

# **ETHICAL DECISION MAKING**

## **Three Hour Ethics Class, No Exam**

### **Course Objectives:**

The contemporary insurance producer preforms in a pressure environment that is constantly changing while continually testing the ethical resolve of their fiduciary responsibilities. This course reviews the basic values required of an insurance fiduciary and encourages each individual to examine their own attitudes with respect to public interaction while offering a method to commit their beliefs to written form. Ethical interactions are a central focus of the program seeking to remind the producer of how various client approaches are viewed by the general public with examples of negative versus positive potential interactions. The powerful tenets of leadership are explored offering an ethical decision making template for producers to follow that are designed to elevate and enhance the public perception of producer actions in the modern insurance marketplace.

Hour 1 50 MINUTES

### I) Role of Codes and Personal Values

#### **A) Ethics Code versus Code of Conduct**

**A code of ethics** is a document, usually issued by a board of directors that **outlines a set of principles that affect decision-making.**

**A code of conduct** typically is issued by a board of directors that **outlines specific behaviors that are required or prohibited as a condition of ongoing employment.**

Both codes encourage specific forms of behavior by employees.

- Ethics codes guide with values and choices to influence decision-making.
- Conduct codes spell out specific behaviors that are either appropriate or inappropriate.

#### **CODE SIMILARITIES:**

- Guided by Values
- Outlines Appropriate and Inappropriate Conduct
  - Specific Behaviors
- Control Employee Behavior

- **Ethics Code: (MORE OF A GREY AREA) SUGGESTED**
- **Code of Conduct (BLACK AND WHITE CLARITY) REQUIRED**

Similarities of an ethical code and that of a code of conduct can **create an illusion that they are one in the same**; however, that is where **a trap may form**.

- **THIS TRAP IS “Ethical Quicksand.”**

**The Ethical Quicksand**: Things appear to be ethical but they are not.

#### **CASE STUDY Rexburg ID insurance agent has license revoked**

The Idaho Department of Insurance found that Producer JT **had offered to pay or rebate the initial premium for life insurance in 10 cases**, a practice labeled unfair under Idaho Code.

“As a newly licensed insurance agent, I unfortunately relied on bad advice from people I trusted and offered to waive certain fees for potential clients in order to assist them in being able to afford sought-after policies,” JT said in a statement. “I should have known that doing so was a violation of state regulations, but I didn’t at the time. While I regret and have learned a valuable lesson from my mistakes, I have never had any intention to be dishonest or deceptive to any of my clients, employees or employers.”

**DID JT VIOLATE A CODE OF CONDUCT, A CODE OF ETHICS OR BOTH?**

### **B) Values, Morals and Norms**

- 1) **Values** – (SHARED CORE BELIEFS)
- 2) **Morals** – (BEHAVIOR THAT IS EITHER RIGHT OR WRONG)
- 3) **Norms** (BEHAVIOR THAT IS EXPECTED BY SOCIETY)
- 4) **Attitudes**

**Attitude is defined as the way a person feels about something or someone, including specific feelings or opinions.**

- **Attitudes are shaped and developed over time** and are heavily influenced by an individual’s exposure to values, morals and norms.

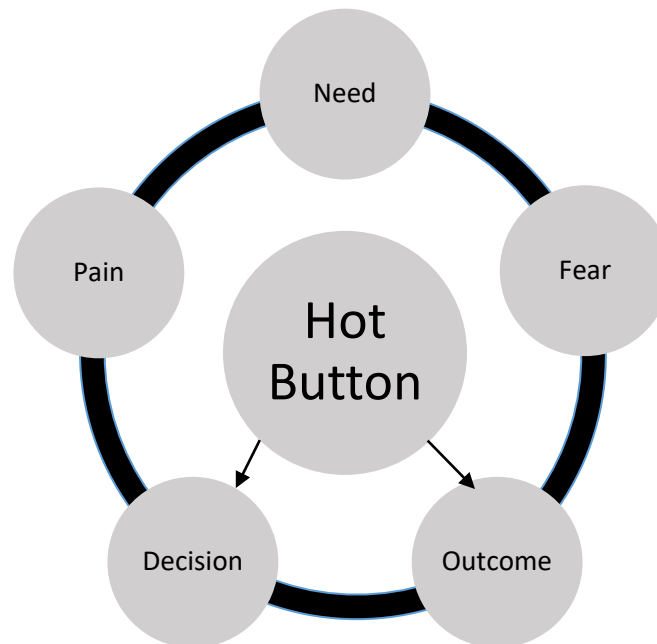
**For example**: a person’s attitude about marriage would be vastly different between two people if one grew up in a Hippie commune while the other was raised in a strict religious setting.

**a) Producer Attitudes and Why they May Change –  
Also Credit Dr. Michael Roloff, Northwestern University**

How effective a change is may be determined by an emotional and automatic response.

A “hot button” issues a behavior, which can be positive or have a negative reaction.

The reason we would either approach or avoid change is because of our human tendency to try to habitualize behaviors to use less precious energy and brain power (LAZINESS).



**Change & Attitudes**

**Professor Daniel Katz** psychologist of **University of Michigan (1960)** offers us the functional theory of attitudes. **Katz’s primary argument behind the theory was that attitude serves function. (IN OTHER WORDS: OUR BELIEFS ON HOW TO ACT WILL CHANGE TO SUIT GETTING THE JOB DONE).**

**Katz put forth five attitude functions a person can have.** The goal is to identify which one or more of the weaknesses may apply to you so you can work on correcting any of the five you may have. It involves honest self-evaluation combined with a desire to overcome personal weakness.

**1) Rewards System (Instrumental Function):**

People believe and act a certain way because of rewards and/or punishments.

**UNDERSTAND WHAT THE TRUE REWARD(S) IS/ARE?**

**2) Norms & Pressure (Social Adjustment Function):**

This attitude is driven by the need to fit in with others.

**DEVELOP THE ABILITY TO THINK FOR YOURSELF,  
AVOID JUST GOING ALONG.**

**3) Too Comfortable (Information Function):**

The person does what they do because they know how to do it and are comfortable.

**YOU MUST HAVE THE ABILITY TO ADAPT**

**4) Values & Identity (Value Expressive Function):**

The producer acts a certain way because it is in alignment with their own personal beliefs and values.

**IF IMPROVEMENT IS POSSIBLE YOU MUST BE FLEXIBLE IN YOUR BELIEFS**

**5) Ego Interference (Ego Defensive Function):**

The producer acts the way they do because it allows them to avoid admitting negative aspects about themselves.

**ONLY HONEST SELF-EVALUATION CAN LEAD TO IMPROVEMENT/GROWTH**

**Katz did mention this is almost impossible to change. One way to attempt change is through small goals and wins. (BABY STEPS, BABY!)**

**b) Assessment of Potential Producer Weakness(es)**

- The producer needs to expose any weakness they have if they wish to overcome them.
- The concept is to match the strategy to the correct function.
- Whichever of the five most applies to you is the function you need to analyze to effect the most positive change.

Consider the many situations discussed above and how/why they are adopted and how they can be changed. **These are used as examples to guide a producer as they assess their strengths and weakness; this was not meant as an attack on personality or to shame/discourage.** Change is something that takes a very long time to embrace and take hold.

## C) Creating a Personal Code of Ethics

A solution to protect the producer in day to day activity is to create your very own, very personal code of conduct.

### 1) Reasons for code creation

- **Central Guide for Day-to-Day decision Making**
- **Clarifies Your Mission- • Reinforces Your Core Beliefs Daily**
- **Offers Written Guidance for Personal Behavior- helps guide actions in grey areas.**
- **Reflects the Promises Made to Others**
- **Reflects the Promises Made to Yourself**
- **Enables Confident Management of Grey Areas**

### How to Create Your Code of Conduct

- NOTE {Provide examples at each step, keeping it simple to show them how to approach doing the code
- **Step 1: Re-acquaint Yourself with Core Values** – Honesty, Empathy, Consistency, etc.
- **Step 2: Title Code Like it is a Novel** – a great title evokes imagination and creates some intrigue (makes it worth reading).
- **Step 3: Write a Letter to the General Public** – This is sort of like a mission statement. Could use a timeline format to focus thoughts. Goal oriented, rather than reward orientated. If you were to give this to someone it encompasses your history, how you started, why you do this. Then into the modern day, what you have learned, what is important to you. End with carrying out these tenants into the future while using new experiences and self-reflection to adjust behaviors when needed. Always want to be growing and learning. Promising actions and setting expectations rather than facts.
- **Step 4: Describe Your Beliefs/Values** – What do these values mean to you? Why are the important?
- **Step 5: List Tenets Based on Step 4** – This step is ultimately a composite of the previous steps. Almost like a list of what you believe in and what you intend to accomplish.
- **Step 6: Write Several Drafts** – Revise a few times. Maybe have a friend or colleague give notes or proofread.

### Additional Tips:

- Use verbs to state tenets – action words are preferable; especially when it comes to implementation in the present and future.
- Economize: less is more – concise and powerful wording should be used. We live in the age of emails and texts. Your code shouldn't be that short, but remember to keep your audience in mind.
- Put the Thesaurus away – Mike Tyson. Enough said.

**CODE EXAMPLE:****Committing to the Journey**

From childhood ethics are instilled and then these values are tested on a daily basis throughout life. Although the tests and challenges may change over time, an ethical foundation rooted in core values can help individuals successfully navigate through the most difficult situations.

I started this career as new and inexperienced as a beginner can be. I made many mistakes but turned those difficult lessons in to valuable learning experiences.

I use the core values of honesty, empathy, and consistency to reach a level of professionalism to help guide your needs and goals.

- Honesty is an important component to building trust as well as assuming a role to educate and guide.
- My personal experiences in both my personal and professional life has afforded me the gift of empathy. In order to determine and address your needs I will assume your risks as if they were my own and apply empathy to find the best solutions.
- Finally, consistency will be used as the gauge as to which my honesty and empathy are measured. As we encounter this journey together, I will deliver the same level of attention and care to your needs whenever you need me to.

**Reviewing the above sample code we find all of these elements:**

- Ethical Foundation
- Core Values
  - Honesty
  - Empathy
  - Consistency
- Committed to Client Needs
- Life-long Relationship Goal

Who Should Read Your Code?

## **Hour 2 (50 MINUTES)**

### **II) Sale Techniques and Ethical Interaction**

#### **A) Understanding the Sales Function**

##### **1) Sale Defined**

**The sale is the final expression of the marketing concept of a business entity.**

- **The manner in which the sale is accomplished can create long lasting impressions on the organization and customer alike.**

##### **2) Entity Centric versus Customer Centric Approaches to Acquisition**

**Entity centric customer acquisition model focuses on the achievement of meeting company goals**, often through the use of quota systems imposed on the individual members of the organization's sales force.

**“Agent model vs. “Broker model”**

##### **a) Ethical Perception Surveys**

**In a recent survey of nearly 3,000 insurance professionals,**

- More than 90% say producers are largely ethical
- 55% said the public thinks insurance professionals are largely unethical

<p><b>Therefore, while insurance professional consider themselves to be ethical, they feel a large sector of the public do not share that belief.</b></p>
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- **The over 80% of the respondents felt the reason for this disconnect by the public is due to a lack of information to educate the public.**

Have ethical practices in the insurance industry improved over the past decade? While half the respondents thought they had with the other half did not believe so.

**DISCUSS POINT: WHAT DO MEMBERS OF THE CLASS THINK...TAKE A QUICK SURVEY. Are we better or worse?**

What does the public think about the ethical standards of insurance producers? Sadly, not very highly and **that opinion has not really changed over the past 40 years** that the Gallop Organization has conducted many polls on how trustworthy the public feels towards various occupation in society.

Some of the highlights of a recent Gallup poll on honesty and ethics in professions, here is how some occupations faired in the **Very High and High response categories combined:**

Nurses	84%
Pharmacists	67%
Doctors	65%
Police	58%
Professors	47%
Clergy	44%
Bankers	24%
Journalists	20%
Lawyers	18%

### **Producers 11%**

Car Sales	9%
Congress	8%

**At least we beat car salespeople and members of Congress...it's a start!**

**One bright spot is that members of the public, when asked about the honesty and ethics of their own producer, gave a confidence vote in that 2/3% feel their own producer is trustworthy.**

It only takes a few bad actors to create an unfair negative perception and to generalize it to everyone who is a producer.

- **What can you personally do to improve the perception among the public that insurance producers are honest and ethical?**

Perhaps the best answer is to make certain you always embrace the customer centric approaches in your business practices.

### **b) Customer Centric Approaches**

This model has been emerging since the early 1980's. **It encourages financial advisors to focus on the needs of the customer first and foremost.**

**The insurance industry has been in a steady state of change for over three decades in the customer centric approach.**



- The producer is free to choose to be a “captive” or an “independent” producer.
- A captive agent is contractually bound to sell, solicit and negotiate insurance exclusively with one carrier or group of insurers.
- On the other hand, the independent producer, by choice, is usually an independent contractor representing as many licensed insurers as they mutually agree to contract with.

### 1) Regulatory Action Protecting Insurance Consumers

**a) The Replacement Rule**- regulation enacted in the 1970’s designed to prevent **churning by agents** who would resell the same customer over and over as the producer would move from one insurer to another as their agent. The rule allows a producer to convince a customer to purchase a product from them while materially affecting a similar product previously purchased through a different carrier, **but ONLY if it is done solely for the benefit of the consumer.**

**CASE STUDY EXAMPLE** Literally thousands of agents nationwide were fined and or had action taken against their license.

**(THE LOOPHOLE): The replacement rule applies to replacement from one company to another but does not apply to contract changes within the same company.**

**b) Unfair Competition Laws-** practices such as rebating, misrepresentation and defamation by producers to secure insurance sales are made into offense that can lead to revocation, suspension or denial of licensing as well as incurring hefty monetary fines.

- **Rebating** = offering **anything of value to a prospect as an inducement to place insurance business with a specific producer or company when the inducement offered is not part of the insurance contract**
- **Misrepresentation** = verbal and/or written documents that portray anything about a policy or its coverage that is untrue, misleading, or false.
- **Defamation** = a producer, while in the act of soliciting or trying to procure business on behalf of one company, **intentionally provides written or verbal information that is designed to injure or harm another licensed person or entity in the insurance marketplace by spreading false or malicious information regarding their business practices.**

**c) Unfair Claims Practices Laws** – aims at companies who take advantage of insureds by engaging in business practices designed to unfairly delay or prevent the insured from collecting a contractual benefit under a policy to which they are entitled. Violations can result in entity licensing authority being revoked and fines assessed.

**d) Producer Licensing Regulations-** laws have evolved in most states requiring that individuals who want to obtain an insurance producer license **must comply with specified educational requirements and testing to assure that the public is protected from unqualified individuals from entering the insurance industry in the sales function.**

Additionally, **once licensed, the producer is required to maintain the license by periodically successfully completing required continuing education coursework,** including completing required ongoing ethics courses.

**e) Other Training Compliance-** Specified training requirements aimed at improving the competency of producer's in specific areas of insurance: **Medicare Supplements, Long Term Care insurance and Annuity products.**

DISCUSS POINT: **WHAT DO ALL OF THESE RULES AND REGULATIONS HAVE IN COMMON?**

In summary, it would seem the ongoing public opinion polls showing a general disdain for the insurance industry and its personnel seems to be rooted in what they perhaps perceive as an **inherent conflict of interest:**

**The more product I buy, the more money you make.**

### 3) Sales Techniques Using Unethical Manipulations

**THIS TOPIC BEGINS A FOCUS ON SOME PAST SALES METHODS WHOSE GOAL WAS MORE IN KEEPING WITH THE ENTITY CENTRIC BUSINESS MODEL OF THE PAST RATHER THAN PLACING THE CLIENT NEEDS FIRST. BUT CAN SOME OF THESE METHODS BE ADJUSTED TO BETTER EDUCATE THE CONSUMER AND PLACE THE FOCUS ON CUSTOMER NEED? YOU DECIDE:**

#### a) Objections – Use of the “APAC Model”

**APEC stands for**

Acknowledge,  
 Probe,  
 Answer and  
 Confirm

We will compare the aspects of handling an objection from the traditional approach which can be very manipulative psychologically as opposed to using “**Positive Listening Skills (PLS)**” whose goal is to understand better the mindset of the prospect to enable the producer to serve client needs better and more efficiently.

#### **Acknowledge**

The reason to acknowledge is because **it is felt the prospect has missed a sales point covered or brought up an issue not yet covered.** The idea is to make the person feel that what they are saying is valid and important. The **traditional way is to use mirroring** “let me understand what you are saying...” and then the salesperson summarizes what the prospect has just said.

<b><u>Traditional Sales Thinking</u></b>	<b><u>PLS Thinking</u></b>
This a bump in the road to the sale, make them feel you are listening but you are just buying time to set up the close of the sale.	Hear what they are saying as an <b>opportunity to understand why the issue is <u>important to the client.</u></b>

#### **Probe**

This stage is about **asking questions to learn the reason for the objection.**

<b><u>Traditional Sales Thinking</u></b>	<b><u>PLS Thinking</u></b>
You are to <b><u>assume</u></b> that the reason for their objection is valid. This thinking is problematic because to the client, their objection IS VALID. By only assuming its valid you are again focusing on how this is interfering with making your sale.  <b>Why don't they agree with me?</b>	You are genuinely trying to understand the client's thinking on the matter, you sincerely believe this point is important to them  The use of PSL dictates you must understand the concern from their perspective, only then can the resolution be based on mutual trust.

**ANSWER**

**This section is like a mini presentation.** We are now going to address their beliefs and concerns.

<b><u>Traditional Sales Thinking</u></b>	<b><u>PLS Thinking</u></b>
We are going to provide evidence that shows them that their concern is not actually a problem (assuming that it isn't).	We will address each issue they have raised by sharing information we have that specifically relates to their focus. <b>REFER TO NEXT STEP CONFIRM</b>

**CONFIRM**

This step is excellent and does address all of the aspects of Positive Listening Skills

We confirm with one question. **“Does that answer your concerns with regard to (restate their objection/belief)?”**

If the answer is “yes” then we can move on to the next section.

If the answer is “no” or “sort of” or “maybe” or “partly” then we need to go back to the beginning of APAC. Ask the question “What is the reason for that?” and go back to Acknowledging.

**b) Closing Approaches**

**Recall that our definition of a “close” is the final expression of the business firm’s marketing concept.**

Traditional sales techniques relating to closing a sales sometimes have bordered on the absurd. Most were just simply basic human manipulation designed to pressure the person into making the decision to buy.

**This is from Wikipedia shows the disdain some have for the “close” of a sale:**

*“Closing” is distinguished from ordinary practices such as explaining a product’s benefits or justifying an expense. It is reserved for more artful means of persuasion, which some compare with confidence tricks”.*

## HERE IS A "SHORT LIST" OF COMMON MANIPULATION CLOSES

- 1-2-3 Close - close with the principle of three.
- Adjournment Close - give them time to think.
- Affordable Close - ensuring people can afford what you are selling.
- Alternative Close - offering a limited set of choices.
- Artisan Close - show the skill of the designer.
- Ask-the-Manager Close - use manager as authority.
- Assumptive Close - acting as if they are ready to decide.
- Balance-sheet Close - adding up the pros and the cons.
- Best-time Close - emphasize how now is the best time to buy.
- Bonus Close - offer delighter to clinch the deal.
- Bracket Close - make three offers - with the target in the middle.
- Calculator Close - use calculator to do discount.
- Calendar Close - put it in the diary.
- Companion Close - sell to the person with them.
- Compliment Close - flatter them into submission.
- Concession Close - give them a concession in exchange for the close.
- Conditional Close - link closure to resolving objections.
- Cost of Ownership Close - compare cost over time with competitors.
- Courtship Close - woo them to the close.
- Customer-care Close - the Customer Care Manager calls later and re-opens the conversation.
- Daily Cost Close - reduce cost to daily amount.
- Demonstration Close - show them the goods.
- Diagram Close - **Draw a picture that draws them in.**
- Distraction Close - catch them in a weak moment.
- Doubt Close - show you doubt the product and let them disagree.
- Economic Close - help them pay less for what they get.
- Embarrassment Close - make *not* buying embarrassing.
- Emotion Close - **trigger identified emotions.**
- Empathy Close - **empathize with them, then sell to your new friend.**
- Empty-offer Close - make them an empty offer that the sale fills.
- Exclusivity Close - **not everyone can buy this.**
- Extra Information Close - give them more info to tip them into closure.
- Fire Sale Close - soiled goods, going cheap.
- Future Close - close on a future date.
- Give-Take Close - give something, then take it away.
- Golden Bridge Close - make the only option attractive.
- Handover Close - someone else does the final close.
- Handshake Close - offer handshake to trigger automatic reciprocation.
- Humor Close - relax them with humor.
- Hurry Close - go fast to stop them thinking too much.
- IQ Close - **say how this is for intelligent people.**

- Minor points Close - close first on the small things.
- Never-the-best-time Close - for customers who are delaying.
- No-hassle Close - make it as easy as possible.
- Now-or-never Close - to hurry things up.
- Opportunity Cost Close - **show cost of not buying.**
- Ownership Close - act as if they own what you are selling.
- Price-promise Close - promise to meet any other price.
- Puppy Close - acting cute to invoke sympathy and a nurturing response.
- Quality Close - **sell on quality, not on price.**
- Rational Close - **use logic and reason.**
- Repetition Close - repeat a closing action several times.
- Requirements Close - **write down what they want as a formal requirement.**
- Retrial Close - go back to square one.
- Reversal Close - act as if you do not want them to buy the product.
- Save-the-world close: - buy now and help save the world.
- Selective-deafness Close - respond only to what you want to hear.
- Shame Close – **paint the decision not to buy as shameful.**
- Shopping List Close - **tick off a list of their needs.**
- Similarity Close - bond them to a person in a story.
- Standing-room-only Close - show how others are queuing up to buy.
- Summary Close - **tell them all the things they are going to receive.**
- Testimonial Close - **use a happy customer to convince the new customer.**
- Thermometer Close - they score out of ten, you close gap.
- Think About It Close - give them time to think about it.
- Treat Close - persuade them to 'give themselves a treat'.
- Trial Close - see if they are ready for a close.
- Valuable Customer Close - offer them a special 'valued customer' deal.
- Ultimatum Close - **show negative consequences of not buying.**
- Yes-set Close - **get them saying 'yes' and they'll keep saying 'yes'.**

**There's a modern thinking as to whether or not this stage, "the close," is even necessary.**

**Consider:** if the advisor has done a thorough job of explaining the product and/or services offered and the customer clearly sees the need and benefit to them, is it really necessary to say anything other than:

**Which sounds less "salesmanny to you?"**

- 1) **"all we need to do is some paperwork so we can get the process in motion for you?"**  
OR
- 2) **"Press hard when you sign there are four copies"**

### Hour 3 (50 minutes)

## III) Role of Leadership in the Advisor Capacity

### A) Understanding Concept of Leading versus Selling

#### 1) Basic Dictionary Definitions

##### a) Leadership

1. the ability to lead: the ability to guide, direct, or influence people
2. guidance: (to give) guidance or direction

##### b) Advise

1. to give (someone) a recommendation about what should be done
2. to give information or notice to
3. to talk with someone in order to decide what should be done

##### c) Sell

According to the dictionary, sell means

- to deliver or give up in **violation of duty, trust, or loyalty** and especially for **personal gain : betray**
- **to give up in return for something else especially foolishly or dishonorably**
- to **deliver into slavery for money**
- **to give into the power of another** <*sold his soul to the devil*>
- to dispose of or **manage for profit instead of in accordance with conscience, justice, or duty** <*sold their votes*>
- *to persuade or influence to a course of action or to the acceptance of something*
- **to impose on : cheat**
- **to cause or promote the sale of**
- **to achieve a sale of**

How would you rather be viewed?

1) As a leader offering recommendations as to what should be done or

2) As selling something?

LEADERS GIVE ADVICE AND GUIDE; SALESPEOPLE SELL

## 2) Creating an Ethical Producer Client Relationship

### a) Setting the Relationship Tone

Before exploring the relationships in the decision making process between a producer and clients, perhaps consider setting the tone, as leader, by **explaining how you see yourself in the relationship with clients.**

From a previous ethics class we offered an initial set of comments a producer can offer to prospective clients and it turned out to be very popular. Many students wanted to copy it at breaks or request it be email to them. **Here it is and feel free to use it or adapt it to your needs as you may like:**

Dohrn Insurance Training, Inc.

#### **Building Trust – Initial Information exchange from producer to prospect:**

##### **“I WANT TO WORK FOR YOU”**

**“Before we begin I want to tell you that I look at our meeting today as a job interview; I want to work for you.**

**I want to stress to you that I am only interested in your well-being and, unless your needs are served first and to your 100% total satisfaction, then benefit to me simply should not exist.**

**If at any time, whether it is today, a month from now or ten years in the future, if you feel that I am not living up to performing to your total satisfaction then you should fire me, because that is what I would deserve.**

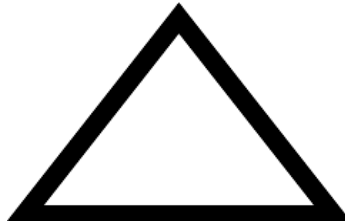
**However, I must you that I do not like being fired so I will always do everything in my power to make sure you are completely pleased with my efforts to serve your insurance needs.**



## b) Decision Making Dependencies

With permission we explore a leadership and relationship theory advanced by Northwestern University Professor, Dr. Paul Arnston

### DECISION-MAKING PROCESS



#### RELATIONSHIPS ► LEAD TO ► DECISIONS OR SOLUTIONS

Building and sustaining consensus is a highly creative and interdependent activity between an insurance producer and a client, it is a very complex dynamic. The more consensus there is between the parties, the greater the mutual involvement in creating and implementing the decision.

Two main points are considered:

#### 1) Articulating and aligning mutual self-interest, values and goals of individuals and groups.

**Note:** The previously discussed “I want to Work for You” communication is a great example of the producer spelling out clearly to clients how the values and goals of all parties align so all parties benefit.

#### 2) Discovering and mobilizing assets of individuals and groups to achieve agreed upon goals.

The **discovery process would include the idea of fact-finding** as an essential step to any planning process. Obviously the **assets of the clients would include income, real and personal property ownership** among other factors while the **assets brought with the producer include experience and the products and services** the producer can offer based how they fit into helping the client to achieve the goals they have.

**An effective concept to use is asking the client to understand where they are right now (Current Status) as compared with where they want to be (Goal Achievement).**

## c) Leadership Communication System to Accomplish Mutual Goals

Consider the concepts that follow as a fresh take on the common steps to creating a financial plan.

### Step 1 - Disagreement to Diversity

- a. This first step recognizes that often the producer and prospective clients may have
- b. different ideas and
- c. those ideas need to be shared to recognize separate positions and to acknowledge them
- d. without prejudgments so that an
- e. eventual consensus may be formed.

#### Negative- Killing diversity (of ideas)

- Norms of Nonsense
- Dominating Personalities and Positions



#### Repression of Ideas preventing progress

This is a waste of time because there is no meaningful sharing of helpful information; it is a form of self-censorship

#### Positive - Open Exchange of Ideas Environment

- Every person and idea has an equal opportunity to be heard

The client must know that you will listen to all their ideas, without any judgement. Afterwards you will try and fit their ideas into a plan of agreed upon needs and priorities

### Step 2 - Diversity to Discussion

This **all-important second step** of the model seeks to **take expressed ideas from step one** and to **put them through filters** so that **both parties come to agreement on the action** that needs to be taken.

#### Negative

- Power and dominant people determine what is the right thing to do



#### Oppression

The producer cannot appear to be a “know-it-all” or take the attitude that “I am in charge.”

#### Positive

- Every idea is fairly evaluated against previously agreed upon criteria and evidence

Think of the decision making process in this step as a funnel through which divergent (differing) ideas go through two filters:

- 1) Agreed upon criteria – based on what is important to client (their values/needs)
- 2) Agreed upon evidence – a comfortable solution for all parties to address needs

**What comes out the other end is a mutually agreed upon decision going forward. This helps initial ideas that are most important to be implemented in both short and long term goals and aligned with values.**

### **3) Discussion to Action**

This **third step is perhaps the most difficult.** If the producer and the client can successfully navigate the first two steps as this is where “the rubber meets the road” as they say. The **roles of each party are clearly defined** while emphasizing that **success can only be achieved due to a team effort.**

#### **Negative**

- Nothing happens
- Only a limited number of members are responsible to make it happen



**Burnout**

**Positive** - Everyone is mutually on board to move forward with an agreed upon plan and implementation – there is mutual benefit for all, which should be a main goal in our type of transaction.

#### **The four questions are**

- 1) Who does?
- 2) What?
- 3) When do they do it?
- 4) How do we know it has been done?

### **4) Action to Learning**

This **fourth step involves making certain that all parties learn from any possible plan deficiencies** that are identified and to make necessary adjustments. The Follow-up.

#### **Negative**

- No one learns from their actions
- Only leaders and elites learn from their actions



**Competence Gap**

#### **Positive**

- Everyone has the opportunity to improve their leadership and decision making competencies

The **producer sets future agenda to monitor the plan's progress, or lack of it, with the goal of assessing that success is on track and to implement any required changes if required.**

This is an ongoing process until the goals of the actions have been achieved or a new plan is created to replace it.

### **a) Decision Making Dependencies- Questions to Address**

To effectively build consensus with clients, and **to be viewed as an effective leader** who is advising in the best interest of the person being served, **here is a list of essential question that best serve the decision-making model.**

**Every decision must address this flowing list of questions:**

1. What do we want to change?
2. What do we want to have or keep?
3. What are all the possible alternatives (Convergence?)
4. Which alternatives best meets the agreed upon criteria to change and keep?
5. How will we implement the agreed upon decisions?
6. What have we learned from the results of implementing the solutions?
  - Did the solutions work?
  - What were the side effects?
  - How should we improve our decision-making process based on our results

**KEY>>> These questions can be used throughout the process for the producer as a way to guide proper communication that will create shared value and mutual satisfaction.**

### **3) Ethically Eliciting Useful Information**

**Negative:** Imagine you or your spouse die tomorrow, how you will pay your bills over the next months and year? Will the children be able to go to college someday? Will you lose the house?

**A more ethical (positive) method and one suited much better to trust building is to use a simple scale for basic questions:**

- On a scale of 1 to 5, 5 being the most important, how important is being financially safe and secure to you and your family?

A question like this allows the client to acknowledge to themselves that financial security is very important and perhaps they have not been paying attention to this tremendous need. **They are now reminded of the serious business at hand** and may consider negative consequences of failing to act all by themselves and without producer negativity...

- On a scale of 1 to 5, 5 being very secure, how financially secure do you and your family feel right now?

**This question gives the client the sense that where they are right not is not where they would like to be financially, that there is a gap that must be filled.** It reinforces the need for planning.

- On a scale of 1 to 5, 5 being very able, how able would you be to meet your financial obligations for the next five years or more if 1/3 or more of your family income stopped suddenly and permanently?

This approach is much less threatening and manipulating while still **getting people to think more seriously about their own financial vulnerability**. It will keep trust building and will lead to a greater likelihood the client will voluntarily share very personal financial data required for effective planning.

#### 4) Ethically Asking for Referrals

**Once you obtain the trust and business of new clientele, asking them to help you build your business can sometimes be awkward.** Each producer needs to evaluate when and how they will ask for referrals as they are probably the single best source of building a growing business. We offer the following **five common sense rules** to follow when you make referrals part of your marketing plan.

#### 5 SIMPLE REFERRAL RULES

**#1 – TAKE GREAT CARE OF YOUR CUSTOMERS AND YOUR CUSTOMERS WILL TAKE GREAT CARE OF YOU.**

**#2 – EDUCATE CLIENTS ON HOW IMPORTANT ANY REFERRALS THEY SEND ARE TO YOUR BUSINESS AND HOW YOU GREATLY APPRECIATE ANY THEY MAY BE ABLE TO SEND YOUR WAY.**

**#3. WHEN YOU RECEIVE A CLIENT REFERRAL THANK THE CLIENT WHEN THEY PROVIDE IT AND FOLLOW UP LATER TO THANK THEM AGAIN WHETHER OR NOT IT LEADS TO A NEW CUSTOMER.**

**#4. IF YOU CREATE A CLIENT GIFT PROGRAM FOR REFERRALS, MAKE CERTAIN IT DOES NOT BREAK THE LAW.**

1. Any gift given as a thank you for a referral **must be identical to each referring party**,
2. regardless of whether or not it leads to a sale and
3. regardless of the amount of income it may generate to the producer.
4. Check plan is compliant with company/agency requirements

**#5. ALWAYS REMEMBER THAT REFERRALS ARE EARNED AND THEY ARE NOT A GIFT.**

**Rewarding for referrals in any manner that is not identical from person to person may be viewed as paying a commission to an unlicensed person which can be a cause for producer license denial, suspension or revocation.**

**5) Case Study: Lack of Leadership Example:  
Mrs. RR of Texas**

**Agent Serves a Year and a Day Prison Sentence and Loses Licenses for Forging and Converting Policy Loans**

**6) Summarizing Producer Leadership as an Ethical Approach**

**When the producer has the mindset** that their purpose is to guide the client to obtain products and services that benefit the client by helping them to achieve the client's personal goals, it automatically encompasses all the following ethical behaviors:

- Prospecting is driven by attracting new clients by referral of satisfied customers, not by desperation or questionable approaches that tend to misrepresent actual producer motives
- Initial meetings clarify the producer is working for the client as opposed to viewing the meeting as a way to meet production quotas or primarily serving the goals of the producer
- Active listening skills are used to understand the client's position and to guide them to both parties understanding how the plan was created to achieve the goals of the customer
- The plan agreed upon and implemented is not created in the image of the Producer pre-supposing the action the client should take; **it is crafted through mutual respect of understanding each parties views** and better understanding the role each party has in assuring plan success
- Plan modification is more effectively administered because of the greater unity achieved by the parties working toward the common goals outlined in the plan
- The healthy referral process created by a continuing series of trusted and successful relationships between the producers and all clients brings the success of the producer full circle, **achieved by leadership skills.**

**Leading, as oppose to selling, isn't only the RIGHT thing to do, it makes the most BUSINESS SENSE.**

As management icon Peter Drucker wrote many years ago:

**“Management is doing things right;  
Leadership is doing the right things.”**

**DOHRN INSURANCE TRAINING INC THANKS YOU SINCERELY FOR SELECTING OUR PROGRAM TODAY AND WE HOPE YOU WILL LET OTHERS KNOW ABOUT OUR ETHICS PROGRAM.**

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