

Ethics for Insurance Professionals—Basic

This course covers the basic concept of ethics with a detailed definition and what it entails. We will discuss the role of ethics in our personal as well as professional lives and the challenges faced.

We will also discuss the core ethical values and how rationalization is used as a common tool. Finally, we will talk about the framework of ethical decision-making and conclude with a brief discourse on ethics and conflict of interests.

LEARNING OBJECTIVES

At the end of the course, the student will be able to:

- Define ethics and emphasize on the various principles involved.
- Discuss the ways in which we can incorporate ethical values in our personal and professional lives.
- Briefly define the major themes in ethical philosophy.
- Fully understand the core ethical principles and values and the use of rationalization.
- Elaborate on the framework for ethical decision-making.
- Define the key elements of a conflict of interest.

KEY TERMS

Bribe: Something that is given or offered to a person or organization in a position of trust to induce a person to behave in a way that is inconsistent with that trust.

Confidential: That which is done or communicated in trust. Confidential information is information entrusted to another. The implication is that it is information that for some reason (from personal privacy to competitive advantage) the person entrusting the information does not wish at least some others to know.

Conflict Of Interest: A conflict between a person's private interests and public obligations. For example, a person in a position of trust who must exercise judgment on behalf of others—who also has a personal interest in the situation which may color their decision-making process—is considered to have a Conflict of Interest.

Ethics: The explicit, philosophical reflection on moral beliefs and practices. Ethics is a conscious stepping back and reflecting on morality.

Means: Philosophers often contrast *means* and *ends*. The *ends* we seek are the goals we try to achieve, while the *means* are the actions or things which we use in order to accomplish those ends. A hammer provides the means for pounding a nail in a piece of wood.

Morality: "Morality" refers to the first-order beliefs and practices about good and evil by means of which we guide our behavior. Contrast with Ethics, which is the second-order, reflective consideration of our moral beliefs and practices.

Obligations: Requirements arising from a person's situation or circumstances (e.g., relationships, knowledge, position) that specify what must or must not be done for some moral, legal, religious, or institutional reasons.

Professional Responsibility: A paradigm case of the moral responsibility that arises from the special knowledge that one possesses. It is mastery of a special body of advanced knowledge, particularly knowledge that bears directly on the well-being of others that demarcates a profession.

Responsibility: The moral and forward-looking sense of responsibility is the sense in which one is responsible *for* achieving (or maintaining) a good result in some matter.

Stakeholder: A person or group who can affect or is affected by an action. Responsible decision-making requires consideration of the effects on all stakeholders.

Values and Value Judgments: Value judgments judge things to be good or bad in some respect. Moral or ethical values are only one type of value and moral evaluation is only one type of value judgment.

LESSON 1A: INTRODUCTION

This lesson focuses on the following topics:

- Ethics Is "In"
- Some Facts

Ethics Is "In"

It is fashionable in today's society to conduct an ethical discussion in the public forum. One does not have to look far to see examples of an increasing emphasis on the moral aspects of an issue:

- The media relates stories of ethical abuses and dilemmas they would have walked past in previous times.
- Corporations are developing ethical boards to serve as a corporate conscience.
- Business schools are incorporating ethical studies into their curricula, and, in some instances, making the courses mandatory.

Discussions of values, questioning decisions made by corporate citizens, is not taboo in conversation. In fact these topics are being mentioned in influential circles and in the most public places.

Some Facts

- 1 in 6 Americans regularly drinks or uses drugs on the job.
- 1 in 2 Americans genuinely believes you get ahead by politics and cheating, not by hard work.
- 1 in 4 Americans expects to compromise personal beliefs in order to get ahead in their current job.
- American workers frankly admit they spend more than 20% (8 hours a week) of their time at work totally goofing off.
- Americans feel the #1 cause of business decline is low executive ethics.

Are these findings in tune with your personal experiences?

LESSON 1B: HOW WE LIVE

This lesson focuses on the following topics:

- How We Live
- What is Ethics?
- The Two Areas of Emphasis
- What Does Ethics Entail?

How We Live

Although most individuals give themselves a high ethical rating, we continue to see ethical shortcomings all around us.

- "I swore I wouldn't tell anyone; but, let me tell you."
- "I simply told them what they wanted to hear."
- "I promised the kids I'd take them to the park today; but, I can do that any time."

Oftentimes, we do not act ethically because we want to meet other goals. If we rate ourselves so high ethically, why do we not act more ethically?

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There are a variety of reasons. Oftentimes, we do not act ethically because we want to meet other goals. For example, we may want:

- To meet needs of immediate self-interest
"I'm as honest as the next guy; but, I've got to make a living."
- To gain certain short-term benefits
"By the time they find out, it will be too late."
- To protect someone
"We have got to stick together."

- To avoid punishment
"I looked him square in the eye and denied it; he had no proof."
- To win admiration or interest of others
"It's suppose to be confidential, but . . ."
- To avoid embarrassment
"Of course, I told her it looked great. What was I going to say?"
- To maintain privacy
"I always give them the wrong number; it's none of their business."
- To avoid certain harm
"I had to do it; I simply did not have a choice."

What is Ethics?

- Ethics is a branch of study that focuses on the values of human life, duty, and morality and presents rules of conduct.
- The word "ethics" comes from two Greek words which mean "moral" and "character."
- Ethics comprises standards of conduct that indicate how one should behave, based on moral obligation. It deals with the ability to distinguish right from wrong, good from evil, and propriety from impropriety - and the commitment to do what is right, good and proper.
- Ethics means doing the right thing, taking the high road.

- Ethical decision-making skills can help people more effectively eliminate improper options and choose among conflicting ethical obligations.

People act ethically out of concern for others rather than themselves.

While there are many definitions we might use, the one that seems to serve us best here is to say that ethics are synonymous with our own personal behavioral code.

Simply put, ethics consist of those things we make ourselves do, no matter what, and those things we will not allow ourselves to do, no matter what.

The Two Areas of Emphasis

Although there is some debate, most ethicists agree there are two areas an individual must emphasize in order to move toward a more ethically-based life.

- **Develop Ethical Virtues**

One area of emphasis is to cultivate ethical virtues such as honesty, truthfulness, and faithfulness. To be ethical requires discernment and understanding of the nature of moral obligations. Learn more about truth, honesty and trust.

- **Make the Right Choices**

The second area of emphasis is to become better at making the right choices. Ethical decision-making skills can help people more effectively eliminate improper options and choose among conflicting ethical obligations.

People interested in living an ethically-based life should work at both developing ethical values and improving the choices they make.

What Does Ethics Entail?

Following Our Own Ethical Code

Personal ethics are different from, though they may reflect or include the laws of society or the regulations of a church.

When the chips are down, people who might ignore certain laws or disobey the regulations of a church may stick to their own ethical code. Discovering the Basis of Ethics

For most of us, this personal code is formed from childhood, as we absorb family standards and work out relationships with our friends.

Examining Ethics and Loyalty

Most people are loyal to their families above everything else; this same kind of loyalty is found in groups that have taken the family's place.

The gangs that young people turn to today have their strength, so the experts say, in the fact that the members need to feel:

- that they belong to something, and

- that there is a group that will care for them, to whom they can go.

Such gangs have codes governing the behaviors of members, codes which put loyalty to the gang - and conformity to its goals and interests - far above the rules society has set.

Behavioral Codes

The glue that binds families and other groups together is the behavioral code - the code that sets limits of behavior, rewards for observing the limits, and penalties if these limits are broken or overlooked.

Enduring Nature of Ethics

Personal ethical codes continue to develop as we grow and mature. They normally have much more force in influencing and guiding our decisions than do religious rules or the laws of the state. In fact, ethical behavior may be different from simply abiding by the letter of the laws that govern us. It has something to do with understanding to goals behind the laws – the “spirit” of the law.

Does the End Justify the Means?

One of the oldest – and unsolved – philosophical questions has always been:

“Does the end justify the means?”

If a good result is obtained through dishonorable or criminal means, does the benefit attached to the result justify the dishonor or criminality of the means?

Is It OK to Benefit from the Mistakes of Others?

In answering this question, as well as many others in ordinary life, our personal ethical code comes into play.

Should I benefit by another person's mistake, such as when a cashier gives me too much money in return for the check I have just cashed, or neglects to charge me for an item in my purchases?

LESSON 2A: ROLE OF ETHICS

This lesson focuses on the following topics:

- Success, Professionalism, And Ethical Standards
- How to Incorporate Ethical Values in Life
- Major Themes in Ethical Philosophy
- The Challenges in Ethics

Success, Professionalism, and Ethical Standards

Professional status implies long-term success, and with good reason. The qualities that make you a professional will also make you successful in your career over the long-term.

Qualities of a Successful Professional

- Performance of an essential service to society
- Command of specialized knowledge
- Possession of a tolerant attitude toward competition
- Adherence to high ethical standards

How to Incorporate Ethical Values in Life

"Never give in! Never, never, never, never, never give in except to convictions of honor and good sense." - Winston Churchill

While defining professionalism is difficult, everyone agrees that a high ethical standard is an integral part of it. What is required in order to live a more ethical life and develop a more ethically-based career?

Experts agree there are three fundamental elements:

1. Commitment: The desire to do the right thing.

While some people are committed to doing the right thing, others are committed to maximizing their income, increasing their pleasure, or avoiding difficult situations. There is often a price to pay for doing the right thing, especially in the short run. Leading an ethical lifestyle requires a strong commitment to doing the right thing.

2. Sensitivity: An awareness of the ethical implications of situations you face.

Every day, most of us walk past opportunities to improve the quality of our own

lives and those of others with whom we come in contact. Oftentimes, we respond to situations automatically, the way we always have, or the way we see others respond. We fail to recognize the opportunities to "take the high road."

3. Ethical Competency: Applying a decision-making process that has ethical principles as its foundation.

We all need help in leading a more ethical life. If we are to build a quality life, we need some guidelines and practice in doing the right thing.

But, rules of thumb are not enough in a difficult ethical dilemma.

LESSON 2B: ETHICS PHILOSOPHY

This lesson focuses on the following topics:

- Major Themes in Ethical Philosophy
- The Challenges in Ethics

Major Themes in Ethical Philosophy

Everybody speaks their truth. But it may not be your truth.

What becomes an ethical guideline today is often translated to a law, regulation, or rule tomorrow.

The following major themes run through all ethical philosophy. By reviewing these four themes, we soon realize there may be another perspective to any position.

- Concern for Self versus Concern for Others
- Intuition versus Rationalism
- Religious Teaching versus Individual Authority
- Absolutism versus Relativism

Because people have different belief systems, none of us is in the position to judge another's motives.

- Concern for Self versus Concern for Others

Some people take others into consideration when making decisions, believing the decision should reflect the greatest good for the greatest number of people.

Other people make their decisions based purely on their own happiness, welfare, or enjoyment. Their philosophy is "You take care of yourself, and I'll take care of myself."

- Intuition versus Rationalism

Some thinkers believe we intuitively know The Good by a "moral sense" which is as basic to people as the sense of direction is to homing pigeons.

Other people believe we can get in touch with what is right by thinking things through logically, by using pure reason.

- Religious Teaching versus Individual Authority

Some people adhere to religious traditions which present what is right and what is wrong. Many religions cite holy writings, revelations, or tradition to establish good behavior. According to that religion, each person should attempt to follow these traditions.

Other thinkers, like Jean Paul Sartre (1905-1980), believe that there are no absolute values, that each person creates his or her own values, and projects them onto the world.

- Absolutism versus Relativism

Some people believe that certain actions are always right or good, without exception.

Other people hold that "goodness" or "rightness" of actions depends on the circumstances.

The Challenges in Ethics

Sometimes taking the most ethical path means you will lose something else that is important to you. If we are to live an ethically-based life, we must be willing to lose for the right reasons. The probability of losing is a test of your ethical courage.

The willingness to lose for the right reasons is the price to pay (PTP Factor) for leading an ethically-based life. People in positions of power, motivated to "win at all costs," often have great difficulty with this challenge.

There is often a price to pay for leading a more ethically-based life; fortunately, in the long run, the rewards are also greater.

LESSON 3A: ETHICS VS VALUES

This lesson focuses on the following topics:

- Introduction
- Core Ethical Principles
- Description of Core Values
- Rationalization as a Tool
- The Bottom Line

Introduction

Things which matter most must never be at the mercy of things which matter least. - Goethe

Ethics is what you do.

Values are what you believe in, what you hold important.

Values which represent how an individual should behave are considered moral values, such as respect, honesty, fairness and responsibility. Statements around how these values are applied are sometimes called moral or ethical principles.

Many people do not realize the connection between values and ethics. They live each day without recognizing the cumulative impact of their individual actions.

Leading an ethical life requires that we establish our values carefully and then work every day to live up to those values.

Core Ethical Principles

We build a more principled life with the small choices we make each day. If we are to lead more ethically-based lives, we must all develop the ability to recognize ethical considerations. We must all become better at recognizing these opportunities to elevate our existence.

These core ethical values can serve as a tool to identify ethical considerations. Whenever honesty, integrity, promise-keeping, fidelity, loyalty, fairness, caring, compassion, respect for others, personal responsibility come into play, it always involves the consideration of ethics.

Ethical decision making is a process of evaluating and choosing among alternatives. The goal is to eliminate unethical options and select the best ethical alternative. To consistently make ethical decisions, one must accomplish two fundamental things:

- Evaluate alternative courses of conduct on the basis of core ethical principles.
- Choose the action that best advances those principles.

Description of Core Values

There are many definitions of ethics, but it is generally accepted that any definition would include the following core ethical values – and a long-term commitment to their implementation in your actions :

- **Honesty** - Is truthful, straightforward, sincere, candid. Is not deceptive, tricky, or misleading.
- **Integrity** - Is honorable; has courage of conviction; stands up for beliefs; puts principle over expediency. Is not hypocritical, weak, or dishonorable.
- **Promise-Keeping** - Always strives to keep commitments; is reliable and dependable.
- **Fidelity/Loyalty** - Doesn't talk behind one's back; is faithful to friends, employer, country and duties. Respects another's privacy and does not compromise confidentiality.

- Fairness - Strives to be equitable, open, just, not prejudiced. Does not discriminate on improper basis. Is not arbitrary or self serving.
- Caring/Compassion - Is considerate, kind, sharing, charitable. Is not selfish, manipulative or controlling.
- Respect for Others - Respects freedoms, dignity, and rights of others.
- Personal Responsibility/Accountability - Considers consequences and accepts responsibility for actions and inactions; doesn't shift blame or make excuses.

LESSON 3B: RATIONALIZATION

This lesson focuses on the following topics:

- Rationalization as a Tool
- The Bottom Line
- Qualities of a Highly Ethical Individual
- Qualities of a Highly Ethical Industry

Rationalization as a Tool

There are a variety of reasons we do not take the actions necessary to earn the high ethical ratings we give ourselves. To make ourselves more comfortable with our actions, we often revert to rationalizations.

Have you ever heard yourself say any of the following?

- "I'm simply fighting fire with fire."
- "If it is legal, it must be O.K."
- "I was just doing it for you."
- "We all do it; it's just how you play the game."
- "If it doesn't hurt anyone, it's O.K."
- "It's necessary to get the order."
- "Business is business. I'll be as ethical as the competition allows."
- "I deserve it: I have it coming."

Rationalizations make it easier to live with ourselves when we do the things we want to do, rather than those things we know we should be doing.

The Bottom Line

History is made and lives are changed, not by those who follow the crowd, but by those who are prepared to take the ultimate risk and stand up for what is right.

It is always a challenge to do the right thing in a competitive environment. But each time we make a decision to stand for what is right, even if it costs us something we reinforce our own moral character and influence others.

We do not develop that ability overnight. It is developed in small steps as we do the right thing each day. Unfortunately, many of us do not even recognize the opportunities that exist.

Qualities of a Highly Ethical Individual

There are four basic principles of a highly ethical individual:

1. The individual is at ease interacting with diverse consumers.
2. The individual is obsessed with fairness. The individual's ground rules emphasize that the other person's interests count as much as his own.
3. The individual assumes personal responsibility for his actions, and he is responsible to himself first and then to his organization.
4. The individual sees his activities in terms of purpose. This purpose is a way of operating that members of the industry or organization highly value. Purpose ties the individual to the organization, and the organization to the environment.

Qualities of a Highly Ethical Industry

The following are characteristics of the highly ethical organization or industry:

- There exists a clear vision and picture of integrity throughout the industry;
- The vision is owned and embodied by top management in the industry, over time.
- The reward system is aligned with the vision of integrity.
- Policies and practices of the industry are aligned with the vision; no mixed messages.

- It is understood that every significant decision has ethical value dimensions.
- Everyone in the industry is expected to work through conflicting value perspectives.

LESSON 4: ETHICAL DECISION-MAKING

This lesson focuses on the following topics:

- The Five Steps in Ethical Decision Making
- Determine If It Is An Ethical Question
- Gather All The Information
- Identify And Evaluate Alternatives
- Reach a Decision
- Monitor The Decision
- Applying the Model

The Five Steps in Ethical Decision Making

Determine if it is an Ethical Question

- Is it illegal? Or, is it legal, but unethical?
- Does it involve a core ethical principle?

Gather All the Information

- Do I have enough information to make a sound ethical decision? If not, how do I get it?
- Have I considered the source, reliability, and accuracy of all relevant information?
- Who are the stakeholders and what are their rights?
- Who should be involved in this decision?

Identify and Evaluate Alternatives

- What unethical alternatives can I eliminate and still solve the problem?
- For each remaining alternative:
 1. Am I rationalizing to justify what I want to do?
 2. Who will be injured and how? Am I "using" anyone for mown personal gain?
 3. Are there conflicting loyalties to stakeholders?

Reach a Decision

- Could I defend my position before the Board of Directors or the media?
- How would I feel telling my children (or parents) about what I am doing?
- Will this seem to be the right decision a year from now? Five years from now?

- Do I have the moral courage to take the most ethical course of action?
(Am I willing to pay the price for my conviction?)

Monitor the Decision

- What should I do if new information changes the picture?

How can this type of situation be avoided in the future?

Applying the Model

What we think, or what we know, or what we believe, is, in the end, of little consequence. The only consequence is what we do.

To lead a more ethical life, three things are required:

1. Commitment

This is the desire to do the right thing and a commitment to make it happen. This commitment changes during a person's life, sometimes strengthening, sometimes waning. Everyone should work at strengthening the commitment to lead an ethically-based life.

2. Sensitivity

Also required is a sensitivity, an awareness of the ethical implications of situations. This can be developed and intensified over a period of time. Developing this sensitivity increases our ability to recognize ethical opportunities.

3. Ethical Competency

The third element for a more ethical life is ethical competency. This requires applying a decision-making process that has ethical principles as its foundation.

LESSON 5: ETHICS AND CONFLICT OF INTEREST

This lesson focuses on the following topics:

- Definition
- Key Elements of a Conflict of Interest
- Leading Examples

What is a Conflict of Interest

Conflict of interest is defined as "a situation in which a person, such as a public official, an employee, or a professional, has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties."

Key Elements of a Conflict of Interest

There are three key elements in this definition.

1. There is a private or personal interest. Often this is a financial interest, but it could also be another sort of interest, say, to provide a special advantage to a spouse or child. Taken by itself, there is nothing wrong with pursuing a private or personal interest, for instance, changing jobs for more pay or helping your daughter improve her golf stroke.

2. The problem comes when this private interest comes into conflict with the second feature of the definition, an "official duty" -- quite literally the duty you have because you have an office or act in an official capacity. As a professional you take on certain official responsibilities, by which you acquire obligations to clients, employers, or others. These obligations are supposed to trump private or personal interests.

3. Conflicts of interest interfere with professional responsibilities in a specific way, namely, by interfering with objective professional judgment. A major reason clients and employers value a professional is that they expect that professional to be objective and independent. Factors, like private and personal interests, that either interfere or appear likely to interfere with objectivity are then a matter of legitimate concern to those who rely on the professional -- be they clients, employers, professional colleagues, or the general public.

Leading Examples

With this in mind, consider the following types of typical conflicts of interest listed by Canadian political scientists Ken Kernaghan and John Langford in their book, *The Responsible Public Servant*.

They list seven categories:

[1] Self-dealing. For example, you work for government and use your official position to secure a contract for a private consulting company you own. Another instance is using your government position to get a summer job for your daughter.

[2] Accepting benefits. Bribery is one example; substantial [non token] gifts are another. For example, you are the purchasing agent for your department and you accept a case of liquor from a major supplier.

[3] Influence peddling. Here, the professional solicits benefits in exchange for using his/her influence to unfairly advance the interests of a particular party.

[4] Using your employer's property for private advantage. This could be as blatant as stealing office supplies for home use. Or it might be a bit more subtle, say, using software which is licensed to your employer for private consulting work of your own. In the first case, the employer's permission eliminates the conflict; while in the second, it doesn't.

[5] Using confidential information. While working for a private client, you learn that the client is planning to buy land in your region. You rush out to buy the land in your wife's name.

[6] Outside employment or moonlighting. An example would be setting up a side-business which is in direct competition with your employer. Another case would be taking on so many outside clients that you don't have the time and energy to devote to your regular employer. In combination with [3] influence peddling, it might be that a professional employed in the public service sells private consulting services to an individual with the assurance that they will secure benefits from government: "If you use my company, I am sure that you will pass the environmental review."

[7] Post-employment. Here a dicey situation can be one in which a person resigns from public or private employment and goes into business in the same area. For example, a former public servant sets up a practice lobbying the department in which she formerly was employed.