

RMIN 2500 – Ethics Response Paper Due Monday, July 1, 2013

Write a two page response paper based on the three articles attached. Your response should reference the 2 articles and cite using APA style citations.

- Typed, 1 ½ spaced, 2 full pages plus citation/reference page, stapled (use front side only printing if possible)
 - Make sure paper has your name, course number, date
 - Papers which do not meet these requirements will not receive full credit
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Ethical Behavior Is More Than Just the Golden Rule



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Ethical behavior is crucial to preserving not only the trust on which insurance transactions are based, but also the public's trust in our industry as a whole. Given the increased public scrutiny of ethical conduct both inside and outside the insurance industry, an organization that is known for its ethics will enjoy a better reputation.

Ethical behavior is based on morals, laws, and ethics. Morals entail making the distinction between right and wrong, laws are legal tenets, and ethics involves knowing what to do when a law is not applicable or when a situation presents more than one "right" answer. The common press often mistakes legal issues for ethical issues. If someone violates a rule, it does not necessarily mean he or she has an ethical dilemma.

To resolve ethical dilemmas, insurance professionals may use decision-making tools that are rules based, situation based, or people based. When using rules-based decision making, the insurance professional must consider whether any laws, regulations, or standards apply in a given situation. An insurance professional must follow an applicable rule if it prescribes mandatory conduct. However, in many situations, the application of rules is not mandatory. Situation-based decision making analyzes the potential outcomes of possible decisions in given circumstances. It requires an assessment of a decision's consequences and then asks one to place the greater good above individual need. People-based decision making is founded on the principle of the Golden Rule: "Do unto others as you would have them do unto you." This principle requires the decision-maker to consider the personal circumstances surrounding a decision and calls for a degree of empathy.

Each decision-making process has positive and negative aspects that can lead to conflicts or may undermine an insurance professional's ability to make an optimal decision. Therefore, other tools are available for ethical decision-making, such as codes of ethics, decision-making trees, and checklists. Insurance organizations have developed codes of ethics and market conduct to assist insurance professionals. A code of ethics provides significant benefits to insurance professionals in organizations that develop and support adherence to that code. A decision-making tree provides a step-by-step process that insurance professionals can use to guide their way through an ethical dilemma. A checklist is another tool that is available for resolving ethical dilemmas. By using one, insurance professionals can be sure that they have considered all of the possible options as they work their way to a decision.

All insurance industry professionals should adhere to doing what is right and honorable in their public and private conduct. Ethical guidelines establish and promote a profession-wide foundation, understanding, and code of conduct for making better ethical decisions.

Do Employees Need Training in Ethics?

Organizations and businesses of all types have never before been more interested in workplace ethics. The majority of U.S. companies provide some type of ethics training. Companies are ultimately responsible for the actions of their employees. Even with increased interest in ethics, the commonsense instinct of right and wrong seems to be challenged at an increased level.

To recognize the size and scope of the issue, we need to first identify potential workplace dilemmas and then develop an appropriate training model. Every organization would approach training and developing its ethical culture using a different strategy, depending on number of employees, type of industry and other defining characteristics. The training could include the basics of understanding generally accepted industry practices; learning the best practices within the industry or discipline; training employees to understand the laws, rules and government regulations that affect their work; and how the organization is perceived by the public.

Ethics training helps to sensitize employees to possible ethics problems and reinforces company culture. Employees need to know where the boundaries are, and it's the management's responsibility to lead that process. Organizations and employers that ethically train employees will improve their bottom line and employee productivity. A uniform ethical workplace environment will result in higher productivity with a stronger sense of trust between employees and management. The training will help to lower incidents of legal problems and lawsuits both internally and externally.

Ethics training teaches employees about making choices that are morally based. Many industries, including insurance, require adherence to government regulations. These regulations may include licensing laws; continuing education, including ethics; experience requirements; and bonding requirements. Many companies also support their employees' membership in a professional society or organization that encourages ethical behavior and provides resources for ethics training. This training encourages the value of being honest, having mutual respect for fellow employees and all members of society, and developing and building trust with others.

How Ethics Is Communicated

All training begins with communication. Organizations use employee manuals to inform employees of company rules, regulations and guidelines. This might include a company code of conduct. Leaders need to explain their policies, and practice fairness in their interpretation. For example, many companies today employ the use of social media as



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a marketing strategy. Employers should have clear written policies and guidelines — acknowledged by employees — to provide for its appropriate and ethical use.

Human resource departments have responsibility to help explain ethical expectations to employees. Smaller companies may use an immediate supervisor to convey company expectations. Employers can develop an ethics training checklist to provide a road map to problem issues. Managers and leaders need a practical and moral approach to ethical training, not primarily for social critics and academics, but for every day decision-making situations.

CPCU Society Support

A great model for companies and organizations in providing ethical and moral leadership is our own CPCU Society. The inspiring words of our CPCU oath, simple and to the point, provide the cornerstone of an ethical culture. The Society's Ethics Committee has many resources, including articles and programs, for members to get practical information about workplace ethics.

Conclusion

Every company has an obligation to communicate and educate its workforce to do the right thing for others. This will not only reflect an ethical and moral company, but a successful one as well. ■

Editor's note: *The opinions expressed in this column are those of the author and do not necessarily reflect the views of the CPCU Society membership, the Society's Ethics Committee or the author's employer. If you have suggestions for upcoming articles or comments about the "Question of Ethics" column, please contact William F. Traester, CPCU, at wtraester@archinsurance.com.*

A Question of Ethics

Too Big to Fail?

During and after the financial crisis of 2009, we were told that certain financial institutions were "too big to fail." Were some of these institutions run by folks who felt that they, like the company they worked for, were also too big (as in, too important) to fail?

When the first indications of trouble showed up, some of the leaders of these gigantic institutions ignored them. Worse, others doubled down. They were accustomed to their lavish offices, outrageous compensation and deferential minions to do their bidding. In their universe, they had constant feedback that they were the best and the brightest. How could they fail? In their minds, they were too big to fail.

Rather than fail, some stepped over the ethical line, like former Enron Chief Executive Jeffrey K. Skilling before them. Skilling was convicted in 2006 on 19 counts of conspiracy and fraud, due in part to false earnings and audit reports.

In our society, we have created a "star system." We have media stars, movie stars, sports stars and, up until recently, business stars. We heap adulation, money and prestige upon them. They believe that the normal rules don't apply to them. Why should they? Even when they do find themselves getting negative publicity, often it just increases their fame.

A failed marriage? No problem. Look at all of the free media coverage I will get! They will pay me more for my next movie. Why not use banned substances to increase my athletic performance? If caught, I will have set records by then and earned outrageous sums of money.

A prestigious West Coast university is accused of recruiting violations. The allegations involve compensation being given to lure the best athletes to play for that school. Did the coach



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feel that he was too important to fail? Was winning so important that the ethical behavior did not matter? As the investigation is being completed, the coach moves on to the pros.

What a message! The university's sports program won a couple of national championships and numerous league titles. It was big in sports. Ethical violations allegedly played a part in this success. The coach is promoted. The media and the fans in the city he is going to are ecstatic. They are getting a coach who knows how to win.

At another university, three assistant college coaches were convicted of falsifying academic credits and scholarships for players, in violation of NCAA rules. There was no evidence that any of the coaches personally benefited from these actions. It was all done for the glory of being part of a successful sports operation.

Society values success so much that for some, failure is the worst tragedy that they can imagine. It is worse than an ethical failing. Failure can be good. Without failure, most of us would never have learned to walk. Failure of poorly performing institutions can make way for new and better ones.

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We are so obsessed with success that we forgive our stars their ethical lapses as long as they produce. Once they stop producing, we are much more likely to turn on them. This reinforces the star's belief that success is more important than ethical integrity. As long as I am big, ethics don't matter.

All of these cases involve someone who was so desperate not to fail that they crossed the ethical line. When they did, they set the stage for both failure and condemnation for ethical failings. For some, prison also waited.

Failure is not the worst possible outcome. It is far better to fail and to retain one's ethical standards than to fail because you were unethical.

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