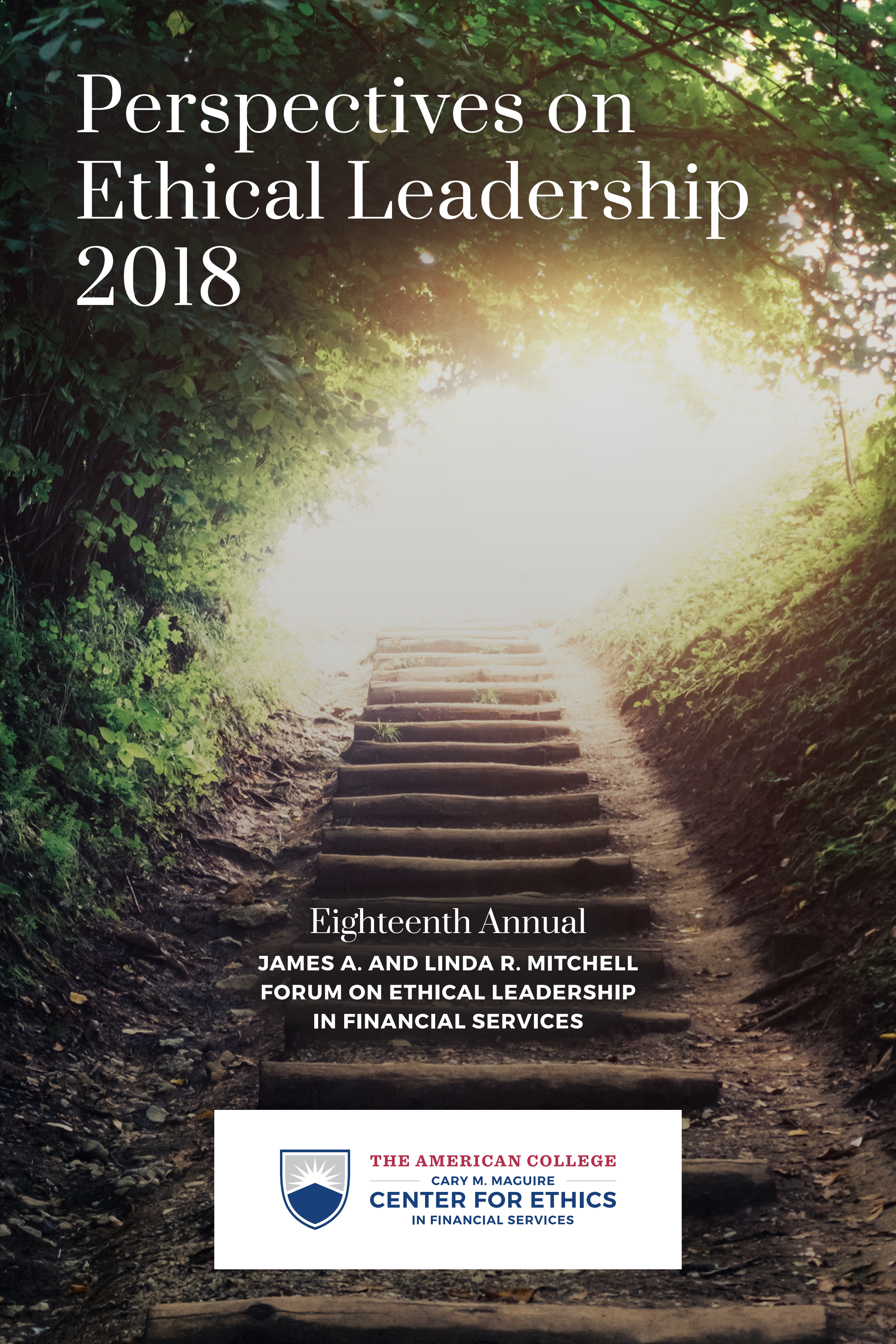


Perspectives on Ethical Leadership 2018

Eighteenth Annual

JAMES A. AND LINDA R. MITCHELL FORUM ON ETHICAL LEADERSHIP IN FINANCIAL SERVICES

THE AMERICAN COLLEGE
CARY M. MAGUIRE
CENTER FOR ETHICS
IN FINANCIAL SERVICES

Forum on Ethical Leadership

THE EIGHTEENTH ANNUAL JAMES A. AND LINDA R. MITCHELL/THE AMERICAN COLLEGE FORUM ON ETHICAL LEADERSHIP IN FINANCIAL SERVICES TOOK PLACE ON JANUARY 20, 2018 IN PALM BEACH, FLORIDA. THE EVENT FEATURED A DISCUSSION OF SEVERAL KEY ISSUES CONFRONTING THE FINANCIAL SERVICES INDUSTRY, ALONG WITH AN EXAMINATION OF PRACTICAL ETHICAL DILEMMAS ENCOUNTERED BY EXECUTIVES DURING THEIR CAREERS AND QUESTIONS RAISED BY BUSINESS ETHICISTS FROM MAJOR COLLEGES AND UNIVERSITIES AROUND THE COUNTRY.

Participants

ACADEMICS

MARC COHEN, Associate Professor of Management, Seattle University

DAWN ELM, Professor of Ethics and Business Law, University of Saint Thomas

KEVIN GIBSON, Professor of Philosophy, Marquette University, Maguire Fellow, The American College of Financial Services

BOB JOHNSON, Former President and CEO, The American College of Financial Services

KIRSTEN MARTIN, Associate Professor of Strategic Management & Public Policy, The George Washington University

JULIE RAGATZ, Assistant Professor of Ethics and Director of the Cary M. Maguire Center for Ethics at The American College of Financial Services

EXECUTIVES

BRIAN BECKER, Principal, Becker Suffern McLanahan, Ltd

ANDREW BUCKLEE, Head of Insurance Solutions Distribution, Lincoln Financial Distributors

KEVIN KIMBROUGH, Principal-National Sales, Saybrus Partners

JIM MITCHELL, Chairman of the Advisory Board, Cary M. Maguire Center for Ethics in Financial Services, The American College of Financial Services; Chairman and CEO (Retired), IDS Life Insurance Company

RON RANSOM, Senior Vice President, Integrated Relationship Strategies, Nationwide Financial

SCOTT STOLZ, Senior Vice President, Private Client Group, Raymond James

Executive Summary

EXECUTIVE SUMMARY

On January 20, 2018 a group of six academics and six executives gathered in Palm Beach, Florida to participate in the Eighteenth Annual James A. and Linda R. Mitchell Forum on Ethical Leadership in Financial Services.

The purpose of this annual event, established in 2001 by Jim and Linda Mitchell, is twofold:

- To provide executives with an opportunity to reflect on ethical issues they confront on a regular basis with questions posed to them by academics engaged in business ethics education.
- To afford academics the opportunity to engage in discussion about these issues with top-level executives so they can bring that experience back to their classrooms.

The participants pay attention to Marc Cohen's remarks.

After introducing themselves and sharing their goals for the day, the participants began by discussing the case.

THE CHALLENGES AND OPPORTUNITIES CREATED BY THE USE OF BIG DATA IN THE FINANCIAL SERVICES INDUSTRY

The participants began by discussing the concern that the use of big data in decision-making could introduce bias into the pricing of financial products. This was troubling since the incorporation of big data, along with algorithmic decision-making, was supposed to ensure that decisions were more objective. Bias may be introduced, the participants thought, when data was taken out of context and could be interpreted using heuristics that reinforce existing stereotypes.

The participants were also concerned about the unintended consequences of algorithmic decision-making. Participants suggested that the use of this type of technology tended to systematize errors. Moreover, since people often place tremendous faith in algorithms, these errors are more likely to be overlooked. However, the participants suggested that the use of algorithms

containing big data could be an advantage since it would ensure that decisions were made consistently. The participants agreed that algorithms had clearly identified weaknesses in certain areas but that they had the opportunity to improve. The result, the participants acknowledged, would change the nature of underwriting since companies would eventually have sufficient information to price policies accurately for specific individuals, removing the need to pool people into similar risk categories.

Some participants expressed the opinion that technology-assisted decision making was here to stay since it filled a need in the marketplace. Consumers are increasingly unwilling to wait the lengthy time required by a traditional underwriting process. Moreover, given that the sale of life insurance is a time and resource intensive process, many advisors are simply unwilling to do more than help their clients identify the proper amount and type of life insurance. Technology may create incentives for advisors to shepherd their clients through the underwriting process.

The participants also discussed the possibilities for privacy in the digital age. Some participants believed that it was unreasonable for consumers to expect that their information would be kept private in an age of social media. However, other participants suggested that it was important to distinguish among different types of information, including information that individuals shared voluntarily and other information that was collected about people as they went about their daily lives. Participants also suggested that there was a difference between privacy and confidentiality, specifically, that it was reasonable for people who willingly reveal information to expect that it would only be used for purposes to which they agreed.

Kevin Kimbrough and Marc Cohen listen as Scott Stolz makes a point.

Finally, participants considered the role of moral intuition in ethical decision making. Participants agreed that such intuition can be a valuable tool, but wondered what concept aroused certain individual's intuitive belief that using captured personal data (so called 'big data') in underwriting decisions was wrong. Some participants suggested that the use of such data, particularly data that was offered not willingly by the consumer, was unfair. This may be because it was collected without the consumer's knowledge or perhaps because it reinforced inequalities. Other participants noted that failing to use available information may unfairly penalize people whose policies could be priced at a more favorable rate. Participants agreed that it was difficult to come up with a definition of fairness that would satisfy all parties, which was one of the reasons that this issue was so troubling.

EXECUTIVE CASES

The first executive shared a situation in which the decision of an advisor violated a clearly stated rule that bans advisors signing on behalf of their clients. The dilemma was not whether the action was legally wrong, which it clearly was, but how to deal with a situation in which an individual breaks a rule with good intentions. In this case, the advisor was seeking to make things easier for the client and did not stand to gain financially by their actions. Should the intention constitute a mitigating circumstance in assessing the ethical quality of the action?

The second executive provided an example of a team leader who was openly encouraging rule-violating behavior. In this case, the leader provided a copy of the answers to a regulatory exam to her direct reports. The leader's intention was to help her reports by relieving

Ron Ransom listens to Brian Becker's remarks.

them of need to prepare for an exam that was widely perceived as a waste of time. The dilemma for the executive was that only one of his direct reports came forward with this information, and only came forward after the fact. The executive wondered how he should punish the individuals involved, including the people who did not use the answer key but refrained from coming forward.

The third executive spoke about the need at times to take decisive action to achieve diversity. While he did not experience the situation as a dilemma in the sense that he was conflicted over the right action, the executive shared an occasion in which he was asked to create a position for a diverse candidate. The participants discussed under what conditions this was appropriate; they agreed that in some instances it was necessary to intervene in hiring decisions in order to achieve an outcome that everyone believed was desirable.

The fourth executive shared a situation in which a leader oversaw an advisor who experienced a conflict regarding a life insurance policy recently issued to the client. During the period between when the policy being underwritten and the time when the policy was issued, the client received some negative test results which were outside of his medical record. It would have been in the short-term interests of everyone involved to ignore these results, but the executive recognized the dilemma and reported the situation to the issuing company. The case brought up the importance of doing the right thing when there is a financial cost.

The fifth executive described a dilemma in which a young woman, through a series of unanticipated events, ended up in a situation in which she reported to someone who reported to her father. The dilemma was that, even though steps were taken to mitigate

Kevin Gibson, Bob Johnson, Scott Stolz and Andy Bucklee at the Reception.

any conflicts of interests, the young woman's colleagues could perceive the situation as unfair. The case raises the challenges of needing to create the appearance as well as the reality of an ethical culture.

ACADEMIC QUESTIONS

The academic participants were given the opportunity to pose a question to the executives. The first question considered whether there were financial products that simply should not be sold because they are difficult to understand and could be harmful to consumers. The second question asked how executives encouraged people in the organization to have the courage to raise their hand when they believed that something was not right. The third questioner wanted to know how executives balanced increasing demands on corporations to be perceived as socially responsible actors with the traditional imperative to make a profit. The fourth questioner asked the executives to share what they were worried about and hoped that people in the organization were prepared to address. The final question concerned the obligation executives had to promote a perceived social good even at the expense of making a profit.

CONCLUSION

The executives and academics all agreed that the candid sharing of opinions was very helpful. They were all grateful for the opportunity to spend the day reflecting on ethical issues and learning from one another.

Introduction

"WHEN I RETIRED, I DECIDED TO TRY AND HELP OTHER PEOPLE UNDERSTAND THAT IF YOU TREAT YOUR EMPLOYEES REALLY WELL, THEY WILL TREAT YOUR CUSTOMERS GREAT. THAT MAKES FOR A HIGHLY SUCCESSFUL BUSINESS. YOU'LL MAKE MONEY FOR THE OWNERS AND BE ABLE TO GIVE BACK TO THE COMMUNITY AS WELL."

–Jim Mitchell

The conversation began with two questions. The first was, "what has ethics meant to you in your organization" and the second was, "what do you want to get out of today?"

Jim Mitchell shared that he had had the privilege of working with two highly ethical organizations, both of which were very successful. "When I retired, I decided to try and help other people understand that if you treat your employees really well, they will treat your customers great. That makes for a highly successful business. You'll make money for the owners and be able to give back to the community as well."

In terms of what he wanted to get out of the day, Mitchell believed that both academics and executives are busy and need time for reflection. "It is really hard to do the right thing if you don't take time to think about what the right

The group pays attention to Bob Johnson's comment.

thing is. Part of what we try to do here is to create an opportunity for people to step back a little bit and think about the issues that are going on in business.

Ron Ransom noted that he felt, "like a fresh piece of clay. I'm not really certain what my expectations are other than to sit and be a sponge and listen and learn, and I enjoy doing that." He observed that the organizations he had worked with had, "absolutely done it the right way". However, there were times that even good organizations went astray. He didn't think this was surprising since, "you're dealing with people and humans who are not perfect. The important thing is that you are able to learn how to handle the situation since it is likely to happen again."

Brian Becker noted that ethics was an important part of his education and his upbringing. "I also like to learn from other people on ethical issues, since not everyone is going to see things in the same way." He looked forward to today since it was not always easy to take a 'step back' and look at things from another perspective.

Bob Johnson shared that at both the CFA Institute and The American College his job was to increase the professionalism of the industry. To Johnson, professionalism means, "that you have knowledge, experience and some Code of Ethics to govern your behavior." Johnson was convinced that financial services was a noble profession. "If we can do things in the right way and make sure that people can figure out how to identify those folks who are really doing it the right way, then we can really make a difference."

Andrew Bucklee was especially looking forward to engaging with the academics. "What I'm most excited about today is the opportunity to have an ongoing conversation with the academics in the room and see where that goes." He agreed with Mitchell about the importance of taking time for reflection. "Just to take the day away from email and to both learn from my peers and the academics is a good opportunity."

Dawn Elm was looking forward to the conversation. “The question that drove me from the corporate world to graduate school in business ethics is ‘why people would behave differently at work than they would outside of work?’ I was always interested in how people tend to have one ethical standard for their personal life and one for their professional life.” She was also very glad to have good examples to take back to her students of business leaders who are trying to do business in accordance with the highest ethical principles. “My students are very cynical. They are sure that people in business are untrustworthy and that everything is about the almighty dollar. Meeting people like you enables me to take back a different perspective.”

Kevin Gibson believed that effective leaders were able to appeal to people’s values. “I grew up near an abandoned airfield and one day it dawned on me to

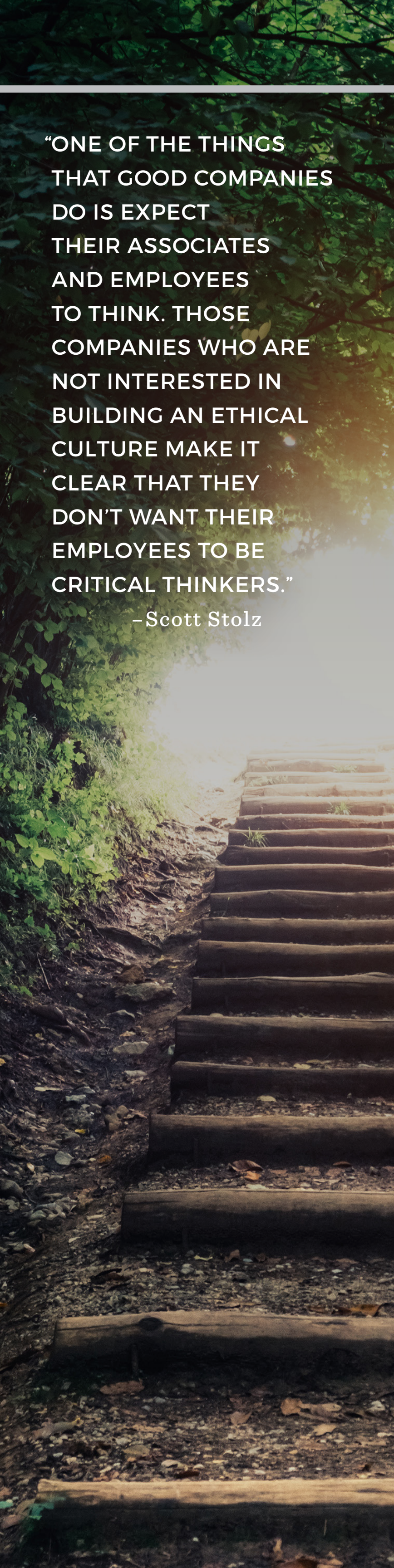
The participants listen to Dawn Elm’s remarks.

ask the question, 'why would you go up in an airplane on a bombing mission?' You go up once because someone pays you to, maybe you go because someone orders you to. Beyond that, how do you get people to risk their lives? You do that by appealing to people's values. You can say 'these are my values, they should be your values and these values should matter more than your life.'" He added that he was proud to be associated with Marquette University and with The American College because both acknowledge that, "ethics is part of the whole way that one approaches life. Ethics is integral to business and not an add-on."

Kirsten Martin valued her participation in the event because she thought it was essential that academics stay informed about the issues that concern business leaders. She agreed with Elm about the student cynicism, but noted that her less cynical students tended to actually have leadership experience. "These students also understand that trust makes life easier." She was excited today to gather information to overcome both disconnects, between academics and business people and between students and the real experience of business leaders.

Kevin Kimbrough noted that he had a unique role in this group. “I don’t work at an insurance carrier or financial institution. My organization basically sits between those two. We’ve got about 200 sales people and their job is to support financial advisors in making sure that their clients’ protection needs are adequately covered. The financial advisors are primarily focused on assets under management, but to offer a comprehensive plan, they also need to be able to address the insurance needs of their clients.” Kimbrough noted that the most important thing that his salespeople needed to do was to earn the trust of these financial advisors. “In order to do that, you need to do two things. The first is that you need to be technically proficient. You can usually signal that by having some sort of professional designation. The second is that you need to pass the advisor’s “BS test”. If you can’t do that then you are not going to be successful. If they don’t trust you, advisors will never put you in front of their best clients because they won’t be willing to jeopardize that relationship. Ethics is the thing that gets you in the door.”

Marc Cohen had an interesting path for an academic. He received a PhD in philosophy, but instead of immediately accepting a teaching position, he spent some time working with a consulting company. However, since he has been back in academia full time, he has felt disconnected from the business world. “So



personally I'm looking forward to feeling more connected." He also looking forward to participating in a session that was designed to be group reflection, rather than individual reflection. "There are well-identified ways that reasoning can go 'off the rails', one of which is that we are very good at finding reasons to justify our behavior and thinking that we did well. Sometimes engaging in this sort of reflection in a group is a way of pressing people to be more honest."

Scott Stoltz shared that he had worked for five ethical organizations during the course of his career. While he never felt compelled to make a bad decision at any of them, Raymond James, his current employer, was the most morally upright company he had worked for. "One of the things that good companies do is expect their associates and employees to think. Those companies who are not interested in building an ethical culture make it clear that they don't want their employees to be critical thinkers. Once you realize that you're not supposed to think, you just start going along." Stoltz believed that the important thing is to train people on their purpose. "I always start with the fact that your job is to do the right thing. People need to know why they are doing what they are doing and why it is important. That way, if something doesn't make sense, you're going to either do something else or go to talk to somebody."

Julie Ragatz was grateful for the connection she was able to have with executives in her role as Director of the Center for Ethics. "One of the most interesting things about my job is that I can come up with theories and then I get to go to talk to other academics and people actually engaging in the practice of business and see if any of these theories make any sense." She shared that what Stoltz was talking about was the concept of employee voice, which is generally the idea that people feel comfortable and safe in sharing their thoughts with others in their organization. "We have heard a lot about the notion of psychological safety with the #metoo movement in which we are hearing stories about people who worked in organizations where they were being harmed or abused and yet did not feel safe to talk about it." Ragatz acknowledged that this was one end of the spectrum, and that business leaders have an important role to play in working together to eradicate this sort of abuse. "But there is another side to this, and it gets at what Scott was talking about. We also need to be concerned about the decision that people make that they are not going to share an idea because they are concerned that they will not be accepted or rewarded for bringing their contribution."

Case Study

BIG DATA VS. PRIVACY

Kathy was a little anxious about her next meeting, a gathering of the informal 'Big Data' working group at Concordant Life Insurance Company. As she gathered her papers together and headed to the shared conference room on the 16th floor, she thought about the notice that had arrived in the morning's mail. It was a letter from a state Department of Finance referred to as a 'request for information' or Section 308 request. The Department wanted to know how insurance companies used external information, that is, information not provided by the consumer, in their underwriting decisions.

This external information in question is typically referred to as "Big Data" and consists of information that companies were able to gather regarding the credit scores, purchasing habits, affiliations, home

Kevin and Kathleen Kimbrough and Ron Ransom at the Reception.

ownership records and educational attainment. The letter acknowledged that companies can use this information in two ways; the first was to supplement the underwriting process. This use appeared to be perceived by the regulators as more innocuous. It was the second use, which entailed using the data as part of an accelerated or algorithmic underwriting program designed to be an alternative to the traditional underwriting process, which appeared to be the focus of regulatory concerns.

The letter was clear that companies that are only using the data as a supplement to a traditional underwriting process (which usually includes statements from attending physicians, prescription drug databases and an applicant's MIB file for life insurance policies and motor vehicle and inspection reports for auto insurance policies) need only to attest to this use. However, companies who have adopted accelerated underwriting programs through the application of algorithms relying on this sort of "Big Data" needed to answer a series of detailed questions that are technical ("which policy

form numbers are impacted", operational ("which specific types of data are used and how are they used") as well as consumer focused ("whether and how the use of the data is communicated to consumers").

In her capacity as a member of the General Counsel's team, it was Kathy who received the letter from the State. It was clear to her, at least, that this represented a strategic shift in the way that the regulatory authorities were going to approach this year and she said as much to her teammates as they sat down at the conference table.

"How companies are using 'big data' is clearly now on the regulators' radar." Kathy began as she passed copies of the letter around the table. "This is a game changer for us."

"But haven't the regulators been more concerned about the property and casualty side of the business?" asked Dave, who represented the Compliance function at these meetings. "Is this really going to be an issue on the life side?"

"I think the way that P & C companies have handled the issue has made the situation worse for life insurance companies," observed Juana, who worked in the Public Affairs division and had long-standing contacts within the National Association of Insurance Commissioners (NAIC). "Among the people I talk to, there is a sense that NAIC gave P & C companies some flexibility and autonomy regarding how they used information generated from external sources. The result was that they were dinged in the national media when it came out that companies were using credit scores to help price auto insurance."

"I get that consumers were confused," conceded Brian, who represented the Underwriting function for the group and was widely perceived to be the 'analytics guy' on the team. "I mean, on the face of it, there is no intuitively obvious connection between your credit score and your riskiness behind the wheel. But, there

Julie Ragatz listens to the discussion.

is a correlation. If a consumer's credit score did not have a degree of predictive accuracy in terms of your likelihood of making a claim on your auto policy, companies would not use it."

"Well, that may be true," Juana remarked, "but one of the main functions of the NAIC is to protect consumers and they took it on the chin with those pieces. My suspicion is that they will not make that mistake again. She gestured towards the letter, "Kathy, what's the view of the General Counsel's office on this? How do we plan to respond?"

"We don't have a response yet," Kathy conceded, "Joyce wanted me to discuss it with the group first. I talked to her this morning and she indicated that she will ultimately want to go to the senior leadership team with this issue. She thinks it is important enough. She wanted to get your feedback before we did that. So it was great that we were able to get together on such short notice."

Brian finished reading the letter and put it down on the table. "From a technical and operational perspective, we can obviously answer these questions. It is an easy enough matter to disclose what information we are using, where we are getting it and how we using it. My team can provide a description of the software and how various pieces of data are weighted." He smiled at the group, "But, I'm the 'analytics guy', the harder issue may be trying to sell that the model is fair or in the best interest of the consumer, which I suspect is the heart of what motivated the request."

Dave nodded in agreement. "From a compliance perspective, we can certainly detail the information we provide to consumers. We disclose that we use external information and offer additional information upon request. Of course," he added, "no one ever takes us up on that."

"We need to be responsive, so I think that our first step is to gather information and draft a response for Joyce to review," Kathy said, making a note on one of her files. "But I think that at some point, we are going to be asked by someone, either internally or externally, about the criteria we used to decide which information to include and how it should be weighed."

"You mean you don't think they will be impressed by 'it feels icky' test," joked Jasmine. "It may not have been scientific, but it did the job." Jasmine represented the Distribution function and although Kathy was initially hesitant to include a 'field' person in the working group, Jasmine had proved invaluable in explaining

the needs and concerns of field representatives regarding the operation of the underwriting process.

“I think we are going to have to give it a new name,” Kathy smiled at Carlos, the newest member of the group. Carlos represented the IT function and was invited to join the committee as soon as it became apparent that none of them had a handle on how the software actually worked. “Carlos, you look confused. When we were trying to decide which information should be included and how it should be weighed, we asked ourselves to rate the ‘ick’ factor, which we roughly defined as the level of discomfort we would feel if we knew companies were making decisions about us and our policies based on this information…”

“As well as how uncomfortable we would feel if we would have to explain these decisions to the public…” Juana finished. “It was a two-fold test. You know, we could come up with a fancier name for it, but at the end of the day, I am not sure how else we could have made these decisions.”

"How about 'reputational risk' assessment?" Brian suggested, "or 'consumer sensitivity concerns'? So it would be clear that we have made decisions in way that took into account reputational risk to the organization as well as being sensitive to consumer concerns?"

"That sounds more corporate," Carlos agreed. "I think that another area that is going to be important is what we do with this information. They also will probably be asking questions about the security of our systems."

Kathy made another note. "That's a great point, Carlos. I think we agree that next steps are to put together a draft of the response for Joyce to review. Does anyone have anything else?"

Jasmine spoke up. "You know, I hope that our state regulators are not losing sight of one of the main reasons we are making these changes in the first place. Consumers don't want to submit to invasive physical tests. They don't want to wait at home for someone to draw their blood and make them step on a scale. They don't understand why the underwriting process takes so long. They want it in-force as soon as they decide they want the policy. I hear this all of the time from the people who sell our product. Certainly, having this information improves our ability to get it right in terms of underwriting, but we're responding to consumer demand – the regulators need to be sensitive to that."

"I hope so too," Kathy agreed. "But we will have to see how it all pans out. Stay tuned. Thanks everyone."

Notes and Questions

NOTES

DEFINITION OF BIG DATA:

1. “Popular term referring to the extent to which vast information, often about individual consumers, is captured and used by various organizations to better understand and predict behavior…Big data has become popular vernacular for the use of consumer information and marketing analytics. While what constitutes ‘big’ remains somewhat questionable it is widely agreed that data becomes ‘big’ on dimensions

[1] Martin, Kelly D. and Patrick E. Murphy, “The Role of Data Privacy in Marketing” Journal of the Academy of Marketing Science 45.2 (2017): 135-155

of volume, velocity, variety and veracity." (Martin & Murphy 2017).[1]

2. However, other scholars emphasize that it is not the size of the dataset that is important. "Perhaps the misnomer is in the 'bigness' of big data, which invariably attracts researchers' attention to the size of the dataset. Among practitioners, there is emergent discussion that 'big' is no longer the defining parameter, but, rather, how 'smart' it is – that is, the insights that the volume of data can reasonably provide. For us, the defining parameter of big data is the fine-grained nature of the data itself, thereby shifting the focus away from the number of participants to the granular information about the individual." (George, Haas & Pentland 2014)[2]

The evolution of Big Data: The current environment as to latest stage in the wider information revolution. "If the first act of the Information Revolution was defined by the power to compute, and the second was defined by the network and the power to connect, the third will be defined by the data and the power to predict" (King & Richards 2014)[3]

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[2] George, Gerard, Martine R. Haas, Alex Pentland, "Big Data and Management" Academy of Management Journal 57.2 (2014): 321-326

[3] Richards, Neil M., and Jonathan H. King. "Big Data Ethics." Wake Forest L. Rev. 49 (2014): 393.

Distinction between Data and Metadata. Metadata is defined as the data that describes and gives information about other data. For example, when you make a call from your cell phone, information as to the date and time of the call as well as the location from which you placed the call are also collected. While metadata has always been with us (think of the card catalog at the library), it is now much easier and cheaper to collect and store large amounts of metadata. It is the composition of this 'metadata' that provides companies with the material, through the use of sophisticated data analytics, to place individuals in a broader system of typologies.

While companies are becoming increasingly sophisticated regarding collecting and processing information, most rely on 'data brokers', third party entities that collect and analyze information which they then sell to companies. These data brokers collect information from a variety of sources, including information from various corporations (e.g.

customer loyalty programs), governmental agencies and social media platforms (such as Facebook).

It is also important to distinguish between the data itself and analytical tools that are used to transform that data into information that can be used in decision making. Both scholars and practitioners have questioned the role of algorithms in the decision making process. Specifically, researchers are concerned that the people who rely on these algorithms believe that they are free of bias and that their results are objective. These scholars suggest that it is important that algorithms be designed with assumptions of who identifies, judges and corrects mistakes (Martin 2017).

"BIG DATA" AND INSURANCE UNDERWRITING – THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC) WORKING GROUP ON BIG DATA

The NAIC is an association of state insurance commissioners. The sale of insurance products, unlike the sale of securities, is regulated at the level of the individual states. Each state has a State Insurance Commissioner (although the exact title may differ by state). The majority of commissioners are appointed by the Governor of the state; however, there are a few states in which the commissioner is an elected position.

According to its website, the mission of NAIC is to, "assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance and regulatory goals in a responsive, efficient and cost effective manner: consistent with the wishes of its members:

- Protect the public interest
- Promote competitive markets
- Facilitate the fair and equitable treatment of insurance consumers
- Promote the reliability, solvency and financial solidity of insurance institutions; and
- Support and improve state regulation of insurance.

Working Groups are formed on an 'as needed' basis in order to address questions of interest to the membership. The Working Groups consist of Commissioners from a selection of states with administrative support provided by the employees of the NAIC itself. The NAIC receives input from a variety of sources, including industry, consumers and academia. The formal mechanism through which they receive feedback is by releasing 'exposure drafts' to the public and soliciting comments.

Mission Statement of the 'Big Data' Working Group[4]

The Mission of the Big Data (EX) Working Group is to gather information to assist state insurance regulators in obtaining a clear understanding of what data is collected, how it is collected, and how it is used by insurers and third parties in the context of marketing, rating, underwriting, and claims. This includes an evaluation of both the potential concerns and benefits for consumers, as well as the ability to ensure data is being used in a manner compliant with state insurance statutes and regulations. The Working Group will also explore opportunities for regulatory use of data to improve the efficiency and effectiveness of insurance regulation.

2017 Charges of the *Big Data Working Group*:

1. Review current regulatory frameworks used to oversee insurers' use of consumer and non-insurance data. If appropriate, recommend modifications to model laws/regulations regarding marketing, rating, underwriting and claims, regulation of data vendors and brokers, regulatory reporting requirements, and consumer disclosure requirements.

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[4] http://www.naic.org/cmte_ex_bdwg.htm

2. Propose a mechanism to provide resources and allow states to share resources to facilitate states' ability to conduct technical analysis of and data collection related to states' review of complex models used by insurers for underwriting, rating, and claims. Such mechanism shall respect and in no way limit states' regulatory authority.

3. Assess data needs and required tools for regulators to appropriately monitor the marketplace and evaluate underwriting, rating, claims, and marketing practices. This assessment shall include gaining a better understanding of currently available data and tools and recommendations for additional data and tools as appropriate. Based upon this assessment, propose a means to collect, house, and analyze needed data.

Ron Ransom comments as Jim Mitchell, Brian Becker, Bob Johnson and Andy Bucklee listen.

QUESTIONS

1. In the case, the participants joked about using their intuitions to assess how and what information to include in their modeling. However, our intuitions can be a powerful tool to access shared moral beliefs. What criteria should be used to determine which information should be included or excluded? For what purposes?

2. It is possible that someone could offer the following 'moral objection' to the use of big data in underwriting decisions for the following reason: information about individual consumers is taken out of any broader social context. This can problematically reinforce unjust social relations. Powerful social trends have denied both women and people of color equal access to jobs, educational opportunities and homeowners. Relying on data about these areas, especially insofar as this information impacts the

pricing of important projects (such as property and casualty and life insurance) constitutes another form of discrimination. To what extent do you share these concerns?

3. A use of 'big data' that was not discussed in this case is the practice of insurance companies to look at the social media profiles of individuals who have filed insurance claims. Privacy advocates are concerned about the practice, but insurance companies argue that this is a valuable tool in fighting fraud. Do you have any concerns about this practice?

4. How do we understand the term 'privacy' in the digital age? How does it differ from our previous 'analog' definition? We often hear of people speak of a 'right to privacy'. Although there is no mention of this right in the Constitution, it seems that privacy is still an important value for most people. If so, who is responsible for assuring this 'right' in the digital age?

5. It is possible to ask a similar question about the term 'confidentiality' in the digital age. Is there a difference between private information and confidential information? Implicit in the notion of confidentiality is the understanding that an individual knowingly and freely discloses information to an individual or institution in return for that information only being used for a particular purpose. Does this interpretation make sense when research shows that consumers do not readily understand how their information is being used?

6. Many companies, including insurance companies, have experimented with giving customers reduced rates or other benefits in return for providing the companies with additional information (for example, using a device to track various health indicators). People who do not participate do not receive the benefit. There are some who argue that this constitutes an unfair tax on those people who do not participate. Moreover, they argue that while companies do not currently penalize those people whose 'ratings' are not good, i.e. those with unhealthy indicators, they will in the future. This could be problematic since these conditions could not be in the direct control of individuals. To what extent do you agree with this concern?

7. One company uses big data to determine whether an applicant will go through a simplified, more streamlined underwriting process rather

than the normal, more laborious process. They do not use the big data to influence either of the actual underwriting processes. To what extent does that obviate concerns about the use of big data in underwriting?

8. Property and casualty policies normally have a term of one year, while life insurance policies may extend through the whole of life. To what extent should life insurance companies be concerned about using behavioral data, which can clearly change over time, in making decisions that they will be bound to for decades.

9. Companies in all lines of business, not just life insurance, are increasingly relying on 'big data' to market and sell their products. To what extent, if any, does the fact that life insurance contributes importantly to the social good influence your comfort with the use of big data? Is the use of big data to price life insurance products different than the use of similar information to market and sell consumer goods, such as electronics?

Dawn Elm, Pat Martin and Linda Mitchell enjoying their conversation.

Discussion of the Case

> "AN EFFECTIVE ETHICAL ORGANIZATION IS ONE IN WHICH PEOPLE SHARE A SET OF COMMON VALUES AND USE THOSE TO MAKE DECISIONS. "IF AN ORGANIZATION IS A COMMUNITY, IT IS THE UNIFYING FORCE OF VALUES THAT EVERYONE BUYS INTO. SO, YOU HAVE YOUR OWN VALUES, BUT THEN YOU HAVE TO TRY AND ALIGN THOSE VALUES WITH THOSE OF THE ORGANIZATION."
>
> –Julie Ragatz

Julie Ragatz shared that she had three ideas when she wrote the case. The first was concerns about the way in which regulations on the use of data could affect business practice. She noted that sometimes people cynically believe that companies want to influence the regulatory process so that they can make more money off the backs of consumers. "I actually tend to think that it is the opposite, companies want to get ahead of these issues since they understand some of the possible unintended consequences. They want to make sure that they are able to generate consistent and sustainable profits while at the same time doing what is right for the client and for the future of the business."

Ragatz also wanted to design a case in which people tried

Jim Mitchell pays close attention to the conversation.

to identify the right course of action without explicit instruction. “This case was taken from an experience that I had with some client companies as to what people do when they have no rules and are just sort of feeling their way along.” She noted that an effective ethical organization is one in which people share a set of common values and use those to make decisions. “If an organization is a community, it is the unifying force of values that everyone buys into. So, you have your own values, but then you have to try and align those values with those of the organization.”

Finally, Ragatz observed, an interesting element of the case was that it dealt with questions of how ‘big data’ should be used, a question which certainly concerns people outside of the financial services industry as well. However, for people in the financial services industry, Ragatz noted, the issue of the use of big data comes

up in at least three ways. "The first is what sorts of information companies should use when designing and pricing protection products." The second issue concerns how this information should be incorporated into an algorithm. "One of the things that we tend to do as human beings is to develop models, understand their weaknesses and then promptly forget them and go on as if our models were both certain and complete." A final issue with the use of big data in financial services is who will be held accountable when things go wrong.

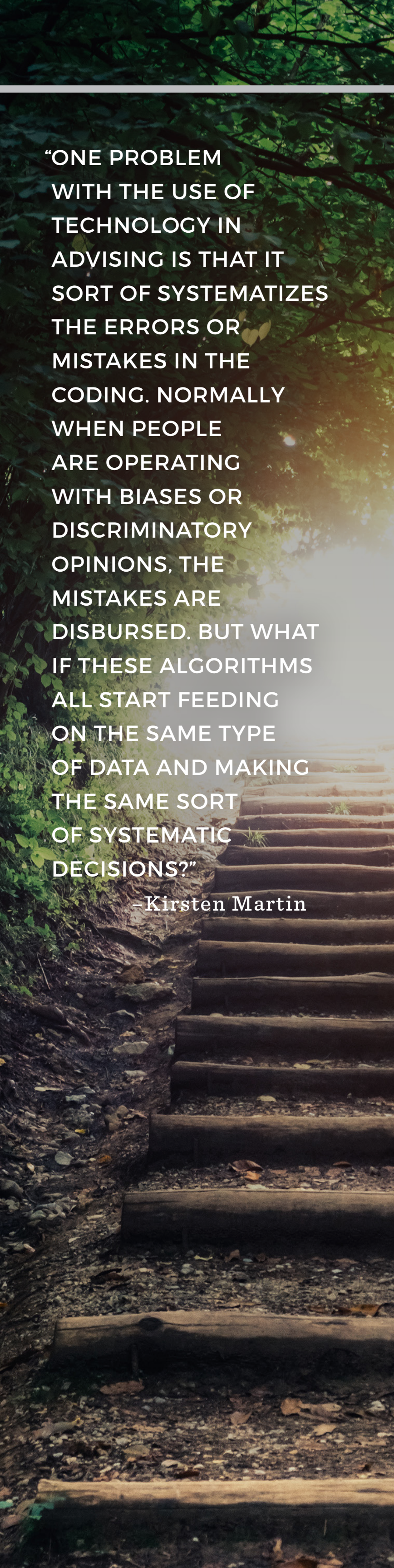
BIG DATA AND BIAS

Andrew Bucklee began by observing that individuals developed biases and heuristics, short-cuts to use when making decisions, through their own experience and that these can be very helpful. "I can imagine a future state where an individual who uses his credit card to purchase groceries, concert tickets, accessories for his automobile, details that an insurance company could use to create an underwriting algorithm to more quickly offer a protection product, at a reasonable cost, to a segment of the market that isn't buying life insurance, I'm okay with that."

Ron Ransom noted that part of the problem is that the data we receive is often taken out of context. "I am not disagreeing with you, but there is a point at which we are making some assumptions about Joe. The first is that he is not buying the liquor for someone else. We don't necessarily have the full picture and our biases about what people who buy that amount of liquor and engage in those sorts of activities are like can be leading to make false judgments."

Robert Johnson thought it mattered whether the data helped us get the underwriting right. "I am an academic and as such I am an empiricist. I look at what the data told me and in this case what I would want to know is whether underwriting was getting better through the use of these tools or not."

Julie Ragatz is amused by the conversation.



"ONE PROBLEM WITH THE USE OF TECHNOLOGY IN ADVISING IS THAT IT SORT OF SYSTEMATIZES THE ERRORS OR MISTAKES IN THE CODING. NORMALLY WHEN PEOPLE ARE OPERATING WITH BIASES OR DISCRIMINATORY OPINIONS, THE MISTAKES ARE DISBURSED. BUT WHAT IF THESE ALGORITHMS ALL START FEEDING ON THE SAME TYPE OF DATA AND MAKING THE SAME SORT OF SYSTEMATIC DECISIONS?"

–Kirsten Martin

Scott Stolz believed there was no easy solution. "It seems that whatever underwriting standard you use, there is going to be someone who you are going to make the wrong decision about. But what about the 90 percent of people you make the right decision about? If I can get life insurance cheaper because the people or machines running the underwriting process know more about me and can price me more accurately then do we really keep those 90 percent paying a higher rate because we are worried about the 10 percent?"

Kirsten Martin wondered what would happen if we discovered, for example, that that 10 percent was mostly Hispanic. "I think that the question is, if that is the result, is it possible to develop a product that meets the needs of those people who are left out. "

Dawn Elm believed that the problem was not anomalies in the system. "There are anomalies in every system. It is systematic discrimination or systematic bias that is the problem. You have to find a way to check to make sure that you don't have that."

Emily and Brian Becker at the Reception.

BIG DATA AND ALGORITHMS

Kirsten Martin raised another concern. "One problem with the use of technology in advising is that it sort of systematizes the errors or mistakes in the coding. Normally when people are operating with biases or discriminatory opinions, the mistakes are disbursed. You have people make their own separate decisions, you have competition among agents and companies. But what if these algorithms all start feeding on the same type of data and making the same sort of systematic decisions?"

Jim Mitchell thought that it was important to keep in mind the fact that algorithms were compared to human

decision making. “The alternative to algorithms is people, and people are notoriously subject to bias. So, wouldn’t it be better to be clear about what assumptions you’re making in your algorithms and systematically look at those assumptions and try to improve them over time. I think that is what a responsible company would do since they would want to make sure that they are getting better and better.”

Bob Johnson believed that the use of technology-assisted decision making was an improvement in at least one sense. “Given the same set of information for two people, it’s going to make the same decision. That is not necessarily the case when people are making the decisions.”

Kevin Kimbrough believed that algorithms would improve over time. “I was flipping through the news on the phone before my plane took off and one headline caught my attention, ‘AI predict when you will die’. So, I think that there is a certain futility to all of this. If algorithms can be refined to the point where they can tell us when people will die, then that would undermine the whole risk-sharing aspect of insurance. If we knew the day we would die then we would know exactly what insurance to buy and in what amount."

BIG DATA AND INSURANCE UNDERWRITING

Jim Mitchell wanted to highlight the point that the middle market historically has been poorly served by the financial services industry. "One of the selling points of 'technology-assisted underwriting' is that it enables us to serve a larger segment of the market. Right now, if you're lucky, someone will come to your house and they will poke and prod you and make you step on the scale and maybe a month later you will find out

Andy Bucklee, Dawn Elm, Kevin Gibson and Kirsten Martin listen attentively.

whether you have been approved for insurance or not. Technology can help expedite that process in a way that might encourage more people to write a check to get what they need."

Scott Stolz noted that an additional obstacle to the sale of life insurance is how financial advisors are typically paid. "You have to think about it from the point of view of the advisor. If I am buying a security for you, I push a button and the transaction is done. But life insurance does not work that way. It can take a really long time. If you look at it as a time for revenue equation, then the advisor is going to need a lot of revenue for that to make sense. But the more revenue to the advisor, then the worse deal for the client."

Another issue, according to Stolz, was the form that compensation takes for the sale of protection products. "As we all know, there has been a greater push for more disclosure of compensation in our industry. What most consumers do not know is that it is not uncommon that 100 percent of the first year premium is going to be paid out in the form of commission to the advisor. There are reasons for that, namely the time it takes to make sure that the client is approved for the right product, but that can be a hard sell to the consumer. The best way out of the current dilemma is to develop an underwriting process that is quick and painless for all involved."

Ron Ransom believed that consumer expectations were also driving the change to an accelerated underwriting model. "Part of the issue is that everyone wants to have instant gratification. I think that people know that there is all of this information about them out there and they are wondering why they can't benefit from that and get the insurance product they want in a much quicker time frame."

PRIVACY AND THE DIGITAL AGE

Robert Johnson asked the group to consider whether people had a reasonable expectation of privacy for information that they were posting on social media. "It's social media. By its' very definition, you're putting something out there. If that information is then accessed by people who want to use it to make decisions, then I don't see what the issue is."

Kevin Kimbrough observed that he had heard the 'privacy is dead' argument before. "I think that Eric Schmidt from Google was being interviewed on one of the news channels. The interviewer was pressing him on

how Google was going to keep all of the information they collected private and where to draw the line between information that should be kept private and information that could be released into the public domain. Essentially, he just responded that, 'if you're afraid of people discovering something about you, maybe you shouldn't be doing it.' I took that to mean that, according to Google, there was no privacy left."

Dawn Elm thought that the issue came down to which data we want to still consider private. "It is possible to know the kind of home that people live in and the type of car they drive. Is it permissible to look at the activity on someone's Facebook page? To try and determine how many times I visit the doctor and what kind of health issues that I may have? I don't think that there is any answer to where that line is right now and I am not sure we have an objective way to determine where it should be. I think that is why we feel 'icky' about it. Another word for 'icky' is moral intuition, but I think that icky works too."

Julie Ragatz pointed out the distinction between privacy and confidentiality. "Increased technology enables people to collect more information--the literature calls it meta-data--more cheaply than ever before. This isn't information that you share directly, like on Facebook or LinkedIn, but information that companies gather when we use our cell phone or drive through a toll. It is reasonable to expect, I think, that companies are collecting this information, but it is also reasonable to ask how that information is being handled and to expect that some of it will be kept confidential. It does not need to be a sort of free-for-all.'

Jim Mitchell agreed with Ragatz. "There is a model for this in the medical profession. Doctors and insurance companies collect all of this information about you, but they also agree to keep it confidential."

Marc Cohen observed that the whole Facebook model was based on there not being an obligation to keep information confidential. "Isn't the whole thing based on the fact that they can figure out what kind of targeted advertising that they can direct my way based on the sort of things that I post? Everything would change for them if we adopted that sort of confidentiality."

Kirsten Martin noted that the irony is that there is not data to suggest that targeted ads actually work as well as people think that they do. "The people that make money on targeted ads are the data aggregators, the ad networks that take money on the front end from the

people who want to place the product. It's not really clear that placing ads for what you looked at actually makes people click through faster. It is actually kind of a ruse, although no one thinks so."

Brian Becker recounted an instance in which the company collected data and he was surprised by the result. "There was an offer that if you installed a device in your car to collect data on how you drove, you would be eligible for discounts and other benefits. Since I thought I was a pretty good driver, I decided to sign up. But, wouldn't you know it, the results were that I got a 'C' on making left turns. It turns out that I was not as good a driver as I thought and I had not had an accident in 20 years. I was not happy about my 'C'. I am sure it's probably right because they have to be basing the grade on something, but I don't understand what that is."

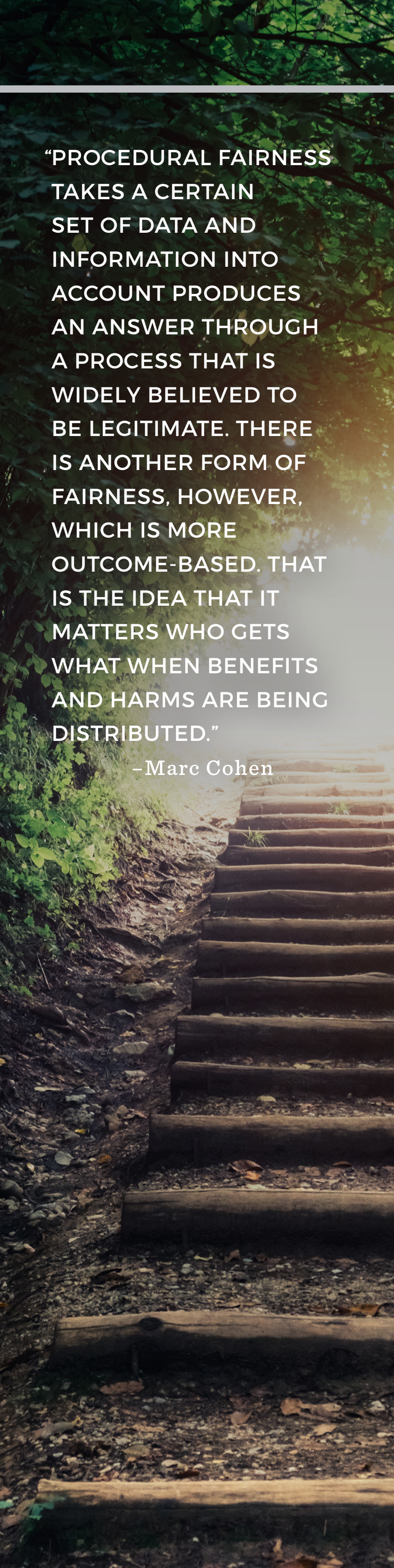
Julie Ragatz noted that Becker probably would have been better off before he agreed to collect the data. "I think that this gets at the question of how consumers are going to respond to information that they don't immediately see as relevant or, as in this case, that they don't understand how it was compiled being used in ways that might not benefit them."

MORAL INTUITION AND DECISION MAKING

Marc Cohen wanted to think more about this idea of moral intuition. "I want to think about a way to define 'ick'. I think that a process or a practice has a high 'ick' factor if you couldn't explain it to the customer in a way that would satisfy the customer. I think that defining it like this gets us part of the way to answering the question of where to draw the line."

Julie Ragatz believed that the 'ick' factor was at least partially generated from the discomfort of having to account for our actions, but she also believed that there was another factor in play. "Part of it seems to affect our ideas of free will and self-determination. Those are big concepts, for sure, but I think that is part of what is going on. There is a way in which these data brokers are creating an 'identity' for the client and imposing that identity on the client and making important decisions based on this constructed identity. And the problem is that the consumer does not seem to have an avenue to dispute that, or to say 'this is not who I am' or 'this is not a complete picture of who I am'."

Scott Stolz observed that every possible solution would represent a cost for someone else. "It's important to understand that we have a tendency to talk about 'fair'



> "PROCEDURAL FAIRNESS TAKES A CERTAIN SET OF DATA AND INFORMATION INTO ACCOUNT PRODUCES AN ANSWER THROUGH A PROCESS THAT IS WIDELY BELIEVED TO BE LEGITIMATE. THERE IS ANOTHER FORM OF FAIRNESS, HOWEVER, WHICH IS MORE OUTCOME-BASED. THAT IS THE IDEA THAT IT MATTERS WHO GETS WHAT WHEN BENEFITS AND HARMS ARE BEING DISTRIBUTED."
>
> –Marc Cohen

as though there is one single fair answer. But 'fair' is a subjective concept. What's 'fair' to one person is inevitably going to be unfair to another person For example, an organization might lower the standards in order to create a more even playing field for a disadvantaged group. But then what about the person that meets the standard but is now excluded because of the lower standard for the specified group? That person most certainly thinks the process is unfair."

Ragatz believed that the macro level issue was a matter of trade-offs. "It seems to me that as a society, we need to make a decision. It's a moral decision between pursuing the good of economic efficiency and some other good, maybe the best word is compassion, for those less fortunate than we are, whether because they lost the 'genetic lottery' or because as a racial group they have been systematically exploited."

Marc Cohen thought that it was helpful to make a distinction between different kinds of fairness.

"Procedural fairness takes a certain set of data and information into account and produces an answer through a process that is widely believed to be legitimate. There is another form of fairness, however, which is more outcome-based. That is the idea that it matters who gets what when benefits and harms are being distributed." According to Cohen, research shows that people are willing to accept unequal outcomes if the process through which they were arrived at was procedurally just. "So, for example, I don't think it is unfair if men have to pay more for life insurance because women live longer. The price difference is not arrived at in an arbitrary manner. It was the result of a procedurally fair process. But developing prices based on race seems somehow different and unfair."

Ron Ransom agreed with Cohen. "There are facts, like the facts of biology, and then there are things that become facts. So, the fact that someone of a particular race may be less of an attractive candidate from an underwriting perspective, reflects a variety of historical conditions that have impacted the life chances and opportunities of minority groups. It doesn't negate the fact that they are a less attractive candidate, but it does raise questions about what we should do about that."

Dawn Elm agreed that when you talk about the difference between men and women, you are talking about an objective difference rooted in biology. "This is obviously not the case with race. But even the gender case is not so simple. We can all agree that there are more men who are successful in business than there are women. But is this something that is rooted in their biology or something that is the result of the culture in which we live? This is a difficult distinction to make.

Executive Cases

EXECUTIVE CASE #1

Our firm worked with a client who passed away 10 years ago. A portion of his assets went to his wife and a portion went to his son from a previous marriage. There were several pages of assets listed in his estate plan, and lo and behold, there were two assets that were never transferred to the son. Fast forward to nine years later when the spouse approaches us and says that those assets never formally transferred to her. They were in the name of the deceased. It turns out that the spouse had been receiving statements addressed to him for almost a decade and never said anything about it.

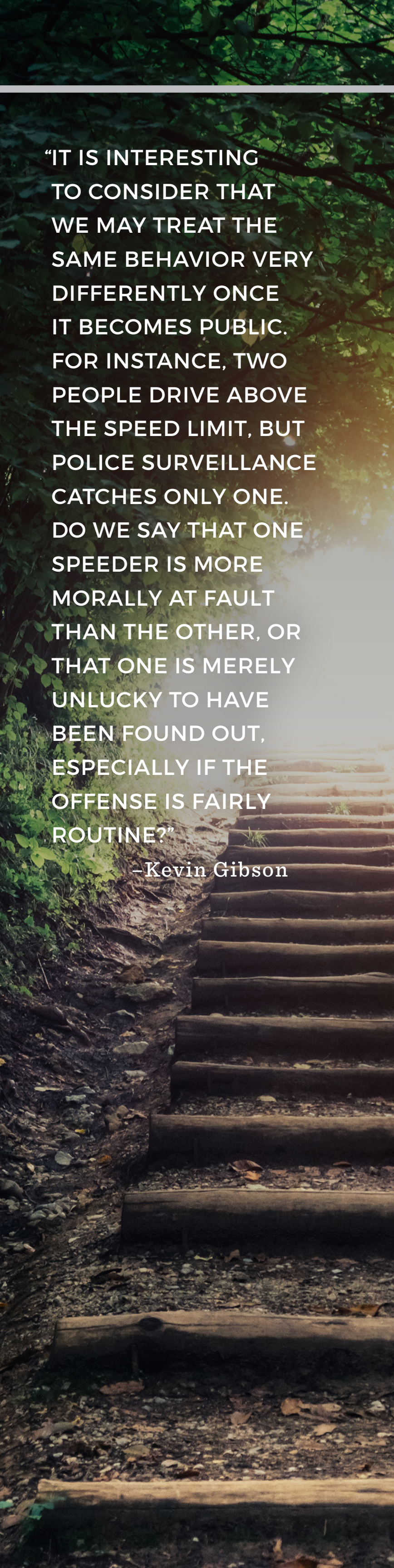
So, we consulted the records and realized that these assets really should have been transferred to *the son at the time of his father's death. What would need to happen to make this right is to go to court and get the assets legally transferred, which would take both time and money. What the advisor did was to use a signature from the deceased to move the assets more quickly and efficiently.*

So, the fund company receives the request with the deceased's signature and they immediately notify both FINRA and the broker-dealer since their records indicated that the client was deceased and that therefore the signature must be fraudulent. The result of all of this was that the partner gets terminated from the broker-dealer since he clearly broke the law, even though there was, technically speaking, no harm to the client, the spouse or the son.

The advisor's motivation was to help the client and just to try and do that as quickly as possible. There was no financial benefit for him to take this course of action, but he clearly did the wrong thing

Ron Ransom pointed out that this behavior violated a clear line. "He knew what he was doing was wrong. It was not the right action, even though it was to accomplish the right thing."

Julie Ragatz observed that even though this action was clearly a violation of the law, it was one of the most common examples of unethical actions that she encountered. "I would say that if I have a class of 20 people, at least 2 of them will provide an example of a signature issue. I think that there is a perception, which



"IT IS INTERESTING TO CONSIDER THAT WE MAY TREAT THE SAME BEHAVIOR VERY DIFFERENTLY ONCE IT BECOMES PUBLIC. FOR INSTANCE, TWO PEOPLE DRIVE ABOVE THE SPEED LIMIT, BUT POLICE SURVEILLANCE CATCHES ONLY ONE. DO WE SAY THAT ONE SPEEDER IS MORE MORALLY AT FAULT THAN THE OTHER, OR THAT ONE IS MERELY UNLUCKY TO HAVE BEEN FOUND OUT, ESPECIALLY IF THE OFFENSE IS FAIRLY ROUTINE?"

–Kevin Gibson

is mostly accurate, that many of the rules that govern practitioners are onerous, irrelevant and nonsensical, and only designed to provide cover for the home office. I think that people believe that it is their job to ignore rules like this when they think it is in the best interest of the client."

Kevin Gibson believed that this case was an example of the phenomena of moral luck. It is interesting to consider that we may treat the same behavior very differently once it becomes public. For instance, two people drive above the speed limit, but police surveillance catches only one. Do we say that one speeder is more morally at fault than the other, or that one is merely unlucky to have been found out, especially if the offense is fairly routine?"

Scott Stolz liked that idea. "It's like the person who got pulled over for speeding. Everyone else on the road was going over the speed limit, it is just that he was the one who got picked up."

Dawn Elm thought that it was

important not to trivialize what happened. "If you get to decide that this rule doesn't apply to me, then who's to say that you can't make a decision about the other rules that don't apply to you. So, for example, I don't have to pay my taxes. Do you really want to live in a society like that?"

EXECUTIVE CASE #2

You run a small broker dealer, roughly 60 employees. Sara is one of your divisional sales managers and she has ten employees. She's a real go-getter. She sets the bar extremely high and she demands much from her team. She consistently beats her numbers and her team would run through a brick wall for her. They love Sara. You love Sara. She is making you successful.

One day, Brad, a sales person on Sara's team asks if he can come and speak to you. He closes the door and he tells you the following: everyone was due to complete their bi-annual securities and insurance training CE. And as we all know, that's a pain. Anyway, Sara took it upon herself to take the test ahead of her team and create a cheat sheet, which essentially has all of the answers. She then gave this information to her team letting them know how much she cared about them and did not want to have them wasting their time taking a test that they did not need.

You thank Brad for giving you this information and then you call the HR and Legal teams in. Over the course of the next couple of weeks they discovered the following: 6 individuals used the study guide material and they

all took the test and passed. 4 individuals decided not to use the material; they all studied and they all passed. One of those four individuals was Brad. So the question now is what to do.

Sara was immediately terminated. If you are going to develop a good culture within your organization, you cannot allow behavior like that. The six people who used the cheat sheet went on a 30 day probation period with no compensation. We reported the matter to FINRA and the six paid a fine both to FINRA and to our organization. The other four were put on probation, but allowed to earn compensation and they were fined, but their fine was only 50 percent of the other group. Brad was treated the same as the other people who knew about the cheat sheet and did not use it, but chose not to come forward.

Bob Johnson wondered if this should be a fireable offense. “If this is the first instance I wonder if Sara could have been rehabilitated. I am not sure I would have made the decision to fire her.”

Kevin Gibson listens attentively to the conversation.

Dawn Elm believed that the decision whether to fire her or not could have important implications for the culture. "I think that I would have taken the opportunity to make an example of her. I have worked on a number of boards and done a fair amount of consulting and we do not punish unethical behavior very often. I think this sends the message that you may get a 'slap on the wrist' but you won't face any real consequences." Elm believed that there was another issue as well, "I also wonder what it says about Sara that all of her reports said 'yes, ma'am' and did not question what is obviously illegal and unethical behavior. It seems like there were an awful lot of 'yes' people in the room."

Marc Cohen was sympathetic to the situation of the employees. "I think that this puts them in a complicated position due to the divided loyalties". Cohen also noted that he believed the intent of the testing mandated was relevant. "There is a difference between a test and an educational process. In some situations, it is enough

that you know the answers to the questions regardless of how you got that knowledge. In a university setting, every three years or so, you need to take a test that makes you know the rules regarding privacy and student information. If three of my colleagues and me were to get together and do it, I don't think that would violate a rule. I think that the point is that you go through a process, take the test and know the right answers."

Julie Ragatz believed that Sara's ability to lead her team was compromised. "In my mind what Sara has done here is to say that this is a stupid compliance rule and because it is stupid you don't have to comply with it. And so the next time some person on her team is wants ignore a compliance rule that they think is stupid, they are going to, quite reasonably, believe that Sara won't care and that it's no problem. I think that opens your organization up to tremendous risk."

Kevin Kimbrough agreed that it was important to consider the entire organization when making a decision like this, "As a supervisor in a FINRA organization I have to create a culture that is compliant and I can't do anything that would undermine that. If it were to ever come out that something like this happened and I knew about it and did not punish it then that could be a real issue both in case of any future infractions and in the need to treat people consistently – what do you do the next time something like this happens?"

Kirsten Martin thought it was important to keep in mind that stories like this one tend to get out. "You will have people gossiping. If Brad has come to you then the information will get out. You would have people knowing that within the organization this behavior is tolerated."

Kirsten Martin enjoys the dialogue.

EXECUTIVE CASE #3

My dilemma is tied to diversity, and in particular to racial diversity. In the financial services industry, especially at the senior leadership levels, there is a lack of racial diversity. I think that if you want to change that, you need to be purposeful about it and that can mean taking actions with the direct consequence of changing the way that the 'family portrait' looks by shifting the numbers. The dilemma I faced was that I was working at an organization where the corporate officers who were people of color had the highest level of attrition in the organization. There was a sense among the people who left that they were not going to have opportunities to advance in this organization. I think that this perception was at least partially true in one case, but was not true in the other cases. This was a problem for two reasons; the first was that we were obviously losing good people. The second was the fact that we were experiencing such attrition was

Scott Stolz engaged in the conversation.

causing a negative perception in the office. In response, I was asked, behind closed doors, to find and promote someone to a leadership role who was a female person of color. I was given the freedom to create the job description in the way that I felt sense, but it is clear that the determining factors of getting this job was that the candidate fit a certain demographic profile.

I agreed to do it and I created a position description and interviewed several candidates for the job, all of the time knowing which candidate was going to be selected. One of the things that did cause me concern was the people who were interviewing for the position who were not going to get the job. I tried to be very deliberate during the interview and think if there was a way that I could be helpful to them in the future. I didn't want this process to be a complete waste of time for them. At the end of the process, we made an offer and the candidate

accepted. It's interesting that while I called this a dilemma, I didn't really lose a minute's sleep in doing this. I felt that I did the right thing. I helped my boss and I made a difference. This person has excelled. She continues to be a leader in the organization and has lifted other people up as well.

Kirsten Martin believed it was important that the candidate was set up from the beginning to be successful. "In some cases, decisions like this can really put the candidate at risk. There are always situations in which a job is given to a candidate simply in order to increase the numbers with no real thought as to his or her chances for success. In this case, you got to create the conditions for her to be successful and that is a great thing."

Kevin Gibson wondered if the best way to get change was to enact rules that compel different behavior, leading first to compliance but eventually to an internalized attitude. "For example, in relatively recent times very few people wore seat belts.

Subsequently we had regulations that some saw as an imposition, but seat belts were routinely installed in all cars and we had 'Click it or Ticket' enforcement. Now I can't imagine driving without a seat belt on, and won't tolerate others who don't. Is it the case that we could force people to do the right thing and changed attitudes will follow?"

Ron Ransom thought that in order to achieve that more balanced society, it was important to increase the number of people of color in various positions. "The American College right now is working towards doubling the number of black financial advisors by 2027. My organization is looking for ways that we can partner with them to do that. I have had some push-back as to why we are only focusing on black advisors and why we are so focused on getting to a certain number." But he believed that this was the right path. "If you don't increase the number, how are you going to make significant change? Why not make it about the number and see what that leads to?"

Dawn Elm believed that the intention mattered in this case. "For me, if the decision was made to create a job for this person and to do both based on her race and gender only to improve the optics, I would be less comfortable with that. I think if the intention is to actually force a change in the industry by getting the numbers right then this is a different sort of story."

Brian Becker wondered if the intention was very important. "Even if the motivation isn't good or noble, there can still be important and good consequences

that come from the action. People give money to charities all of the time for all different reasons, it may be for the tax deduction, it may be to make you feel better about yourself, but I am not sure that the reason why you gave the money matters to the people who are benefited by it."

EXECUTIVE CASE #4

In this dilemma there are four important characters. The first is James and his role is to assist financial advisors by supporting the life insurance and risk protection needs of their clients. The second is Dean, who is James' manager and whose role it is to support James' sales efforts while protecting the interests of the organization. Craig is the financial advisor who has agreed to bring James in to assess the risk protection needs of his clients. Finally, Sam is one of Craig's clients who is in need of life insurance.

After James reviewed Craig's clients' needs, he was able to *identify that Sam had an opportunity to increase his coverage by about a million dollars while at the same time lowering the annual premium outlays by a five figure amount. This is a win-win since it would add coverage and save the client money. The sale would generate revenue for Craig and sales credits for James. As we talked about earlier, the underwriting process for a policy like this can be lengthy and time consuming, which is one of the reasons why advisors like Craig are typically willing to bring someone like James into the case. In this particular case, I think that it took around five months to complete the physicals and gather all of the medical statements that were needed. In the end, however, Sam qualified for the ratings that James had put in the proposal, so everything looked good to go.*

When the policy was issued, James and Craig went personally to deliver the policy the client. Sam accepted the policy and signed all of the required forms. Dean took James out to lunch to celebrate the successful sale and both of them were relieved since James was coming up on his 18 month anniversary with the company and had been behind on his sales quota. If he had not made the sale, he would have been probation for three months.

It was particularly lucky, James confided to Dean, since when he and Craig dropped off the policy, Sam told him some alarming news. Apparently, at the behest of his wife, Sam had received a medical screening from a new facility called something like "1-800 Cardiac Workup".

When the medical technician read the report, he was concerned enough to suggest that Sam immediately follow up with his physician. Since the screening did not occur in a physician's office, it was not included in his medical record and Sam had no plans to follow up since "who could trust an outfit like that?"

What Sam did not know is that when he signed to accept the policy, he was asserting that there had been no changes to his health in the intervening weeks or months. Dean told a disappointed James that he would have to call Craig to let him know that the results of the screening did represent a material change in his health and would need to be reported to the insurance company that issued the policy. Of course, no one was happy about this – not James, Craig or Sam. Not only would James lose the sales credits, he would damage the good will that he had built up with Craig, who may be reluctant to place him in front of his other clients. Dean's *dilemma, when none of the other parties was willing to come forward, was whether he was willing to 'upset the apple cart' since, after all, everyone was better off with the new policy. In the end, however, Dean did disclose the information and the result was that James went on probation and ultimately found another position.*

It was interesting though that several years later, another salesperson who worked for Dean was doing some business in Craig's office. The situation with Sam came up and Craig shared that Sam died of a heart attack a few months after all of this had taken place. Since there is a two-year contestability period on any policy, it is quite possible that the issuing company could have found out and denied payment. As it was, his original policy was intact and paid his beneficiaries after his death.

Dawn Elm thought it said something important that everyone in the case, excepting Dean, was willing to withhold information. "I think it comes down to whether you have some sort of moral obligation to tell the truth that this is an inaccurate contract. I think I would wonder about the character of the people who are involved here."

Brian Becker believed that the client may not have known any better. "I bet that the client really didn't think that he was doing anything wrong. He's probably just thinking that all of the approvals are done and he just needs to sign the thing. He's probably not reading the policy, even though he should. The agent in the case

knew better."

Julie Ragatz agreed. "I don't think that the client was malevolent. He could be thinking, 'didn't I just go through a bunch of medical exams? I don't want to go to another doctor and this is probably just a cracker-jack outfit any way."

Kevin Gibson wondered if the case would have a chilling effect. "If companies can use information, even from fitness tracker websites to determine your coverage, I wonder how many advisors will suggest that all of the clients just refrain from any medical tests for the couple of months that the policy is being unwritten. I am not sure that would be in the best interest of anyone."

EXECUTIVE CASE #5

This case involves working with family members and whether that constitutes an ethical dilemma. In this case, there was a young woman who worked as an intern for two summers while she was a college student. She showed a *tremendous amount of potential and the organization offered her a full time position upon graduation. She accepted and, by all accounts, was knocking it out of the park. The ethical challenge emerged when her father, who was senior leader in the same organization, was asked to head up the division in which the young woman worked. While she would not report directly to her father, she would report to one of his direct reports. Even though the organization did not have a nepotism policy in place banning such arrangements, it was clear that this situation was not ideal and would not have been allowed to occur if her father had held this position when she was hired. However, the decision was made to allow the reporting structure to remain intact and this raised some specific challenges. The first is that her father has to sign off on any raise, promotion or bonus that the young woman receives. This is especially timely since the young woman has expressed interest in a position in which her father would be involved with in the hiring process. The second is that her immediate supervisor (and the father's direct report) has to worry about the perception of favoritism anytime the young woman receives a promotion or special assignment. It is also possible that this perception could adversely affect the young woman and leave her open to charges that she is being given opportunities because of her connections rather than through her own merits. Finally, an internal engagement survey revealed that at least one person on the woman's team found the arrangement unfair and suggested that policies be put in place to prevent such occurrence. Although only one*

person noted this on the survey, it is possible there are others who feel the same.

Marc Cohen shared that this situation is more common in academia, where professors often have students who act as research assistants. “I have a colleague who has students working from him and when they take his class, he asks that another colleague is involved in the grading process. I know that he would never let these sorts of outside class relationships affect his grading, but he wants it to appear above board. Perhaps the father could institute a similar policy? If there is a third party there is a witness to everything and that witness could create a level of transparency and would ensure to the community that additional oversight has been put in place.”

Ron Ransom wondered if that would be a complete solution. “If I am the young woman’s supervisor then won’t I still be concerned about how I look in the eyes of the father?”

Dawn Elm thought that an

important consideration was the performance review system that was in place. “I think that in a case like this it is important for the assessment criteria to be as objective as possible to ensure that people can feel confident that there is not any favoritism going on.”

Kirsten Martin wondered if there were considerations other than ethical ones in making this decision. “I am worried that the young woman would not have credibility in the organization. It may almost benefit her to leave for a couple of years, solidify her reputation somewhere else and then come back. It’s a little bit like when you’re playing for your parents as the coach, you really only know you deserve to play when you are

Kevin Kimbrough pays attention to the conversation.

Academics' Questions

QUESTION #1 – BOB JOHNSON

With the move from defined benefit plans to defined contribution plans, do people working in the financial services industry have any concerns that people are marketing products that are almost like nuclear arms in the hands of people? I see this in the context of the whole Bitcoin phenomenon; there are funds that are not investing in Bitcoin. What is the role of people in the financial services industry to say, wait a minute; we have got to put the brakes on some of this stuff.

Jim Mitchell shared that he was speaking to the head of distribution for a major company and he indicated that there were just some products that should not be sold. "I am not

Marc Cohen and Kirsten Martin at the Reception.

sure about that. We should not be outlawing products in a haphazard way, but you ought to try and be sure that these products are being used by people who understand what they are buying and in situations in which these products are appropriate. These products can be oversold to people who should not be buying them in the first place."

Ron Ransom thought that there were already significant restrictions in place regarding who can buy these products. "Private placements, alternative investments; these types of products are limited to people based on their net worth." He also thought defined benefit plans did not eradicate people's opportunities to make mistakes. "A defined benefit plan simply means that I am going to get the money at a later date since the company was kind enough to save it on my behalf. It does not mean that I am going to make smart choices once I receive it."

> “EVERYONE HAS A BOSS AND PEOPLE NEED TO SEE YOU RESPECTFULLY CHALLENGE PEOPLE IN AUTHORITY WHEN YOU THINK THERE IS SOMETHING WE CAN BE DOING BETTER.”
>
> –Ron Ransom

Andy Bucklee wondered why people were so concerned with individuals having to take responsibility for their own retirement. “Isn’t it about responsibility and taking ownership for oneself? Why should others be responsible for making sure that individuals know how to wisely invest their money?”

Kevin Gibson thought that any responsibility would be rooted in the vulnerability of consumers. “The problem is that there are predatory vendors out there for uninformed buyers.”

Dawn Elm agreed. “The question is whether not as a group of executives in this business your company has some sort of moral obligation to protect clients who are vulnerable either because they are not educated enough to understand the choices they are making or they are experiencing some form of diminished capacity.”

Kevin Kimbrough believed that there was pressure to open some of the restricted products to larger segments of the market. "There are financial books out there that tell you that the system is rigged for the rich. They get to invest in things that you don't get to invest in."

Scott Stolz thought that companies were well incentivized to make sure that people are only sold suitable products. "If someone loses money in one of these products and they decide to go to an attorney, I can guarantee that the complaint will come back that the consumer was an unsophisticated investor and that the advisor violated his fiduciary duty by placing him in that product. There are definitely expectations, on the part of the regulators, that we will protect people from themselves." Stoltz believed that some of the burden should be placed on the regulators. "The regulators have never taken a position that we are not going to approve a product. It does not seem right that the states should criticize the industry for selling a product that had a surrender charge of 20 years if they approved that product for sale."

QUESTION #2 – DAWN ELM

"How do you encourage people in the organization to have the courage to say that they know something is wrong or being done incorrectly?"

Scott Stolz believed it began with an expectation that people would raise their hand when they saw something out of place. "You also need to demonstrate that it is safe for them to do so. People will watch and see what

happens to people who speak out. If they perceive that there are any negative consequences, it does not matter what you say."

Ron Ransom believed that it had to be more than just having an 'open door' policy. "Everyone has a boss and people need to see you respectfully challenge people in authority when you think that there is something that we can be doing better. If they see that then hopefully they will be willing to do the same."

Brian Becker thought that it was important to take the opportunity to make hard choices in a public way. "An example is the case in which the leader made the hard decision to fire Sara for her role in encouraging her reports to cheat on the exam." He believed that the most important thing was to make sure that bad behavior wasn't normalized. "I think that if you look at the scandal with Harvey Weinstein, the problem was that people began to accept his abhorrent behavior as normal and did not challenge it. We all see these things so clearly after the fact. Why is it so hard for us to recognize it as it is happening? We need to stop normalizing bad behavior."

Kevin Kimbrough thought that part of what was troubling about the example of the widespread cheating was the fact that most of those who knew said nothing. "You need to create a culture of compliance in which willful blindness simply isn't tolerated."

Andrew Bucklee believed that leadership was a lot like parenting. "I have been in a leadership role for 22 years and it is just like raising my kids. You have to be consistent, fair and transparent. Imagine what your kids would be like if you consistently changed expectations? It's hard to do, but simple in theory."

Jim Mitchell agreed. "It's about accountability. You really want to help people understand what you expect from them and that you're going to hold them accountable for not speaking out."

QUESTION #3 – KEVIN GIBSON

"I have three questions that are closely related. The first is how would you define the purpose of a business? If the answer is that it is broader than merely making a profit, then how do you balance the interests of various and competing stakeholders? Finally, when you look at the role of the business in the community, how do you balance community building and philanthropy with the purpose of the organization?"

Andrew Bucklee acknowledged that there had definitely been a shift in terms of what people expected of the

corporation. “I think that the millennials are definitely looking more towards to the corporation to participate in their lives and in society in general. This is something that I have been grappling with since I have always viewed the corporation as there to provide value to the customer.”

Ron Ransom believed that there had been a shift and that people expected more of their employers. He also believed that this provided an opportunity for employers who were willing to be clear that they would take care of their own. “I will have been with Nationwide for four years in July and I can say that it is the best company that I have worked for. There is an ethical culture that is tangible. When you’re mindful of taking care of people, it shows and people will understand that your actions align with your words.”

Scott Stolz believed that it was a question of how to balance interests, since everything took resources. However, he knew that employees at Raymond James valued its philanthropic efforts.

"On the associate survey that we do every two years, one of the areas in which we get the highest marks is our charitable efforts."

Jim Mitchell thought that it was important to take a long-term perspective. "Any decision that you make in the short-run is likely to disadvantage one stakeholder for the benefit of a different one. I do think and expect that if you're doing the right thing over time, each stakeholder will be better off over time by having a relationship with you. I think that is entirely a reasonable expectation to have, it just takes a while."

Mitchell also believed that it was important to understand that being an ethical company did not mean never making a mistake. "I sat in a room a couple of years ago with some very smart people and we were talking about which companies we believed were ethical. Someone said, 'I don't think that there are any ethical businesses because every time I think that one is, I read something about what they did wrong on the front page of the paper'. That may be true, but corporations can have thousands of people and at any one time there will probably be one or two that are doing something stupid." Mitchell believed that what differentiated ethical from unethical companies was how they responded to those mistakes. "Ethical companies try to make the customer as whole as possible and then to try and look at their systems to see how they can prevent something like that from happening again."

Julie Ragatz believed that the increased expectations on corporations reflected larger social trends. "Most people agree that there have been systematic declines in the vibrancy of civic institutions like churches and schools. I wonder if people, especially millennials, are looking at corporations as replacements for these institutions. People need community and if corporations are the most viable institutions in our community then that expectation is going to be there to fill those needs."

QUESTION #4 – KIRSTEN MARTIN

"I am interested in what you worry about – what you hope people in your organization are on top of, or something in your organization that you are concerned about."

Ron Ransom offered that success can be concerning. "In 2017, Nationwide Financial had the best numeric year ever. We had record-breaking sales on with what is a rapidly outdated business model. One of our largest product lines is annuity sales; which are historically transactional products. In addition to increasing regulatory scrutiny, the annuity business is under extreme pressure because it has not fully transitioned to advisory or fee-based business. So, organizationally we're coming off our greatest year ever and, as an example, a large portion of our entire business model is basically on the wrong side of history. The ability to be nimble and to be a willing change agent is limited when you're coming off of our greatest year ever. There is a sense where people will say, 'if it isn't broke, don't fix it.' That's the real concern."

Brian Becker noted that he is concerned about the regulatory trends that Ransom mentioned. "It's all of these pressures, coming from different directions." He also added that in his role he was also concerned about the so-called bad actor. "You always hope that your employees are doing the right thing. I don't think about that a lot, but I do once in a while." Another issue was how to reach out to the next generation of consumers. "We need a relationship with the next generation, but it is not necessarily easy. They don't necessarily need to be with their dad's agent."

Andrew Bucklee agreed with Ransom. "Many organizations don't reward individuals for taking risks, trying new ideas and organizations can become complacent if the top line keeps growing. The issue across the insurance industry is that we need to change and we need to innovate but there is no 'burning platform' to get people to change. We have brush fires but not burning platforms that motivate us to change."

Kevin Kimbrough said that he did not wake up at night wondering if he had the right compliance structure in place. “I know that I have the right controls. I know that any product that I am going to put out in the marketplace has to go through several layers of compliance.” He was more concerned about the lack of clarity around some of the compliance rules. “It sometimes feels like a big morass. What products should we be selling? What model should we use to compensate advisors? It seems that you have these different constituents that all want different things.”

Scott Stolz was concerned about how advisors have valued their services. “In general, advisors have priced their services at 1% of a client’s assets under management. However, that price point is increasingly coming under fire because technology is making it possible to manage a portfolio for much less than that. But what gets lost in the discussion is all of the additional services that the client is getting from a financial advisor – services like retirement income planning, college savings, choosing when to take Social Security, and even should I buy or lease my car. Very few advisors charge separately for these services. They simply wrap these up in the 1% asset fee. As an industry, we have done a poor job defining that the asset fee covers much more than just managing money, so in a way we have helped create this problem."

QUESTION #5 – MARC COHEN

Do you in your role as organizational leaders see yourself as having an obligation to society other than selling products and services that people need? I am thinking specifically of an example in which what is rationally economical for the firm is not in the best interest of society and could reinforce existing inequalities?

Ron Ransom began by noting that there have been technological advances that have benefited traditionally underserved consumers. "The creation of mutual funds, for example, were widely seen as providing avenues for average people to invest in the market." However, he did acknowledge that there was another side of the coin. "It is not necessarily going to be feasible for an advisor to work with someone who has $70,000 as opposed to $700,000 or $7 million because of the risk that they incur. Advisors are just going to say that it isn't worth it."

Kevin Kimbrough agreed that the Department of Labor fiduciary rule was going to make it less attractive for advisors to serve middle market clients. "There are

companies, mainly insurance companies, who have decided to simply leave the advisory market. Maybe some people would argue that an insurance agent is not the right person to talk about investments or retirement goals, but that agent may have been the only person who that consumer was talking to about these things. The reality is that now that client has nowhere to go for quality financial advice."

Bob Johnson believed that robo-advisors were not going to be the solution for middle market consumers. "The problem is that no one has used a robo-advisor in a bear market. The people relying on robo-advice will not have anyone to talk them off the cliff when the market is down. They are going to sell when the prices are low and buy when the prices are high."

Jim Mitchell believed than increased technology changed the nature of insurance. "The whole notion of insurance is a pooling of risk based on certain characteristics. The more information we have about people the more we are able to pool them in smaller classes, until eventually, there is no need to pool since companies will have all of the information they need to find the right price for you. That isn't insurance anymore."

Julie Ragatz thought that genetic testing provided an example of trying to balance a social good with the imperative of companies to make a profit. "We rely primarily on the existence of insurance purchased on the private market to provide care for people with chronic diseases. If companies can opt out of providing these policies since they will have enough information to price policies for at-risk people at prohibitively high levels, you will still have the need for coverage, but without a market solution. Then this burden will shift onto the public sector. The choice will be to fund people's care through increased premiums or to fund it through increased tax dollars. The choice is which we prefer."

Kirsten Martin noted that there is a similar problem with flood insurance. "It is amazing when you hear how under-insured people are against flood risk. The people who need it the most are usually not able to afford it."

Discussion About Ethical Cultures

> "AN ETHICAL BUSINESS TRIES TO TAKE INTO ACCOUNT THE INTEREST OF THE CLIENT, THE INTEREST OF THE STOCKHOLDER, THE INTERESTS OF EVERYONE WHO IS IMPACTED BY THE DECISIONS OF THE ORGANIZATION."
>
> –Brian Becker

Jim Mitchell asked the group how they would define an ethical business. "How would you know one if you saw one?"

Scott Stolz believed that an ethical business prioritized more than the profit. "I think it is a company that tries to make decisions based on what is the right thing to do as opposed to what is going to make the most money."

Brian Becker believed that an ethical business tried to balance the interests of all of the stakeholders. "An ethical business tries to take into account the interest of the client, the interest of the stockholder, the interests of everyone who is impacted by the decisions of the organization."

Andrew Bucklee agreed with Becker. "I think it is when the company is trying to do the right thing by the customer, they are trying to do the right thing by their employees and trying to do right when it comes to their shareholders. I think it comes down to the 'Golden Rule' in terms of treating people as they would like to be treated."

Julie Ragatz, Ron Ransom, Jim Mitchell, Linda Mitchell, Scott Stolz, Kirsten Martin, Pat Martin, Brian Becker, Emily Becker, Kevin Gibson, Marc Cohen, Bob Johnson, Dawn Elm and Andy Bucklee at dinner.

Kirsten Martin believed that ethical companies can make mistakes, but that an unethical company will fail to retain good people. “If employees are treated poorly, the best ones will simply not tolerate it and leave.”

Dawn Elm believed that an ethical organization framed problems in an ethical way. “There has been a lot of research demonstrating that the way people frame a problem has an impact on whether individuals even identify that there is an ethical principle at stake. It can be a hard thing to teach people to look at an issue in an ethical way.”

Marc Cohen wondered if there was a financial benefit to acting ethically. “My view is that I am afraid that the business case isn’t strong enough. I am concerned whether businesses are putting themselves at a disadvantage by avoiding unethical behavior.”

Scott Stolz believed that even if you could not definitively identify which companies were ethical, “an unethical company has a better chance of blowing up than an ethical one."

Kevin Gibson believed that it was important to make the business case for ethical behavior. "It doesn't really matter what the motives are in the sense that leaders can choose to act ethically for entirely prudential reasons and it still has the same good effect."

Conclusion

Ron Ransom was glad to have participated in the event. “It was a very comfortable environment and thought-provoking. I thoroughly enjoyed it.”

Brian Becker really enjoyed the conversation, “especially thinking about things that we often don’t take the time to think about.”

Andrew Bucklee was thankful for the quality of the discussion. “I definitely took away a deeper appreciation of ethics and I was surprised at the level of discussion we had. I didn’t think we would go as deep as we did and I was really appreciative of that.”

Dawn Elm found it helpful to hear from the executives about the sort of issues that they dealt with, “and then talk in a wide ranging away about how they could be addressed.”

Kevin Gibson was appreciative of everyone’s willingness to participate. “I know that there are many competing ways, especially for the executives, to spend their time and energy. I am very happy that you all took the time to be here."

Kirsten Martin really enjoyed the case. "I thought that the case was really specific and also on the cutting edge where it did not provide a clear answer." She also hoped that the executives saw that academics did not always agree on the solution to an ethical dilemma. "There is no unified 'academic answer'. There are a variety of views and many times we disagree."

Kevin Kimbrough liked the diversity of the group. "It was a good cross section of academics and executives. The business people especially represented a variety of different functions throughout the industry. I thought that was helpful to offer a new perspective."

Marc Cohen was glad to reconnect with his former role working in business. "I'm grateful to have been here and I feel like I have taken away all sorts of ideas."

Scott Stolz felt the time was well-spent. "The time really flew by, which I think says a lot about the quality of the discussion."

The American College Cary M. Maguire Center for Ethics in Financial Services is the only ethics center focused on the financial services industry. The Center bridges the gap between sound theory and effective practice in a way that most ethics centers do not. Under the leadership of Director Julie Ragatz, the Center's mission is to raise the level of ethical behavior in the financial services industry. We promote ethical behavior by offering educational programs that go beyond the "rules" of market conduct, help executives and producers be more sensitive to ethical issues, and influence decision making.

The Forum is a groundbreaking, one-of-a-kind event that underscores the Center's emphasis on collaboration and conversation among academics and executives. Jim Mitchell was recognized in 2008 for his dedication to business ethics and was included in the "100 Most Influential People in Business Ethics" by Ethisphere, a global publication dedicated to

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examining the important correlation between ethics and profit. The list recognizes individuals for their inspiring contributions to business ethics during the past year.

The Forum is the cornerstone of the Center's activities highlighting how to bring industry leaders, accomplished producers, and prominent business ethicists together to reinforce the need to connect values and good business practices.

THE AMERICAN COLLEGE
CARY M. MAGUIRE
CENTER FOR ETHICS
IN FINANCIAL SERVICES

270 S. Bryn Mawr Ave.
Bryn Mawr, PA 19010
610-526-1000