



A Guide To Organizational Ethics Policy

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Introduction

Ethics and ethical behavior have been and always will be an integral part of the CPCU designation. They were emphasized from the beginning of the designation and remain a top priority of both The American Institute for CPCU (The American Institute or Institute) and the CPCU Society (Society). As part of an ongoing commitment to encourage ethical behavior by all insurance based organizations, the Ethics Committee of the Society generated *A Guide to Organizational Ethics Policy*.¹ The intent is to help any organization develop and implement an internal set of guidelines for its employees. The “Guide” follows a brief history of the importance and role of ethics in the overall CPCU movement.

A Brief History of the Role of Ethics in the CPCU Program

The American Institute for CPCU was established to inspire the public to recognize the property-liability business as a profession.² That lofty aspiration has guided the CPCU movement since its inception in the early 1940s. In his ground-breaking monograph,³ Dr. Edwin S. Overman identified a set of common components possessed by professions:

1. A need to strive for the ideal of altruistic attitude and behavior.
2. Necessity for a carefully conceived code of personal ethics.
3. Importance of a highly unified body of specialized knowledge.
4. Significance of a broad educational background containing generalized knowledge.
5. The role of searching examinations for determining the mastery of specialized and generalized subject matter.
6. Functions performed by professional societies consisting of those who have been admitted to membership in the profession.

Dr. Overman then went on to summarize the six essential requisites of a profession:⁴

1. Altruistic in nature.
2. Adopts and enforces a code of ethics.
3. Distinctive, systematic and well-defined body of highly specialized knowledge.
4. Deals directly with people and thus tends to identify itself with the desires, needs and goals of people.
5. Requires extended professional preparation.

Abstract

The American Institute for CPCU and the CPCU Society have been committed to ethical behavior of their members since their inception. Both organizations have also been encouraging others, both within and outside the insurance business, to both be ethical and encourage others to be ethical. In 2004, the CPCU Society's Ethics Committee requested insurance companies, agencies and brokerages, and other businesses related to insurance, to submit ethics statements, policies or codes so that the CPCU Society could present to all organizations a guideline for developing ethics policies. This paper presents the results of that research.

6. Depends upon the existence of a formalized group of members generally known as an association.

When ethics became an integral part of obtaining and maintaining the CPCU designation through the specialized CPCU curriculum, Dr. Ronald C. Horn fixed seven characteristics of a true profession:⁵

1. A commitment to high ethical standards.
2. A prevailing attitude of altruism.
3. Mandatory educational preparation and training.
4. Mandatory continuing education.
5. A formal association or society.
6. Independence; and with reservations,
7. Public recognition as a profession.

At the top of these lists are a commitment to high ethical standards and a prevailing attitude of altruism.⁶ The genesis of the CPCU designation includes not only a strong belief in ethical actions of people associated with the insurance business, but also a commitment to always place the interests of others before personal interests.^{7,8}

The CPCU designation program has always included mandatory educational preparation and training.⁹ This mandatory preparation is under constant review by the Institute and the number of examinations required has varied from as few as five in the early years to as many as 10 beginning in the mid 1970s. Currently eight exams are required.

Mandatory continuing education is not one of the requirements to maintain the CPCU designation. However, in the evolution of the CPCU designation, the Society established the voluntary Continuing Professional Development (CPD) education program, jointly administered with the Institute.¹⁰ To meet the criteria for CPD qualification, a CPCU certifies that he or she has earned at least 60 credits of continuing education each two years.¹¹ Both organizations strongly support the voluntary program and encourage all CPCUs to participate.¹²

In 1997, the Board of Trustees of the American Institute reaffirmed that the Code of Professional Ethics of the American Institute requires all CPCUs to continue their professional development. Because CPCUs are a diverse group with diverse learning needs, the board rejected the idea of a policing program to determine whether CPCUs have met a defined, measurable minimum standard. However, it expressed continued support for the CPD program.¹³

A formal society, the CPCU Society, was established in 1944, two years after the introduction of the CPCU designation. The Society, while working closely with the Institute, is an independent body of members who voluntarily join after receiving the CPCU designation. Ethics and ethical behavior have consistently been emphasized by the Society. One of the first committees established by the Society was the Ethics Committee.¹⁴ The Ethics Committee is only one of four standing committees of the Society.¹⁵ Further, in describing itself, the CPCU Society states:

The Chartered Property Casualty Underwriters (CPCU) Society is a community of credentialed property and casualty insurance professionals who promote excellence through ethical behavior and continuing education.¹⁶

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Through the Codes of Professional Ethics of both the Institute and the Society, members are required to use their best judgment and independence from outside influence in pursuit of the interests of their clients or principals.

Finally, as to public recognition, both the Institute and the Society have engaged in extensive efforts to inform both the insurance business and the general public of the importance of the goals and objectives of the organizations. They seek to highlight the CPCU designation as the premier property and casualty designation. In major part, this effort includes a charge to all designation holders and members of the Society to “spread the gospel” of ethical behavior.

From the standpoint of the Institute, S. S. Huebner and Harry J. Loman initiated the twin pillars of professional education and ethical behavior within the practice of insurance. The concepts were nurtured and expanded by Edwin S. Overman during his tenure with the Institute and eventually culminated in the creation of the Insurance Institute for Applied Ethics¹⁷ within the American Institute by Norman A. Baglini.

The growth of the CPCU movement included more than just encouraging ethical behavior among insurance personnel. Specific actions were taken by the Institute to first educate candidates in the theory and practice of ethical behavior and second to modify the requirements for the CPCU designation to bring recipients of the designation within specific ethical guidelines. For example, the Institute established an Ethics Policy Committee within its board of directors.¹⁸ Internally, the Institute established a Board of Ethical Inquiry¹⁹ to examine complaints against CPCU designees with the authority to prevent a candidate from becoming a CPCU and, at the other extreme, revoke a previously awarded CPCU designation based on violations of the Code of Professional Ethics.²⁰

Parallel with the work of the Institute, the professional association of persons earning the CPCU designation, the Society, also took up the banner of ethics and solidly ingrained ethics as part of day-to-day activities. The Society established its own Code of Professional Ethics applicable to its members including a procedure to revoke membership in the Society for the most serious ethical violations.²¹

Developing an Ethics Policy for an Organization

Creating and maintaining an Ethics Policy for an organization need not be a problem. Rather it should be a process. It only becomes a problem when it ceases to be a process. The Ethics Committee of the CPCU Society developed this Guide to assist organizations in the process. The goal of this Guide is to improve the behavior of all individuals within the insurance business.

Twelve steps are potentially involved in the process:

1. Create an ethical mission of the organization.
2. Select an appropriate number of major topics to be addressed by the Ethics Policy. The number will vary significantly from organization to organization. Table 1, on page 6, contains a list of topics that frequently appear in Ethics Policies and new topics, unique to any particular organization, should be added if appropriate.
3. If the major topics are broadly stated, select a few sub topics for each major topic as appropriate.
4. For each major topic and, if used, sub topic, write a short statement of the expected behavior of those to whom the Ethics Policy applies. Avoid using jargon and politically correct language to the extent possible.

5. If appropriate, identify how and to whom violations of the Ethics Policy should be reported.
6. If appropriate, identify the sanctions to be applied to those who violate the Ethics Policy.
7. If appropriate, identify an appeals process for those sanctioned.
8. Obtain both senior management and legal approval of the Ethics Policy.
9. Document all significant activities involved in creating the Ethics Policy.
10. Introduce and periodically reintroduce the Ethics Policy using senior management.
11. Provide all personnel subject to the Ethics Policy with a copy of the Policy and obtain a written indication that each understands and will comply.
12. Periodically update the Ethics Policy as appropriate.

Creating the “Ethical Mission Statement”

All mission statements should be simple one-sentence explanations that broadly describe the goal of the organization. Two sample ethics missions statements could be: “Treat customers, vendors, employees, owners and regulators as we would wish to be treated;” or, “Place the interests of those with whom we have business relationships above our own interests.”

This “mission statement” will be the touchstone that all ethical questions and situations are referred and judged.

Topics to Be Addressed

Every organization has certain concerns that may or may not be applicable to other organizations. When an organization has or can identify major areas of ethical concern, these should be selected as a major topic.

Some of the major topics may be addressed with the same approach as used for the “Ethical Mission Statement,” that is, by writing one simple sentence indicating a behavioral expectation. Other major topics may be addressed more specifically and reflect current organizational policies, procedures or rules. For example, if an organization has concerns about gifts given to employees by vendors or customers, the ends of the continuum of possible statements could be a simple statement such as, “Gifts to employees from vendors or customers are acceptable if the circumstances and expectations of the gift giver are not business related.” At the other extreme, a hard and fast rule could be stated such as, “No employee will accept any gift of any value from a vendor or customer.”

The choice will largely depend on how the organization will “manage” or “administer” its Ethics Policy. Those that choose to “manage” it will recognize that rarely a rule is appropriate for every fact pattern. In this situation, the recipient of the gift may be either given the authority to decide for him or herself if the gift is appropriate or report the gift to their organizational superior for discussion and decision. Those that choose to “administer” the Ethics Policy will establish rules and create the behavioral expectation that the rule will be followed.

To assist organizations in the selection of major and sub topics, Table 1 contains a list of topics that most frequently appear in Ethics Policy Statements of organizations in

the insurance business. The table lists major subject areas and sub areas related to the major area. This listing is intended as a guide and any particular organization should reorganize, add to or delete topics as appropriate to its organizational needs.

Reporting of Alleged Ethical Violations

The individual to whom ethical violations should be reported must be identified either by name or title. The procedure for reporting a violation should also be identified. A major concern in this area is whether the individual reporting the alleged violation may choose to be anonymous. Some individuals will be fearful of retribution if they must identify themselves. On the other hand, anonymity allows those with grudges to falsely accuse an individual. Anonymity also makes the investigation of a serious allegation more difficult and does not allow the investigator to judge the sincerity and integrity of the accuser. Legal assistance may be necessary to determine how any one organization will handle this problem.

Actions Related to Reports of Ethical Behavior

The legal system recognizes that violations of the law vary from relatively minor to major impacts on society. Criminal violations range from misdemeanors to felonies. The Ethics Policy need not establish such categories but should recognize that some violations merit a greater punishment than others. It may be appropriate to establish such levels of sanctions as:

- Discussion with management as to proper behavior in a similar situation.
- Notation in the personnel file of the violation.
- Written warning of violation.
- Suspension from the organization.
- Termination.

This listing is not intended to be exhaustive but rather illustrative of possible levels of sanction.

Another creative alternative for the organization is to also recognize and reward positive ethical behavior. The reward could be as simple as a “pat on the back” or as significant as a major prize or monetary reward. If such a system is chosen, it will be necessary to create a regimen for reporting and judging positive behavior.

Introduction and Maintenance of Ethics Policy

It is critical to have the approval of top management for the Ethics Policy. Additionally, in today’s society, legal counsel should be consulted as to the final wording of the Ethics Policy. Significant activities and actions while creating the Ethics Policy should be documented for future reference.

In addition to top management approval, it is also important that top management introduce the Ethics Policy. Otherwise, members of the organization may perceive that ethics are not important to the organization. After the introduction, copies of the Ethics Policy should be distributed to all personnel. Each member of the organization should sign a statement to the effect that he or she (1) has read the Ethics Policy, (2) understands not only the Policy but also importance of the Policy and (3) agrees to abide by the Policy.

Over time, after adoption, situations will arise that may suggest or require that the Ethics Policy be revised. If such revisions take place, it is again important for the changes to be documented and introduced by top management and for members of the organization to acknowledge that they have received copies of the changes.

It may also be useful to periodically distribute to members of the organization ethical scenarios including the facts and suggestions for ethical responses to the facts. These bring the Ethics Policy to life. It is best to use actual situations a member of the organization faced, sanitizing the facts to avoid placing an unwanted spotlight on any one particular individual.

Table 1
Major Topics and Sub Topics Found in Ethics Policies

Major Topic	Related Sub Topics
General Ethical Behavior	Honesty and Integrity
	Duty of Loyalty
	Protection of Company Assets
	Honesty
	Conflicts of Interest
	Independence in Business Dealings with the Public
Fair Dealing	Customers
	Vendors
	Third Parties
	Co-workers
	Government Officials and Regulators
Compliance	State Laws and Regulations
	Prohibition of Antitrust Behavior
	Equal Opportunity
	Foreign Laws
	Investigation/Litigation Cooperation
	Organizational Policies
Protection of Information	Internal/External Privacy
	Internal/External Confidentiality
	Insider Trading or Benefit from Material Knowledge
	Information Recorded Honest & Accurate
	Attorney-Client Material
	Intellectual Property

Table 1 (continued)
Major Topics and Sub Topics Found in Ethics Policies

Major Topic	Related Sub Topics
Prohibitions/Restrictions on Specific Activities	Gifts/Entertainment
	Political Activities/Contributions
	Discrimination, Violence, Harassment
	Personal Gain
	Outside Employment or Business Interest
	Use of Intoxicants/Controlled Substances
	Weapons Possession
	Immoral/Indecent Conduct
	Fees/Commissions
Disclosure	Third Party Reporting
	Accurate Financial Transactions
	Violations of Policy, Laws or Regulation
Professional Education	Attainment of Designation
	Continuing Education

Endnotes

1. The Ethics Committee of the Society collected 75 ethical codes of conduct from different insurance organizations, examined each, categorized the types of requirements within the codes and reports here on the essential elements of such guidelines for organizations. The individual organizations responding were promised confidentiality. In the spirit of confidentiality, the identity of the 75 organizations will not be given here.
2. The CPCU designation was established in 1942 under the leadership of Dr. Harry J. Loman.
3. Edwin S. Overman, *The Professional Concept and Business Ethics*, American Institute for Property and Liability Underwriters, Bryn Mawr, PA., 1963, pp. 4-10.
4. Overman, *The Professional Concept*, pp. 10-12.
5. Ronald C. Horn, *On Professions, Professionals, and Professional Ethics*. (Malvern, PA: American Institute for Property and Liability Underwriters 1978), pp. 1-40.
6. Horn, *On Professions*, p.10. Altruism "means unselfish concern for the welfare of others ..."
7. The American Institute has a pledge, the "CPCU Professional Commitment," recited by all CPCUs that reflects altruism: "As a Chartered Property and Casualty Underwriter: I shall strive at all times to live by the highest standard of professional conduct, I shall strive to ascertain and understand the needs of others and place their interests above my own, and I shall strive to maintain and uphold a standard of honor and integrity that will reflect credit on my profession and on the CPCU designation."
8. The CPCU Society has a creed for its members that also reflect altruism. From the beginning it reads, in part, "As a member of the CPCU Society, I will use my full knowledge and ability to perform my duties to my client or principal and place their interests above my own. ..."
9. As to training, a three-year experience requirement exists before the CPCU designation will be awarded.

10. The concept was introduced by the Society in 1982 as a program designed for “self improvement and not window dressing.” James Marks, “The CPCU Society Story,” *CPCU Journal* (Supplement) March 1994, p. 31. It was adopted as a Society program in 1983. Joseph P. Decaminada, “Continuing Professional Development Program Adopted,” *CPCU News*, Nov/Dec 1983.
11. Richard L. Katten, “Mandatory Continuing Education for CPCUs-Why Not,” *CPCU Journal*, Summer 1996, p. 123.
12. The process to develop the CPD began in 1978 with the creation of a joint Institute-Society “Blue Ribbon Committee” and its presentation of a proposal for a Mandatory CE program. This led to the adoption of the CPD program in 1983. *Katten* pp. 122-123.
13. Wiening, Eric A., *Commentary on the Code of Professional Ethics of the American Institute*. 7th ed., 2003, American Institute for CPCU, Malvern PA, pp. 2.12-2.13.
14. The Ethics Committee of the Society was established in 1945.
15. In 1998 the Society restructured its committee system and eliminated all but four committees through the use of a group of single purpose Task Force Structure. Only the Ethics, Nominating, Budget and Diversity Committees remain as standing committees.
16. CPCU Society Web site: www.cpcusociety.org/page/46169/
17. The Insurance Institute for Applied Ethics was established in 1995 under Dr. Norman A. Baglini’s leadership.
18. The Ethics Policy Committee was formed in 1976 when the Board of the Institutes adopted the Code of Ethics and changed the by-laws. A joint committee of Institute and Society officers was established to develop the enforceable Code of Ethics to supplement the unenforceable CPCU Pledge. The Society proceeded to adopt its own Code of Ethics, which led to the Institutes establishing the Board of Ethical Inquiry with the authority to recommend to the Board of the Institutes appropriate penalties for violations of the Code to the Board.
19. The Board of Ethical Inquiry was established in 1976 as part of the adoption of the Code of Professional Ethics of the American Institute.
20. The original binding Code of Professional Ethics established by the Institute was adopted June 18, 1976. It has been revised five times – in 1983, 1984, 1990, 1995 and 1999.
21. The Society Board instructed the Ethics Committee to take steps to finalize a code in 1973. The Society Code has been both a part of its by-law and Board Policy. The Society Code was last modified in 2007.