

# **WHY DO I NEED ETHICS?**

Eric Johnson  
April 9, 2024

**SOME OF YOU  
MAY HAVE  
TAKEN THIS  
COURSE  
BEFORE  
(3/9/23)**

<b>First</b>	<b>Last</b>
Denise	Andrew
Amie	Burdin
Jennifer	Chambers
Maria	Cosmelli
Lisa	Gallegos
Kim	Jackson
Brenda	Leeseberg
Stacey	Minton
Cecilia	Poindexter
Eric	Schulman
Coral	Snow Ferguson
Krista	Kearney
Talia	Townes
Tina	Myers

# AGENDA

What is ethics?

What is an ethical dilemma?

**Why do I need ethics?**

How to approach ethical dilemmas

Ethical dilemmas – some examples

Ethical dilemmas in the insurance industry

Codes of ethics



# **WHAT IS ETHICS?**

and how is ethics different from morals and laws?



# THE DEFINITION

Ethics is two things.

First, ethics refers to **well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues.**

- Ethics, for example, refers to those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud.
- Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty.
- And, ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy.


Such standards are adequate standards of ethics because they are supported by consistent and well-founded reasons.

# THE DEFINITION (cont'd)

Secondly, ethics refers to **the study and development of one's ethical standards.**

As mentioned above, feelings, laws, and social norms can deviate from what is ethical. So it is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded.

Ethics also means, then, the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly-based.



**A LOT OF PEOPLE CONFUSE  
ETHICS WITH MORALS OR EVEN  
LAWS, BUT THERE IS A  
DIFFERENCE.**

# LAWS

- Laws can be defined as a consistent set of universal rules that are widely published, generally accepted, and usually enforced.
- These rules describe the ways in which people are required to act in their relationships with others in a society.
- They are requirements to act in a given way, not just expectations or suggestions to act in that way.
- Since the government establishes law, the government can use police powers to enforce laws.





# LAWS TEND TO BE:

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**Consistent** – If two requirements contradict each other, both cannot be termed a law, because people cannot obey both.

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**Universal** – The requirements must be applicable to every one with similar characteristics facing the same set of circumstances.

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**Published** – The requirements have to be published, in written form, so that they are accessible to everyone within the society.

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**Accepted** – The requirements have to be generally obeyed.

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**Enforced** – Members of society must be compelled to obey the law if they do not choose to do so voluntarily.



# CHARACTERISTICS OF ETHICS

Ethics involves learning what is right and wrong, and then doing the right thing.

Most ethical decisions have **extended consequences**.

Most ethical decisions have **multiple alternatives**.

Most ethical decisions have **mixed outcomes**.

Most ethical decisions have **uncertain consequences**.

Most ethical decisions have **personal implications**.

# ETHICS AND MORALS

## Ethics

- The word 'ethics' is derived from the Greek word ethos, which means 'custom,' or 'character.'

## Morals

- The word 'moral' is derived from the Latin word mores, which means 'convention,' or 'practice.'

# ETHICS VS. MORALS

Morality refers both to the standards of behavior by which individuals are judged, and to the standards of behavior by which people in general are judged in their relationships with others.

Ethics, on the other hand, encompasses the system of beliefs that supports a particular view of morality.



ChatGPT

# HERE'S WHAT CHAT GPT HAD TO SAY

- **Morals are the principles or values that a person or society considers to be right or wrong.** They are based on personal beliefs and cultural norms. Morals are often influenced by religion, family upbringing, and personal experiences. They guide our behavior and decision-making in everyday life.
- On the other hand, **ethics are a set of rules or principles that govern the behavior of a group or profession.** They are more formalized than morals and are often codified in codes of conduct or professional standards. Ethics are based on rational reasoning and are intended to provide a framework for making consistent and fair decisions in complex situations.

# ETHICS IS OTHER-DEPENDENT

(and there are different ethical standards for different situations)

## Medical ethics

- First, do no harm

## Legal ethics

- Defendants must be defended as vigorously as possible

## Golf

- A gentleman's sport

## Football

- If you're not cheating, you're not trying



# **WHAT IS AN ETHICAL DILEMMA?**

and do we really face them in the insurance industry?

# NOT ALWAYS RIGHT VS. WRONG

Often it's a case of right vs. right.

“Right vs. right is an ethical dilemma, whereas right vs. wrong is identified as a moral temptation (the individual knows the right thing to do, but chooses the action that is wrong).”





# IN OTHER WORDS

## THIS IS RIGHT

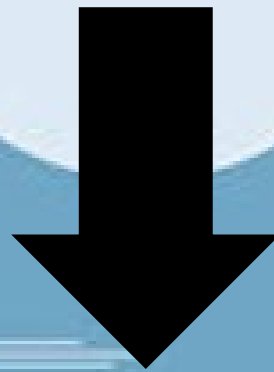
- It might be morally right for an agent to represent and protect the interests of the insurance company he or she works for or is appointed with.

## THIS IS RIGHT TOO

- It may also be morally right to honor the fiduciary responsibility the agent has with his or her client.

**But what happens when the interests of the insurance company and the client are in conflict? How does the agent prioritize?**

Agents  
are here



# THE “MIDDLE MAN”



Agents are in a unique position because we are in the middle – between the carrier and the client.



Agents sign a contract with the carrier. We are their representative in the field and do have an ethical obligation to the insurance companies that they represent.



Agents also have a fiduciary responsibility to the client. Agents are supposed to put the client’s interest above their own.



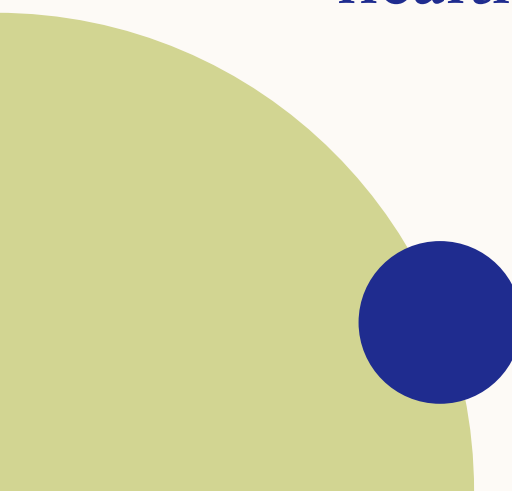
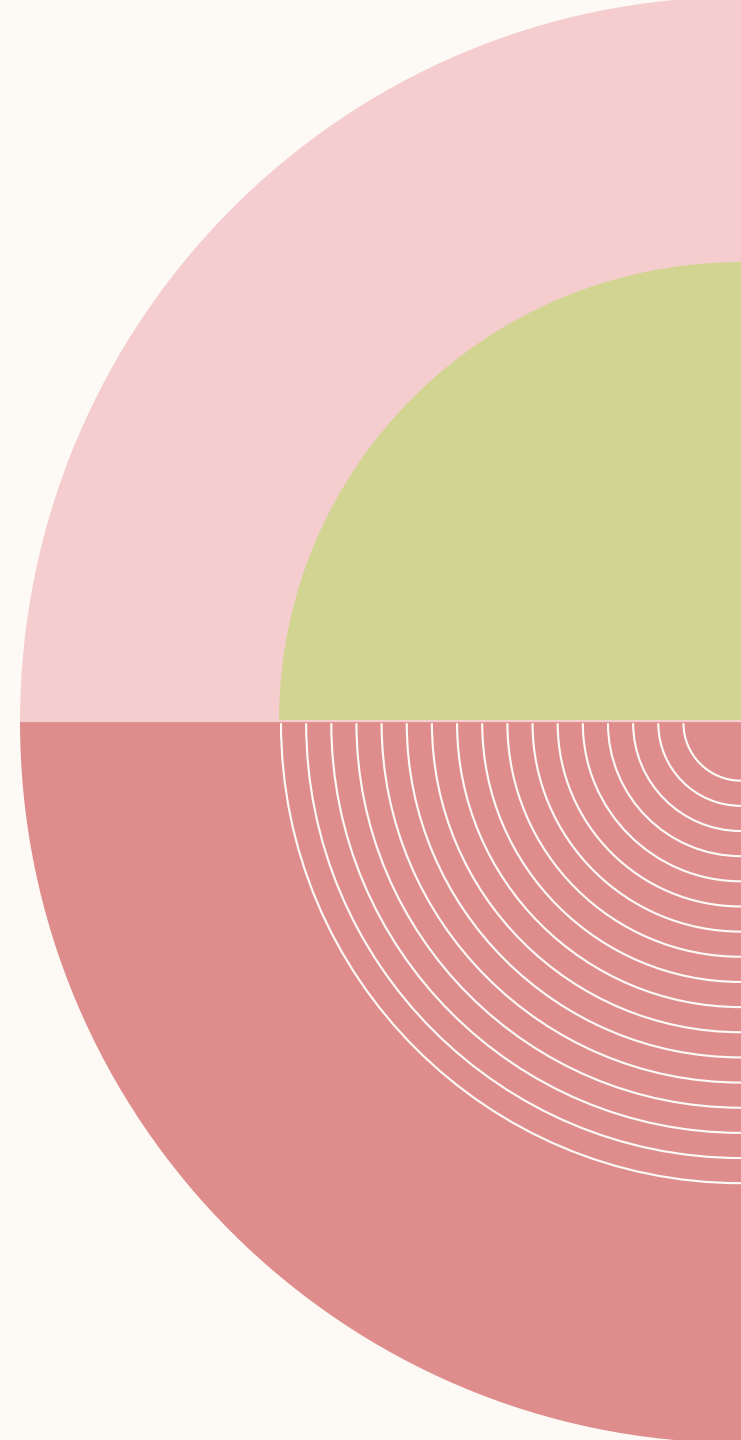
**BUT HOW UNIQUE  
ARE AGENTS?**

**MOST PEOPLE / COMPANIES  
HAVE CONFLICTING INTERESTS**

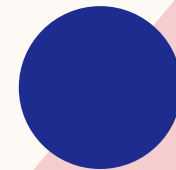
# FOR EXAMPLE

Company decision-makers have an obligation to the consumer but also to the shareholders or the owner.

PBMs are positioned between the pharmaceutical companies and the health plans.



**Not everyone understands  
the middle man.**



# Congress doesn't understand PBMs

## 'I don't know why the hell they even exist.' | NCPA Executive Update | February 17, 2023

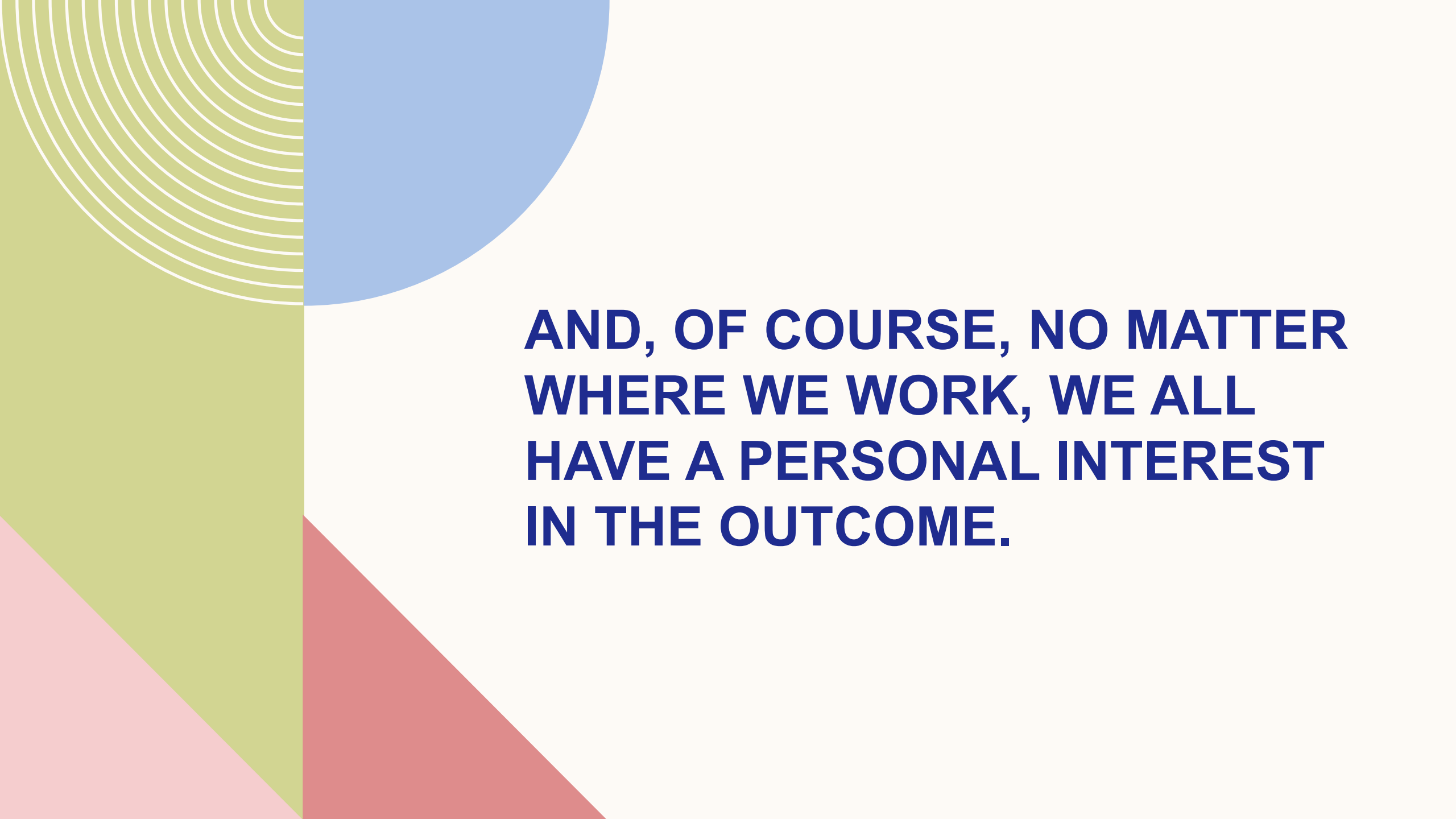
NCPA · February 17, 2023

Dear Colleague,

That was a quote from Sen. Jon Tester (D-Mont.) talking about PBMs during a [hearing](#) of the Senate Committee on Commerce, Science, and Transportation, part of an extraordinary week in Washington. (Be sure to listen to all of Sen. Tester's colorful comments about PBMs around 1:03). There was just one exception: one witness speaking for the PBMs and sympathetic remarks from Sen. Ted Cruz (R-Texas).





The background features a vertical line on the left side. To the left of this line, there are concentric white circles on a light green background in the upper left, and a light pink triangle in the lower left. To the right of the vertical line, there is a light blue semi-circle in the upper right and a light red triangle in the lower right. The text is positioned in the white space to the right of the vertical line.

**AND, OF COURSE, NO MATTER  
WHERE WE WORK, WE ALL  
HAVE A PERSONAL INTEREST  
IN THE OUTCOME.**

I'M JUST

 HERE 

FOR THE

 *Sex* 

# PERSONAL INTEREST FOR INSURANCE PROFESSIONALS





# **NOT BLACK OR** WHITE

The ethics debate takes place in the gray area in the middle, not in the black and white areas at the ends of the spectrum.

It's a "dilemma" because there is no clear-cut answer. That's why it's called an "ethical dilemma."



# **WHY DO I NEED ETHICS?**

*finally, an answer*



# **DEPARTMENT OF INSURANCE ETHICS REQUIREMENT**

Requirement: **3 hours** of ethics or consumer protection CE every license renewal period

Can be Ethics or Consumer Protection courses

# MOST PROFESSIONS HAVE AN ETHICS REQUIREMENT

**Job**

a short-term position that focuses on earning income

**Career**

a long-term journey of professional growth and development

**Profession**

a profession is a specialized career that requires education, training, and expertise in a particular field

# **AGENTS RUN INTO A NUMBER OF SITUATIONS IN THE COURSE OF THEIR BUSINESS THAT MAY CREATE ETHICAL DILEMMAS.**

Purpose of the ethics requirement  
(in other words, why do I need ethics?):

- To ensure that agents are thinking about the ethical implications in their interaction with their clients and in their day-to-day activities
- To improve the view of the insurance industry as a whole and in insurance agents in particular





# **HOW TO APPROACH ETHICAL DILEMMAS**

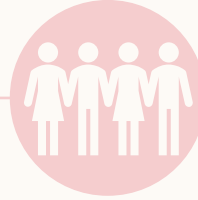
three different theories

# 3 DIFFERENT APPROACHES



## ECONOMIC THEORY

- The number one ethical responsibility is to **maximize shareholder wealth** within the confines of the law because stockholders are the business owners and that's what they would want managers to do
- Anything to the contrary would be the equivalent of stealing.



## STAKEHOLDER THEORY

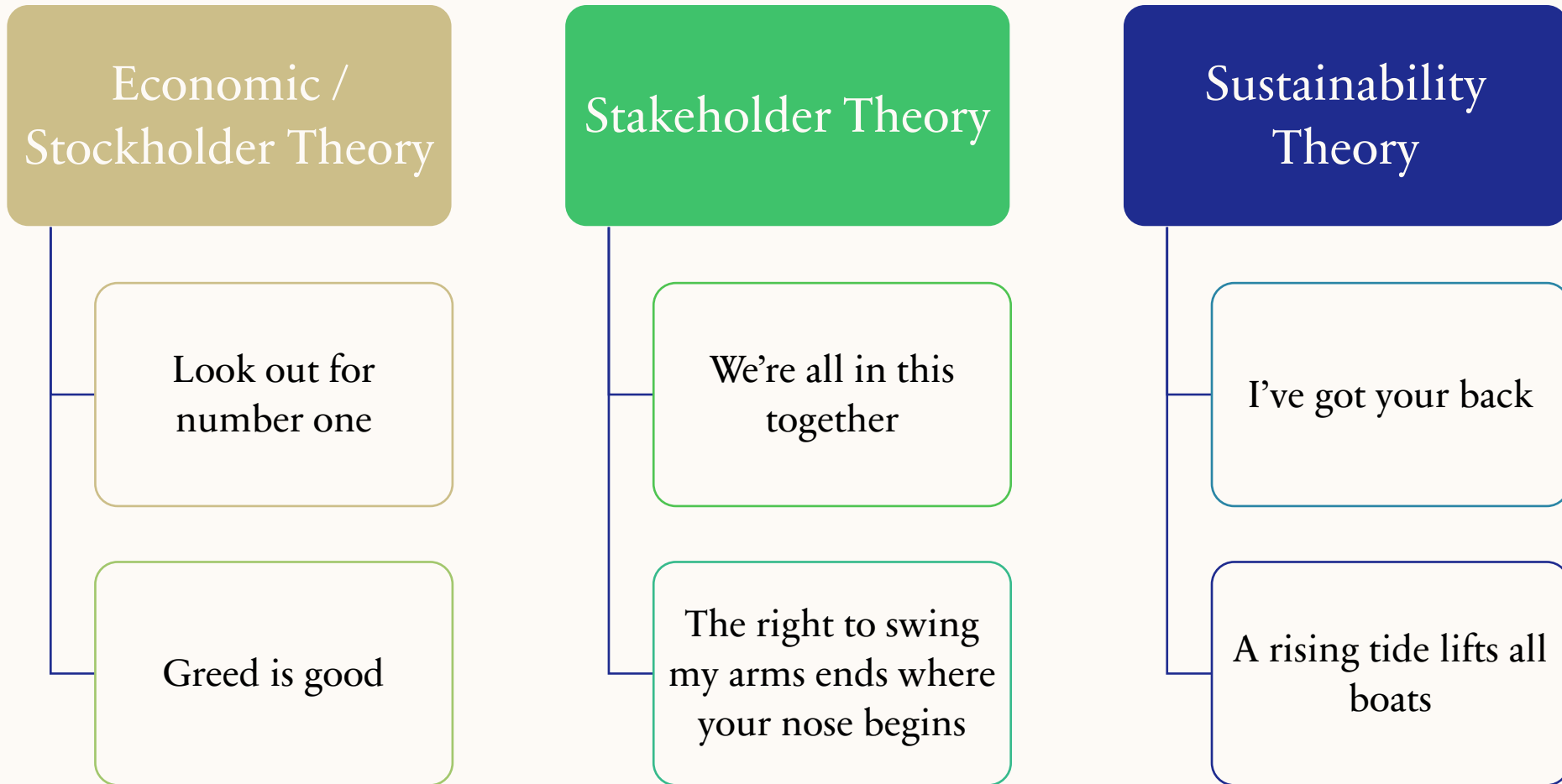
- Stockholders are certainly important but should be thought of as investors rather than owners.
- **There are other stakeholders whose interests must be equally considered when making business decisions**, including employees, suppliers, customers, and the community in which the business operates.



## SUSTAINABILITY THEORY

- A business must make long-term decisions that will help sustain the company and profitability for the indefinite future.
- **By trying to improve the situation for all stakeholders, shareholder wealth will be maximized** as a byproduct.
- This is the opposite of the economic model.

# ANOTHER WAY OF SAYING IT





# **ETHICAL DILEMMAS**

(these are kind of fun)

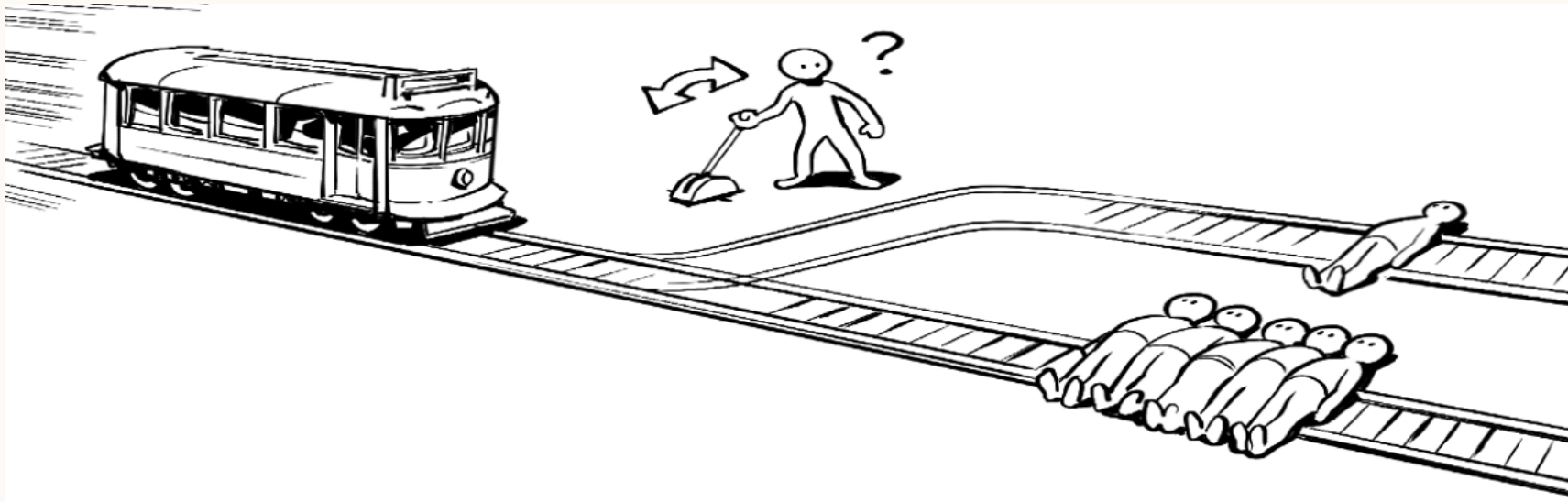
# THE TROLLEY DILEMMA

Imagine you are standing beside some tram tracks. In the distance, you spot a runaway trolley speeding down the tracks toward five workers who cannot hear it coming. Even if they do spot it, they won't be able to move out of the way in time.

As this disaster looms, you glance down and see a lever connected to the tracks. You realize that if you pull the lever, the tram will be diverted down a second set of tracks away from the five unsuspecting workers.

However, down this side track is one lone worker, just as oblivious as his colleagues.

**So, would you pull the lever, leading to one death but saving five?**





# **THE TROLLEY DILEMMA – A VARIATION**

Imagine you are a doctor and you have five patients who all need transplants in order to live. Two each require one lung, another two each require a kidney and the fifth needs a heart.

In the next ward is another individual recovering from a broken leg. But other than their knitting bones, they're perfectly healthy.

**So, would you kill the healthy patient and harvest their organs to save five others?**

# THE BABY DILEMMA – ANOTHER VARIATION

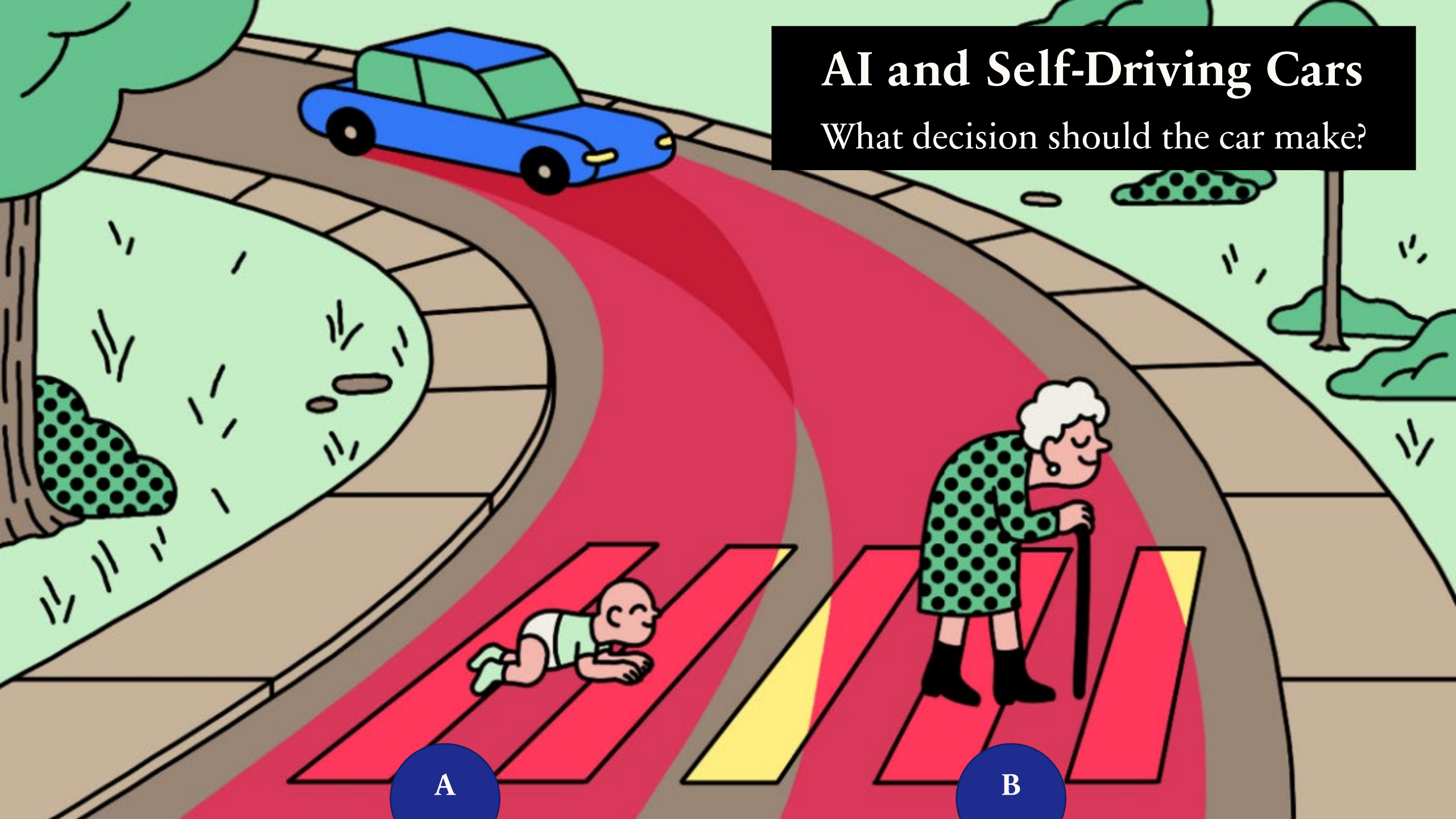
You, your baby, and your entire townspeople are being chased by this band of bad people who will kill you all if they find you. All of you decide to hide in this secret place and are silently waiting for the bad guys to move away. However you know that your baby WILL cough and the band will hear him. Then they will find you, your baby, and the townspeople and kill all of you.

So you have two choices:

- (a) **Kill your baby and save yourself and the entire town**
- (b) **Or let your baby cough and get yourself, your baby, and the entire town get killed.**

# AI and Self-Driving Cars

What decision should the car make?

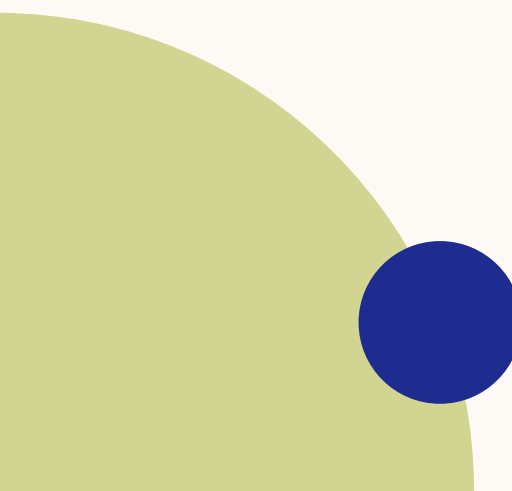
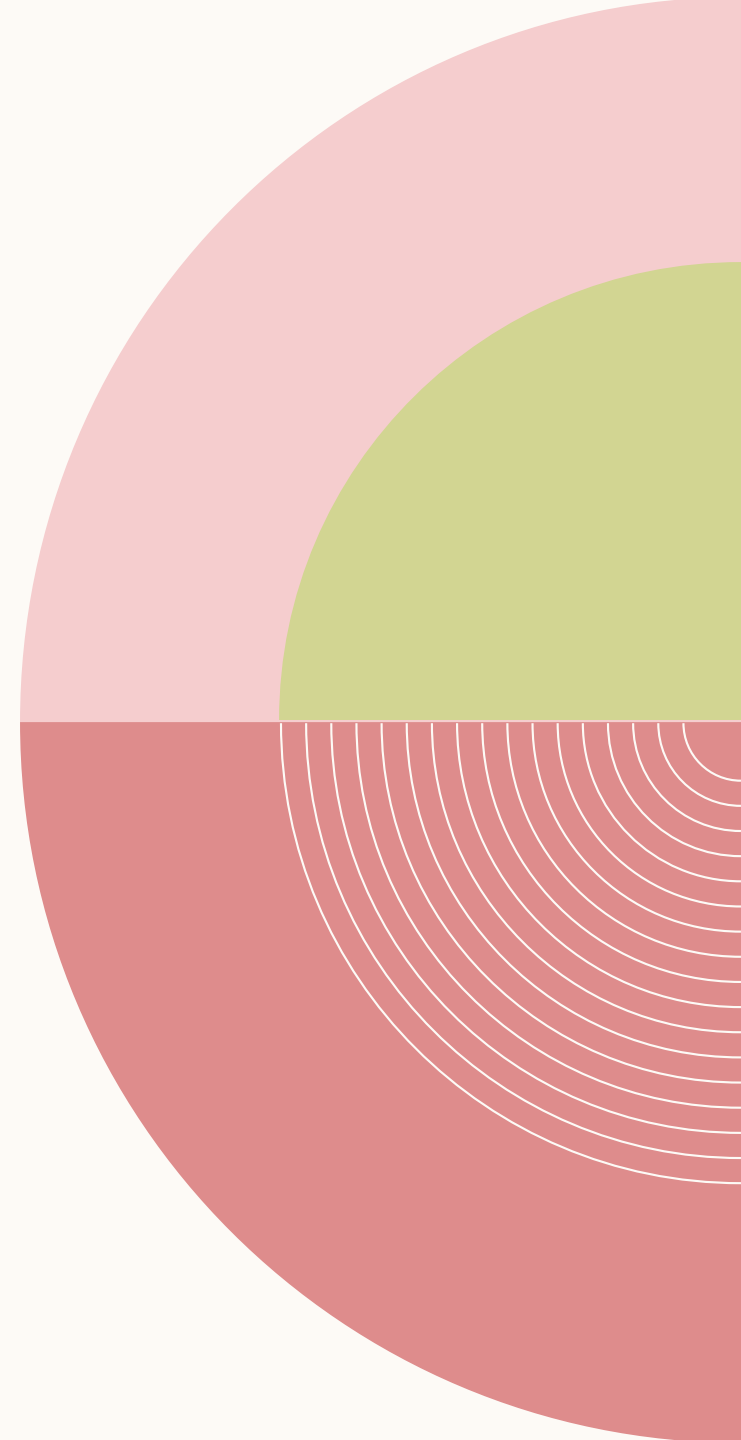


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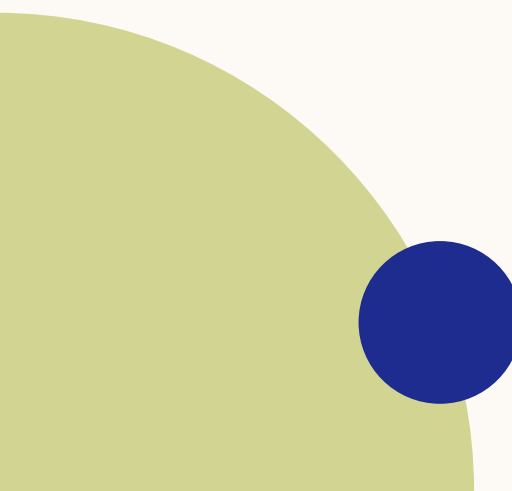
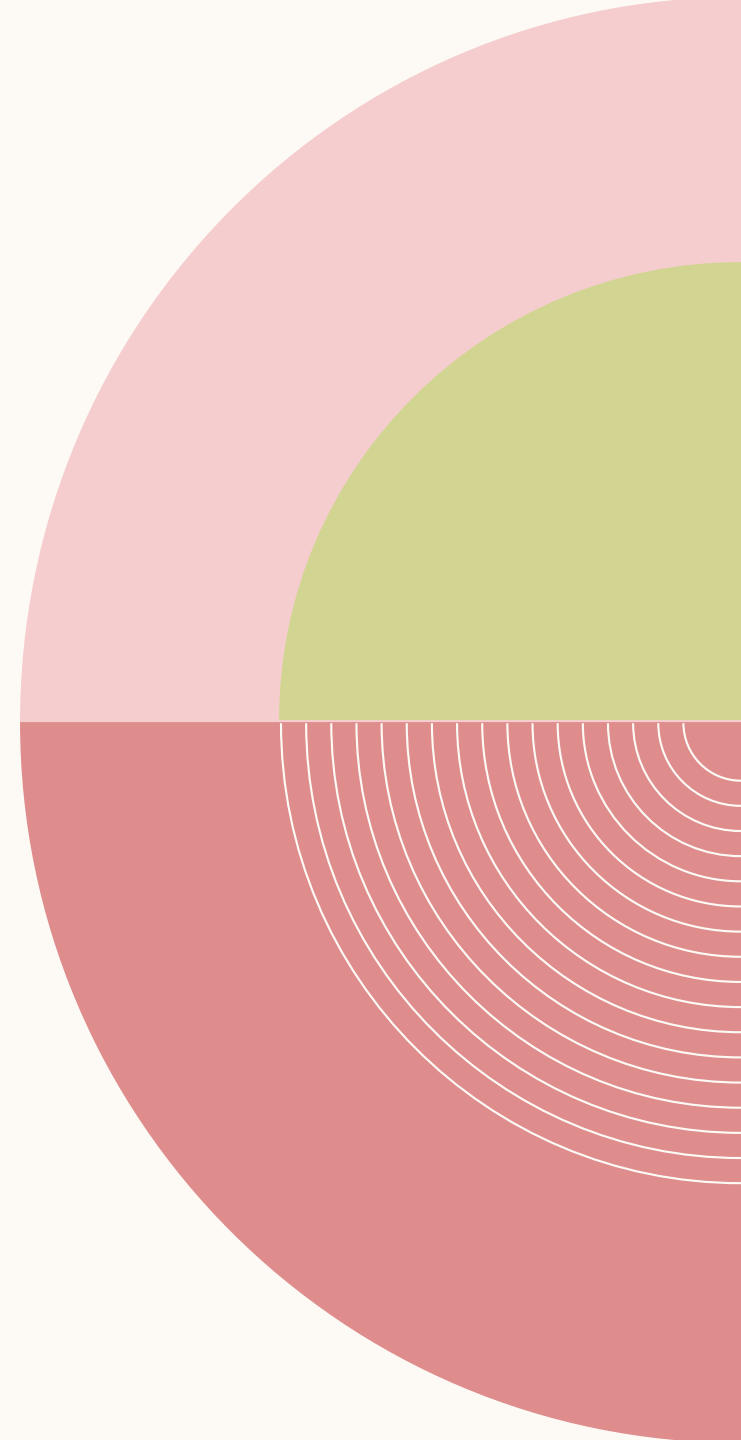
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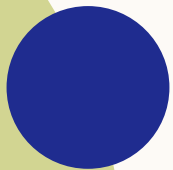
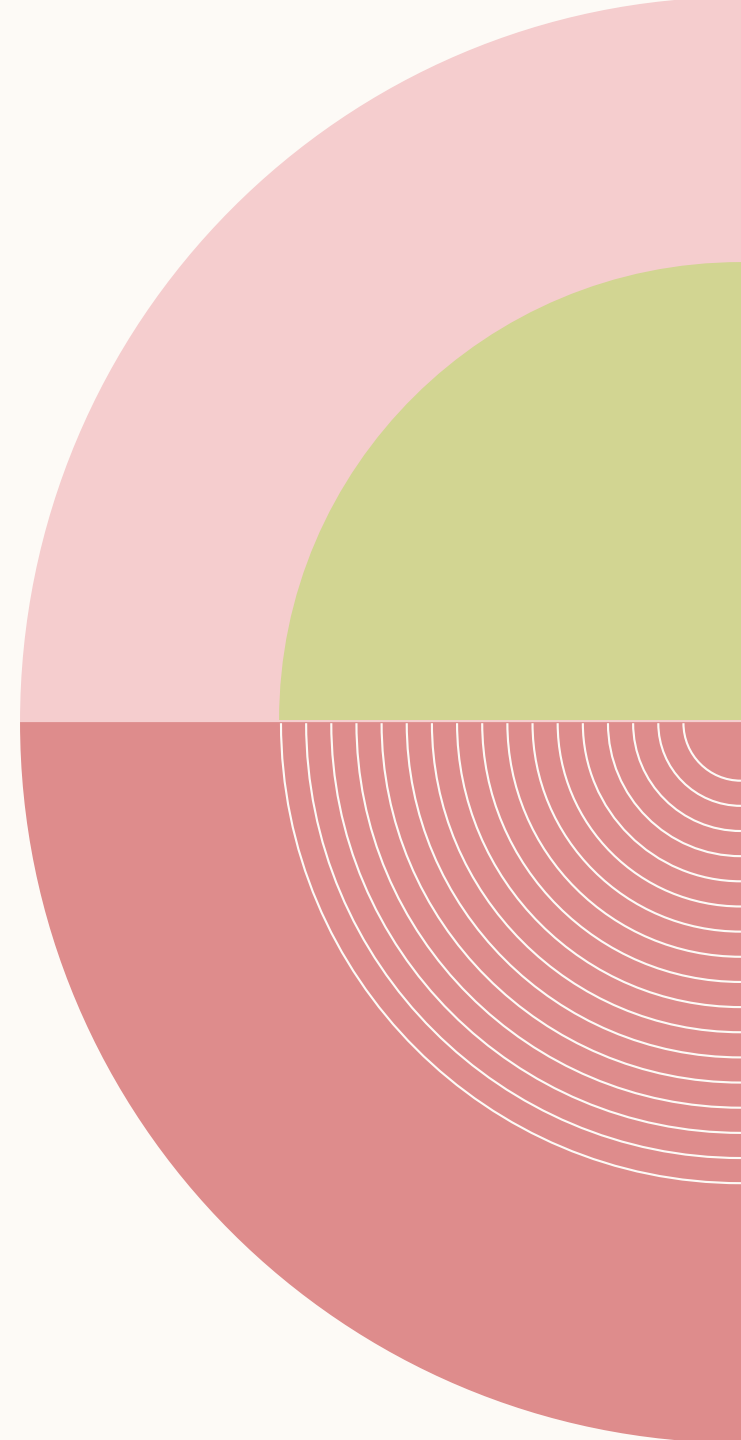
**Would \$5,000 be enough for you to take a loyal, healthy pet to the vet to be put to sleep?**



**Would you put Fido to sleep  
to save a human's life?**



**What if it was a stranger in another country – and nobody would ever know what you did?**





# **MORE COMMON ETHICAL DILEMMAS**

(I asked ChatGPT for some examples)



ChatGPT

## **CONFLICTS OF INTEREST**

**This occurs when an individual has competing interests, obligations or loyalties, which may affect their judgment and objectivity.**

For example, a doctor who receives financial incentives from a pharmaceutical company to prescribe their drugs may face a conflict of interest.

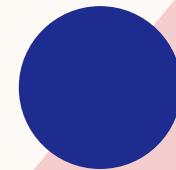


ChatGPT

## **CONFIDENTIALITY**

**This dilemma arises when an individual must decide whether to respect someone's privacy or to disclose information that may be beneficial to others.**

For example, a therapist who learns that their patient is planning to harm themselves or others may need to breach confidentiality in order to prevent harm.





ChatGPT

## **FAIRNESS AND EQUALITY**

**This involves balancing the interests of different parties and ensuring that everyone is treated fairly and equally.**

For example, a hiring manager who must choose between hiring a less qualified candidate who belongs to a historically underrepresented group or a more qualified candidate who does not.

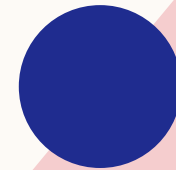


ChatGPT

## **PROFESSIONAL INTEGRITY**

**This involves upholding ethical standards and maintaining professional conduct in the face of pressure or temptation to cut corners or act unethically.**

For example, an accountant who is asked to falsify financial statements in order to deceive investors or avoid taxes.







ChatGPT

## **ENVIRONMENTAL RESPONSIBILITY**

**This involves making decisions that balance economic interests with environmental sustainability.**

For example, a company that must decide whether to use environmentally friendly packaging that is more expensive or cheaper packaging that is not environmentally friendly.



# **ETHICAL DILEMMAS IN THE INSURANCE INDUSTRY**

(this is the interactive part of the presentation)



# **ETHICAL DILEMMAS FOR STATE AND FEDERAL GOVERNMENTS**

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## **Addressed through Legislation and Regulations**

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> Guaranteed Issue Rules

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> Rating Rules

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> Coverage Requirements

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> Benefit Mandates

# ETHICAL DILEMMAS FOR HEALTH INSURERS

Once they know the law, insurers must decide how to apply the laws and regulations to their business by developing their own underwriting, sales, client communication, and claims payment rules.

## Product offerings

- What products to offer and where to offer them (what markets)

## Pricing

- Street rates and Underwriting factors

## Benefits education

- How to communicate with clients about their benefits so they will use them appropriately + any special rules or requirements, limitations, and exclusions (the fine print)

## Claims payment decisions

- The “deny first” practice, unnecessary documentation requests, and other potential bad faith claims processing practices

# ETHICAL DILEMMAS FOR AGENTS

Independent and captive agents as well as insurance company employees must follow the law while complying with company policies and serving the client, but what happens when the carrier asks them to break a law take an action that is ethically questionable? And what happens when the consumer is harmed by company policies that the agent disagrees with?

- **Commissions and incentive pay** – Are agent recommendations influenced by how much they will make?
- **Agent of record letters** – Are they always ethical?
- **Product and plan recommendations** – Clients rely on agents to make good recommendations. If the client doesn't hear about it from you, they probably won't hear about it
- **Underwriting** – What if you “overhear” something that doesn't appear on the app? What if you believe the client but the carrier's underwriting requirements are jeopardizing the case?
- **Changing Employers** – Who owns the client relationship?
- **Service to and support of industry organizations** – Giving back is important, but remember who signs your paycheck.
- **Time** – We live in a 24-hour world where we're always on the clock, but it's also easier than ever to do personal tasks on company time. We must be careful not to cheat our employers or our families.



**WHAT ETHICAL  
DILEMMAS DO  
YOU FACE IN  
YOUR DAY-TO-DAY  
ACTIVITIES?**



# **CODES OF ETHICS**

do you need one for your office?

# DO YOU NEED TO HAVE A WRITTEN CODE OF ETHICS FOR YOURSELF? FOR YOUR OFFICE?

A code of ethics offers a way of dealing with situations that you determine ahead of time, when you have a clear head, before an ethical dilemma arises?

This couldn't hurt.

The practice of making ethical decisions before a situation occurs is sort of like the practice of visualization for top athletes – if you know ahead of time how you'd like to react should the situation ever arise, you're more likely to react that way when it actually does.

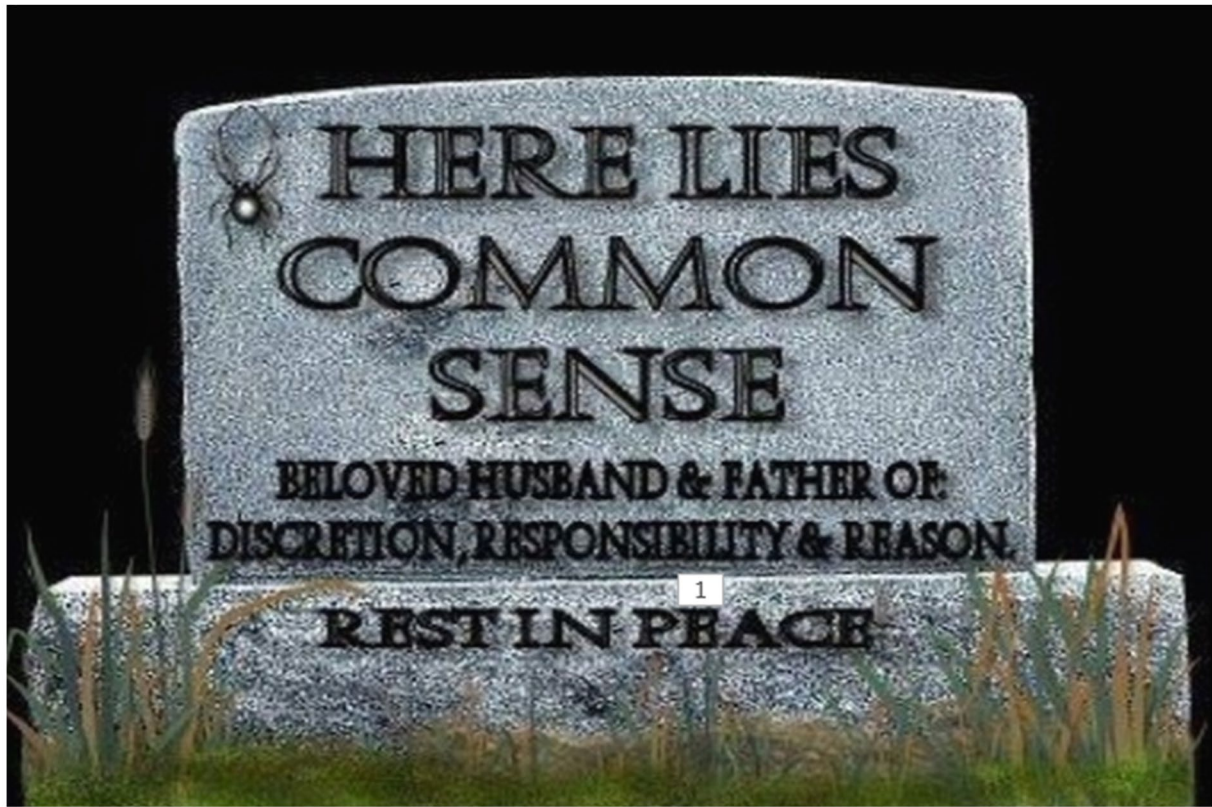




# **FINAL THOUGHTS**

a couple takeaways

# IS ETHICS COMMON SENSE?



No. If it was,  
then we'd all agree.  
(That said, a lot of it is  
common sense.)



# **WE ALL KNOW THIS:**

**The Golden Rule:** Treat others the way you want to be treated.



# BUT THIS IS BETTER:

~~The Golden Rule: Treat others the way you want to be treated.~~

**\*\*\* The Platinum Rule: Treat others the way they want to be treated.**

- Gentry Lynn and Amy Doze

**THANK YOU!**

Any Questions?

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