETHICS

- "Shelving hard decisions is the least ethical course."
- *Sir George Adrian Cadbury (1929 - ), Chairman of Cadbury and Cadbury Schweppes for 24 years*

# We ALL Carry Ethical Responsibilities

- Discrimination
- Side deals
- Partners
- Gross negligence
- The fundamentals – trust and integrity

# We ALL Carry Ethical Responsibilities

- Agents & Brokers
- Adjusters
- Underwriters
- Marketing Reps
- Account Managers
- Account Reps, CSRs, Assistants, Receptionists...

Ours is a Business built on...

# TRUST



# 12 Ethical Principles (Josephson)

- Honesty
- Integrity
- Loyalty
- Fairness
- Concern for others
- Commitment to excellence
- Law abiding
- Leadership
- Reputation and morale
- Accountability
- Respect for others
- Promise-keeping and trustworthiness

# Set High Standards, Not Unreachable Goals

- Be firm, but not rigid.
- Be honest, but not unkind.
- Expect improvement, but not perfection.
- Encourage candor, but demand respect.
- Tolerate adequacy, but reward excellence.
- Set high standards, but not unreachable goals.

• Michael Josephson

# ETHICS

- "Integrity is doing the right thing, even if nobody is watching."

- *Author Unknown*



# Beware of...

# Entitlement



# Just Suppose

- You are working with your client
- It is renewal time
- You forgot to go to “one of your own carriers”
- You now realize that they are the best fit
- You have that BOR in your hand...

# Are You An Ethical Leader?

- Biology and upbringing have a lot to do with it
- Workplace environment can complement and/or distort our ethics
- What can you do to improve/practice?
  - Build your ethical muscles
  - Create ethical support tools
  - Walk the talk

# Ethical Leadership

- Talk about importance of ethics in your business
- Set a good example
- Hold yourself – and others – accountable
- Don't blame others when things go wrong
- Support employee's efforts to do what is right
- Give positive feedback to those acting with integrity
- Keep your promises and commitments

# How To Develop Ethical Muscles

- Thinks of your early upbringing
- More recent life experiences contribute as well
- Religious beliefs
- Codes of Ethics
- Discussions with others
- The philosophers
- Ethical dilemmas



# Ethisphere Report, 2017

## Measuring Culture

- How's your company measure corporate ethical behavior
  - 77% HR engagement surveys asking about perceptions
  - 73% review of social media
  - 69% management interviews on culture
  - 66% employee focus groups or interviews
  - 66% physical site visits & assessments
  - 57% dedicated employee ethical culture survey
  - 49% formal review following investigations

# Ethisphere Report, 2017

- Key Findings

- Measure your culture
- Communicate it
- Empower those best positioned to lead it
- Recognize it



# ETHICS

- "Ethics must begin at the top of an organization. It is a leadership issue and the chief executive must set the example."
- *Edward Hennessy (1933 - ), Philanthropist and Retired Chairman and CEO of AlliedSignal Inc.*



# Global Business Ethics Survey, ECI 2016 Study

- Methodology employed
  - Online collection during the last month of 2015
  - Participants 18 years or older
  - Employed at least 20 hours per week
  - 13 countries involved
  - Private, public and not-for-profit sectors included
  - Grand total of 13,046 responses collected (1046 in USA)
  - 3.1% margin of error with 95% confidence level

# Global Business Ethics Survey, ECI 2016 Study



- US Findings – Key Metrics
- 22% felt pressure to compromise standards
- 30% had observed workplace misconduct
- 76% had reported observed workplace misconduct
- 53% experienced retaliation for workplace misconduct reporting

# Global Business Ethics Survey, ECI 2016 Study

- Most Common Observed Types of Misconduct
- 22% abusive or intimidating behavior towards employees
- 22% lying to employees, customers, vendors or public
- 19% Decisions made or actions taken to benefit the employee or friends over the best interests of the organization

# Global Business Ethics Survey, ECI 2016 Study

- Reasons for NOT reporting misconduct
- 26% did not know to whom they should report
- 32% had no designated person to whom complaints or observations should be reported
- 46% said anonymous reporting was not available to them

# Global Business Ethics Survey, ECI 2016 Study – conclusions

- Invest sufficient resources to monitor behavior at all locations & to develop a common code of conduct for all
- Make compliance with law as well as organizational standards & values part of criteria – incl. with vendors
- Convert organizational change into an opportunity to reach out to existing and new employees about the company's values and code of conduct

# ETHICS

- "Even the most rational approach to ethics is defenseless if there isn't the will to do what is right."
- *Alexander Solzhenitsyn (1918 - 2008), Russian Novelist and Historian, Awarded Nobel Prize in Literature in 1970*

# Just Suppose

- Your client has purchased all of their lines of coverage from you, including EPLI and D & O (same policy)
- Unfortunately you failed to check last year when you wrote it that they actually did have EPLI on the policy
- They didn't
- Now it is renewal time and you are presenting them with their renewal quote...

# 7 Step Path to Better Decisions (Josephson)

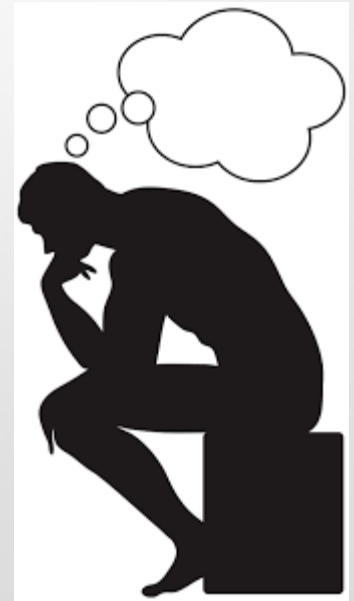
- 1. Stop & think
- 2. Clarify goals
- 3. Determine facts
- 4. Develop options
- 5. Consider consequences
- Choose
- Monitor & modify





# 1. Stop & Think

- Oldest advice in the world...think ahead
- It is best to take a CALM analysis – don't jump!
- Count to 10?



## 2. Clarify Goals

- Before you choose – clarify your short term and long term aims
- Which of your wants and don't wants will be affected by your decisions
- Danger? Your decision fits your current needs but is at odds with more important long term goals

# 3. Determine Facts

- Bad information leads to bad decisions
- Resolve what you want to know & what you need to know
- Get information in order to verify your assumptions
- There can/will be disagreements over the facts or over their meanings

# 3. Determine Facts (consider some guidelines)

- Reliability & credibility of those providing facts
- Consider the basis of the facts
- Gossip, hearsay and assumptions are not facts
- Consider all perspectives, but...
- Where possible seek out opinions of others
- Evaluate the information you have



## 4. Develop Options

- By now you know what you want to achieve and have determined the relevant facts
- Make a list of your relevant options
- Actions you can take to accomplish your goals
- If it is an especially important decision – speak with someone you trust in order to broaden your perspective
- If you only have one or two choices – you may want to think a bit more

# ETHICS

- "Winning is nice if you don't lose your integrity in the process."
- *Arnold Horshack, Character on "Welcome Back, Kotter" (1975 - 1979) TV series*

# 5. Consider Consequences

- Two techniques to utilize here:
- Identify the stakeholders and identify how your decision will affect them
- “Pillar-ize” your options
  - Trustworthiness – Respect – Responsibility – Fairness – Caring – Citizenship (the 6 Pillars of Character)



## 6. Choose

- Decision time...if it is still not clear, then consider:
  - Talk to those whose judgment you respect
  - What would the most ethical person you know do?
  - What would you do if you knew that EVERYONE would know what your decision is
  - Apply the Golden Rule



# 7. Monitor and Modify

- Most hard decisions use imperfect information and “best effort” predictions
- Some eventually may be bad decisions
- Ethical decision-makers monitor their results
- When needed – they re-assess and make new decisions

# ETHICS

Good ethics may not always be good business but it is always good ethics and for a company or a person of character – that's enough.

- Michael Josephson



# THANK YOU !!!

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