Provided by:
The Independent Insurance Agents and Brokers of South Carolina

Presented by:
Sharon A. Koches, CPCU, RPLU, AAI, AU, ITP
Managing Performance, LLC
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“Having an organizational culture that emphasizes ethical behavior can cut down on misbehavior of organizations. Research shows that whether an organization develops a culture that emphasizes doing the right thing even when it is costly comes down to whether leaders, starting with the CEO, consider the ethical consequences of their actions. Leaders with a moral compass set the tone when it comes to ethical dilemmas” (Truxillo, Bauer, & Erdogan, 2016, p. 385).

Program developed by:
Sharon A. Koches, CPCU, RPLU, AAI, AU, ITP
Managing Performance, LLC
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Introduction

The History of Ethics

Ethics Defined

Ethical Standards

a. Religious
b. Legal – Criminal & Civil
c. Regulatory
d. Professional

Ethical Conflict

Business Ethics

a. Defined
b. Insurance Industry

Code of Ethics

a. The Independent Insurance Agents and Brokers of America Trusted Choice Pledge of Performance
b. The National Alliance Standards of Conduct and Continuing Education Policy
c. The Institutes and the CPCU Society
d. United States Agency for International Development Code of Ethics for Insurance

Ethical Organizational Culture

Business Ethics – What Does Our Future Hold?
History of Ethics

Ethics or moral philosophy is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct. The term ethics derives from Ancient Greek ἠθικός (ethikos), from ἤθος (ethos), meaning "habit, custom". The branch of philosophy axiology comprises the sub-branches of ethics and aesthetics, each concerned with values.

Ethics seeks to resolve questions of human morality by defining concepts such as good and evil, right and wrong, virtue and vice, justice and crime. As a field of intellectual enquiry, moral philosophy also is related to the fields of moral psychology, descriptive ethics, and value theory.

It is commonly thought that virtues, according to Aristotle, are habits and that the good life is a life of mindless routine. These interpretations of Aristotle's ethics are the result of imprecise translations from the ancient Greek text.
**John Locke** was an English philosopher, Oxford scholar, physician, and political theorist. He was regarded as most influential and was known as the “Father of Liberalism”.

Among his works, “An Essay concerning Human Understanding”, “The Second Treatises of Government” and “Some Thoughts Concerning Education”. While Locke did not write on the topic of ethics, his works provide his beliefs on ethics and human behavior.

“Reason, which is that Law, teaches all Mankind, who would but consult it, that being all equal and independent, no one ought to harm another in his life, health, liberty or possessions.”


John Stuart Mill is considered one of the most influential thinkers in the history of liberalism, contributing to social theory, political theory and political economy.

Mill’s ethics theory Hedonic Utilitarianism is a form of consequential ethics – the theory that the moral value of the actions is judged by the value of the consequences, examining the outcome compared to other outcomes if other actions were taken.

Immanuel Kant, a German philosopher. Kant’s theory is of duty based or deontological ethics and focuses on how one should act, duty, rather than on the consequences of the action.
Georg Wilhelm Friedrich Hegel, a German Philosopher. His work, “The Philosophy of Right” deals with the social rules and institutions of the world including moral, legal, religious, economic, as well as marriage, family and social class.

• 1950’s    President Truman’s Fair Deal

• 1960’s    Shift in Cultural Values

• 1970’s & 80’s    Operational Standards

• 1990’s    Product Standards

*Genuine tragedies in the world are not conflicts between right and wrong. They are conflicts between two rights.*

~Georg Wilhelm Friedrich Hegel
Who is Elliot Spitzer?

Why was this a “wake up call” for the insurance industry?

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Eliot Spitzer

2007-2008 54th Governor of NY
1999 – 2006 Attorney General of NY

Sued Marsh & McLennan Cos in 2004, for supposed bid rigging and other misdeeds and misinformation. This suit lead to laws requiring insurance agents and brokers to disclose who they represent (the carrier or the insured), the sources of income and sometimes the amount of income.
Ethics Defined

Do you agree?

Morality - Right vs Wrong

Ethics – Right vs Right
Ethics Defined

Three major areas of study within ethics recognized today are:

- **Meta-ethics**, concerning the theoretical meaning and reference of moral propositions, and how their truth values (if any) can be determined

- **Normative ethics**, concerning the practical means of determining a moral course of action

- **Applied ethics**, concerning what a person is obligated (or permitted) to do in a specific situation or a particular domain of action

How would you define Ethics?

What words do you think of when you hear the term “Ethics”?

Ethical Standards

Religious

- Religions have rules and codes of behavior/conduct
- The basic ethic that guides all religions – The Golden Rule

Legal

- Criminal – Wrongful acts against society
- Civil – Wrongful acts against another individual
- Vicarious – responsibility for the wrongful acts of others

Regulatory

- State General Statutes
- Unfair and Deceptive Trade Practices
- Regulation by the Department of Insurance

Business and Professional

- Trade Associations – Code of Conduct and Code of Ethics
**Ethical Conflict**

An ethical conflict occurs when an individual feels pressure to take action(s) that are inconsistent with what he or she feels to be right.

Does it conflict with Ethical and Moral Standards?

What are examples of ethical conflicts you have been faced with?

How did you handle the ethical conflict(s)?

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Once you have recognized that you have an Ethical Conflict or issue:

- **Gather the facts**
- **Evaluate alternative actions**
- **Make a decision**
- **Monitor or reflect on the outcome**
**Situation Based**  
What is the best possible outcome given the circumstances?

**Pros:**  
Takes a long view  
Pause to think of consequences before acting in haste

**Cons:**  
It’s often hard to determine long-term accuracy  
May lead to rationalization of hoped for outcome instead of realistic appraisal

**Rule Based**  
Follow the rules and let the chips fall where they may.

**Pros:**  
Simplifies the decision and indicates action. ie; the Rule is the Rule

**Cons:**  
Depends on the validity of the rule  
Ignores unique aspects of the situation

**People Based**  
Follow the Golden Rule – What would you have others do if faced with the same situation?

**Pros:**  
Follows the Golden rule which is nearly the same in all religions and cultures

**Cons:**  
 Assumes the individual has proper values  
Does not take into consideration cultural differences

**Business Ethics Defined**

Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

[Wikipedia]
Class Poll: Why should organizations behave ethically?

To protect company and brand reputation. ___________

To meet stakeholder expectations. ___________

To do the right thing. ___________

Regulatory Compliance. ___________
The result of a 2006 Human Resource Institute (HRI) survey commissioned by the American Management Association (AMA) of why organizations should behave ethically:

1. “To protect a Company’s brand and reputation”

2. “To do the Right Thing!”

**Most Ethical Leadership Behavior**

“Leadership needs to build trust and walk the talk!”

**Organization Code of Ethics**

A code of ethics within an organization is a set of principles that is used to guide the organization in its decisions, programs, and policies. [Wikipedia]

A Code of Ethics:

- Helps to set boundaries
- Is a systemized appraisal of value of human actions
- Discerns the best course of action
- Creates a standard

Business Ethics includes proper business policies and practices such as:

- Corporate Governance
- Insider Trading
- Bribery
- Discrimination
- Corporate Responsibility
- Fiduciary Responsibility
Class Poll: In your opinion, is today’s Insurance Industry largely ethical?

Yes  __________
NO  __________
I’m not sure  __________

Class Poll: In your opinion, does the public view the insurance industry as ethical?

Yes  __________
NO  __________
I’m not sure  __________

What thoughts go through your mind when you see headlines such as these about the Insurance Industry?

• Former CFO of Insurance Brokerage Sentenced for Embezzlement and Tax Evasion
• Lubbock Insurance Agent Sentenced for Scamming Elderly Clients
• South Georgia Insurance Agent Arrested on Fraud Charges
In a 2015 survey of Insurance Professionals by the Institutes and CPCU society:

More than **90%** said they believe insurance professionals are already largely ethical

**55%** said they believe the public views the industry as largely unethical

**84%** said they strongly agree that ethics play a major role in their day to day jobs

**41%** said pressure to meet business objectives is the factor that makes it most difficult to uphold their ethical standards

*Insurance Industry Code of Ethics*

- The Independent Insurance Agents and Brokers of America Trusted Choice Pledge of Performance
- The National Alliance Standards of Conduct and Continuing Education Policy
- The Institutes and the CPCU Society
- United States Agency for International Development Code of Ethics for Insurance Industry Professionals
Trusted Choice Pledge of Performance

Pledge of Performance

Trusted Choice® agencies are insurance and financial services firms whose access to multiple companies and commitment to quality service enable them to offer competitive pricing, a broad choice of products and unparalleled advocacy.

As a Trusted Choice® agency, we are dedicated to service and are committed to treating you as a person, not a policy. This Pledge means we will:

- Work with you to identify insurance protection and financial services for you, your family or your business, and use our access to multiple companies to deliver those products.
- Use our experience and multiple company relationships to customize your coverage as needed.
- Explain the coverages and options available to you through our agency, at your request.
- Help solve problems related to your coverage or account.
- Help guide you through the claims process for a prompt and fair resolution of your claim.
- Provide 24/7 services for you, offering any or all of the following: emergency phone numbers, Internet account access, e-mail and call center services.
- Return your phone calls and e-mails promptly and respond to your requests in a timely manner.
- Commit our staff to continuing education so they may be more knowledgeable in serving you.
- Explain how we are paid for our services, at your request.
- Treat you with respect and courtesy, and conduct business in an ethical manner.

We pledge this to you and ask that you let us know if we fail to meet our commitment, so we may take corrective action.
The following Code of Conduct was pulled from The National Alliance Standards of Conduct and Continuing Education Policy. Please review the complete (16 page) document which includes:

I. Background
II. Code of Conduct
III. Designation Disciplinary Policies and Procedures
IV. Evidentiary Matters
V. Duty to Investigate
VI. Alternative Requirements regarding Revocation or Reinstatement
VII. Finality of Decision and Discretion of Board of Governors
VIII. Referrals to Committees of Board of Governors
IX. Notices

II. Rules of Conduct

All persons who have heretofore been granted the rights and privileges of a TNA designation shall conduct themselves in an ethical and professional manner. The Rules of Conduct (which include, but are not limited to, the following) govern all designees who have rights to use the designations.

A. A designee shall not engage in conflicts of interest.

B. A designee shall not violate state insurance and risk management laws or statutes. Examples include, but are not limited to, licensing, advertising, or unfair trade or claims practices.


D. Designees shall not infringe upon copyright or trademark regarding any materials published by TNA.

E. A designee shall not act in a manner that causes the designee’s risk management license or risk management consulting license, or insurance-related license or permit to be cancelled, revoked, suspended, or restricted by an official regulatory body or by a court, and/or causes the surrender of such license or permit under the threat of or after the commencement of cancellation, revocation, or suspension proceedings by an official regulatory body or the initiation of litigation to cancel, revoke, or suspend such license or permit.

F. A designee shall not violate obligations to TNA and its Board of Governors:

1. A designee shall abide by the terms of all agreements as established by TNA and the Board of Governors, including but not limited to, using the designations properly and cooperating fully with TNA copyright, trademark, and professional review operations and requirements.
2. A designee shall meet the continuing education requirements to retain the right to use the designation.
The following was pulled from *The Canons, Rules and Guidelines of the CPCU Code of Professional Conduct*. Please review the complete (24 page) document which includes:

- Purpose of the Code of Professional Conduct
- Parties Affected by the Code
  - Applicants
  - CPCU Candidates
  - CPCUs
- Components of the Code
  - Canons and Rules
  - Advisory Opinions
  - Disciplinary Rules, Procedure, and Penalties

**Purpose of the Code of Professional Conduct**

The purpose of the Code is to clearly communicate the minimum standard of conduct expected for CPCUs and CPCU candidates. The Code also outlines the disciplinary process that will be followed to investigate alleged Rule violations.

The Code was introduced in 1976. Therefore, anyone who received their CPCU designation in 1976 or after is bound by it. Furthermore, most individuals who received the CPCU designation before 1976 signed a statement agreeing to be bound by the Code.

Only the American Institute For CPCU is authorized to confer the CPCU designation. The American Institute For CPCU confers the CPCU designation upon individuals who have met the three requirements—education, experience, and ethics—established by its Board of Trustees.

The Board of Trustees also can revoke the designation or otherwise discipline CPCUs who violate one or more Rules of the Code. Revocation of the CPCU designation is the ultimate disciplinary action under the Code. Lesser sanctions, such as a reprimand, may also be imposed, depending on the severity of the offense.
The Canons of the CPCU Code of Professional Conduct

CANON 1 ~ Insurance professionals should endeavor to place the public interest above their own.

CANON 2 ~ Insurance professionals should seek continually to maintain and improve their professional knowledge, skills and competence.

CANON 3 ~ Insurance professionals should obey all laws and regulations, and should avoid any conduct or activity that would cause unjust harm to others.

CANON 4 ~ Insurance professionals should be diligent in the performance of their occupational duties and should continually strive to improve the functioning of the insurance mechanism.

CANON 5 ~ Insurance professionals should aspire to raise the professional and ethical standards of the insurance and risk management profession.

CANON 6 ~ Insurance professionals should strive to establish and maintain dignified and honorable relationships with those whom they serve, with fellow insurance professionals, and with members of other professions.

CANON 7 ~ Insurance professionals should assist in improving the public understanding of insurance and risk management.

CANON 8 ~ CPCU’s should honor the integrity of the CPCU designation and respect the limitations places on its use.

CANON 9 ~ CPCU’s should assist in maintaining the integrity of the CPCU Code of Professional Conduct.
The following General Ethics Principles were pulled from Code of Ethics for Insurance Industry Professional produced by the United States Agency for International Development. Please review the complete (11 page) document which includes:

- Preamble
- Application of Code of Ethics
- Methodology of this Paper
- General Ethical Principles
- Specific Code of Ethics for Insurance Executives/Managers
- Specific Code of Ethics for Insurance Brokers and Agents
- Specific Code of Ethics for Actuaries
- Specific Code of Ethics for Insurance Consultant Experts
- Specific Code of Ethics for Adjusters.

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TAPR = Technical Assistance for Policy Reform II

Disclaimer: The author’s views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

General Ethical Principles

- Insurance industry practitioners must demonstrate these common values:
  - Honesty, integrity and trustworthiness.
  - Fairness and respect.
  - Due care and diligence.
  - Good faith and objectivity.
  - Respect for confidentiality of information obtained.
  - Transparency and proper presentation of facts and details.
  - Compliance with both the content and spirit of Insurance Law and Executive Regulations as well as with relevant professional requirements and standards.
  - Complete cooperation with EISA.
  - Prompt and efficient customer services to policyholders and stakeholders.
  - Prompt consideration of consumer complaints.
  - “Conflict of interest” situations must be avoided.
  - Appropriate behaviour when “conflict of interest” situations occur.
  - Professional Competence.
Sample Code of Ethics for Sales Professionals:

All members of the Association of Professional Sales (APS) are committed to working in an honest, ethical and responsible manner.

This is our Sales Code of Conduct. We agree to:

1. Maintain the highest standards of integrity in all business relationships.
2. Provide our customers with a buying experience in which we “do the right thing and thereby get the right results.”
3. Promote and protect good sales practices.
4. Always act in line with my organisation’s codes and within the law.

Resource:  https://associationofprofessionalsales.com/professional-development/sales-code-conduct-aps-ethical-professional/aps-sales-code-conduct/  01.25.2018

6 Ethical Principles of the American Psychological Association Code of Ethics:

- Competence
- Integrity
- Professional and Scientific Responsibility
- Responsibility for People’s rights and dignity
- Concern for Other’s Welfare
- Social Responsibility

Class Poll: Rank these in order of the most important in developing a proactive Ethical Organizational culture.

To reinforce values and principles of an organization

Social Responsibility

To put organization standards above self interest

Ethical Organizational Culture

An ethical organizational culture consists of leaders and employees adhering to a code of ethics. [Wikipedia]

Corporate Code of Conduct

✓ Corporate Code of Conduct reinforces value and principles of an organization
✓ Corporate Ethics training sets expectations on what will and won’t be tolerated
✓ Builds trust within the organization
✓ Corporate responsibility
Ethical Issues Facing Businesses Today ~ Let’s talk

- Pay Equality
- Accounting (deceptive accounting practices)
- Conflicts of Interest
- Sexual Harassment
- Diversity
- Communication – Internal and External
- Pressure to meet unrealistic goals and expectations
- Compliance and governance
- Other

Driving the case of expectations

- WF Code of Conduct Violations
- World Medical Association
- Other
### Opportunities

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### Challenges

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Creating an Ethical Organizational Culture

- Be a role model and be visible.
- Communicate ethical expectations.
- Offer Ethics Training
- Visibly reward ethical behavior and punish unethical behavior.
- Provide protective mechanism.

- What can you do to assist your organization to develop a Code of Ethics and Code of Conduct (or update the current one)?

- Will organizational ethics training assist you and your fellow employees in understanding the organizational culture? The ethical and conduct expectations?

- When bringing new employees on board, how important is it that they meet the ethical and conduct expectations of the organization? If they do not, how does that impact other employees? The organization?

- Will generational differences impact ethics and conduct?

Thank you for attending!
Resources:

- Wikipedia
- http://www.iep.utm.edu/hegelsoc/#H6
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