

Below are six new cases, which were written by Chris Amrhein, AAI, the insurance consultant and educator who developed the “Street-Level Ethics” workshop materials for the American Institute for CPCU and the Insurance Institute of America. The cases were added to this site in January 2005. Following the new cases are the original eight cases that Chris developed for the “Street-Level Ethics” workshop when it was introduced in 2003. Discussion questions for each case are located in the Outline section of the workshop materials.

#1 – A Friend in Need

It’s the third Friday of the month, and you take your usual spot at the local agents’ association luncheon. During the meal, one of your oldest and friendliest competitors seems more than a bit morose. When pressed, he tells you things haven’t been going too well lately. His expenses are way up, his production has flatlined, and now one of his best CSRs is moving out of town. His lead carrier was in yesterday and told him if his production doesn’t increase significantly, they are pulling out of the agency. He sure hopes his biggest account, which renews in a few weeks, comes through for him, or he doesn’t know what he’ll do.

You are all too familiar with his biggest account. In fact, you have a proposal on your desk you are getting ready to deliver to that very account. And having looked at the account’s current coverage program and costs, you feel strongly your proposal is a definite improvement for the prospect. Yet your heart goes out to your friend. Your agency has had its share of downtimes but now is doing quite well. And although it may seem huge to your friend, this account would not be considered a must-have for you. It would be easy enough just to call the prospect and tell him you’ve decided you really can’t help him and let your friend keep the account for at least another year. Do you help your friend or the account?

#2 – *The Case of the Absent Audit*

Talk about being in the right place at the right time! One of your small restaurant accounts has been chugging along for years with fairly level sales. Then, about nine months ago, a large new housing development (single-family homes and apartments) appeared along the same road, and your account is suddenly one of the hottest spots in town. Her sales are going through the roof, and every Friday when you stop for lunch, she is beaming ear to ear at the crowded dining room. On the one hand, you are happy for her new-found success. On the other, you are dreading renewal time. You know that when the carrier finds out about the much higher sales figures, it will do an audit that will make her head spin. You've tried to prepare her for it, but since she's never had to pay an additional audit premium in the past, you aren't really sure she has gotten the message.

Renewal time comes and goes, and lo and behold, no audit appears. You drop an e-mail to the underwriter and ask where the audit is in the pipeline. To your surprise, the return e-mail says that past audits have generally revealed that these types of accounts generate insufficient additional audit premiums to justify the resources and effort. So the carrier's position is now simply to close the policy year on these accounts without an audit. As you read the message on your computer, you find yourself with mixed emotions. Your client just caught a major break, but you also know the carrier is leaving a lot of money on the table. What's your next step?

#3 – The Life of a Field Underwriter

One of your top agencies is positively salivating at the next trip your company is sponsoring. But there is one fly in the ointment. In addition to the increase in property and casualty premium required for the agency to qualify, your employer has added a life requirement. While minimal, the rule has been handed down from on high—no matter how much P&C the agency writes, without at least one life insurance application during the qualification period, the agency isn't going. You can't believe that in an 18-month period, an agency of this size hasn't written a single life insurance policy with your company, but this one hasn't. When you called and asked about it, the agency told you quite clearly that your company's life insurance policies are among the worst in the business, and they can't ethically place any of their clients with you when the agency has other carriers with vastly superior life products. Besides, they find it hard to believe you would disqualify them from the trip considering the amount of P&C they place with you.

While relating this tale to one of your compatriots, he suggests a simple solution. "Call them up and tell them to write a policy on YOU." When you question the wisdom of this, and also point out you really don't need another life policy, your compatriot responds, "Okay, then you tell them they aren't going on the trip. Look, a couple of my agencies were in the same boat, so I bought policies from them. Nothing extravagant, just enough to qualify them for the trip. Once the trip is over, I'll drop the policies, with no harm done. You know they deserve to go, and our life products are pretty lousy. Why punish the agency for doing the right thing by their clients?"

You have to call the agency. Are their trip plans dead, or do you get a life?

#4 – Who’s the Fairest of Them All?

Your company recognizes the market is softening again and, determined not to get into the pricing free-for-all that dominated the last soft market, decides an underwriting pricing strategy is in order. In your underwriting managers meeting, three “fair” solutions are suggested. One approach argues the fairest solution is to offer certain discounts across all the accounts of certain types. Restaurants, for example, would get maximum discounts of a certain percentage, retailers another, etc. The second solution suggests the fairest approach is to recognize some accounts are preferable to others, and price them accordingly. This requires dividing accounts into platinum, gold, and silver (the idea came from a frequent flyer program). Under this approach, the platinum accounts would get the most aggressive (lowest) pricing, the gold market would get medium discounts, and the silver, full manual rates. The third solution is much like the second, except its proponents argue the “fairest” approach is to designate not the accounts but the carrier’s agencies as one of the three levels. Then when asking for quotes, the platinum agencies could get the deepest discounts, the gold would get medium discounts, and the silver, no discounts at all. Which of the three proposals do YOU think is fairest? Why?

#5 – *Patch or Match?*

These hail storms are enough to drive an adjuster crazy! As you pull up to the umpteenth house turning in a claim from the most recent golf-ball-size bombardment, you can already tell what's coming. You can see from the driveway that on the front and one side of the house, the siding looks like it's been hit by grapeshot fired from a cannon. It will definitely have to be replaced. Walking around the outside of the house with the owner, you note the other side and back seem untouched. You tell the owner you can approve replacing the two damaged sides, but there will be no need to pay anything for the other two. "But wait a minute!" the owner cries. "This siding goes back a few years. There is no way those new sides are going to match the old ones. If they don't match, my house is going to look stupid. And I know folks who tried to sell their homes with siding that didn't match, and they took a huge hit on the selling price. So it seems only fair that you replace all four sides. After all, every bit of this problem was caused by the hail storm." You understand his problem, and in fact, find his argument reasonable. The policy speaks to replacing damaged property only. While the argument as to whether siding which no longer matches is considered "damaged" is one often debated by coverage experts, the basic insurance principle of making the insured "whole" certainly favors the owner's viewpoint. With all the hail damage in the area, you know no one will question your decision on this claim. What do you decide?

#6 – *Do Wrong and Wrong Make It Right?*

You can't believe what you are holding in your hand. This should have been the simplest claim in the world to pay, but not any more. For some reason, of the hundreds of policies you have seen from this carrier on this type of account, this one is totally messed up. The usual endorsements are missing, including the one that provides coverage for this particular claim. When you check with the underwriter, he claims the agent asked for the policy that way. When you call the agent, she tells you she just asked for the typical policy. So one of them made a big mistake, but you don't know which. All you know for sure is that this insured is being given the honor of paying for the mistake. You know if this account had been handled by standard procedures, the claim would be covered. But you also know that following the policy in your hand means you have to turn it down. If you do, by all rights, the insured should be suing somebody for E&O. Some days you just hate this job!

Do you decide not to punish the insured for the mistakes of others? Or do you follow the clear language of the policy you are holding?

#1 – A Friend in Need

Situational: There are conflicting long-term objectives, depending on whether the objective is the client's, the other agent's, or yours. Which you choose as the priority, and what you project the long-term affect to be (examples: your profitability, your friend's agency's survival, your relationship with your friend, the best coverage for the client), will affect your decision.

Rule-based: This depends upon rules believed applicable; there are no apparent licensing or regulatory rules that apply to this situation.

People-based: Applying the Golden Rule here depends upon which party you most identify with, and how you would like to be treated if you were that party. As a client, you'd like the lowest price and/or the best coverage; as your friend, you'd want to retain the account and keep your hopes up of riding out the current storms. Also, you are not sure how you would feel if your friend took an account from you that he knew you needed badly even though it would be just another sale to him.

#2 - The Case of the Absent Audit

Situational: Failure to tell the underwriter of lost premium, if he/she learns of the omission, could impair your future dealing with that carrier. If the client has been listening as you explained audit procedures, she may get the impression that by "letting this one slide," you are willing to compromise your principles. (Even if you do so in the client's favor, she is now aware of your willingness to bend the rules—why not *against* her as well as *for* her?)

Rule-based: If this "no audits for certain types of accounts" is now a firm rule for the carrier, then you have no problem going along. If this is simply a common guideline, with exceptions made when applicable, then you have a duty under your contract to alert the carrier to its potential loss of additional premium.

People-based: As the client, you would appreciate the savings on your expenses, but since you were prepared to pay a higher premium, this situation seems a bit too much like a "don't ask – don't tell" cover-up. The client might feel better if she knew the carrier was electing not to audit even after knowing her true sales. If you were the underwriter, you would certainly appreciate a heads-up, if for no other reason than to cover your bases with your superiors when the increased sales level appears on the renewal app.

#3 – The Life of a Field Underwriter

Situational: If you do this one time, you know word will get around; exactly how far are you willing to go to help your agents qualify for company incentives that they would otherwise be ineligible for? What impact will such “work-arounds” ultimately have on your company’s ability to effectively accomplish its aims for such incentives? Is your employer aware of the issues agents have with their life products, and are your actions likely to delay the time when that issue must be dealt with by the carrier?

Rule-based: Rules are rules—the agency didn’t qualify, so they don’t go.

People-based: You certainly understand how the agency feels, and you respect their decision to do the right thing by their clients. You, too, would surely expect to be rewarded rather than punished (by being disqualified for the trip) for such behavior. You know your employer clearly had certain goals in mind when drawing up the trip requirements, and it wouldn’t appreciate its agents and employees plotting ways to get around the clearly stated qualifications. How would you respond if your other agencies discovered your accommodation after they had either bitten the bullet and met the requirements or decided to forgo the trip rather than compromise?

#4 – Who’s the Fairest of Them All?

Situational: Any of the three approaches can be valid, but participants should come up with specific, data-based reasons that illustrate why that approach will prove of most benefit over time. Encourage those basing decisions upon pure opinion, simple value judgment, or short-term objectives to set those aside in favor of the longer, fact-based view.

Rule-based: Any choices made must be coordinated and aligned with existing carrier rules on what is acceptable business underwriting, credits, agency contracts, etc. Determine if any of such existing rules should be revised or revoked before implementing the chosen approach.

People-based: If you were the account, which method would you perceive to be the fairest? Do you prefer the carrier or your own agent making such decisions? How would you feel if the resulting guidelines meant you would receive minimal or no discounts, despite the fact you are otherwise a profitable account? If you were the agent, would you qualify as a “platinum” agency? Would your accounts qualify as “platinum”? If not, what impact do you foresee each approach having on your ability to compete successfully for profitable accounts in your marketplace?

#5 – Patch or Match

Situational: The long-term outcome for this specific client (and possibly others) will surely be enhanced by replacing all the siding, but what of the financial impact on the carrier? Does its premium basis anticipate the higher claims settlements? What will be

the impact of your decisions on other adjusters, claimants, and carriers who are making different decisions? How will expanding the definition of “damage” affect insurance availability, affordability, and carrier nonrenewal decisions for this geographic area?

Rule-based: Absent a specific court case governing this scenario or other carrier guideline, the policy language stands as written. Unless you are prepared to defend your decision with this or similar objective evidence, the decision must be to pay for only the property damaged directly by the hail.

People-based: If you were this specific client, you’d clearly want all the siding replaced. If you were an insured who already thought insurance premiums were too high, you might take an adjuster’s willingness to increase greatly the amount paid for such a claim as proof the insurance company is in cahoots with the siding contractors. If you were the carrier’s financial officer or a stockholder, you’d want to pay only what the policy provided.

#6 – Does Wrong and Wrong Make It Right?

Situational: One possibility is to argue it would be best for all parties to treat this claim as if the policy had been written correctly. Another is to point out the precedent being set – if an adjuster has the right to revise the policy to meet the needs of a specific loss situation, at what point has the adjuster overstepped his or her authority? What are the limits to making such revisions in any given situation? And what professional liability is being created for an aggrieved party—such as the carrier in this scenario or a client in a situation where the adjuster refused to change the coverage in place—to argue the adjuster’s arbitrary decision to either modify or not modify a given policy caused it harm?

Rule-based: As much as you sympathize with the client, the fact remains that whoever messed this up, it wasn’t you. Your responsibility is to follow the policy language and let the chips (and E&O) fall where they may.

People-based: If you were the client, you would feel you shouldn’t have to pay for someone else’s mistakes. As the agent, you would want this one paid since, at worst, it represents a clerical oversight on your part to verify that the policy was correct when issued. Why should a client suffer and you risk an E&O claim, when everyone knows the answer is simple: the company should cover the claim? As the underwriter, you might suspect the lack of coverage was an oversight and want to do the right thing by the client. But it just burns you that the agent clearly messed this up and now is going to get away with it.