

PROFESSIONAL ETHICS

IN OVER YOUR HEAD?



By CIP Society

Have you heard the expression “fake it until you make it?” This old adage suggests that people should act like they know what they are doing even if they don’t. The intention is to instill a level of confidence in others about one’s expertise even if it is unwarranted. However, when does such behaviour cross the line into the danger zone?

Consider the plight of a junior underwriter who is eager to impress and advance. Although she is quite out of her depth in a discussion with a commercial broker regarding a highly specialized manufacturer’s potential requirements, she wishes to be both helpful and appear knowledgeable. She gives comfort to the broker by suggesting that this is her specialty and implies that she has considerable experience in the specific area,

although neither claim is true. She makes recommendations to the broker that may or may not be accurate.

Suppose you overhear that conversation and understandably become uncomfortable with its content. What should you do? Should you address the matter with the colleague, or the broker, or your supervisor, etc.?

George Cooke, president and CEO, The Dominion of Canada General Insurance Co.

This behaviour has definitely crossed the line and is well into the danger zone. You should immediately inform your supervisor or manager because this individual is exposing the policyholder, the company and their broker partner to significant risk.

When it comes to technical matters concerning risk, it is never acceptable for an underwriter to ‘fake it until you make it’ for any reason.

Brokers may rely on the advice and guidance given by an underwriter and recommend coverage that is not appropriate for a given risk. In the event of a loss, the policyholder may be without coverage, have inadequate coverage, be in breach of a condition of coverage the underwriter failed to notice, etc. The broker’s E&O coverage may be exposed.

At the very least, an underwriter acting in this manner will ultimately cost her employer a significant amount of goodwill with brokers and policyholders. Given the time and effort involved in building goodwill, the junior underwriter in this case will need to have learned from the experience and the broker is owed a very quick update. Trust matters!

It is always acceptable to tell a broker (or anyone) that you will consult with your manager or others and respond then. What will impress the broker (and your supervisor or manager) is if you respond quickly and do what you promise to do.

Good underwriters learn to be good underwriters by consulting with and learning from experienced colleagues. Don’t assume others will judge you as incompetent if you don’t know something. Just like you, they only know what they’ve had a chance to learn.

Gregg Hanson, industry consultant, former president and CEO of the Wawanesa Mutual Insurance Co.

The junior underwriter is breaching a fundamental tenet of ethical behaviour. Specifically, she is not acting honestly. She either doesn’t appreciate the gravity of what she is doing or is ignoring the difference between right and wrong. By misrepresenting her competency to the broker she is allowing her ego to overshadow the best interest of the broker and ultimately the customer.

Since I overheard this conversation, I would first approach the underwriter herself. She should be given the opportunity to reconsider her mistake and rec-



tify any consequences of her conduct. I would tell her I had overheard her conversation and that “perhaps” she was not entirely truthful in her representations. I would judge her reaction to my suggestion. If she were contrite and acknowledged her error, I would suggest she find out the proper answers for the broker and call him/her back, apologize for her error and give him/her the proper information or recommendations.

If the junior underwriter reacted with anger, denial, defensiveness or other emotional outburst to my observations of her dishonest behaviour and was not prepared to either acknowledge it or “right the wrong,” it would be incumbent on me to report it to her (our) supervisor. To do otherwise I would be condoning dishonesty, which ultimately brings discredit to our profession and employer. It also could have dire consequences for the broker or the customer when inappropriate or erroneous advice or recommendations have been given.

Mike Wallace, vice president, risk, underwriting and reinsurance, Royal & SunAlliance Insurance Company of Canada

Our underwriters are provided with a supportive environment so that they are not put in a situation that is beyond their expertise. The ideal outcome in this scenario would have been that the underwriter take the file to her manager or the resident expert in that area, and have them work on a solution together. It's important that underwriters be qualified to deal with the business they are most likely to see on a daily basis. This means that their underwriting authority needs to match their level of experience and their skill in dealing with brokers on complex business.

As a global p&c insurer, underwriting is one of our core competencies and we maintain high levels of governance and compliance. Our underwriters' level of authority, or license, is determined by competency tests. We continue to work

with our underwriters to build their level of expertise and technical knowledge through programs like our global Technical Academy, and, as a result, enhance their underwriting authority. We try to ensure that no underwriter is put in a position where they aren't supported.

That said, no one can be an expert on every risk, and successful underwriters understand where their expertise lies and are able to draw on other resources when they are working on a risk that is outside of their expertise. Being successful doesn't mean taking unknown risks — it's about demonstrating your ability and knowing to draw on the right resources to solve the underwriting challenge.

In terms of how to handle the situation outlined above, a good manager will be able to step in to ensure that the right experts are working on the risk and working closely with the junior underwriter to develop her network of experts so that she knows who to call on the next time she faces a challenging risk.



Pressure Cooker

An experienced underwriter has found herself assigned to a new supervisor. The supervisor appears to be rather demanding and always pushing for higher output and productivity from staff. Unaccustomed to this management style, the underwriter feels constant pressure to perform and to meet the supervisor's immediate goals and targets.

Approaching month-end, the supervisor has requested an accounting of premiums written on the part of each underwriter. Recognizing that each case she has worked on has not yet closed, the underwriter feels confident that each file will be successful and feels justified in reporting it as such.

In doing so, perhaps some of the pressure she feels from the supervisor will diminish. In addition, a by-product of reporting her productivity in this way will increase a quarterly performance bonus to which she is due. She deliberates for a while and ponders what she should do. Her primary interest is not in receiving the bonus but it is heavily inclined towards mitigating the productivity pressure she feels.

How would you proceed if you were in the underwriter's shoes?

Derek Huber, ethics officer, Jones Brown Inc.

My immediate reaction would be to diplomatically ask this junior underwriter how she reached the conclusions/recommendations that she did. I would tell her that his was for my own edification.

Overhearing a conversation doesn't necessarily mean you hear both sides of the conversation or in what context the discussion evolved. I would ask for the facts of the situation and if there were obvious mistakes made in the recommendations given to the broker, I would correct the individual and guide her in their next call to the broker.

On the other hand, if the underwriter's call was not sufficiently focused to properly reflect informed advice, which in turn would affect the consumer's decision or fail to provide them with appropriate options, I would continue the dialogue with the underwriter and coach her to provide a more professional response.

However, if the underwriter was clearly off base with her technical advice and was clearly pretending this was her specialty, I would discuss the incident with his/her supervisor. Calling the broker could be an option but it would destroy the underwriter's (potential) credibility. This action would only be employed if the insurer's reputation was at stake.

Leonard Sharman, spokesperson, The Co-operators General Insurance Co.

A colleague who has overheard this conversation should immediately recognize that the interests of all three parties involved — the broker, the client and the insurer — could be jeopardized by the junior underwriter's overanxious and misguided actions. She clearly breached the Insurance Institute's Code of Ethics, which states that professionals shall always "subordinate personal interests to those of the public, the client or employer." So what's the right thing to do about it?

There are two things that must be achieved. First, the accuracy of the recommendation the junior underwriter made to the broker must be verified and,

if inaccurate, corrected. Secondly, the underwriter must understand that her actions could have had very unfortunate implications for any of the three parties involved, and that such behaviour should not be repeated.

The colleague who overheard the conversation should explain to the junior underwriter that her approach was misguided and could have had very negative implications. Were the client to end up with inadequate coverage because of her recommendation, it could prove very costly in terms of financial exposure, and could harm the reputations of both companies as well as sour the insurer-broker relationship.

The two colleagues should discuss the issue and determine whether her recommendation was accurate. If not, it must be corrected — and quickly. In the best-case scenario the broker would be contacted and the recommendation would be changed before any misinformation was passed along to the client. If that is not the case, it will reflect poorly on the broker through no fault of his or her own, which would damage the relationship. Still, correcting an inaccurate recommendation immediately is the only option. And with a little attention and continued diligence, the relationship should suffer no irreparable harm. ☞

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