



Quantifying Risk, Enabling Opportunity.

The Ethics of Claims Assessment Practices in the South African life insurance industry (an actuarial perspective)

Author: Johann le Roux, Paul Lewis

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AGENDA

1. The case study
2. Many questions and issues to consider ...
3. Applying classic ethical thinking strands
4. Introducing a more esoteric approach perhaps?
5. Blurring the lines - expectation or obligation?
6. Meeting the actuarial promise
7. Concluding remarks



2. THE CASE STUDY – POLARISED OPINION

**INSURER REJECTS R2.4M
POLICY PAYOUT FOR
NON-DISCLOSURE**

**FOLLOWING THE LAW
IS NOT ENOUGH**

**INSURANCE 101: MENTION
MEDICAL DETAILS
~ CONSUMER GURU**

**INSURER DID NOTHING
WRONG, LEGALLY**

WIDOW'S INSURANCE FIGHT

**INSURER URGES PEOPLE TO FULLY
DISCLOSE WHEN APPLYING**

**INSURER STICKS
TO GUNS DESPITE
OUTRAGE**

**INSURER FINDS
REASON NOT
TO PAY**

**INITIAL DECISION
NOT TO PAY WAS
CORRECT
~ SA SCIENTIST**

**SEVERAL FAMILIES BENEFIT
FROM INSURER'S NEW SOLUTION**

**INSURER'S DECISION
AND MOB RULE**

**WHAT IS FAIR
AND WHO DECIDES?**

**DISPUTED CLAIM
– THE OTHER SIDE**

**Conduct authority
will take lessons
from incident**



5. MANY QUESTIONS AND ISSUES TO CONSIDER ...

- What does it mean to act in good faith?
- Do South African insurers decline many death claims?
- What can we learn from global claims assessment practices?
- How informed are clients about how things work? Role of the adviser?
- How important is the financial sustainability of the insurer to society?
- Are industry claims assessment practices fair, legal and just?
- How well do life insurers connect with their clients' expectations?
- Can we use classic moral philosophies to solve these dilemmas?
- How can product actuaries promote a culture of trust?



8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS



Duty-based ethics

Action conform to duty

Contractual obligations
Regulatory & Compliance
Codes of Conduct



Consequentialism

Action seek best outcome

Goals and Objectives
Max gain; Min harm
The end justifies the means



Virtue-ethics

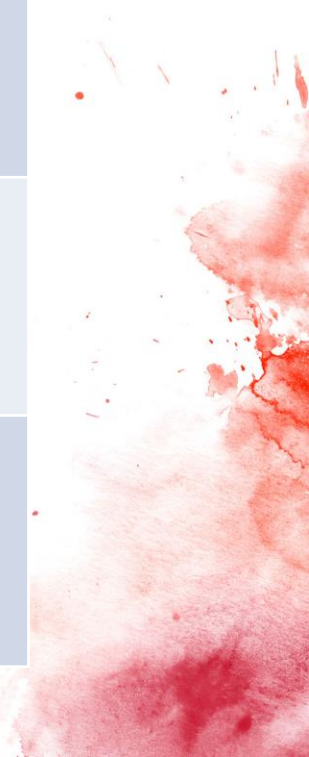
Action that of a good person

Character of the business
Values and Care
Reputation



8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

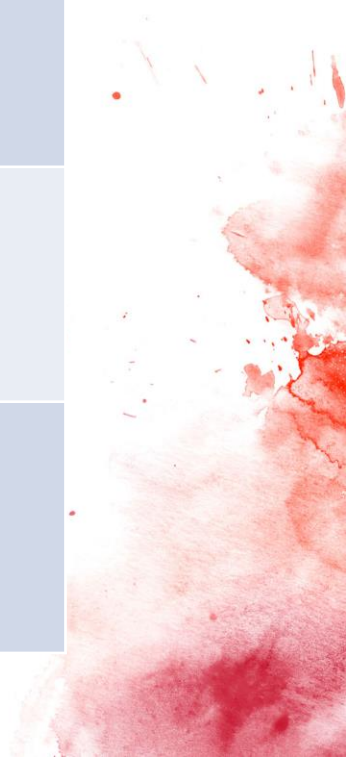
Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society





8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

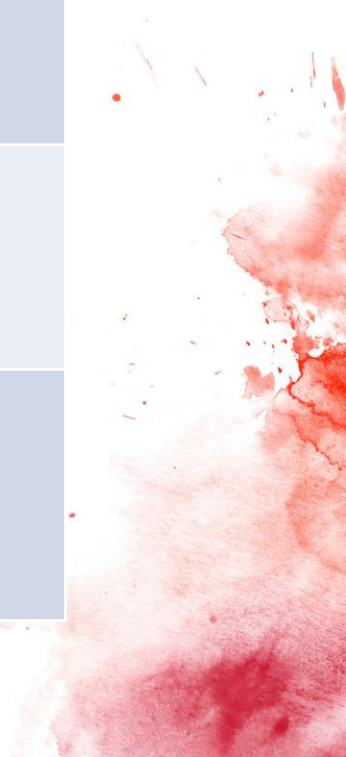
Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society
Duty to act in good faith, but what does this mean?				
If claim declined, financial ruin of beneficiaries				
Misrepresentation implies lack of integrity from client? Was client informed? How will my family deal with this?				





8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

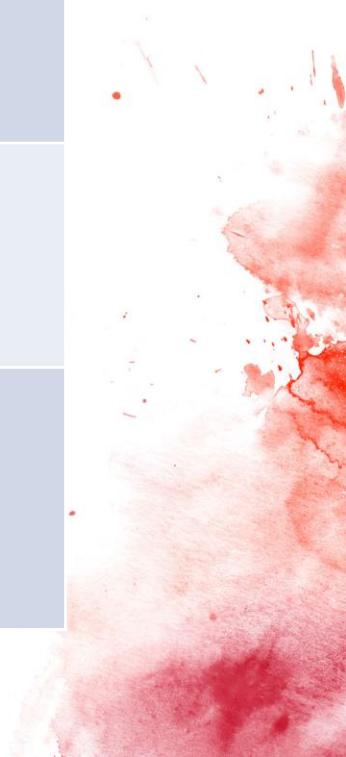
Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society
	We acted in good faith, expect others to do so also? Legal action against insurer if premiums to increase?			
	Increasing premiums will jeopardise affordability; TCF compromised? claim uncertainty;			
	Do I want to do business with insurer that condones fraud? Good to know that I do business with an insurer that cares			





8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

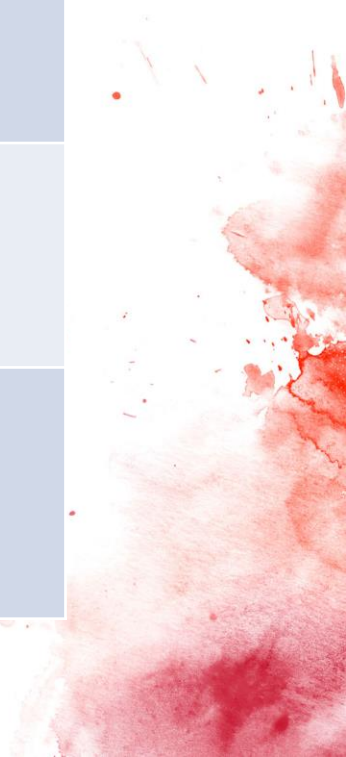
Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society
		To honour all contractual obligations		
		Financial soundness; Is abuse of staff ok? Loss of trust in brand and the industry?		
		Does empathy trump fraud? Reputational risk; What does it say about my values?		





8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society
			Ombudsman process support duty-based decision-making	
			Pressure on Ombudsman? How to balance solvency and TCF principles?	
			Reputational risk if not seen to act in public interest; FSCA and PA role?	





8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

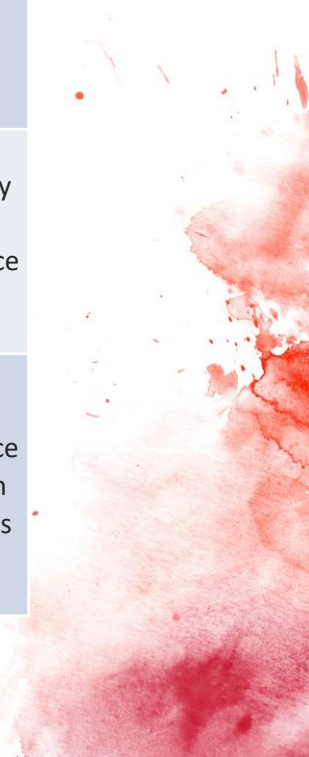
Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society
				Challenge “sense of justice”
				Trigger of violent crime; Society happy to pay higher premiums? Relevance of insurance?
				Very polarised; Majority of pathos with family; Reinforce industry reputation for not paying claims





8. APPLYING THREE CLASSIC ETHICAL THINKING STRANDS

Client & Family	Other Policyholders	Insurer & Industry	Regulator	Society
Duty to act in good faith, but what does this mean?	We acted in good faith, expect others to do so also? Legal action against insurer if premiums to increase?	To honour all contractual obligations	Ombudsman process support duty-based decision-making	Challenge “sense of justice”
If claim declined, financial ruin of beneficiaries	Increasing premiums will jeopardise affordability; TCF compromised; claim uncertainty;	Financial soundness; Is abuse of staff ok? Loss of trust in brand and the industry?	Pressure on Ombudsman? How to balance solvency and TCF principles?	Trigger of violent crime; Society happy to pay higher premiums? Relevance of insurance?
Misrepresentation implies a lack of integrity from client? Was client informed? How will my family deal with this?	Do I want to do business with insurer that condones fraud? Good to know that I do business with an insurer that cares	Does empathy trump fraud? Reputational risk; What does it say about my values?	Reputational risk if not seen to act in public interest; FSCA and PA unsure?	Very polarised; Majority of pathos with family; Reinforce industry reputation for not paying claims





<https://ethicsunwrapped.utexas.edu/glossary/virtue-ethics>



EXTREME VIEWS ARE CLEARLY NOT HELPFUL



VS



COGNITIVE
DISSONANCE



STILL ITCHY



- 1. ? 21.?
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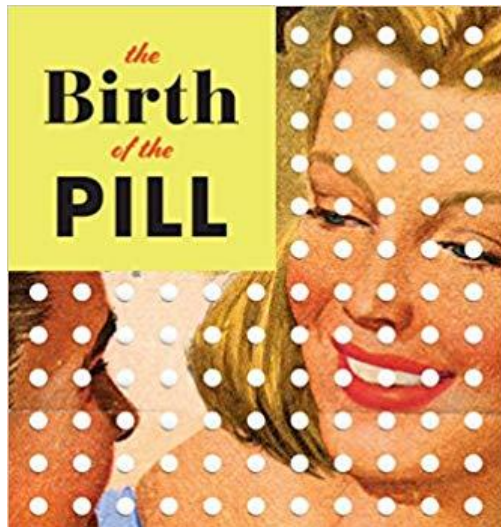
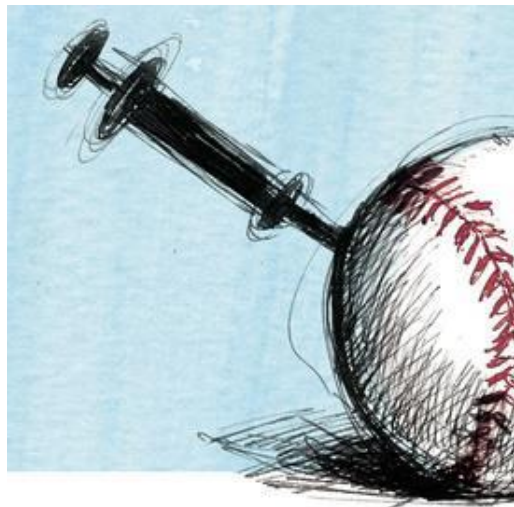


MALCOLM
GLADWELL
*Revisionist
History*

**DESCENDING
INTO THE
PARTICULAR**



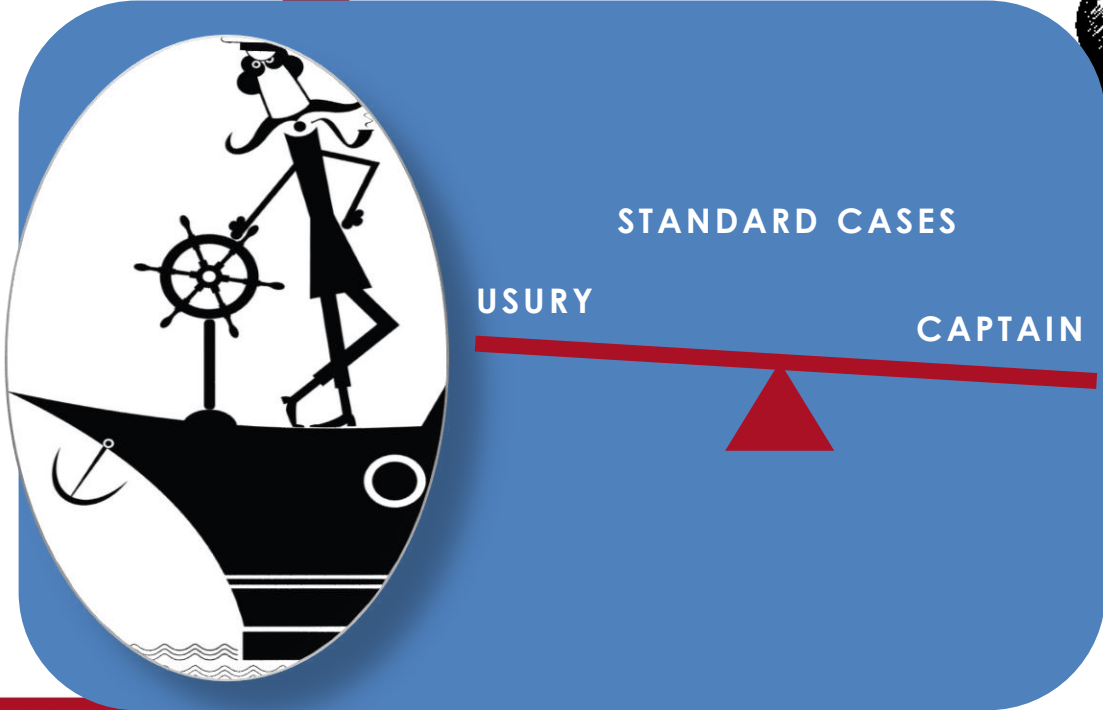
STANDARD CASES



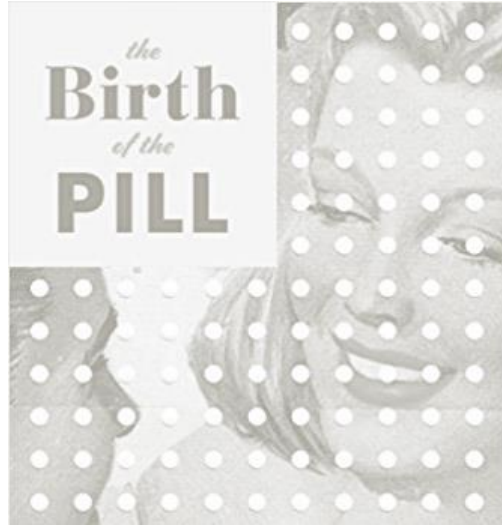
CASUISTRY

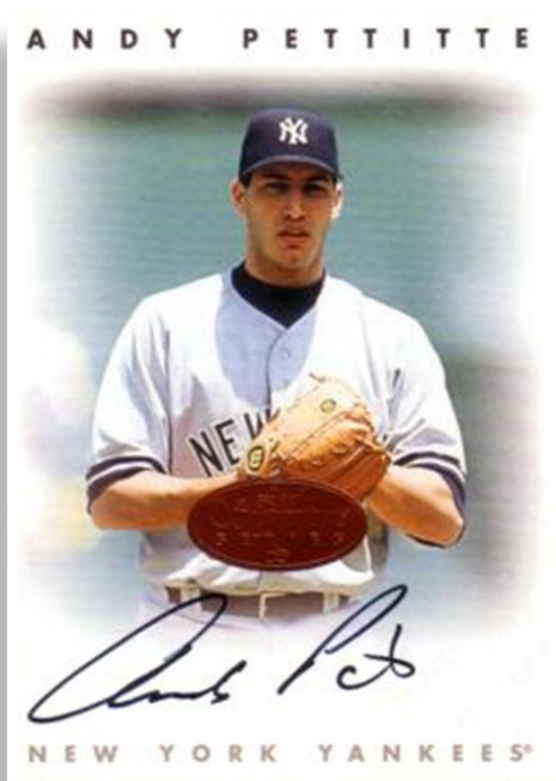
NOVEL PROBLEMS

PRINCIPLE



DESCENDING
INTO THE
PARTICULAR

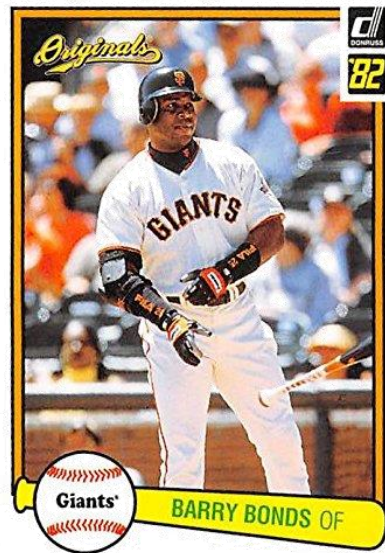




STANDARD CASES

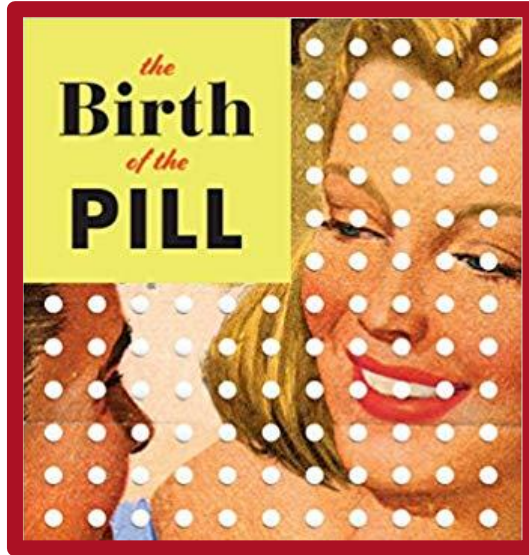


**SURGERY
NO
PERFORMANCE
IMPACT**



**DRUGS
HUGE
PERFORMANCE
IMPACT**







The Fertility Doctor

John Rock
and the
Reproductive
Revolution

Margaret Marsh
and
Wanda Ronner

Casti Connubii papal circular
of 31 December 1930, Pope Pius XI

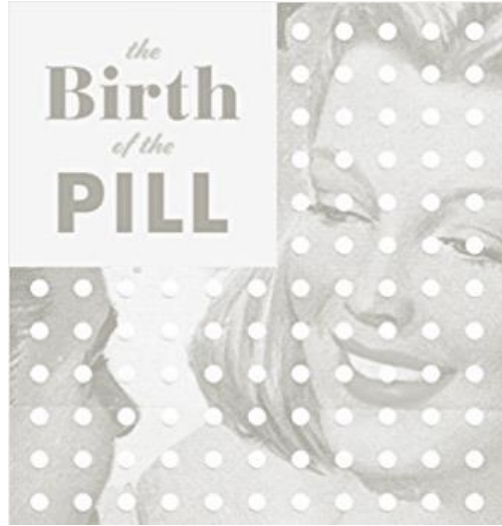
“Any use of matrimony exercised in such a way that the act is deliberately frustrated in its natural power to generate life is an offence against the law of God and nature, and those who indulge in such are branded with the guilt of a grave sin.”

STANDARD CASES

CONDOMS/
DIAPHRAGM

RHYTHM
METHOD







What happened (what is the truth)

Who was in the wrong

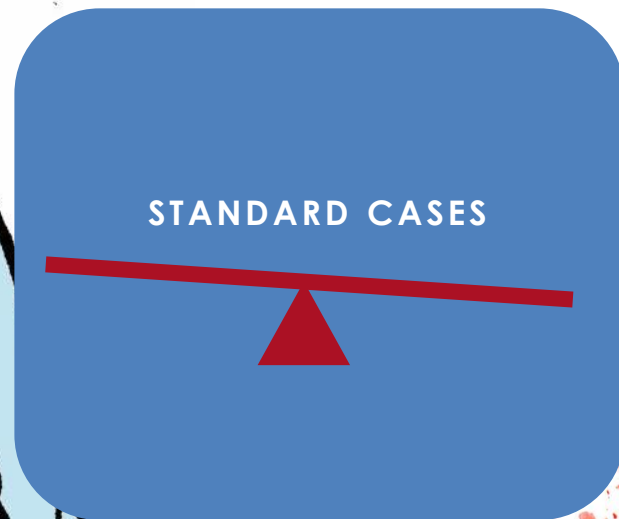
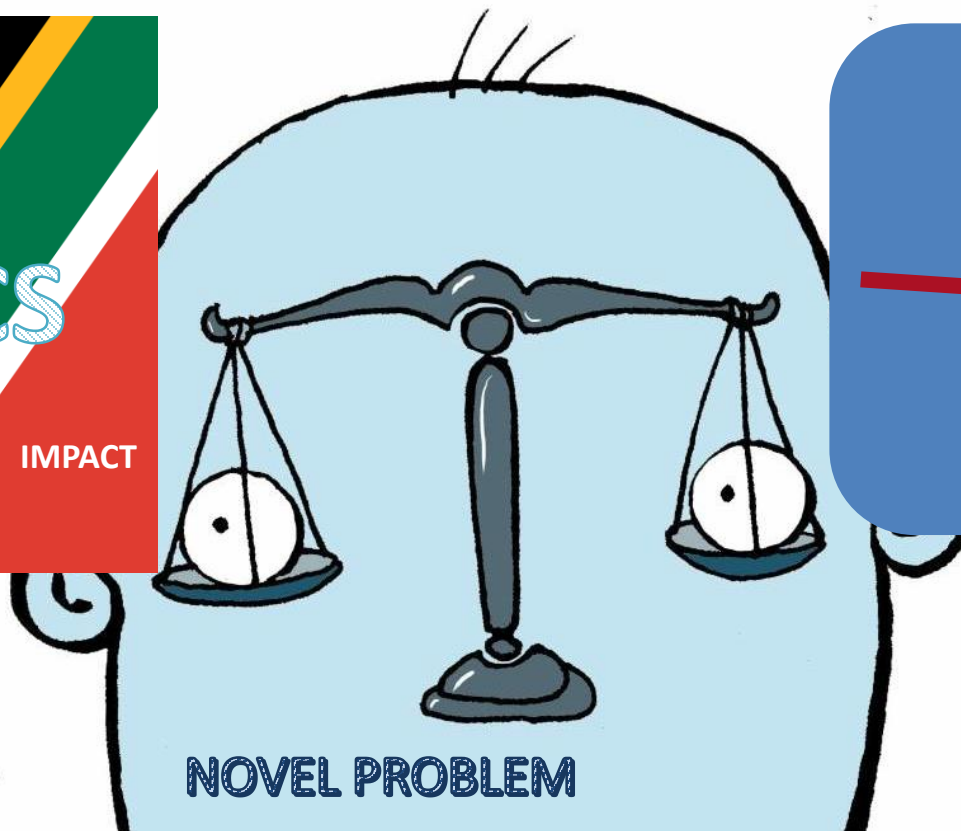
How can we reduce the chance of this happening again

“PATTERNS AND PRACTICES” INVESTIGATION





DISORDERED ATTACHMENT





ACTUARIES NEED TO STAND UP
PERHAPS EVERYONE IS WRONG
ACTUARIES NEED TO LEAD





10. BLURRING THE LINES - EXPECTATION OR OBLIGATION?



It seems a just expectation to honour your obligations.
But is it an obligation to meet another's expectation?



10. BLURRING THE LINES - EXPECTATION OR OBLIGATION?

The Six TCF Outcomes

- central to culture
- products meet needs
- clients are informed
- suitable advice given
- products perform as expected
- no post-sale barriers

Urgent need to pro-actively manage client expectations

- The language of obligation creates strong client entitlements; clients certainly hold a right to corrective action
- The language of expectation less onerous, but clients will be disappointed if their expectations are not met. Do they hold a right to corrective action?
- Relevance of life insurance industry anchored in its claim promise



11. THE ACTUARY'S PROFESSIONAL PROMISE

On Building Trust



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Competence



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Competence

Character



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Character

Connect



11. THE ACTUARY'S PROFESSIONAL PROMISE

Code of Professional Conduct	On Building Trust	Actuaries to Action
Knowledge and expertise	Competence	Use actuarial expertise to simplify product outcomes
Ethical behaviour (act with integrity)	Character	Alignment of underwriting, claims and pricing practices Benefits to match client expectations
Professional accountability	Connect	More than just judicial fairness; understand duty of care to all stakeholders; pro-active communication of how things work



12. CONCLUDING REMARKS

KEY INSIGHTS

- Life insurance is a necessary good for society
- Poor client and societal awareness of how things work
- Difficult to engage in an ethical dialogue on any media platform
- Many stakeholder needs to consider!
- Complexity of product and process

THE WAY FORWARD

- Life is not just about judicial fairness
- Future relevance of industry paradigm
- Perception informs reality ; what you do in practice informs perception

