

A smiling man with dark hair, wearing a white dress shirt and a bright blue tie, is seated at a desk. He is looking towards a large black computer monitor on his right. His hands are visible at the bottom of the frame, with one hand on a green and black computer mouse and the other on a black keyboard. The background is a soft-focus office environment. The overall image has a warm, professional feel.

Code of Ethics Development

**AN AGENCY BUILDING PROGRAM
A SELF STUDY ACADEMY COURSE
& WORKBOOK FOR SUCCESS**

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Introduction

Insurance agencies or an individual agent has an important task to fulfill. Insurance coverage of any kind is largely in need of explanation, insurance companies distribute their products through qualified producers or agents. Thus, you are the indispensable link between the insurer and the customer.

Customer service is a demanding task: the variety of risks occurring, the development of social security systems, the resulting variety of insurance options and insurance forms, and the need of explanation of terms of insurance and risk/reward potentials require insurance agents with appropriate expertise to guide a customer's fully-informed decisions that is suited to the particular customer.

It is an insurance agent's task to consult the prospect or client about the coverage necessary and sufficient for him or her before enrollment and to properly and responsibly advise and support them during the life of the policy.

The successful execution of these tasks requires a relationship built on trust between the client and the agent. Even for the most valued and trusted advisor, long-term success is only guaranteed if the agent and/or agency fulfills certain prerequisites and obligations.

To fulfill these obligations, insurance agencies should work alongside their insurance agents in order to support a proper and professional sales and consulting process.

Insurance agencies should be aware of its responsibility with respect to the basic protection of consumers and their insurance agents.

One way to ensure success for all parties, is to develop a Code of Ethics.

Code of Ethics Framework

Professional ethics is not a separate kind of morality or moral conduct. To keep it simple: ethics are ethics. However, professional ethics is an extension of our basic personal moral and ethical beliefs.

Most of us learn a basic ethical code from our parents, or how we were raised.

However, some things are not inherent at all. That's one of the reasons why it is so important for your insurance agency to develop a professional Code of Ethics. A Code of Ethics is an organic instrument that changes with the needs of society and your organization.

Consider an average 9-hour day, 1 hour travel time to and from the office, and 8 hours sleeping. In theory; that should leave you 6 hours of recreational time every day. What do you think? Do you think you spend 6 hours day at recreation? First of all, most people do not work a basic 8-9 hour day; they work more! Then there are chores, of course; and errands – shopping, running the kids here and there, cooking, eating, mowing the lawn, paying bills, etc. All of these things add up so that you actually have very little time for recreation. And you find that you spend a majority of your life “working.”

So it stands to reason that if you live your professional life (the majority of your life) in an ethical and moral manner, you will also live your personal life in the same manner. Our work typically defines what we are and what we will become. Our work has become a core for defining ourselves in this day and age. Even the majority of our friends have started out as business acquaintances.

In today's society of digital marketing and communication, **a code of ethics is even more imperative.** Social media, search engines, smart phones – it enables us to access to more information in a shorter amount of time than ever before.

Code of Ethics Framework

Ethics in your insurance agency is all about prioritizing moral values for your agency and ensuring behaviors are aligned with those values – it can also be considered **“values management.”**

There are several benefits of managing ethics in your insurance agency:

- **Ethics programs cultivate strong teamwork and productivity –**
Ethics programs align employee behaviors with those top priority ethical values preferred by agency owners. Usually, an agency finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue regarding values in your agency builds openness and integrity. Employees feel strong alignment between their values and those of the agency. They react with strong motivation and performance.
- **Ethics programs support employee growth and meaning**
- Attention to ethics in your insurance agency helps your employees face reality, both good and bad, in the organization and themselves. Employees feel full confidence they can admit and deal with whatever comes their way.
- **Ethics programs help avoid criminal acts “of omission” and can lower fines or accusations.** Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an insurance agency is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act.
- **Ethics programs help manage values associated with quality management, strategic planning and diversity management**

Code of Ethics Framework

- Ethics programs identify preferred values and ensuring organizational behaviors are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviors with those values, and then training all employees about those policies and procedures. **Diversity is acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives; these activities are a basis of a sound ethics management program.**
- **Ethics programs promote a strong public image** – The fact that an insurance agency regularly give attention to its ethics can portray a strong positive image to the public. People see those insurance agencies as valuing people more than profit, as striving to operate with the utmost integrity and honor. Aligning behavior with values is critical to your brand and effective marketing efforts.

Guidelines for Managing Ethics

Recognize that managing ethics is a process – Ethics is a matter of values and associated behaviors. Values are discerned through the process of ongoing reflection. Therefore, ethics programs may seem more process-oriented than most management practices. Agency owners tend to be skeptical of process-oriented activities and instead prefer processes focused on deliverables with measurements.

However, experienced agency owners realize that the deliverables of standard management practices (e.g., planning, organizing, motivating, and controlling) are only tangible representations of very process-oriented practices.

For example, the process of strategic planning is much more important than the plan produced by the process. The same is true for ethics management. Ethics programs do produce deliverables (e.g., codes, policies and procedures, budget items, meeting minutes, authorization forms, etc.).

However, the most important aspect of a Code of Ethics is the process of reflection and dialogue that produces the deliverables.

Guidelines for Managing Ethics

The bottom line of an ethics program is accomplishing preferred behaviors in the workplace – As with any management practice, the most important outcome is behaviors preferred by the insurance agency.

The best of ethical values and intentions are relatively meaningless unless they generate fair and just behaviors in the workplace. That's why practices that generate list of ethical values, or codes of ethics, must also generate policies, procedures and training that translate those values to appropriate behaviors.

The best way to handle ethical dilemmas is to avoid their occurrence in the first place - That's why practices such as developing codes of ethics and codes of conduct are so important. Their development sensitizes employees to ethical considerations and minimizes the chances of unethical behavior occurring in the first place.

Make ethics decisions in groups and make decisions public, as appropriate – This usually produces better quality decisions by including diverse interests and perspectives, and increases the credibility of the decision process and outcome by reducing suspicion of unfair bias.

Guidelines for Managing Ethics

Use cross-functional teams when developing and implementing the ethics management program

– It's vital that the insurance agency's employees feel a sense of participation and ownership in the program if they are to adhere to the ethical values. Therefore, include agents in developing and operating the program.

Value forgiveness – This is probably the most important component of any practice. An ethics management program may at first actually increase the number of ethical issues to be dealt with because people are more sensitive to their occurrence. Consequently, there may be more occasions to address people's unethical behavior. The most important ingredient for remaining ethical is trying to be ethical.

Creating a Code of Ethics

Your insurance agency's reputation is one of its more important assets. Best understood as how your prospects, customers, and employees view your agency, reputation has a tremendous effect on business success. Agencies with strong reputations deliver higher performance and service, they also have increased support and productivity from their agents, as well as greater sales and customer retention.

As in the creation of anything, there are steps to be taken to establish your Code of Ethics. Usually the writing and development of a Code of Ethics is done by a committee. The committee might utilize another company's Code of Ethics or utilize their State Insurance Department for guidelines.

The following is an example of some steps that could be followed in order to create a professional Code of Ethics:

- Define "Professional;"
- Define "Ethics;"
- Determine what it means to perform professional ethics;
- Establish a foundation for moral professionals;
- Create moral explanations;
- Justify and explain moral reasons; and
- Create moral theories (values are interpreted by means of theories).

Creating a Code of Ethics

You will also want to define the general principles guiding your business and identify how those principles should apply towards conduct with:

- Policyholders
- Agency Employees
- Carriers & Partners
- Colleagues

It's also important to include information regarding regulations from your State Insurance Department, the mission statement of your agency, the relationship between agent and agency, and an in-depth review of misconduct, prohibited activities, compliance, etc.

As such, we've compiled a helpful workbook for insurance agency owners who are ready to take the next steps in the development of their Code of Ethics.

If you find that you have questions or concerns regarding the development of your Code of Ethics, feel free to contact Agent Pipeline's Compliance Board. We will be happy to assist you with ensuring your Code of Compliance, Conduct, and Ethics are in alignment with industry standards.

Creating a Code of Ethics

Compliance Department Resources

- [Agent Pipeline's Compliance Board](#)
- [Combating Fraud, Waste, and Abuse Training](#)
- [Compliance Program: Guide for FDRs](#)
- [Reporting an Incident to Our Compliance Board](#)
- [Request a Compliance Review](#)

Code of Ethics Workbook

Define Professional:

Define Ethics:

Define Professional Ethics:

Code of Ethics Workbook

What is the foundation for your ethical commitments
& how will they be applied?

What are the morals and values you wish to incorporate
in your Code of Ethics?

Code of Ethics Workbook

To establish ethical rules, there must be commitments to the precedent values, reasons for the rules and the moral theories behind them.

How will you approach continuous improvement of your values and morals? Will you provide training, ethics initiatives and program? List all of your approaches.

Code of Ethics Workbook

What will be the “Standards of Conduct” to enforce within your insurance agency? Consider the obligation your agents have to their policyholders, to the agency, and to team members.

Code of Ethics Workbook

Define the purpose of your agency and the insurance agents within your agency. A good idea would be to explain the “basics” and purpose of insurance, why ethics matters to their clients, why their expertise matters to policyholders, etc.

Code of Ethics Workbook

Define insurance regulations that apply to your State Insurance Department and outline specifics in relation to the following sub-standards. Some of these sub-standards may also apply to your interaction with insurance companies and your agency's approach to the situations.

Financial Stability

Code of Ethics Workbook

Licensing

Rates

What is your insurance agency's mission statement?

Code of Ethics Workbook

What are the supervisory functions of your management teams, team leaders, or insurance agency as a whole?

What are the regulatory functions of your insurance agency?

Code of Ethics Workbook

In this section, you will review the agent's purpose, how they apply their values to situations and other groups. What are the obligations of insurance agents within your agency?

Code of Ethics Workbook

Define “liability” and who is liable for what
– carrier, agent, agency, policyholder, etc.

Define “Fees & Commissions” – outline how agents will be paid, how the agency is paid, and how carriers pay. This would also be a place to discuss policy fees, payment of premiums and other payments made by the policyholder.

Code of Ethics Workbook

Define the relationship(s) within the insurance agency. Who is the principal? How do the agents behave with the principal? Are there levels of achievement or advancement (e.g., support for GAs)?

Define “the creation” – here you will explain that the agency relationship is created through appointments, estoppel or ratification. This is where you will need to specify any additional creations of agencies within your agency.

Code of Ethics Workbook

Define “agent authority” – what authority does an agent have to act on behalf of your insurance agency?

Define and describe “limitations & responsibilities” for acting on behalf of your insurance agency.

Code of Ethics Workbook

Define “fiduciary” – how does this apply to the agent acting as a fiduciary in relation to your agency?

Will insurance agents have obligations to you as the principal of your insurance agency? If so, this is where you’ll need to define and explain each of these obligations.

Code of Ethics Workbook

Define your obligations to insurance agents within your agency.
Some examples of your obligations would include:

Employment Agreement

Obligation of Compensation

Indemnification of Agent

Code of Ethics Workbook

Define “misconduct” – elaborate on any prohibited activities. Examples of these would be misrepresentation, fraud, altering applications, forgery, misleading sales techniques, etc. Each activity will require a definition.

Code of Ethics Workbook

Outline consequences and how violations will be handled. Will you perform investigations of alleged ethical violations? What are the written procedures (i.e., verbal warning, written warning, suspension, termination of employment, etc.)