

Insurance Ethics: A Pragmatic Approach

Dennis R. Cooley

Director/ Northern Plains Ethics Institute

Professor of Philosophy and Ethics/NDSU

Problem

- People should be virtuous and act ethically, but at times, they aren't and they don't.
- So how do we make things work better?
 - Work with what is real (good) rather than the perfect.
 - <https://www.chuckgallagher.com/2016/07/26/construction-ethics-why-good-people-make-bad-choices/>

What are the ethical issues you face?

Discuss

Provided by some folks you might know

- **Collusion** between agents and /or adjusting staff and/or producers to increase bushel loss percentages and indemnities.
- Agents **back dating** program documents including applications, acreage reports, production reports
 - adding a timely date for a producer who did not submit paperwork timely.
- Agents providing blank documents for signature to producers/insureds (**Fraud?**)
 - providing a producer a blank acreage report to sign and then the agent filling it in later for the producer.
- Agents signing program documents on behalf of producers/insureds (**Fraud?**)
 - signing a document for a producer who can't seem to get to the office by the deadline, or is possibly out of town.
- Giving away large ticket items as an incentive to do business w/the agent – **rebating**

Why do these happen?

What is to be done
about them?

A pragmatic approach

Rational Organization

- A business is a hierarchical chain of command based on rationality. The top of the chain makes rational decisions about goal and direction, and each step down makes rational decisions to accomplish the goals of her immediate superior.
 - Problem: we are not rational creatures acting rationally in our interactions.

Political Organization

- A business is a set of groups competing for power to fulfill their goals. These groups are not permanent, as goals change so does membership. Captures the reality the hierarchical chain of command ignores, which is we do make.
 - Problem: we are not always about obtaining power to achieve ends.

Socio-biotic community Organization

- "Politics and economics are advanced symbioses in which the original free-for-all **competition** has been replaced, in part, by **co-operative mechanisms** with an ethical content." (Leopold, p. 202)

Use what is real, rather than the idealized

- Working with the environment by making small changes that can fit into the functioning interactions that already exist will work, whereas those that are abrupt or bring greater disorder than the system can easily incorporate will eventually fail. (Leopold, p. 220)

Health

- "Health is the capacity for the land for self-renewal. Conservation is our effort to understand and preserve this capacity." (Leopold, p. 221)

How to make a more ethical work environment

- By understanding the environment – and the socio-biotic community – human interaction within it can be carefully designed to maintain their health and stability:
- Foster and sustain
 - Competition, and
 - Cooperation.
- End goal: flourishing for all socio-biotic community members:
 - Value and valued people.

People need to
be valued

- Shown through being:
 - Respected,
 - Listened to, and
 - Integrated into the community as a valued competitive/collaborative person.
- Examples when it wasn't done?
- Suggestions or stories about how you have done this?

Problem

- At the same time, people try to pursue their happiness through the shortest possible route:
 - Hedgehog v. Fox thinking – one principle explains everything
 - Generally works for competition and collaboration.
 - But the easiest solution is often the hardest, and the hardest is often the easiest.
 - Examples?



US Department
of Agriculture

- **What To Expect From Your Crop Insurance Agent**

A Good Agent

- *Has personal integrity*
- *Knows the agribusiness environment*
- *Understands how crop insurance works*
- *Communicates well*
- *Is a team player*
- *Stays current*
- *Provides guidance*
 - Even more valuable than answering technical questions about crop insurance products is the agent's ability to explain how crop insurance products support your marketing
- *business plans.*
- *Sends reminders*
- *Stays available*
- *Knows how to use a computer*
- *Is in for the long haul*

So, what from
that list refers to
morality?

- **Has personal integrity**

- For starters, the agent should be honest. You need to know that your production records and other personal information will be kept confidential.
- Unethical agent behavior can have a direct effect on you. For example, if an agent offers a prohibited rebate in an effort to get your business, your insurance coverage could be jeopardized.
- That's why the agent should be locally known and have a reputation of being trustworthy.

What other characteristics
should be added, and
why?

Discussion: Think about why morality is necessary
for society and for your profession

Case study in
Fraud

- Debra Muse, 63, pleaded guilty on April 16, 2018, and admitted to urging and assisting co-conspiring farmers to file false tobacco crop insurance claims with the Federal Crop Insurance Corporation, with the intent to help the farmers obtain crop insurance proceeds to which they were not entitled.
- These crop insurance claims contained falsified reports of tobacco production.
- Misrepresented the volume and quality of the farmers' crop production, led to inflated payments from the farmers' crop insurers, which are reinsured by the federal government.
 - \$8,917,515 in crop insurance indemnity payments to agricultural producers to which they were not entitled. (<https://www.farmanddairy.com/news/woman-sentenced-to-60-months-for-crop-insurance-fraud/513320.html>)

Ethical?

- Rational Model – Yes, if her boss told her to do it, but No, if the boss was against it
- Political Model – No, she got caught.

Socio-biotic community model

- Too disruptive to the environmental community's stability and health
- Need a Fox's nuanced approach to changing the system to re-stabilize it in a way that promotes flourishing for each stakeholder individual and group.
 - The evolution of a land ethics is an intellectual as well as emotional process. Conservation is paved with good intentions which prove to be futile, or even dangerous, because they are devoid of critical understanding either of the land, or of economic land-use. I think it a truism that as the ethical frontier advances from the individual to the community, its intellectual content increases. (Leopold, p. 225)

What needs to be done?

- Focus far more on a holistic approach, which includes all relevant elements to improve decision making, what we do and think, as well as making business and our environments more sustainable.

Goal

- The desired outcomes would be recovered stability of the socio-biotic community, which would then make the community healthier, as well as the ability to achieve your individual and professional goals.

Is this a practical approach?

- Just as in societies, the best we can do is to manage those traits that are unmalleable, try to change those that are malleable and need changing, and manage/change those that are malleable with a lot of effort.
- Focus on human nature – nature and nurture and self-acquired

What caused this to happen?

Discussion

What needs to be done to restore health of the community?

Discussion

The End of the Story?

- Muse was sentenced 60 months in federal prison for conspiracy to commit crop insurance fraud and crop insurance fraud.
- Ordered to pay \$1,656,275 in restitution.
- Must serve 85 percent of her prison sentence; upon her release, she will be under the supervision of the United States Probation Office for five years.

(<https://www.farmanddairy.com/news/woman-sentenced-to-60-months-for-crop-insurance-fraud/613330.html>)

Thanks!