

Insight: Making the Right Choices

What are business ethics as they apply to the insurance world?

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A 30-year-old became president of an insurance company. The man had never dreamed he would become the president and sought counsel from the venerable chairman of the board.

"I was wondering if you could give me some advice," he said. The old man said, "Make right decisions."

The young man persisted. "How do I make the right decisions?" The wise man simply said, "Experience."

"Well, I am young. How do I get experience?" asked the new president. The elder replied, "Make wrong decisions."

Or so the story goes.

Ethical behavior in the business world is fraught with justified and rationalized "right decisions" that have gone bad. There is no moral compass to shepherd leaders through the decision-making process when it comes to the fork in the road.

But what is business ethics as it applies to the insurance world? Doctors, lawyers, accountants, engineers and other professionals are expected to behave a certain way or follow specific codes of conduct. So, too, should the insurance industry. Professional ethics relates to how people behave in relation to their chosen career. Ethics goes beyond the legal requirements for an insurance company and is really about discretionary decisions and behavior guided by values for their employees.

Often, insurance companies feel ethics is a program that has to be carried out begrudgingly. Ethics codes are developed, policies and procedures are rolled out, ethics committees are formed and lip service is paid. But every kid who has ever eaten spinach knows you cannot judge a can by its cover. It's what's on the inside that counts; it has to be more than window dressing.

Business ethics applies to any and all aspects of business conduct, from boardroom strategies and how departments treat their employees and customers to sales techniques, underwriting guidelines and accounting practices. Business ethics is relevant both to the conduct of individuals and to the conduct of the company as a whole.

Yes, companies and employees sometimes do make bad decisions. Yet, just as in risk management, prevention and training can help thwart the frequency of being faced with those moral decisions in the first place.

This starts with the leadership of the company and goes from the boardroom to the C-wing and all the way down the corporate chain. Those in senior management who get caught with their hands in the cookie jar and then tell employees to "look away" are not setting an example. Risk avoidance is the first step in preventing unethical behavior.

Those carriers that have life insurance, long-term care insurance and annuities as their business focus or in their portfolio are welcome to put their ethics and standards to the test by working with the Insurance Marketplace Standards Association. This organization will litmus-test the ethics of a company and set qualifications for success.

Individual insurance professionals can take a myriad of ethics-related courses from well-known institutions, such as the National Alliance for Insurance Education & Research, the Insurance Institute of America or the Risk and Insurance Management Society.

Making the right choice is what insurance is all about.

(Lance Ewing, a Best's Review columnist, is vice president of Risk Management for Harrah's Entertainment. He can be reached at insight@bestreview.com.)

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