



**IT PAYS TO
BE A MEMBER**

WELCOME!

To the NAIFA-Nebraska
Insurance Ethics Webinar

April 15, 2020

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**IT PAYS TO
BE A MEMBER**

MARK YOUR CALENDAR

for our

Next CE Webinar

“Reverse Mortgages”

(2 Hour Program)

Friday, May 15th

9:00 am to 11:00 am (CST)



**IT PAYS TO
BE A MEMBER**

MARK YOUR CALENDAR

for our

CE Webinar

“Hoarding”

(1 hour of GENERAL CE)

Tuesday, June 2nd

9:00 am to 10:00 am (CST)

The Ethical Code of Conduct

ETHICAL, MORAL, LEGAL, CULTURAL, TECHNOLOGICAL





Housekeeping

- Registration check in
- Webinar communication
 - Participants are muted and won't be able to share with your voice
- You will have access to the Q:A feature and can ask questions
 - Instructor or host will respond after each break to any questions



Housekeeping

- Break times will be 10 minutes
- Host and instructor will monitor break
- There is a “break clock” to help you return promptly



Housekeeping

- Regulatory oversight
 - The host or instructor will randomly ask “polling questions” and you the student must answer and confirm you are still active in the course
- You must respond within guidelines to receive credit



Housekeeping

- Follow up after the course
 - You will receive an email from your host confirming credits are entered
- On to our main attraction and course!

Facilitator introduction

- Insurance 30+ years
- Live in Nebraska
- Cyber compliance expertise
- Cyber insurance consulting
- I love Beagles/bassets and sometimes a Dog foster parent
- Cornhusker football fan!



Boots & Duke



The Ethical Code of Conduct

ETHICAL, MORAL, LEGAL, CULTURAL, TECHNOLOGICAL





Disclaimer

- Materials included in this presentation are not meant to offend. We encourage participation and remind you that each of us has a different ethical line and response to specific situations.
- Ethics courses are designed to assist in reviewing, sharing and evaluating different ethical viewpoints and moving our ethical line if led based on new information.
- Information can change rapidly. We do work hard to provide you the most current information available.



Pen and
paper for
notes

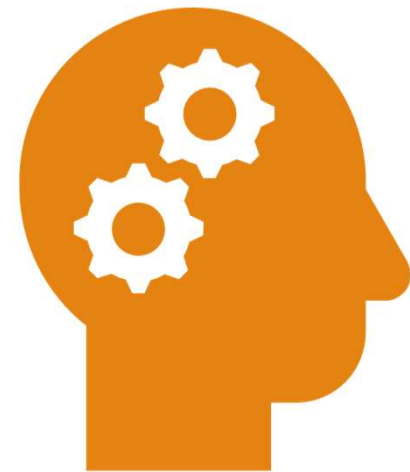
Course Objectives

This course is designed to provide insurance professionals the opportunity to assess the continuing shifts in morals, ethics and the laws that govern our country and communities and how it impacts our conduct as insurance professionals.



Course Objectives

The course highlights how enhanced technology capabilities in an information driven global world requires thoughtful and ongoing ethical decision making to confirm the industry's ethical line matches the consumer and culture of today.



When did you become
ethical?

WHO SAYS YOU ARE ETHICAL?

What does Ethics mean?

OUR ETHICAL LINE IS SHIFTING...WHERE IS YOURS TODAY?



What does ethics mean?



- Ethics consists of the standards of behavior our society accepts...*changing all the time?*
- Ethics is our morals, character and principles ...*shifting as new information is presented*
- Ethics has to do with what my feelings tell me is right or wrong...*Can I still trust those feelings?*
- Ethics has to do with my religious beliefs...*They are routinely tested in a complex culture*

What does ethics mean?



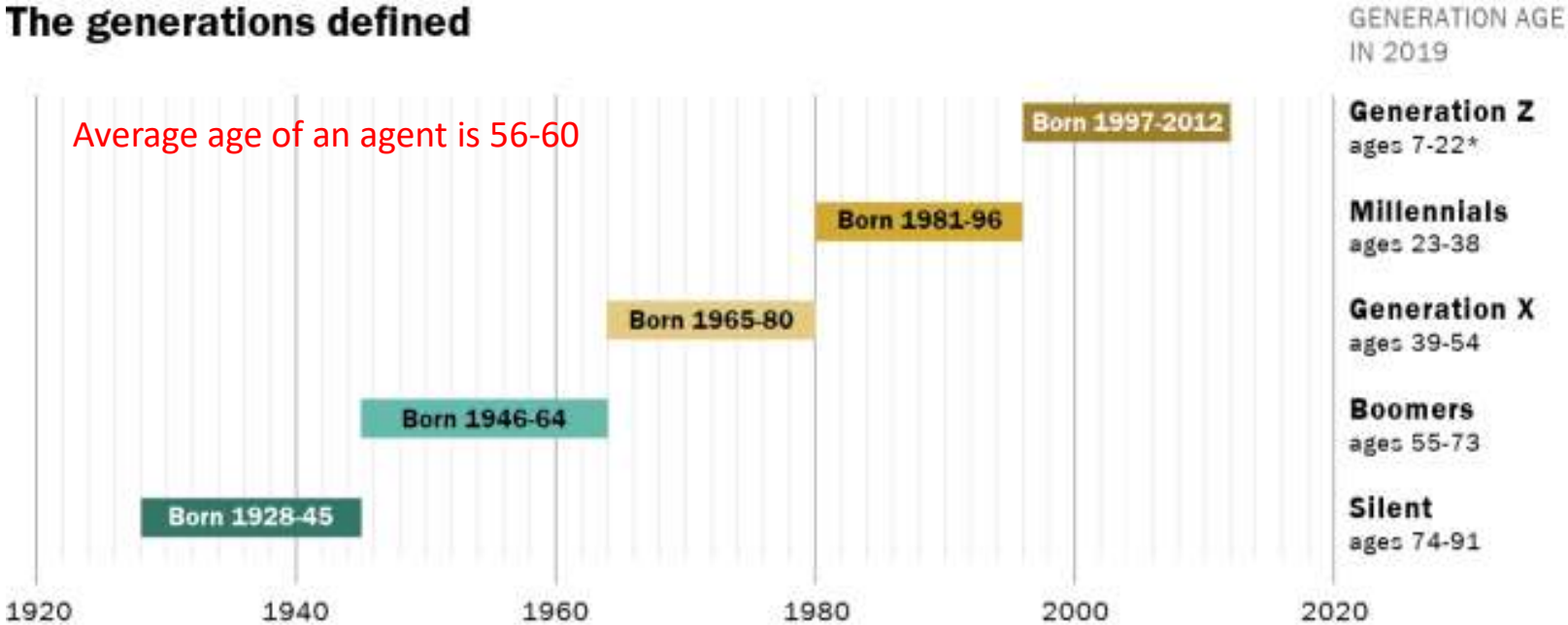
- Putting others before myself.
- Following the Golden Rule.
- Being ethical is doing what the law requires.
- Rules and regulations generate an ethical line.
- I don't know what the word means.

A Changing Cultural Environment

OUR BEHAVIOR...THE INFLUENCERS AND OUR ACCESS TO INFORMATION ARE CHANGING...GENERATIONAL KNOWLEDGE



The generations defined



*No chronological endpoint has been set for this group. For this analysis, Generation Z is defined as those ages 7 to 22 in 2019.

Information Driven Society

INFORMATION AND COMMUNICATION ARE CHANGING OUR
BUSINESS MODELS & OUR BEHAVIOR



Information driven society-Communication

➤ Business & ethical decisions

- Accessing
- Retaining
- Sharing
- Profiting
- Destroy...



Information!

➤ Business & ethical decisions

- Federal compliance liability regulations
- Moral responsibility
- Legal liability-Federal & State
- General privacy and security
 - Consumer trust
 - Vendor management

Information!

Information driven society-ethical lines

- Accurate information flow is critical
 - Restricted
 - Manipulated
 - China
 - Consumers internet is restricted
 - Goods and services are manipulated
 - Individuals with specific profiles
 - Limited or restricted to availability of specific products and services



Information driven society-Character shifts

- An individual's belief system can be enhanced by the actions of others

Morals

- COVID-19

- A quilting club sews personal protection masks for local hospital after hospital donates sheets.
- A local business 3-D printing company
 - Develops the prototype for masks and is mobilizing 3-D printers all over the world, connecting each to a local hospitals to provide masks.



Information driven society-Moral decline

- An individual's belief system can be judged by the actions of others
- COVID-19
 - Individuals price gouge on critical items to treat patients and prevent spread
 - Individuals do not heed the warning of state and local officials
 - Individuals do not practice social distancing
 - Groups of people that continue to meet
 - Businesses that do not close

Morals



Business behavior

MAKING GOOD ETHICAL AND BUSINESS DECISIONS



Information driven society-Behavior

- Business to consumer markets
 - 100,000 people in Nebraska begin to search influenza remedies
 - Does search engine vendor (ie, Google, Yahoo) have an *ethical responsibility* to report this activity to the CDC about a possible outbreak?
 - What if this is just a statewide essay contest and the subject is about influenza?

Loss of control by consumers of their **personal online life/information** and the level of access, retention and use by business is at a level never seen in history.

Information driven society-Behavior

- A life insurance client who exhibits behavior contrary to the application you took 3 months ago via social media platforms that you-the agent-access on a regular basis
- An auto insurance customer who's driving habits appear to increase the risk of an accident and the insured highlights that behavior on social media

Field underwriting thought process...
Recognize behavior shifts...
Policy language changes...

Information driven society- Behavior

- Consumer to consumer
- UBER, LYFT
- AIRBNB
- EBAY
- Craigs list
- Garage sales
- Auto sales

Liability

Risk

Fraud

Death/disability

Our influences

PAST, PRESENT, GENERATIONAL & CULTURAL INFLUENCES



Evaluating our changing environment

- Past influencers-news
 - Walter Cronkite (CBS 1962-1981)
 - At retirement 91% had a positive opinion
 - Dan Rather
 - Last anchored at CBS in 2005
 - Only 21% believed him all or most of the time
- Today's news influencers
 - Unlimited access to news
 - Media bias
 - Opinions—strong
 - Facts--weak



**“I read it on the internet”
So...Of course, it is true!
That is the “news” source!**

Evaluating our changing environment



1985

18 Channels



2007

118 Channels

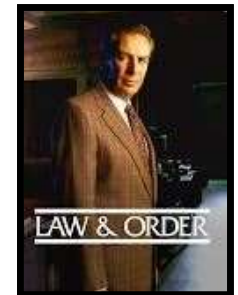
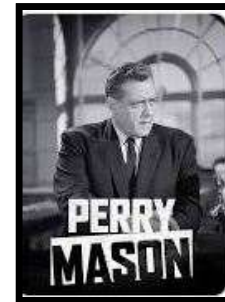
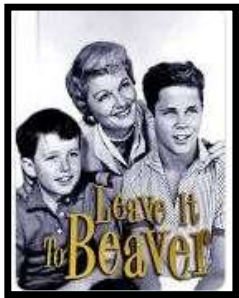


2020

Infinite...

- News
- Unlimited knowledge

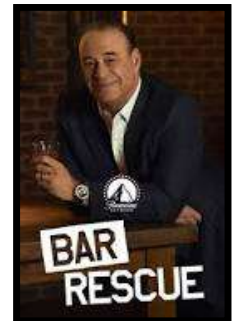
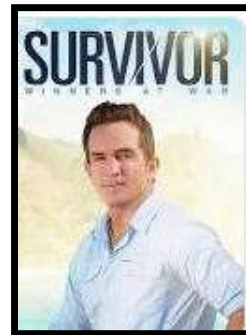
Culture shifting



Micro shifts of behavior over time

Culture shifting

Shifts that alter our morals, character and ethical decision making



Pinball machines to Gaming



The science of our minds and body

Pinball machines to Gaming



Halo Infinite
2020



Resident Evil
3
2020



Cyberpunk
2077
2020



DOOM
Eternal
2020



Final Fantasy
VII Remake
2020

The science of our minds and body

Evaluating our changing environment

➤ Cultural influence

- Elvis Presley
 - Expectations of society
- Anything is possible
 - Super Bowl family venue?
 - Shift in ethical line?



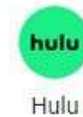
➤ Music influence

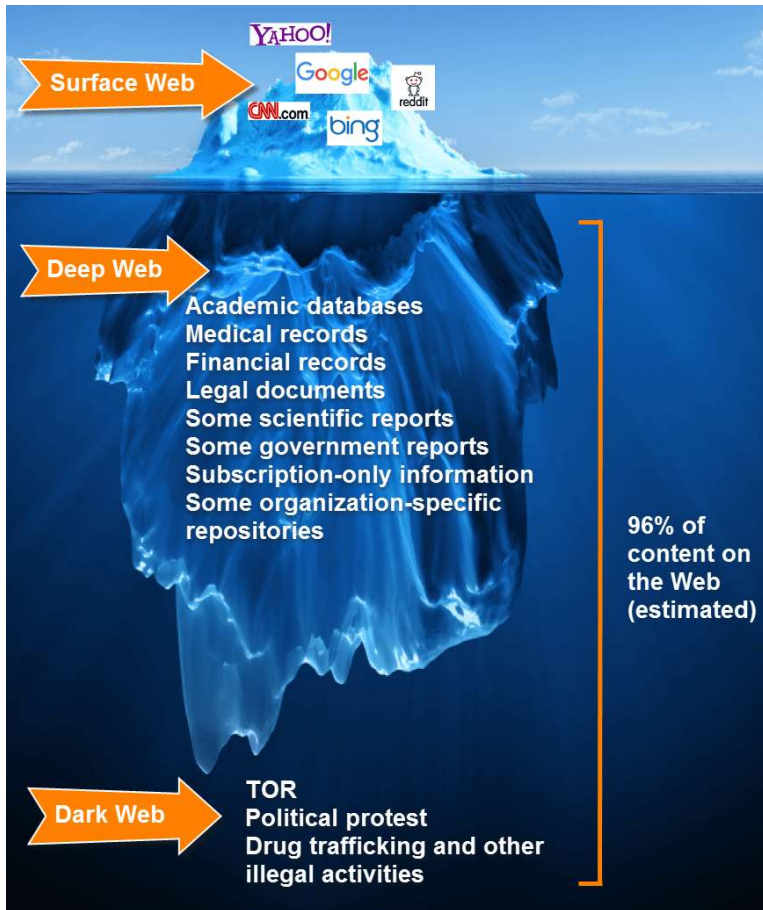
- Record player
- YouTube
- Infinite options



When the internet exploded

- 1990's actively begin the internet explosion
- 1995 we defined "Internet"
- Internet rolling from 1999 to 2000
- January 2020 indicates 4 Billion+ users online
- Everything you do online is saved somewhere





Dark side of progress

- Deep Web
 - Government
 - Medical
 - Academic
- Dark Web
 - Pornography
 - Perversion
 - Illegal activity

Evaluating our changing environment

Exposure

➤ Technology influence

- 3 channels to infinity
- Party line to a cellular line
- Face to face to Facetiming
- Encyclopedia to infinite access to information
- Anytime, anywhere
 - You know what I mean...

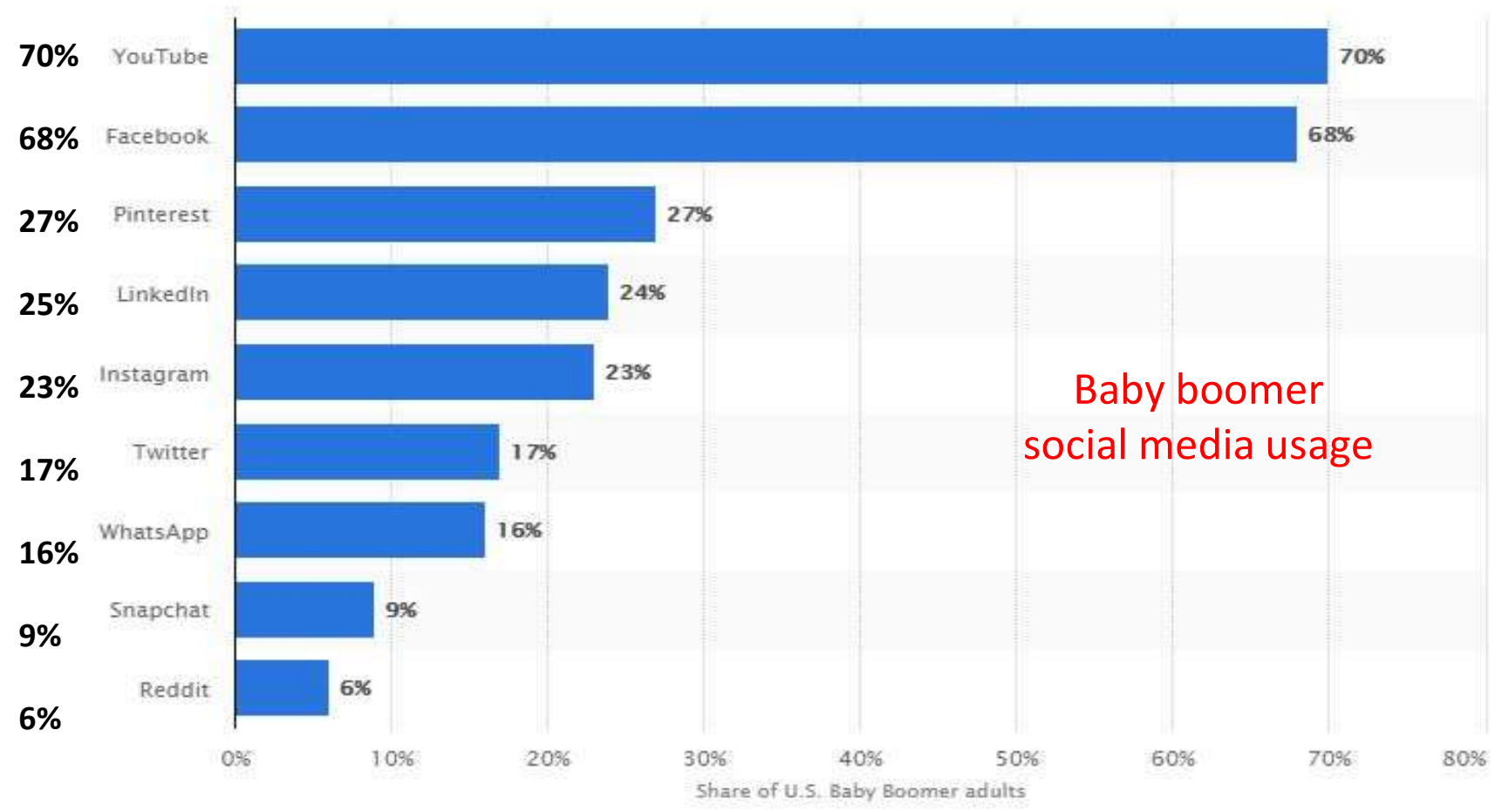
➤ Technology influence

- Climbing trees & riding bikes
- Playing video games
- Navigating joy sticks
- Future cars driven with a joy stick
- Our brains are wired different
 - Medical break throughs

Social media emergence

IT'S A WHOLE NEW BALL GAME

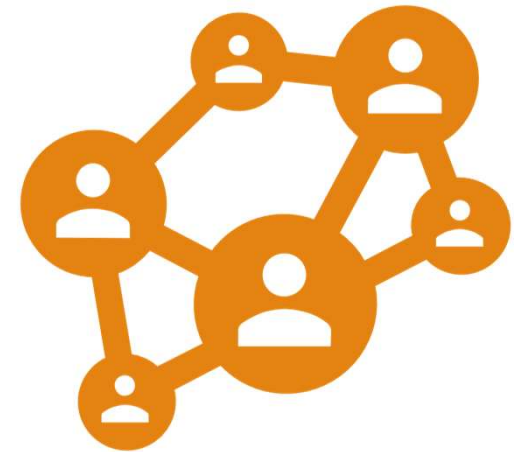




Baby boomer
social media usage

Generational differences

- Millennials-24% of the population—
(Remember age group: 23-39)
- Facebook - #1 social media—87%
- YouTube-86%
- Instagram-71%
- Snapchat-52%
- Twitter & Pinterest-42%
- LinkedIn-25%



VISUAL

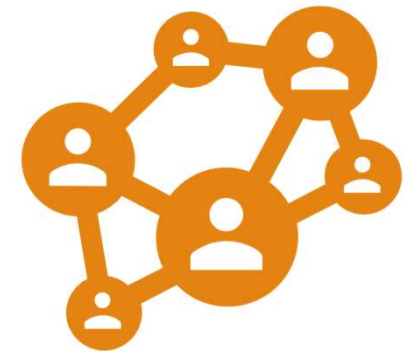
Generational differences

➤ TikTok

➤ Main audience

- Age 13 to 30
- Platform video
- ##Hashtag
- Mobile device

VISUAL

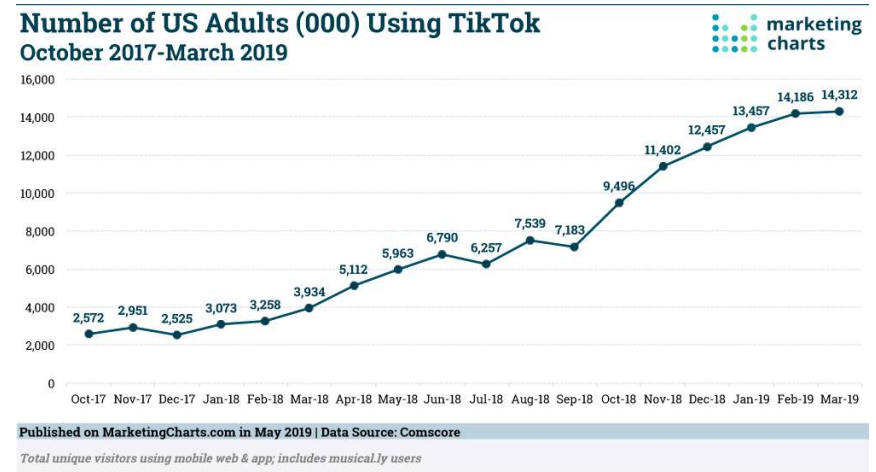


Average YouTube video
4 minutes 30 seconds

Average TikTok video
Approximately 30 seconds
Average user time: 52 minutes/day

Generational differences

- TikTok
 - Owned by a China company
 - Does not offer TikTok to China consumers
 - Douying is the Chinese version
 - Extreme censorship by government
 - 43% of users are India accounts
 - US Market share is 8.2%
 - US age group 16-24



Business and personal ethical behavior

➤ Data analytics

- The growing need for data
 - Electronic
 - Analysis
 - Algorithms
 - AI



➤ Workplace ethics

- Compliance policies on data protection
 - Access
 - Use
 - Retention
 - Sharing
 - Destruction

Moral Behavior Shifts

➤ Benefits

- Consumers have more options
- You can be “viral” overnight



➤ Consequences

- Consumer have more options
- You can be “viral” overnight



Toilet Paper Queen

Code of Conduct



Can I get an Amen or at least an I'm
here at my desk listening intently!!

Thank you, I appreciate your being here and hope we're keeping you
on your toes and thinking with us!

Drawing your own line

MINOR DECISIONS? TRANSPARENCY?



Exhibiting professional behavior

- Students in “live” classroom at the beginning of a 7-hour CE course are told by the instructor:
 - We’re not going to be here all day
 - I will be giving you credits for all 7 hours
 - Please sign your name on all the forms I’m passing around and then we’ll take a break. (Break occurs 30 minutes into class)
 - Students return from break, instructor discusses golfing and before the top of the hour dismisses students with 7 hours of credit



Exhibiting professional behavior

- Should there be a concern over how credits were offered by the instructor?
 - Fraud against both the department of insurance and the students
- What consequences may occur if one student addresses the event?
 - All student credits are retracted for the class
 - Instructor job impact
 - Company loss of state appointment
 - Student impact
 - Past credits voided for any agent that took a class with this instructor



Exhibiting professional behavior

- What ethical behavior is supported by a decision to report the instructor?
 - An individual's morals, values, knowing right from wrong
 - It is a time to examine your ethical line
 - Is this really an issue?
 - Everybody gets out early, it's an unwritten rule
 - If the agent draws that line for CE, what line is drawn for decisions at the office?



Exhibiting professional behavior

- Is it possible that none of the students would report the instructor?
- An ethical line is drawn on how the matter is handled
 - Minor offense
 - Major offense
- A student could take additional credits to overcome the 7 hours
- Legal consequence of nonreporting
 - Income chargebacks if course affected licensing renewal and was later discovered
 - You may look over your shoulder for credit redaction



Drawing a line in the sand

- Training instructors who routinely facilitate live classroom
 - Expect professional behavior
 - Understand distractions
 - Cell phone
 - Side chatter
 - Sleeping



Drawing a line in the sand

- Webinar participation and interaction
 - Multi-tasking during webinar
 - Asking a colleague or staff to “sit” a webinar for your credits
 - Take an online class for you
 - Additional ethical standard students must rise to in a changing learning environment
 - What is your purpose for education?
 - Get it done
 - Learn and grow my knowledge/resources

- It’s what we do in the dark that builds character!



Crossing the line in the sand



Criminal consequences

Lack of participation
Licensing exposure



Civil consequences

Creates an opening
What example are you
setting for other staff



Ethical Behavior modeling

Good
Bad

Covid-19 virus

- Criminal consequences
 - Refusing to follow local, state or federal restriction.
- Civil consequences
 - Depends on who is watching
 - What example are you setting for other professionals, community, staff
 - Are you ethically irresponsible if you didn't communicate your business position during Covid-19 pandemic?
- Ethical behavior modeling
 - Good
 - Bad



Possible first break

Information overload

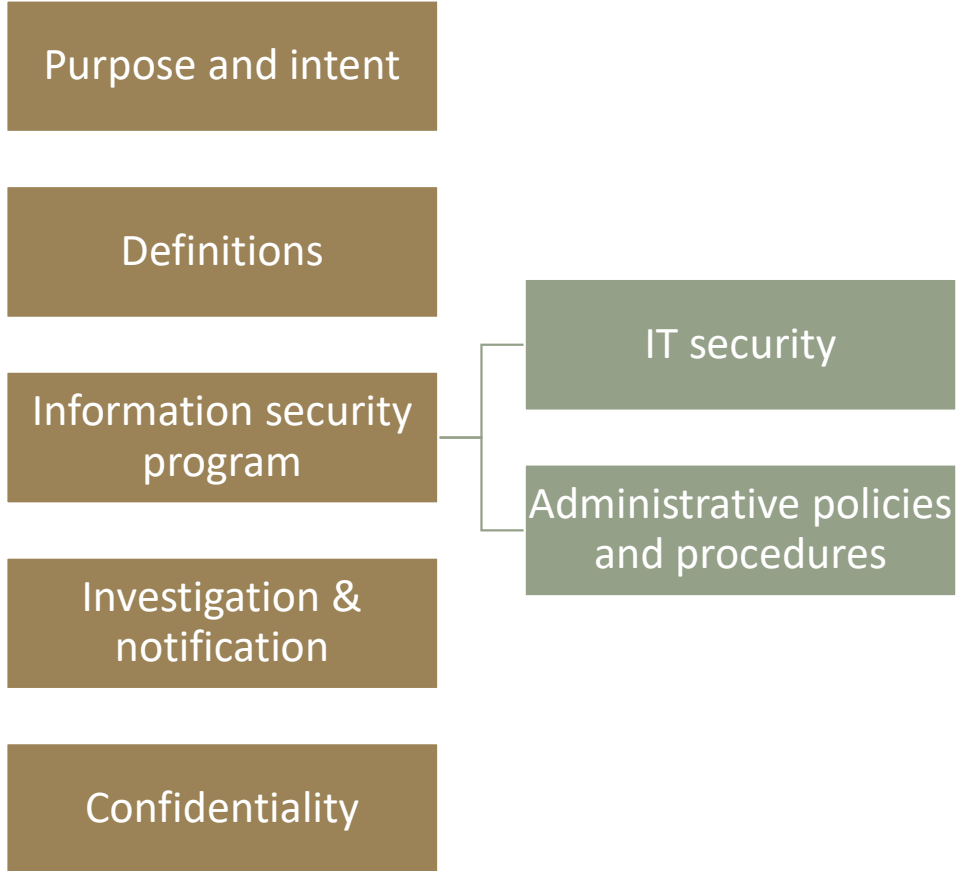
ACCESS TO INFORMATION DRIVES LIABILITY AND REGULATORY-HOW MUCH IS TO MUCH?



Consumer privacy law

NAIC, FINRA, WISP, FTC, FBI, STATE ATTORNEY GENERAL





NAIC-National Association of Insurance Commissioners

NAIC-National Association of Insurance Commissioners

Exception

Penalties

Oversight by
Board of
Directors

Third party
service
providers

Regulatory
changes

Written
Incident
response plan

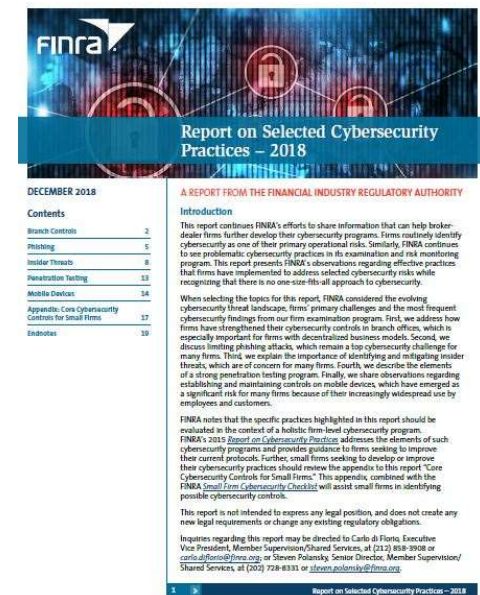
FINRA

- Establish Written Supervisory Procedures (WSPs) to define minimum cybersecurity controls for branches and formalize oversight of branch offices
- Develop an inventory of branch-level data, software and hardware assets
- Maintain branch technical controls
- Implement a robust branch cybersecurity examination program



FINRA-Incident Response

- Contact local FBI
- FINRA regulatory coordinator
- Response time can be critical
 - Breach protocol
- Who manages communication
 - Staff
 - Client
 - Public





Federal Trade
Commission

Reviews findings
Assess penalties



FBI

Large corporations
Mom and pop business



State privacy laws

50 states-50 sets of law
and rules to follow
Complicated regulatory
environment

Federal & state privacy regulation

Cybersecurity best practices



Gramm Leach Bliley

Administrative

Technical

Physical



Policy and procedure

Can I connect to my insurance carrier's website at a local coffee shop who offers free wifi?

What type of home security should I have prior to logging onto my insurance carriers' or business websites?

Written Information Security Program (WISP)



- Written information security program (WISP)
- Incident response plan
- Notification
- Investigation

Written Information Security Program (WISP)



- Objectives
- Implementation
- Incorporating safeguards
 - Administrative
 - Technical
 - Physical

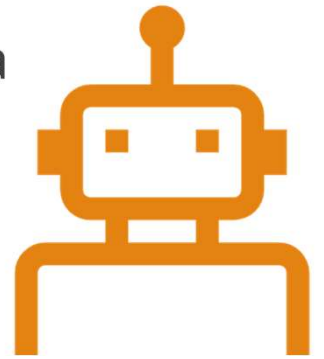
Workplace Culture

BEHAVIORS ARE CHANGING IN BOTH THE WORKPLACE AND YOUR
PERSONAL LIVES



Discover today's culture in your workplace

- Define your personal culture for data protection
 - What activities or tasks define how you manage your data personally?
 - Check my bank account everyday
 - Check my credit score all the time
 - Personally own an identity theft monitoring plan for my family
- How many other coworkers reflect similar attitudes in the office on data management?



Discover today's culture in your workplace

- How do you know your workplace is ethical in managing data?
- Should the business activities for protecting data look like your data protection plan personally?
 - If an employee doesn't take advantage of any monitoring after a breach
 - That decision is made from...Ethical, cultural, business or personal decision making
 - Impact on company morale if a breach occurs and monitoring is offered
 - A percentage of employees will leave the company



Discover today's culture in your workplace

- Does the consumer recognize a company that has solid data protection compliance policies in place today?
 - Consumer expectation-someone is charged with protecting data
 - Transparency on data policies improves credibility



Discover today's culture in your workplace

- Does data security make a difference where consumers purchase insurance?
 - Consider being an information resource for data breach
 - Offer information on a variety of content
 - Medical identity theft resolution
 - How to check your credit report-free
 - Post articles, tips, tools and resources on data breach
- Consumers appreciate transparency and resources



Build Expertise

The ethical shift

CULTURAL COMMUNICATIONS



Evolving cultural atmosphere

- Social media exchanges
 - What we share
 - How we share
 - Business information on personal accounts
- Contractual restrictions regarding online engagement
 - Industry guidelines
 - Pseudo accounts
 - Agency/business policy and procedure on online posting

Technology's ethical code

Access to information

- Social media account of a prospect or client doesn't support application submitted

Use of information

- At what level should a business be allowed to share or profit from your information?
- What type of restrictions on artificial intelligence may be necessary?

CONFLICTING ETHICAL CONDUCT

BUSINESS PROFESSIONAL

- An insurance professional has an exemplary reputation in the community
- Always participates in community causes and events

CONTRASTING CONSUMER

- As a consumer the individual routinely degrades other businesses in online reviews sometimes borderline defamatory

Business or
personal data
privacy conduct



Merging our online life with our
“on the ground” boots life



We are no longer having a “water
cooler” conversation

Outline break

A Code of Conduct

EXAMINING OUR CODE OF CONDUCT



A one or two sentence statement identifying the reason your business or organization exists. What you do and who/what you want to do for someone else.

NAIFA: To improve the business environment, enhance the professional skills and promote the ethical conduct of agents and others engaged in insurance and related financial services who assist the public in achieving financial security and independence.

Mission statement

It describes the company's unique value offer position to the customer.

NAIFA: Those engaged in offering insurance and other related financial services occupy the unique position of liaison between the purchasers and the suppliers of insurance and closely related financial products.

Inherent in this role is the combination of professional duty to the client and to the company, as well. Ethical balance is required to avoid any conflict between these two obligations.

Summary statement

Therefore...I BELIEVE IT TO BE MY RESPONSIBILITY...

To do what? To be what?

Summary statement

What does conduct look like?

TAKE THE TIME TO REVIEW YOUR ORGANIZATION'S CODE OF CONDUCT



Insurance industry
has a credibility
challenge

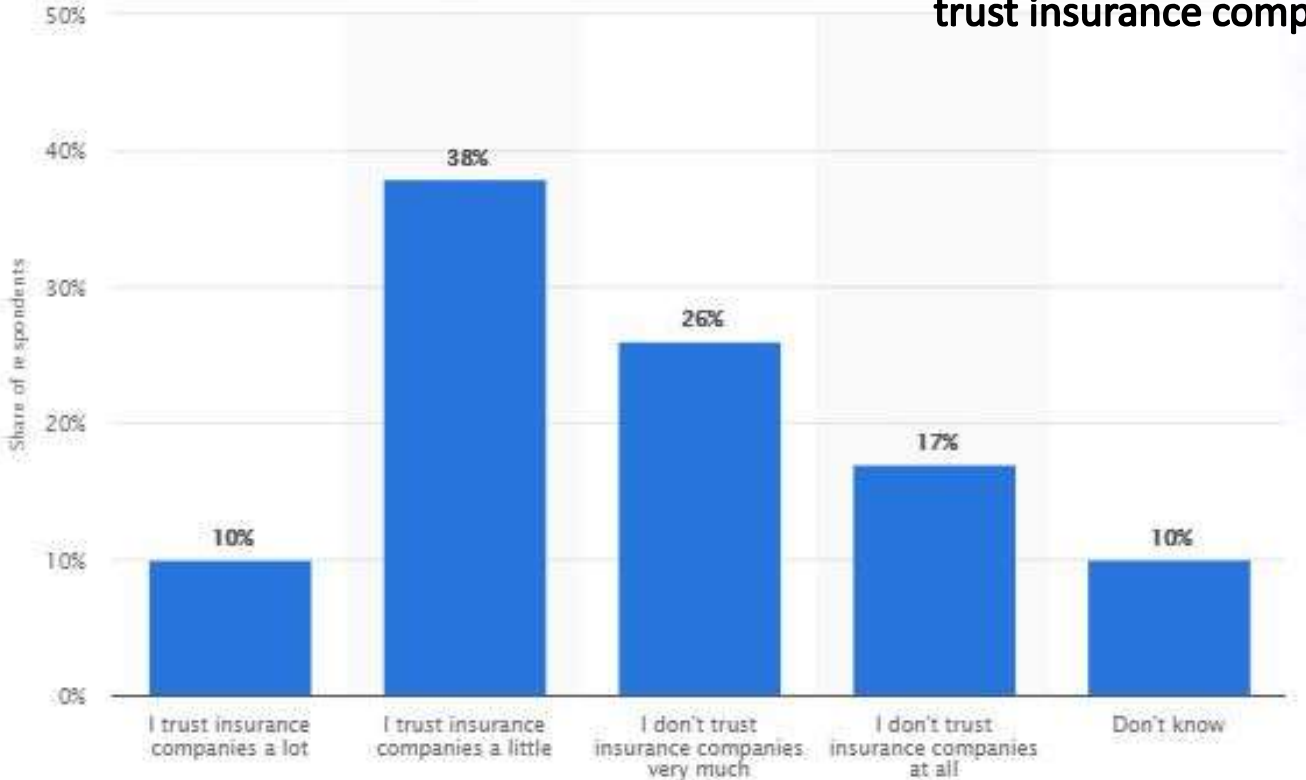
Consumers are
unclear about
policy coverages

Expectations may
not be met at
claim time

Consumers options
for sharing their
experience has
grown

Industry perception

To what extent, if at all, do you trust insurance companies?



Code of Conduct

- ***To hold my profession in high esteem and strive to enhance its prestige.***
- Professionalism in the community and with clients
 - Define professionalism
- Consistency in servicing clients
 - Annual review of client insurance portfolio
 - Social media interaction
 - Information driven
 - Develop an appropriate list of approved content for posting on social media



Code of Conduct

- ***To hold my profession in high esteem and strive to enhance its prestige.***
- Resource for information
 - Fraud schemes
 - How credit affects insurance
 - Pick a subject or line of business and excel in it
- Maintain strong HR and compliance policy and procedure
 - Draw a line for staff and clients on behavior expectations



Code of Conduct

- ***To hold my profession in high esteem and strive to enhance its prestige.***
- Insurance carriers waiving reinstatement fees for lapsed policies
- Consumers online conversation depicting a very negative image of insurance
 - Take the high road
 - Social media backlash



Code of Conduct

- ***To hold my profession in high esteem and strive to enhance its prestige.***
- Pandemic support
 - Organize support within your community
 - Start a blood drive
 - Teachers driving through a neighborhood
 - Tenants all singing from their balcony



Code of Conduct

- ***To hold my profession in high esteem and strive to enhance its prestige.***
- Do not defame anyone in a social media platform
- Follow compliance rules
- Recognize conduct becoming of a professional



Code of Conduct

- ***To fulfill the needs of my clients to the best of my ability.***
- Assessing the risk and exposure of a client with a solid recommendation for products and services supports our conduct.
 - Offering available and appropriate optional riders to a life insurance client or prospect.
 - Understanding the products and services at your disposal
 - Submitting business in a timely manner



Code of Conduct

- ***To fulfill the needs of my clients to the best of my ability.***
- Deliver difficult news in a timely manner
 - Life insurance policy rated up due to medical history
 - Insurance claim will not be covered
- Share with a customer you are not the best choice



Code of Conduct

- ***To fulfill the needs of my clients to the best of my ability.***
- Churning a client's policy for new commission
- Ignoring requests to review coverages
- Not returning phone calls in a timely manner
 - What is your policy?
 - Is it consistent?



Code of Conduct-Case Example

“Always deliver
more than
expected”
Larry Page
Co-Founder
Google

- Life insurance representative inherits a group of life insurance policies
 - Residual income miniscual
 - Servicing customer is the focus
 - Build relationship
- What expectation should a client have regarding communication cycle with a new servicing agent?
 - Phone call
 - Email
 - USPS mail

Code of Conduct-Case Example

“Always deliver
more than
expected”
Larry Page
Co-Founder
Google

- What business process is in place to meet the client’s expectation?
 - Is a letter in the mail introducing the agent the correct level of service?
 - What follow up should be next? If any?
 - Should an agent speak to all clients every year?
 - What does that mean?
 - Who should be responsible for building the relationship?

Code of Conduct-Case Example

“Always deliver
more than
expected”
Larry Page
Co-Founder
Google

- What if you are the fourth servicing agent since the writing agent?
 - Does that affect your decision making?
 - Does affect the credibility of all stakeholders?
How?

Code of Conduct-Case Example

“Always deliver
more than
expected”
Larry Page
Co-Founder
Google

- Know the service level expectations in your office
- Communicate them to everyone
 - Provide training to understand the expectations
 - Staff and ethical decisions
- Implement different service process depending on customer profile
 - Length of time with a policy
 - Number of prior servicing agents

Code of Conduct-Case Example

“Always deliver
more than
expected”
Larry Page
Co-Founder
Google

- Each line of business may require different service processes
- An auto insurance client that the insurance company places in your book of business to service
 - Income stream
 - Coverage expectations
 - Client carries minimum state limits
 - Wants an online option for communicating
 - Service expectations
 - You expect all clients to complete an annual review
 - Do not write minimum state limits

Code of Conduct-defining Exemplary

Definition:

A person who excels at what they do and are excellent examples to others.

*Something **exemplary** is so good that it is an example for others to follow. When something is the best it can be or reaches the highest point, it is **exemplary** and thus worth imitating.*



Code of Conduct

- ***To render exemplary service to my clients and their beneficiaries.***
- Consistency in service
 - Call all insurance clients who receive notification of a lapse in coverage
- Above and beyond the expectation
 - Managing a life insurance death benefit
 - A client's home burning down in flames



Code of Conduct

- ***To render exemplary service to my clients and their beneficiaries.***
- Assist clients in setting up online accounts
- Communicate in a timely manner on policy information requests
- Timely reviews of insurance portfolio
 - Annual reviews
 - It is the offering that supports service and compliance



Code of Conduct

- ***To render exemplary service to my clients and their beneficiaries.***
- Level of communication
- Response time to service requests
- Diligence in reviewing a portfolio prior to recommendations
- Communication breakdown
 - Compliance challenges
 - Staff issues



Code of Conduct

- ***To maintain my clients' confidences.***
- Adhere to company compliance guidelines for protecting data
- Assist clients in protecting their data
 - Be a resource on privacy and security
- Understand the privacy laws applicable to online sharing



Code of Conduct



- ***To maintain my clients' confidences.***
- Technology can inadvertently expose client information beyond your right to share
- ***Be cautious about how and what you share on social media***
- Property/casualty agents should not access a life insurance application of their client if they are not the writing agent

Code of Conduct

- ***To adhere to professional standards of conduct in helping my clients to protect insurable obligations and attain their financial security objectives.***
- Can that sometimes mean making recommendations the client will not agree with or put in force?
- Does that change what you offer?
 - Base policy
 - Enhanced coverage packages

Each of us may have a different perspective on what's optional!

Code of Conduct

- ***To adhere to professional standards of conduct in helping my clients to protect insurable obligations and attain their financial security objectives.***
- Client coverage process
 - Annual reviews
 - Consistent coverage options to all clients
 - Encourage client questions
 - Fact finding conversation



Code of Conduct

- ***To adhere to professional standards of conduct in helping my clients to protect insurable obligations and attain their financial security objectives.***
- Documenting client choices
 - Compliance to reduce E&O
- Aligning client goals with products and services
 - Intimate household profile



Code of Conduct

- ***To present accurately and honestly all facts essential to my clients' decisions.***
- Develop a presentation system designed to assist in client options
 - Checklist for signature forms
 - Be consistent in what is offered to all clients
 - Proper explanation of products/services



Code of Conduct

- ***To present accurately and honestly all facts essential to my clients' decisions.***
- Understand the product you represent and be able to explain coverage options
- Be confident to share you don't know all the answers, but can get the answers
- Explain how endorsement options change payout

Code of Conduct


- ***To present accurately and honestly all facts essential to my clients' decisions.***
- Life insurance agent who does not accurately describe whole life insurance payout options
- Agents who sign application forms with a client signature
- Incorrectly rating an insurance policy to be competitive
- Promoting an insurance policy not in the client's best interest

Code of Conduct

- ***To perfect my skills and increase my knowledge through continuing education.***
- Give yourself a hand clap today as you're taking the time to attend class, a webinar and are interacting as a responsible professional
- Education of your craft or area of expertise is important
 - Organized
 - Self-taught



Code of Conduct

- ***To perfect my skills and increase my knowledge through continuing education.***
 - Lead by example
 - Choose an organized path to insurance designation
 - Self-taught on insurance concepts
 - What are you passionate about?
- 

To conduct my business in such a way that my example might help raise the professional standards of those in my profession.



Mentoring a younger colleague



Donating time to a senior market answering questions on insurance coverages



Belong to an organization that you supports industry ethics



Sit on an insurance organization board of directors

To conduct my business in such a way that my example might help raise the professional standards of those in my profession.



Organized training
for new staff

Allow staff paid
time off for CE



Regular staff
meetings

Pay for lunch in
staff office
meeting



Draw an ethical line
of conduct

Rating
Field
underwriting

Code of Conduct-Example



- ***To conduct my business in such a way that my example might help raise the professional standards of those in my profession.***
- If a client's teenager shares on social media they recently had a minor accident, dented a bumper and didn't leave information for the driver, would you "feel" ethically inclined to respond in some manner as in insurance professional?
 - What would that look like?
- What if they weren't a client, but a friend's teenager? Or co-worker?

Code of Conduct-Example



- Decisions like this aren't always about a car accident
 - What is an acceptable response in today's culture?
 - What is acceptable to post? Without retribution?
- The response may be seen by an infinite number of people
 - Social media response
 - Email
 - Phone call
 - Lunch date to discuss
 - Crazy to even have this discussion?

- **To keep informed with respect to applicable laws and regulations and to observe them in the practice of my profession.**
- Ask yourself: Do I have a credible, reliable source for the regulatory environment I participate in?
- What are the current state laws regarding privacy and security?
- What are the resources available?
 - Company
 - Professional organizations
 - Do you believe someone else is liable for your “clicks”?

Code of Conduct

Code of Conduct



Mortgage lenders and property/casualty agents on home insurance



Cooperation between a life insurance and commercial insurance agent to support a business succession plan for business owners



Attorneys and life insurance or financial services professionals



Contractor replacing a roof for a homeowner



Collision center repairing a vehicle for a client

To cooperate with others whose services are constructively related to meeting the needs of my clients.



Code of Conduct



- ***To cooperate with others whose services are constructively related to meeting the needs of my clients.***
- Ancillary services
 - Insurance carriers
 - Brokers
 - Payroll services
 - Landlord
 - Marketing vendors

Start of hour 3

Technology ethics

THE ETHICAL USE OF DATA IN TECHNOLOGY BASED UNDERWRITING ALGORITHMS, INSURANCE FRAUD AND THE IMPACT ON STAKEHOLDERS AND THE INDUSTRY

Ethical use of data

DATA COLLECTION, USAGE, LEGAL RIGHTS TO SHARE, SELL AND PROFIT



Data collection

- How many prospects have you quoted in a company, sharing prospect data, that did not result in a policy? Or underwritten a policy not taken?
- How does the company use that prospect data?
 - Company runs a quoting contest on a newly released insurance product
 - Less than competitive premium
 - Low close ratio
 - Gains ownership of a large amount of data and prospect households



Data collection

- The permission given every time a consumer agrees to *“Terms and Conditions:”*
 - A legal contract
 - Legal rights to each party
- The online quoting, shopping and buying process is different
 - Window shopping
 - Electronic tracking
- Data collection is complex



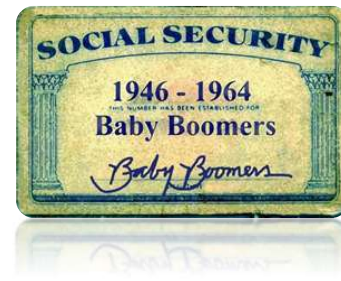
Defining personal information

AS THE CULTURE CHANGES SO DOES THE GROWING NEED TO PROTECT ALL CONSUMER DATA



What is personal information?

- Social security number
- Driver's license/State ID
- Birthday
- Medical ID
- First and last name
- Credit information



What isn't personal information?

- Personal information doesn't define
 - Personal pictures
 - Social media posting
 - Email correspondence
 - Online consumer profiles
 - Public information accessible online
 - All your purchases
 - All your online window shopping
 - Where you buy insurance
 - All the quizzes you completed on social media...The list is infinite!



Data collection platforms

THE WHAT, WHEN, HOW, AND WHY DATA IS COLLECTED



Data collection platforms

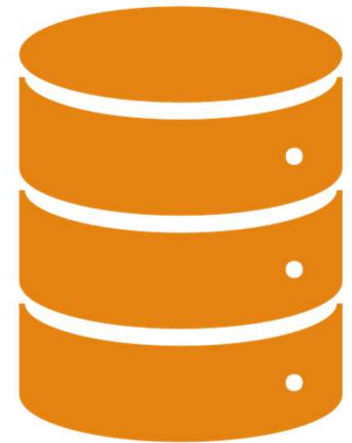
- Online insurance quoting tools-generic
- US Based insurance company websites
 - About 578,000,000 results (0.75 seconds)
 - According to Google search
- Agency websites
- Social media “about me” quiz
 - What if it reveals I eat 5 cans of pringles everyday?
 - Should that affect my health insurance rate?



Data collection platforms

- The ethical guidelines for application questions
 - Define the platform process
 - Confirm questions maneuver client to appropriate product choice
 - Risk of uncovered risk exposure
 - Driving record for life insurance
 - What variables drive algorithms
 - What data drives variables
 - Transparency on formulas
 - Intellectual property rights

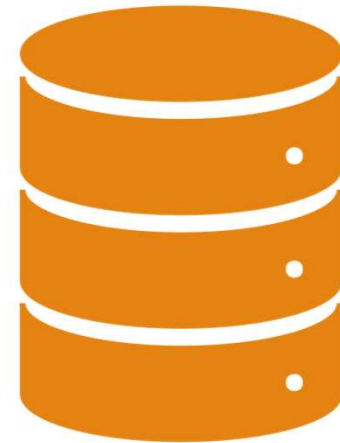
IF A...THEN B??



Data collection platforms

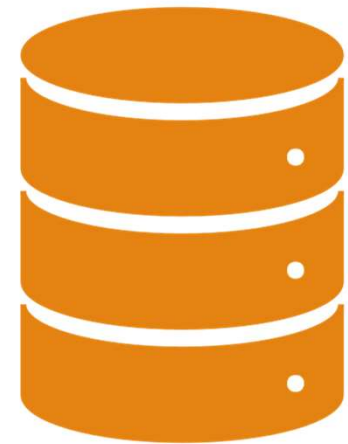
- General data collection
 - Credit card purchases
 - Window shopping online
 - Loyalty card purchases
 - Grocery stores

Artificial intelligence



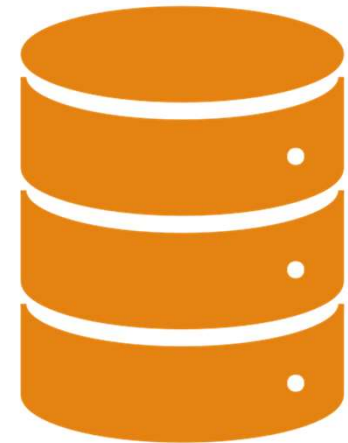
Data collection

- Auto insurance telematics
 - Premium discounts for tracking devices
- Automobile manufacturers technology
 - Safety sensors
 - Syncing data across all channels
 - Rental cars
- Consumer health habits based on software data
- Facial recognition



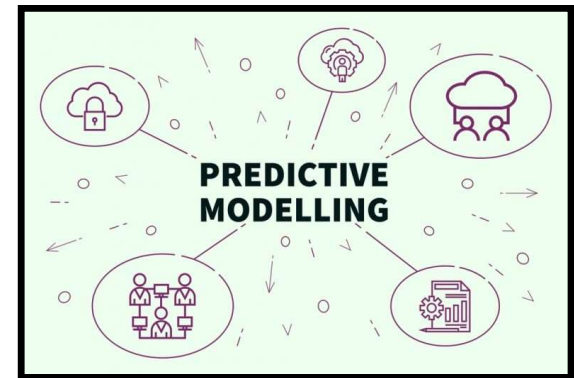
Data collection

- Life insurance carrier reanalyzing customer data
- 170 million data point collection treasure trove
 - Limits
 - Endorsements
- Historical data extracted
 - Old applications
 - Past claim data



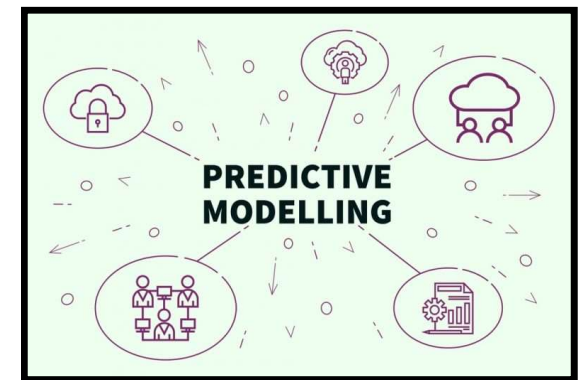
Data collection-Future Insured

- Opted into the highest level of usage-based insurance (UBI) on auto insurance
- Life insurance product offers premium based lifestyle options
- Insured chooses overall “risk assessment tool-RAT” endorsement
 - Product affects all lines of business



Data collection-Future Insured

- Insured RAT tool directs routes for driving
 - Safest
 - Timing of the day
- If insured chooses not to follow guidelines of “RAT app”
 - Insurance premium will change for auto and life insurance
 - Immediate response from the “RAT app” if you drive a different route



After collection...

ACCESS AND USE OF STRUCTURED, UNSTRUCTURED AND ARTIFICIAL INTELLIGENCE WITH PREDICTIVE MODELING



Data access and use

- Structured data
 - Data in a “defined field”
 - Driver’s license
 - Birthdate
 - Address
 - Length of time as homeowner
 - Annual Income
 - Number of years as a smoker
 - Year you had a heart attack

| | | | |
|--|--|--|--|
| | | | |
| | | | |
| | | | |

Industry spending
“Big Technology”
\$2.4 billion in 2020
\$3.6 billion in 2021

Data access and use

- Human generated unstructured data
 - Text files
 - Emails
 - Social media
 - Website
 - Mobile data
 - Communications
 - Media
 - Business application



Data access and use

- Technology generated unstructured data
 - Satellite imagery
 - Scientific data
 - Digital surveillance
 - Sensor data



Data access and use

- Unstructured data
 - Social media posting
 - Wearables
 - Fitbit
 - Pacemaker
 - Recorded meetings
 - Pictures
 - Emails

- Unstructured data
 - Telematics
 - Safety sensors
 - News
 - Weather
 - Traffic reports



Artificial Intelligence

COUPLED WITH HISTORICAL DATA AI CREATES INTIMATE PROFILES



Data access and use-Artificial Intelligence

Dictionary

Search for a word



ar·ti·fi·cial in·tel·li·gence

/, ɑrdəˈfɪʃəl inˈteləjəns/

noun

the theory and development of computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.

Artificial intelligence

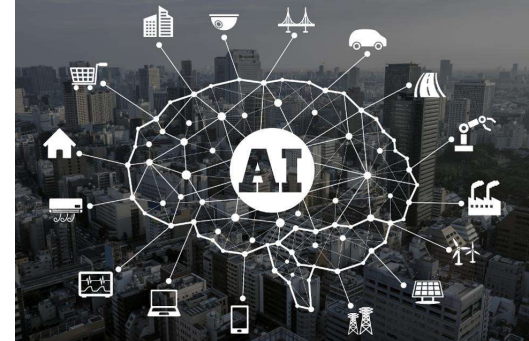
➤ Underwriting

➤ Structured data

- Verification of application information from multiple sources
- How much alcohol do you consumer weekly?

➤ Unstructured data

- Social media pictures do not match your answer

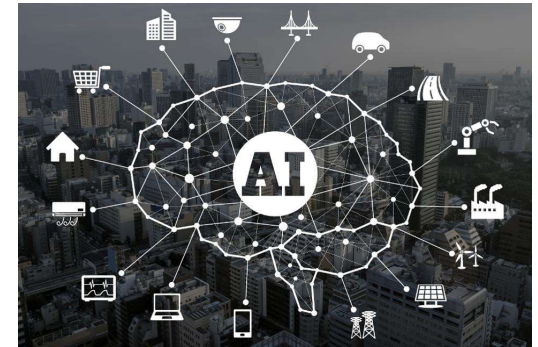


Artificial intelligence

➤ Underwriting

➤ Expanded underwriting

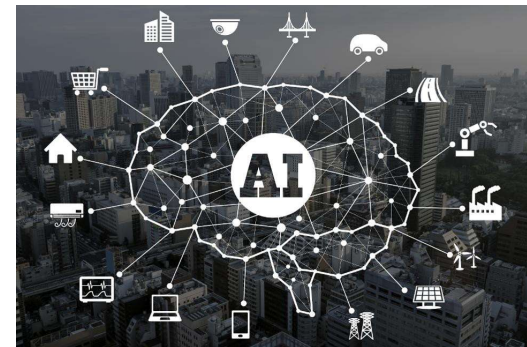
- Driving record
- Employment
- Credit
- Length of time owning a home or vehicle
- What you purchase at the grocery store
- Character “risk profile” is public information-unstructured data



A 2018 *Accenture Survey* found four out of five insurance executives believe that AI will work next to humans in their organizations as a co-worker, collaborator and trusted advisor within the next two years.

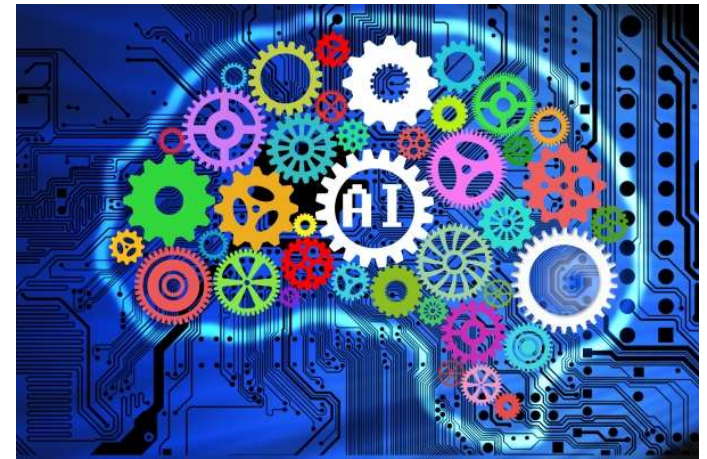
Artificial intelligence-NAIC

- AI Working Group created in 2018
 - Use
 - Impact
 - Consumer protection/privacy
 - Marketplace dynamics
 - Regulatory environment



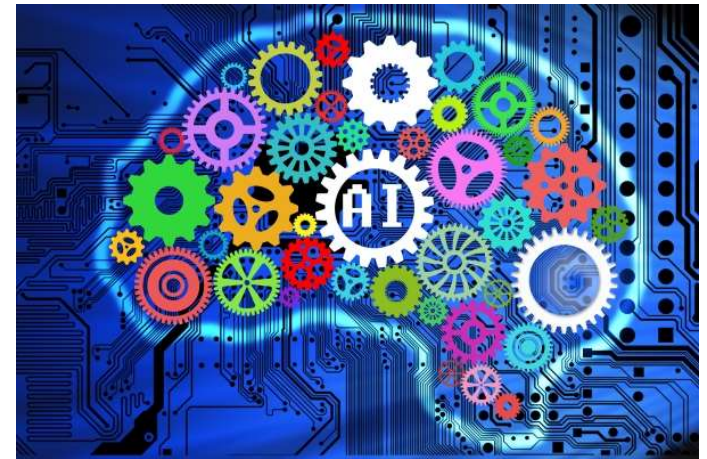
AI and underwriting data

- Monitoring the underwriting “black box” or algorithms
 - Anomalies
 - Glitches
 - Actuarial oversight
 - Regulatory oversight



AI and underwriting data

- Identifying insurer fraud
 - Inadvertent
 - Risk adverse
 - Discrimination



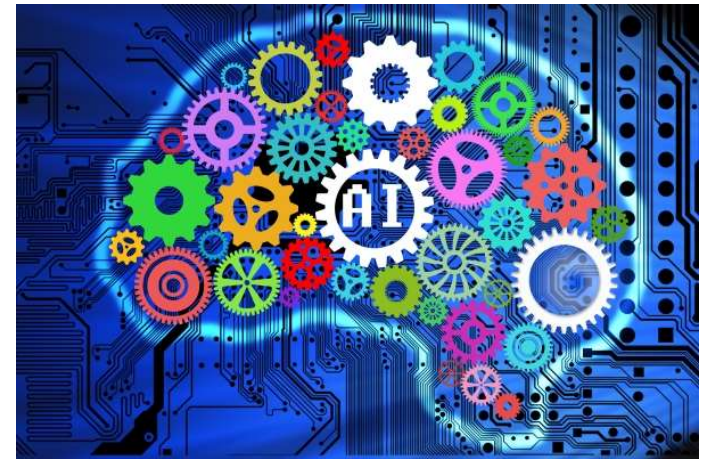
Artificial intelligence

➤ Marketing

- Advertise using algorithms that solicit your competitors' customer
- ROI for inaccurate information on consumer likes or dislikes

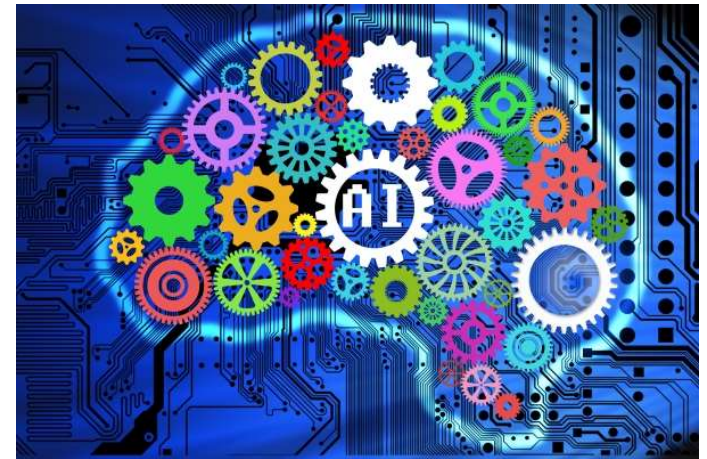
➤ Claims

- Fraud detection
 - Craig's list search for jewelry reported lost or stolen
 - Fraudulent applications
 - Worker's compensation



Artificial intelligence

- Customer service
 - Chatbots-digital service that can sound like a person and assist in solving problems
 - Deception as it feels to real???
 - Available 24/7
 - Inquire about a bill
 - Online chat agents



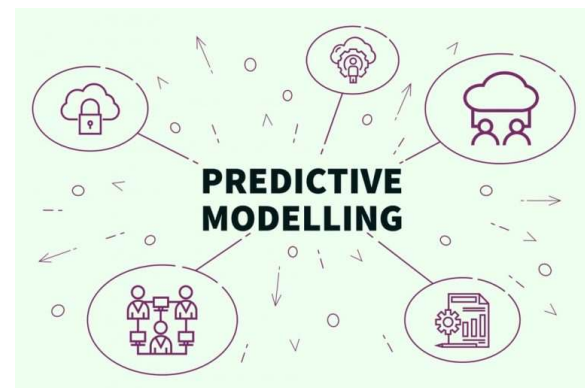
Insurers and the data

HOW DO WE MAKE SENSE OF ALL THE DATA? AND WHAT USE DOES IT HAVE?

Predictive modeling-Society of Actuaries

*“...a process used in predictive analytics to create a statistical model of **future behavior**.*

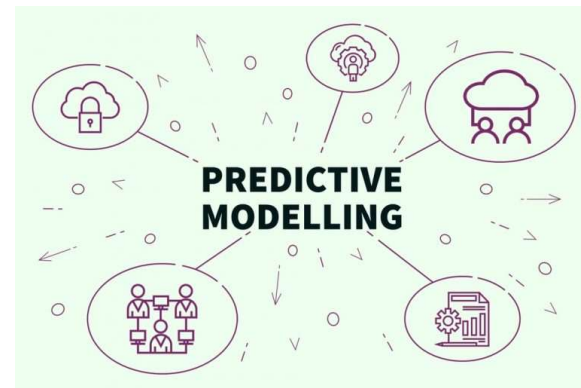
*Predictive analytics is the **area of data mining** concerned with forecasting probabilities and trends.*



Predictive modeling-Society of Actuaries

*A predictive model is based on a number of predictors, factors that are **likely to influence or predict future behavior.***

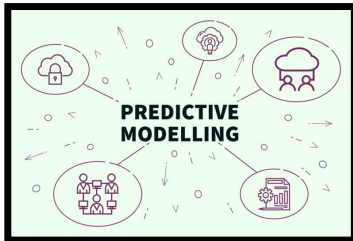
*The model output is a set of factors that **predict**, at some confidence level, the **outcome of an event.**"*



Insurers and underwriting data

➤ Predictive modeling

- Metrics utilized today
 - Physical activity
 - Heart rate
 - Sleep

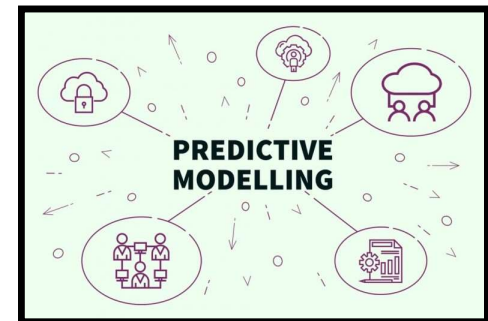


➤ Future metrics

- Blood pressure
- Heart rhythm
- Pulse wave velocity
- Sitting time
- Stress levels
- Smoking habits

Insurers and underwriting data

- Predictive modeling
- What variables and algorithms will be critical?
 - Age
 - Better decision making with age?
 - Alcohol consumption in 20's vs 50's



Future predictability of the probability and severity of potential events

My personal daily risk score

TRACKING MY DAY





Follow your information for a day...

*"Our identity is increasingly going to become the **asset** that we have to be most careful to protect in the 21st century where the ability to get information, move it around the world and store it indefinitely creates greater and greater risks to personal reputation and personal privacy"...*

--Homeland Security Secretary Michael Chertoff August 2008



Statistics--2018

- 50% of all adults visited a life insurance company website
- 50% of Millennials shopped online, but bought from an agent
- 32% of Gen X attempted or did complete their insurance purchase in an online platform



Consumers and Insurance data-2019

- 80% of consumers are willing to share personal data
 - Competitive pricing
 - Faster, easier services
 - Priority service
 - Relevant advice on their personal household
- 38% of consumers would leave over a data security concern
- 64% want premium tied to safe driving
- 52% of life insurance clients want premium tied to healthy lifestyle



Today's policyholder perception

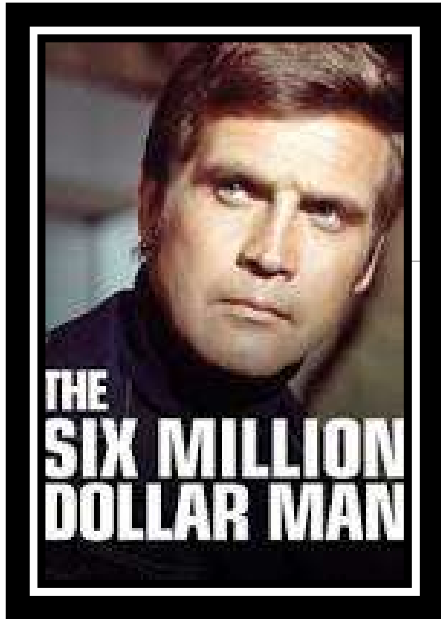
- Consumer perception of data use
 - Protection is in place to secure data
 - Use of data is appropriate
 - Willing to share information for pricing and coverage options
 - Age is a factor in sharing
 - Consumer has lack of control over options for sharing



Medical information

ID THEFT, UNDERWRITING VARIABLES, ACCESS, USE AND SALE OF INFORMATION





Medical Cyber Breakthroughs

1970'S...WHAT WERE WE
THINKING?

Medical breakthroughs-Dec 2019

Now...

- University of Michigan-Cutting edge science
- Technology can read nerve signals in arm
- Amplify arm nerve signals
- Enable real-time finger level control of a robotic hand



Medical Information vulnerability

- Access to medical information
- Manipulation of medical equipment
 - Hackers adjusting pacemakers to kill an individual
- Altering medical information
 - Celebrity changes DUI results in system to avoid charges
- Stealing information
 - Blackmail
 - Profit
 - Identity theft





Medical Identity Theft Victim

The cost of medical identity theft

- Criminal stole driver's license and had a baby
- Health and Human Services threatens to remove children
- Take a DNA test to prove you didn't have a child
- Future medical record inaccuracies
- Copy machine and information



Medical Identity Theft

What to know, What to do

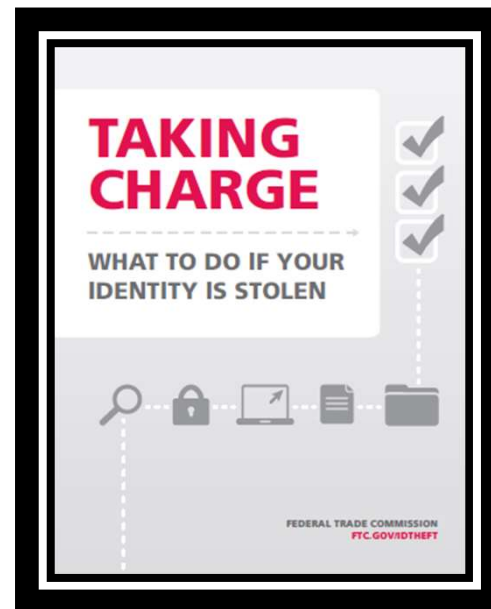


FEDERAL TRADE COMMISSION
IdentityTheft.gov

Verify medical information

- Medical information bureau (MIB.com)
- Request a financial accounting of your medical information
- Obtain a hard copy or electronic record
 - Victims cannot always access records
 - Need a “stop gap” point on health history

Identity theft resources



If you spot a scam...

Tell someone
Then tell the **FTC**

ftc.gov/complaint
1-877-FTC-HELP
(1-877-382-4357)

If you spot a scam, report it at
ftc.gov/complaint.

Your reports help the FTC and other law enforcement investigate scams and bring crooks to justice.

10
things you
can do to
AVOID FRAUD

FEDERAL TRADE COMMISSION
August 2018

- 1 Spot imposters.** Scammers often pretend to be someone you trust, like a government official, a family member, a charity, or a company you do business with. Don't send money or give out personal information in response to an unexpected request – whether it comes as a text, a phone call or an email.
- 2 Do online searches.** Type a company or product name into your favorite search engine with words like "review," "complaint" or "scam." Or search for a phrase that describes your situation, like "IRS call." You can even search for phone numbers to see if other people have reported them as scams.
- 3 Don't believe your caller ID.** Technology makes it easy for scammers to fake caller ID information, so the name and number you see aren't always real. If someone calls asking for money or personal information, hang up. If you think the caller might be telling the truth, call back to a number you know is genuine.
- 4 Don't pay upfront for a promise.** Someone might ask you to pay in advance for things like debt relief, credit and loan offers, mortgage assistance, or a job. They might even say you've won a prize, but first you have to pay taxes or fees. If you do, they will probably take the money and disappear. Learn where to get real help with these issues at consumer.ftc.gov.
- 5 Consider how you pay.** Credit cards have significant fraud protection built in, but some payment methods don't. Wiring money through services like Western Union or MoneyGram is risky because it's nearly impossible to get your money back. That's also true for reloadable cards (like MoneyPak or Reloadit) and gift cards (like iTunes or Google Play). Government offices and honest companies won't require you to use these payment methods.
- 6 Talk to someone.** Before you give up your money or personal information, talk to someone you trust. Con artists want you to make decisions in a hurry. They might even threaten you. Slow down, check out the story, do an online search, consult an expert – or just tell a friend.
- 7 Hang up on robocalls.** If you answer the phone and hear a recorded sales pitch, hang up and report it to the FTC. These calls are illegal, and often the products are bogus. Don't press 1 to speak to a person or to be taken off the list. That could lead to more calls.
- 8 Be skeptical about free trial offers.** Some companies use free trials to sign you up for products and bill you every month until you cancel. Before you agree to a free trial, research the company and read the cancellation policy. And always review your monthly statements for charges you don't recognize.
- 9 Don't deposit a check and wire money back.** By law, banks must make funds from deposited checks available within days, but uncovering a fake check can take weeks. If a check you deposit turns out to be a fake, you're responsible for repaying the bank.
- 10 Sign up for free scam alerts from the FTC at ftc.gov/scams.** Get the latest tips and advice about scams sent right to your inbox.

How to avoid Fraud

Policyholder Fraud

- Policyholder fraudulent activity
 - The ability to manipulate the system
 - Structured vs Unstructured data
 - Hacking information to improve underwriting
 - False claims
 - Inaccurate online presence to support a high “personal risk” score



Nebraska Fraud Prevention Division-2017

| Insurance Type | # | % |
|-----------------------------|------------|-------------|
| Property/Casualty Insurance | 537 | 75% |
| Life/Health Insurance | 127 | 18% |
| Agents or Internal Fraud | 44 | 6% |
| Other Fraud | 2 | 1% |
| Totals | 710 | 100% |

Nebraska Fraud Prevention Division-2017

| Fraud Type | Insurance Type | Cases | Reported Losses |
|-----------------------|-----------------------|--------------|------------------------|
| Agent | Internal | 44 | \$302,841.24 |
| Arson | Property/Casualty | 7 | \$692,334.00 |
| Auto Bodily Injury | Property/Casualty | 32 | \$49,027.79 |
| Auto Property | Property/Casualty | 253 | \$347,264.14 |
| Commercial Auto | Property/Casualty | 37 | \$528,953.14 |
| Commercial Property | Property/Casualty | 23 | \$1,189,614.59 |
| Credit | Property/Casualty | 1 | 0.00 |
| Disability | Property/Casualty | 1 | 0.00 |
| General Liability | Property/Casualty | 14 | 0.00 |
| Homeowner | Property/Casualty | 94 | \$485,175.57 |
| Internal | Internal | 0 | 0.00 |
| Life | Life/Health | 44 | \$1,540,339.47 |
| Medical/Health | Life/Health | 83 | \$2,680,571.07 |
| Other | Unknown | 2 | 0.00 |
| Title | Property/Casualty | 0 | 0.00 |
| Workers' Compensation | Property/Casualty | 75 | \$570,452.83 |
| Totals | | 710 | \$8,386,573.84 |

Nebraska Fraud Prevention Division-2018

| Insurance Type | # | % |
|-----------------------------|------------|-------------|
| Property/Casualty Insurance | 544 | 76% |
| Life/Health Insurance | 103 | 14% |
| Agents or Internal Fraud | 51 | 7% |
| Other Fraud | 20 | 3% |
| Totals | 718 | 100% |

Nebraska Fraud Prevention Division-2018

| FRAUD TYPE | INSURANCE TYPE | CASES | REPORTED LOSSES |
|-----------------------|-----------------------|--------------|------------------------|
| Agent | Internal | 34 | \$506,983.23 |
| Arson | Property/Casualty | 10 | \$1,481,382.00 |
| Auto Bodily Injury | Property/Casualty | 43 | \$122,684.00 |
| Auto Property | Property/Casualty | 272 | \$383,754.09 |
| Commercial Auto | Property/Casualty | 29 | \$404,883.99 |
| Commercial Property | Property/Casualty | 21 | \$1,336,924.33 |
| Credit | Property/Casualty | 1 | \$0.00 |
| Disability | Property/Casualty | 12 | 684,162.00 |
| General Liability | Property/Casualty | 11 | \$2,000.00 |
| Homeowner | Property/Casualty | 111 | \$797,302.24 |
| Internal | Internal | 17 | \$49,379.95 |
| Life | Life/Health | 27 | \$1,391,786.89 |
| Medical/Health | Life/Health | 76 | \$7,055,673.92 |
| Other | Unknown | 20 | \$60,048.00 |
| Title | Property/Casualty | 0 | \$0.00 |
| Workers' Compensation | Property/Casualty | 34 | \$588,399.00 |
| Total | | 718 | \$14,865,363.64 |

Insurance professionals

FIELD UNDERWRITING AND THE FUTURE



Insurance professionals

- Field underwriting
 - Prospects
 - Clients
- Future expectations
- Technology eliminate field underwriting?



Access to information

DOES IT CHANGE OUR BEHAVIOR? OUR CULTURE? OUR ETHICS?
AND THEN OUR DECISION MAKING?

How do I become cyber savvy?



Start a conversation



Seek out your resource partners-an expert in the field



Be proactive



Do a risk assessment on current compliance policy & procedure

How do I become cyber savvy?



Define your organization's
current cyber culture



Identify the gaps and
vulnerabilities



Make a long term
commitment



Education is key

How do I manage the changing environment?



Review all business decisions, modify to new environment



Agree to policies and procedures



Staff adherence to new policy changes



Education is key

Cyber insurance

- Cyber insurance
 - No ISO Standard cyber policy
 - E&O exposure may be higher for writing agents
 - Choose a good partner to manage your exposure
 - Look for risk management back office support within a cyber policy
 - Hire a consultant to navigate your cyber protocol
 - Create policy and procedure
 - Identity vulnerabilities
 - Plan for an incident



ISO



“Peace of Mind Comes With a Plan”

Create your cyber compliance policy and procedure program for your: Written Information Security Program (WISP).

Take the first step today with a consultation and assessment



Thank you

Laurie VanderWal

VanderWal Agency

402-216-8262

laurie@vanderwalagency.com

