

THOUGHT  
LEADERSHIP



## Baseline Ethics

Donna J. Popow, JD, CPCU, AIC  
The Institutes



Donna J. Popow, JD, CPCU, AIC, is senior director of knowledge resources and ethics counsel for The Institutes in Malvern, Pennsylvania. The Institutes are the leader in delivering proven knowledge solutions that drive powerful business results for the risk management and property-casualty insurance industry. Ms. Popow is responsible for all aspects of claims education, including the Associate in Claims designation program and the Introduction to Claims program. She can be reached at [popow@TheInstitutes.org](mailto:popow@TheInstitutes.org).

Employees and managers must have standards to go by, but declaring a detailed set of rules can lead to problems. Abiding by a written corporate ethical code may work better.

Because interactions with claims representatives are often the only personal contacts the general public has with an insurer, the claims professional's actions may be closely scrutinized and are often criticized. Therefore, personnel must understand what constitutes good-faith claims handling and what does not.

Good faith is broadly defined as giving consideration to the insured's interests that is at least equal to that given to the insurer's interests in handling a claim. Good-faith claims handling involves thorough and timely investigation, documentation, evaluation, negotiation and communication. But handling claims in good faith also means being ethical in all dealings as a claims professional.

Ethical and professional dilemmas can arise in relation to various circumstances outside of specific claims. Corporate standards can help personnel monitor their own actions and measure their conduct against a defined set of rules, guidelines or—more broadly—principles.

## Case by Case

Suppose a preferred vendor offers you the use of his condo in Florida for the week. You can name the week, and no one will know you are staying there as his guest. Your company has a policy that you sign every year prohibiting the acceptance of gifts from vendors. Do you consider the offer?

To resolve ethical dilemmas, claims professionals and their managers can use evaluative tools that are based on rules, situations or people. When using a rules-based method, consider any laws, regulations or corporate directives, mandates or prohibitions that apply in your given situation. In the scenario above, the company's policy bans the acceptance of gifts from vendors; therefore, the offer would have to be declined.

Now suppose that your spouse's mother lives in Florida, near this vacation home, and she is terminally ill. You and your spouse would love to visit her, but money is tight and you have chosen to save for the funeral rather than spend it on a trip now. What do you do?

In many instances, situation-based decision-making may be more illuminating than testing actions against a set of rules. Using the situational approach, potential outcomes of possible decisions in given circumstances are analyzed, and an assessment is made based on consequences related specifically to that instance. In reaching a final decision, the greater good supercedes individual considerations.

In the vacation-home example, there are conflicting goods (e.g., the visit vs. the avoidance of an apparent conflict of interest) and multiple consequences, and you may feel there's a compelling reason to violate the rules. Both the benefits and the possible results have to be weighed. You may lose your job for violating company policy, or you might create an uncomfortable situation for your company. On the other hand, accepting the offer might be the only opportunity for you and your spouse to see your dying mother-in-law one last time. In this situation, it is helpful to list all of the possible consequences of your actions and then determine which decision will result in the greater good. Creating a list will also help you grapple with the potential negative ramifications ahead of time.

Under this situational approach, you might decide to inform your manager of the dilemma and seek leniency on the rule. Perhaps your manager will be sympathetic and make an exception to the policy for your unique circumstance. Using this method, the manager would consider requests on a case-by-case basis, applying the rules according to the situation instead of as an across-the-board edict. Care must be taken in these circumstances to treat every request fairly to avoid employment practices complaints.

Under a third scenario, imagine that your spouse suggests that he or she use the condo but that you do not go on the trip, thereby satisfying the stipulations of your employer's vendor-gift rule. Do you agree to this?

In many situations, rules have a highly restrictive application based on specific prohibitions that might not be violated in your circumstances, even when underlying ethical principles are. The question becomes, "Am I violating the letter of the law?" Sometimes, an action that doesn't violate the written rule can still run afoul of ethical standards. In other cases, the action seems on its surface to cross the line, but—when further evaluated using a people-based decision-making method—the permissibility of the action can be justified.

People-based decision-making is founded on the principle of the Golden Rule: "Do unto others as you would have them do unto you." It requires those involved in the action, and the follow-up investigation of it, to consider the personal circumstances surrounding a decision. It also calls for a degree of

empathy. Ultimately, a supervisor can lower the boom on an employee for infractions of the company's best practices or ethical code. That said, under a people-based decision process, the supervisor takes a somewhat empathetic look at those involved in the conflict to determine if there are extenuating characteristics of the case that mitigate or wholly nullify a perceived violation.

### **Setting a Baseline for Corporate Behavior**

If everyone concurred on which behaviors were ethical and which were not, always acted in accordance with the values underlying those behaviors, and understood and agreed upon how to resolve ethically ambiguous situations, there would be no need for rules or codes of ethics.

However, well intentioned people can disagree about what constitutes ethical behavior in a given situation. One way to promote uniformity is to create a code of ethics.

Written codes provide guidelines for addressing ethical dilemmas. They consist of broad principles rather than detailed specifics, and they set forth minimum standards of compliance. Two examples of codes of ethics are the Society of Registered Professional Adjusters (RPA) Ethics Guidelines and the Code of Professional Ethics of the American Institute for CPCU. The RPA has developed its Ethics Guidelines to emphasize integrity, competence, sensitivity and legality. The Code of Professional Ethics of the American Institute for CPCU contains canons of ethical performance for all professional activities of all CPCUs and CPCU candidates.

Deciding which "right" decision to make is never easy. By utilizing the decision-making tools and various codes of ethics available, you can make better corporate decisions and enhance your standing as a professional and ethical claims representative.

*Copyright May 2010 Claims Advisor. All rights reserved.*



720 Providence Road, Suite 100 | Malvern, PA 19355  
(800) 644-2101 | [customerservice@TheInstitutes.org](mailto:customerservice@TheInstitutes.org)  
[www.TheInstitutes.org](http://www.TheInstitutes.org)