Ethics and the Life Insurance Professional

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I watched a funny television commercial a couple of months ago that featured a family standing in a pretty dumpy used car lot. His wife and kids cheered Dad on as he prepared to negotiate with the used car salesman. He confidently declared that he was going to get a good deal or the family would be walking home.

Buoyed by his family’s cheers and shouted votes of confidence, he proudly walked into the rundown RV that served as the office. The commercial ends with the family walking home in a sad procession; clearly Dad was unable to get the deal he hoped for.

The “pregame pep talk” before walking onto a car lot is humorous and relatable. Most of us have had sales experiences in which we feel the need to “put on our game face,” show no weakness and remain vigilant to the salesperson’s inevitable attempts to take advantage of our relative lack of knowledge and expertise. The result is exhausted jubilation if we think we got the better side of the deal or woeful defeat if we fear we did not get as good a deal as we could have.

Regardless, the salesperson is our adversary and the game is zero-sum, meaning that all gains occur at the expense of the other party. Multiple media representations bring this pessimistic view of the sales process vividly and disturbingly to life, such as the well-known play and film, Glengarry Glen Ross, with its famous catchphrase of “ABC”—“always be closing.”

In 1927, Solomon Huebner founded The American College with the objective of making the sales of life insurance a profession. Many organizations and associations have built on Huebner’s legacy and strove to increase the level of professionalism and ethical behavior in the financial services industry.

In many ways, this project has experienced remarkable success. Most financial services providers view and identify themselves as professionals with an ethical obligation to look out for the best interests of their clients.

However, as with many things in ethics, we can have a wide agreement on principles but disagree on how to put those principles into practice. This is especially true in the sales process.

An ethical sales process requires us to ask three questions:

1. How much do I need to know?
   Clients expect life insurance professionals to be knowledgeable about products and also, importantly, knowledgeable about the right product for them. This differentiates life insurance professionals from people who sell used cars. We may expect these salespeople to have some level of knowledge about the product (although we would probably not expect them to be experts) but we don’t rely on them to recommend the best product for us, taking into consideration our needs, goals and objectives. Given cognitive and time limitations, it’s not possible for professionals to understand every nuance of the wide variety of different products available to meet the needs of their clients.

   What is required is that life insurance professionals exercise diligence in maintaining competency in their field of expertise. Part of what competency requires is an admission of what we do not know. We need to refrain from offering...
ourselves as experts when we lack the appropriate knowledge.

When practitioners act outside of their competency, it is usually because they are trying to be helpful in meeting the needs of their clients. But it is important to be honest about our limitations and, in the long run, this is really the only viable strategy.

2. How much do I need to disclose?

Perhaps the most important characteristic distinguishing the life insurance professional from the used car salesman is the obligation to inform and educate the client.

Consumers certainly do not expect traditional salespeople to share negative information about their products or their organization; instead, they’re expected to over-emphasize the positive. Indeed, an entire online industry has emerged to meet consumers’ needs for “full and accurate” information about the vehicles they are considering purchasing.

This may not be an accurate description of the motives of many car salespeople, but it certainly reflects a public perception that they are not to be trusted to tell the whole truth.

The public expects more from life insurance professionals. I think it is fair to state that ethical disclosure meets the following standards:

- **Information must be meaningful and relevant.** My first child was born over the Christmas holidays. Since our pediatrician rotated holidays with a group of doctors from another practice, a new doctor came to do Katharine’s final check before we left the hospital. She told us that Katharine had jaundice and proceeded to provide a fairly extensive tutorial (complete with diagrams of an infant liver) on the causes of jaundice and its symptoms. I was bleary-eyed, in pain and very frightened. I listened closely and tried to follow the seemingly endless medical jargon in order to find out what was going on and what to expect. This is exactly what I needed.

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out the seriousness of her condition. My husband, sensing I was reaching a boiling point, interrupted the monologue and calmly asked about next steps. The doctor looked a little miffed and huffily announced that because her levels were borderline, no immediate action was needed, but we should have her checked again in a couple of days.

This was a great example of an "information dump"—the verbal equivalent of trying to read the entire warranty information on a new crib (which rivals many insurance prospectuses). What was important to me was information about the next steps, what symptoms to look out for and when immediate medical attention would be needed. Everything that the doctor conveyed was true and correct, but it was presented in an unhelpful manner, which was frustrating, especially since I was so worried to get it right.

The point is easily transferred to the sale of life insurance products. Are you highlighting the important information? Are you presenting the information in a way that makes sense to your listener (perhaps moving from general concepts to more specificity)? Are you pausing to allow for questions? Remember, the goal is not to dazzle your clients with your command of arcane terminology, but rather to educate and inform.

- Tailor the information to your client's needs. Simply put, giving information in a boilerplate way does not meet our ethical obligations. I take a ballet class at a local exercise studio geared for people with non-dance backgrounds. However, some of the students definitely show a greater aptitude for ballet than other students (and I am firmly in the latter category).

Our instructor is wonderful. Every time a new move is introduced, she explains how your body should be positioned and how your body should feel when the position is done correctly. She offers multiple visualization descriptions—"imagine your back is against a wall" or "imagine that you are balancing books on your shoulders." She knows from experience that a single visualization will not work for everyone and keeps giving novel descriptions until every student is doing the move correctly.

The same should be true for your communication style. It is the responsibility of a professional to make sure the client understands. We have to keep trying until we see the click of recognition.

- Remember that the difference between lying by omission or commission is an ethical distinction without a difference. Both are wrong. Not only do clients depend on professionals to provide truthful information, but they also expect that professionals will not leave anything out. Most of us intuitively recognize that lying involves creating a false impression or belief in the mind of someone else and, further, that it really does not matter how this false impression is created.

3. How much can I push?

Many times people ask me how to draw the line when urging clients to purchase products or pursue strategies that professionals genuinely believe are in their clients' best interest. One can certainly imagine a well-intentioned adviser wanting to close the sale of a life insurance policy on a young, single mother with two dependent children for genuinely altruistic reasons. In my classes, I have witnessed fascinating debates over "how far is too far" to close a sale.

As with many things in ethics, it is difficult to specify a rule that can always be applied. But as professionals, it is our job to create an environment in which clients can make autonomous decisions that reflect what they believe to be their best interest. Part of how we create this environment is to provide them with all of the information they need to know, and to do so in a helpful way.

But creating an environment conducive to good decision-making also requires professionals to refrain from emotionally overwhelming their clients and giving them sufficient time to make decisions. While people may make a decision to purchase a product in an emotionally ramped-up state, if they are not rationally persuaded that this is their best course of action, their commitment to you and the strategy will diminish as soon as the emotional high (or low) deflates.

From an ethical perspective, it is morally wrong to befuddle people's decision-making ability, even if you think it is ultimately in their best interest for you to do so. The ends of this paternalistic approach do not justify the means.

In short, ethical selling requires that we go beyond what the law requires to create an environment in which people are able to make good decisions.

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