I felt very honoured when John Elder asked me to submit some thoughts for publication on the topic of ethics and insurance; on further reflection, I became humbled by the depth, breadth and many facets of the issue.

In an external context, the life insurance business can be considered in terms of the ethical ideas affecting it that prevail among the public. For example: changes in society that "could dull the average person's sense of responsibility and his sense of apprehension of the future." This might produce a decrease in personal savings or a "loss of interest in providing for surviving dependents, attributable in part to the belief that they will be provided for anyway, come what may."1

There are also the ethics of the industry itself in its dealings with the public. This is the focus I have chosen for my discussion. Most areas of industry activity such as marketing, underwriting, insurance medicine or actuarial have their special concerns and problems involving ethics and ethical conduct. I will not deal with these specific areas but rather present a more general approach to the subject. I will also pose some questions for the reader to consider.

What is ethics? For the insurance industry, it can be defined as a set of rules of conduct or a code of behavior considered to be correct. What is ethical conduct? Ethical conduct is what is right to do, but agreement on what is the right thing will not be universal. One person in the life insurance industry may well have a different answer about the right thing to do than someone outside it or another person in the business. Generally, people in one field have their own way of looking at things. We should take this into account in assessing ethical matters involving our industry—sometimes we may be too close to the subject to see the issues clearly.

There seems to be a longstanding uneasiness within the industry involving public discussion of insurance and ethics. This might be rooted in our historical unease about the basis of facts, and is promulgated by someone sealed off from the reality of our business. However, we also know there are criticisms that can be made of our business and its ethics that are appropriate? Is sex-distinct pricing of life insurance and annuities morally wrong? Industry answers to such ethical questions will often differ from those presented in the media.

I am not suggesting that industry ethical guidelines should be carved in stone. The industry now rejects conduct which was once thought to be compatible with its ethics. Underwriting based in part on the race of the applicant is one example of such a change. Does that mean that our ethics have changed or has the way we interpret and apply them to our day-to-day conduct of persons associated with hundreds of different companies.

The public tends to view all life insurance companies as being alike, that insurance is insurance. There are also a few critics of the insurance business who publicly promote a uniformly dark view of the industry as one characterized by a moral insensibility. A recent Canadian publication for consumers declared that "most every Canadian who buys life insurance gets ripped off," life insurance companies wield "brutal power," are engaged in "price gouging" and "have taken the wealth from a century of consumer rip-offs."4

The industry may justifiably regard this sort of rhetoric as a simple-minded form of criticism which takes no account of facts, and is promulgated by someone sealed off from the reality of our business. However, we also know there are criticisms that can be made of our business and its ethics that do not originate in some twilight zone. Although far from common-place examples, there have been instances in the
industry of high pressure sales tactics, insufficient disclosure and fraudulent activity.

As is true in all industries, ethical standards are not the same in all life insurance companies any more than are all products. Some companies dictate and enforce higher ethical standards for their staff and agents than do others. Yet they usually get painted by the public or media with the same critical brush. Such companies are understandably quick to resent criticism that lumps them with the industry's lowest common denominator. This resentment might also arise partly because we know that no company is perfect.

In this connection, the observation of one historian about the U.S. life insurance industry's ethical problems some decades ago is still relevant. Do not conclude, he cautioned, that because "some men and some practices in life insurance were misguided, that all life men and all life practice of this period deserve adverse criticism. In life insurance, as in other industries in this era, malpractice was a conspicuous part of the system, but it does not follow that there was no other practice in life insurance or elsewhere. There was, in fact, so much of enduring value in life insurance, it served so many so well, that is survived every threat to its being, even those which originated within the system itself. At this point it behooves us once more to distinguish sharply between the use and the abuse of private enterprise. The two live side by side."

The use and abuse of private enterprise have been part of our industry's history, and they are present today. The cause of high ethical standards is not promoted by pretending otherwise. The industry as an industry cannot root out unethical companies from the marketplace and government regulation is of very limited value when the problem is one of unethical but not illegal conduct.

There is, for example, the gap between what some persons in the industry say publicly about the desirability of ethical conduct and actual performance. As long ago as the 1860's, New York State's first insurance commissioner criticized certain insurance executives who spoke constantly of their "sacred" obligations, but who did not perform in agreement with the professed ideals. That comment might still be made today about our industry's ethics and leads to a key question. Do some companies only pay lip service to high ethical standards of conduct in the field and at home office or do all companies take action to enforce them? Surely informed and thoughtful people in our business will admit that the former is the case.

**Ethics in the marketplace** is a subject worthy of deeper contemplation than I can give it in this brief paper. There do exist, he cautioned, that because "some men and some practices in life insurance were misguided, that all life men and all life practice of this period deserve adverse criticism. In life insurance, as in other industries in this era, malpractice was a conspicuous part of the system, but it does not follow that there was no other practice in life insurance or elsewhere. There was, in fact, so much of enduring value in life insurance, it served so many so well, that is survived every threat to its being, even those which originated within the system itself. At this point it behooves us once more to distinguish sharply between the use and the abuse of private enterprise. The two live side by side."**

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and establishing appropriate priorities. There are many functions vying for consideration by a chief executive officer. How he or she reacts to them will depend to a significant extent on the corporate value system.

Promoting the interests of the buying public does not happen merely through philosophical discussion. Meeting the needs of policyholders demands innovation and imagination to enable us to meet bottom-line goals while paying more than lip service to the human element.

I do not wish to imply that bottom-line results are not important. Policyholders and shareholders judge us by and take comfort in our financial strength, stability and sound management as displayed by profitable operations. These elements tell the public that we will be in existence and able to meet our obligations whenever they fall due. The history of our business teaches the importance of taking the long-term view.

The degree of respect and understanding a company gives to its customers and how they perceive they are being treated is critically important not only to long-term success but to ethical conduct and standards. A winning formula doesn't remain constant over time. It must constantly be adjusted to changing lifestyles and personal expectations to be sure the human element in our business is meeting the public's current expectations.

There was a 14th century philosopher who said that "In silence, man can most readily preserve his integrity." I see things differently. By remaining silent, by ignoring opportunities to play a useful role, we severely limit our potential for success as an industry and we forfeit whatever integrity we might be able to claim.

I am more attracted to the words of the late John F. Kennedy who, upon being elected to the presidency of the United States, said that a country's success or failure would be measured by whether its citizens were truly people of integrity. I also believe that by firm adherence to high ethical standards, we ensure our success both in human and financial terms.

Consistency is an important ally of ethics in a company's dealings. Staff and agents have a right to expect predictable results from certain actions. This is especially true in efforts to uphold a company's ethical standards. Practices and rules must be applied consistently. Exceptions cannot be made when principles are at stake. High standards and ideals are quickly eroded when people think that they can "get around" the rules.

Effective communication is an indispensable part of making a company's core values and ethical standards a real part of day-to-day conduct. It is management's responsibility to inform all employees and agents of the consequences of unethical behavior. This concept must be incorporated in a company's training and development program for staff and agents alike.

High ethical standards linked to a company's core values should not be articulated and then filed. They must be maintained through emphasis. It is management's role to see that the value system is being lived in all its business activity. Management must not only talk about these values, it must also lead by example. It is crucial that this value system is seen by all in the company as the road to success for the company and for individuals in that company. The company must be fair but unrelenting in its dealing with a departure from its ethical standards whenever and wherever it is encountered in the organization. What could be more harmful to respect for a company's moral rules than for certain people to be seen to flout them?

People associated with a particular company must learn its corporate culture if the core values and ethical standards are to be a vibrant part of corporate life. But a life insurance company is not a tribal society and the handing on of its culture, including its core values, should not be left to verbal passage from one generation of employees to the next.

A life insurance company's management cannot assume that corporate core values and related ethical standards will be ingested by staff and agents with their morning coffee. These standards and values must be articulated and they must be taught to all those who join the organization. They must also be reinforced regularly for all who have been with the organization.

I am not suggesting that a company can force employees to accept as a matter of personal conviction a set of moral precepts or ethical standards in which they do not believe. Companies are neither teachers of moral philosophy nor brainwashers. However, a company's management has a key role to play. It must clearly articulate what the corporate ethical standards are and what is considered unacceptable. It must demonstrate when necessary that those who violate the corporate code will be called to account. If management will not accept responsibility for articulating and ensuring adherence to the company's own ethical standards, who will?

The First Epistle of Paul to the Corinthians poses this question: "If the trumpet gives an uncertain sound, who shall hear the trumpet?" If communication of a life insurance company's core values and ethical standards is weakened by an uncertain or silent trumpet, observance of those values and standards within the company will inevitably suffer.

References

6. Ibid., p. 351.