

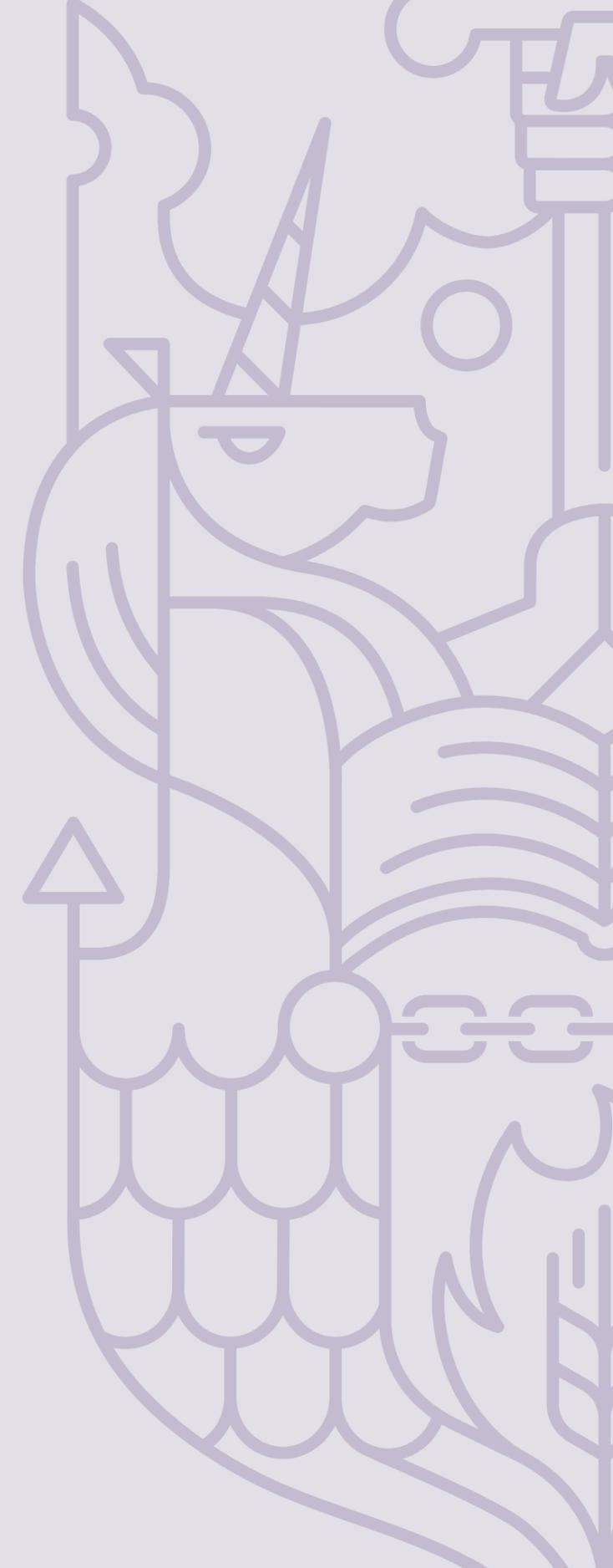


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# Digital Ethics Companion – A Practical Guide

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# 1.

## Exploring the Digital Companion

The Digital Companion explains how the Code of Ethics remains relevant to all our roles in an increasingly digital world. These guidelines bring the code to life with examples and case studies.

Digital technology has the potential to transform almost any sector or profession, and insurance is no different. But an ethical approach is needed to ensure that innovation isn't led by what we *can* do, but what we *should* do.

Increasingly consumers and regulators expect businesses to be able to demonstrate the ethics behind what they do and tell them why they do it. The FCA is increasingly focusing on the cultural approach that businesses and professionals take, not just the processes and tools they use.

As digital innovation in insurance grows, the public's trust in all those changes will drive engagement if done correctly, and erode it if done unethically.

Digital ethics isn't new to the insurance sector. A lot of insurers and brokers have already been thinking ethically when delivering digital innovations, and you'll find case studies about some of these later on.

# 2.

## Making the Most of the Digital Companion

The Digital Companion has been created to raise awareness, encourage debate and influence decisions. So how might you and your firm go about that? Here are seven suggestions...

**Embed it:** by converting it into a template for integrating ethics into the firm's digital projects;

**Debate it:** by using it in team meetings to explore aspects of a digital project that might have ethical ramifications;

**Learn from it:** to understand more about the digital developments that are influencing the function and role that you're working in;

**Share it:** internally and with business partners, for example to open up discussions about digital ethics and how it can contribute to the success of those relationships as they evolve in a digital context;

**Build on it:** in how your firm orientates its learning and development, enhances its competency framework and develops its appraisal process;

**Promote it:** so that the importance of digital ethics is understood and respected across the insurance market;

**Oversee with it:** by using it as a reference when overseeing or auditing the design and implementation of digital projects.

# 3.

## Key themes behind each of the five 'Complying with Core Duty' sections

### 1. Complying with the Code of Ethics and all relevant laws and regulations

Staying within the law seems fairly obvious, doesn't it. But there's more to it than meets the eye. You're expected to uphold the spirit of the law, not just the letter of the law. And that's important when digital projects are involved, as it's not always clear what the regulations have to say about a practice that may not have been thought of 12 months ago.

A second point worth remembering is that many laws and regulations are orientated around the outcomes that people experience. You may have an idea as to what those will be, but it is incumbent on you to monitor that those outcomes are being delivered and that they remain on the right side of the law/regulations. Don't just expect them to do that just because that was your intention.

### Putting it to Practice - an example

An account manager at a commercial broker has a long running and successful scheme with a business association. One of the association's influential members is keen to have the broker adopt its analytics package, which it says will be able to reduce the level of claims on the scheme. The analytics firm suggests a profit share based on the scheme's improved performance. As part of her due diligence, the account manager worked with the company's risk manager to undertake some outcomes analysis, but found that the focus on financial data failed to provide it with a clear picture of what the outcomes for customers would be like. As a result, she chose not to pursue the opportunity.

“We can only see a short distance ahead but we can see plenty there that needs to be done.”

**Alan Turing**

**What this means**

The future of all things digital is uncertain, but that should not stop us from exploring the best way forward.

# 3.

## Key themes behind each of the five 'Complying with Core Duty' sections continued

### 2. Acting with consistent ethical standards and integrity

Digital projects present many exciting opportunities to do things that were not possible before. But it's also important to reflect not just on what we *can* do but whether we *should* do it. So get in the habit of asking yourself questions, such as 'what would this look like as a newspaper headline?', or 'would my family agree this was a good thing to do?'

Reflecting in this way helps to bring out the ethical questions that need addressing. Making this part of your routine makes ethics an everyday consideration, not just for yourself, but for the often diverse range of people who are involved in a digital project.

### Putting it to Practice - an example

The claims manager at a niche insurer was considering how it could improve the effectiveness of its anti-fraud analytics. While he could see that the system achieved positive results, he recognised that he and his team did not fully understand the technology behind it, and there was potential for it to lead to unintended consequences if they weren't fully in control of it. He commissioned an independent consultant specialising in anti-fraud analytics to advise his team on how to ensure that it was set up correctly and its rollout properly monitored. A training programme then ensured that he and his team could develop its use within known parameters.

# 3.

## Key themes behind each of the five 'Complying with Core Duty' sections continued

### 3. Acting in the best interests of each client

The fair treatment of each client is one of the big recurring themes in digital ethics. Something may be exciting and innovative, but fairness must be kept at the centre of what is trying to be achieved. And of course, fairness can be a complicated thing, so remember to see it from the perspective of each customer, not just all customers in the round. It's not easy, but it is important.

Another big theme in digital ethics is the data that is collected and how it is then put to use. How this is done could raise a number of ethical issues: make sure you watch for them and take them into account. You could well encounter some ethical dilemmas here so make sure you know how to handle them.

### Putting it to Practice - an example

A portfolio manager was approached by a firm offering to supply it with ongoing streams of reliable data about consumers in its target markets. It was hard for her to weigh up and compare the claims being made about these data sources, so she worked with her in-house legal team, to document an evaluation process, covering the firm, its supply chain, and legal, commercial and ethical criteria. The result was a scored approach with clear red flags.

“Ethics comes before the rules,  
during the rules and after  
the rules”

Professor Luciano Floridi, University of Oxford

**What this means**

Ethics should be a feature of your digital project from the very beginning, and continue to be so. Firms should of course make sure they comply with rules and regulations, but equally importantly, they should make sure that they are earning the trust of customer.

# 3.

## Key themes behind each of the five 'Complying with Core Duty' sections continued

### 4. Providing a high standard of service

New ways of addressing customer needs is often what kick starts a digital project, and a lot of good will flow from this. But it can also present challenges at times. Are your expectations in line with those of your customers? Consider bringing that customer voice in and listen to what it has to say – it can be revealing.

Remember as well that customers often want to know more than you might have anticipated, so keep those lines of engagement open and obvious. This relies of course on the explainability of what you're trying to achieving, and how. It helps a lot if you think about this from day one – what explanations are going to be needed, and who is going to deliver them?

For many customers, a high standard of service is synonymous with trust. Make sure everyone involved is ready and able to deliver it.

### Putting it to Practice – an example

The marketing manager at a large personal lines insurer wanted to give consumers something to smile about when using their smartphone for a quotation. Initial trials of some new analytics delivered that, as well as an easier experience for the consumer. And to help translate this engagement into ongoing trust, a series of consultations with consumers were used to guide the subsequent rollout of the next stage of analytics.

## 5. Treating people fairly

This may be the last of the five core duties in the Code of Ethics, but it presents what is now widely recognised as the greatest challenge in digital ethics. The risk of discriminatory outcomes has to be tackled at every stage of a digital project and monitored across the lifetime of the resulting product or service.

It is of course a risk that you want to avoid at all costs, yet delivering on that commitment requires care and attention on several levels. Make sure everyone involved is organised to deliver all that is needed.

And just as your digital product or service will deliver many benefits, remember that for some, there may be flip sides. You need to keep an eye on how that balance looks, both at the design stage and after launch.

Of course you can't meet everyone's needs all of the time, but you should be aware of the impacts what you're doing is having.

### Putting it to Practice - an example

A customer service manager at a large personal lines insurer was approached by a digital marketing agency with a proposition they claimed could significantly reduce their brand's negative sentiment scores on social media. They offered a tool that would automatically search for customers' social media accounts, and prioritise their position in a queue according to their reach and influence. They claimed that this would reduce the chances of a major influencer criticising the firm on social media. While the customer services manager was keen to minimise negative sentiment, after discussing with their compliance and brand team she decided that this would not be fair to those with no social media presence, and could discriminate against certain customers - particularly some vulnerable customers.

# 4.

## Case Studies: 1 Shaping a digital project around people

Digital change is often described in terms that indicate speed and a break with the past. The talk is about what is technically possible, and not so much about the needs of the consumer. But that's not always the case. The underwriting director of a large mutual insurance and pensions firm approached the under provision of 'at retirement' advice with a digital approach that put people at its heart.

### The challenge

The challenge was significant. 500,000 people retire each year, but many receive little to no financial advice. The regulator had banned commission-based financial advice in 2012, and the cost of independent financial advice was not always seen as affordable by consumers, leaving many facing significant financial decisions without suitable guidance.

The underwriting director wanted to create an automated paraplanning tool that worked for both those under-served customers and its advisory teams. The yardstick was to match the reliability and competency of those advisory teams, while taking up less customer time and being able to grow and operate at scale.

## **An ethical response**

The solution used advanced algorithms, but was in fact designed around some very human assessments. The project team started with some simple questions about 'why does the firm do what it does in the way that it does'. It wanted to capture the firm's distinct culture and make sure that this new digital service captured it too.

The project team went about this in partnership with its advisory teams, and under the watchful eye of its compliance people, to ensure that customer outcomes remained paramount. So the process was an iterative one, of talking, designing, building, training, testing and trialling. Not all components moved at the same speed, but all were going in the same direction, working in support of advisors to improve the customer journey.

## **The outcome**

The automated paraplanning tool is helping to address the needs of a large and underserved portion of the retiring community, while doing so at an increasingly large scale and on sustainable terms. Customers receive advice that is affordable and accessible, to standards that they can trust. This has been a ground breaking digital project, but with the customer at its heart.

# 4.

## Case Studies: 2 Removing the friction, not the trust

Customers sometimes worry that they've not understood everything the insurer needs to know, about the house or the car they seeking insurance for. Did they get the percentage of flat roof right, or the exact model of the car? They want to be reassured that in the event of a claim, information about the risk wouldn't become a sticking point.

### The Challenge

Tackling that worry was the key aim of the product manager at a large insurance and pensions firm. She knew that she could lay their hands on a lot of data that customers needed to disclose. So why keep asking them for it?

Why ask about the distance to the nearest river, when location data can measure that in a fraction of a second? Or ask about the car, when its registration tells you so much? Removing these types of questions could take a lot of the worry out of buying a new policy.

### **An ethical response**

But like many good ideas, there were ethical questions to be addressed. What data sources should she rely on? There are plenty of data suppliers making all sorts of exciting claims for what they provide, so key to the project were some careful checks. Some suppliers said their data was compliant, yet the team felt it wouldn't pass an ethics test. Other suppliers offered data that may have done wonders, but which she and her team felt would undermine customer trust. Overall, they went through a process of weighing up the ethics of all the data they were considering using.

### **The outcome**

And after the policy was launched, an intriguing situation emerged. Policyholders were so used to being asked lots of questions in order to get a quote, that when this policy turned that on its head and asked only a few, some customers became concerned. Enter that other team which every digital project has to involve –the customer people. Their role was to address those customer concerns, providing reassurance around the digital nature of the policy no longer requiring the information to be asked for.

It also meant that more time was freed up to engage customers in understanding their risk and the cover they were buying. The product manager recognised that by reducing the customer's role in transferring data about their home or car, they didn't want to reduce the customer's understanding

and engagement of what was and wasn't insured. So while this was a digital project, its delivery and success relied on a lot more.

# 5.

## Influencing your own decisions

If there's one big thing you should remember about digital ethics, it is that digital ethics is something we all have responsibility for.

This means that as an insurance professional, you should be prepared to take account of the issues raised in the Digital Companion in the decisions you make at work. Don't wait for others to tell you to, or do it for you.

Here are some skills you can use for this...

- the Front Page test – how do you think the decision you're about to take would look if set out on the front page of a leading business newspaper?

- the Contrasting Views test – take the decision in front of you and express it in two voices, one emphasising the ethical option, and the other emphasising the not so ethical option.
- the Revered Perspective – how would the decision you're about to take look from the perspective of someone you admire and look up to?

If you're in doubt about what to do, ask a colleague who you trust for their opinion. What is important is that you don't just ignore the ethical questions that a digital project might raise.

“Big data is not a game played  
by different rules”

The UK's Information Commissioner's Office

**What this means**

No matter how clever and innovative your digital project might be, it still needs meet ethical and regulatory expectations.

# 6.

## Frequently asked questions

**Q. How relevant is this Digital Companion to me, given that I don't work in an IT or digital function?**

A. Over the coming years, there will be few roles in insurance that are not in some way touched by the digital changes happening in the market. This means that the relevance of the Digital Companion to your work is likely to grow, so have a read of it and keep it handy, alongside the main Code of Ethics.

**Q. Aren't ethics ultimately subjective? We have rules and regulations to tell us what we can and can't do.**

A. Rules and regulations typically focus on avoiding the worst outcomes, rather than driving the best. Increasingly, regulators are seeking evidence that professionals and employers can demonstrate the right cultural approach to achieving the right outcomes, rather than simply compliance with a set of legal minimum requirements.

**Q. Aren't digital projects complex enough without adding in ethics as well?**

A. Digital projects can certainly be complex, but it's also important to remember that ethics helps resolve some of those complexities. It helps bring the voice of the customer into that project and see the changes being proposed from the public's perspective. This can actually make success for the project more certain.

**Q. Surely if digital is going to be so much better for customers, then the ethical side is already sorted?**

A. There's no doubt that digital changes in the market will bring benefits to customers in all sorts of ways. And by taking account of the ethics of that digital change, you're making sure that those benefits are more certain, and not undermined by ethical questions. So it's better to not just assume those benefits are guaranteed - make sure to secure the trust of customers in what you're doing.

**Q. What are we trying to achieve with digital ethics? What's the goal we should be aiming for?**

A. We want this focus on digital ethics to secure the trust of the public in a market undergoing lots of change. That trust will deliver greater engagement by the public with insurance, and so ensure its benefits are spread more widely.

# 7.

## More on digital ethics

If you'd like to explore digital ethics in greater depth, watch out for...

**1. Chartered Insurance Institute Code of Ethics – guidance and online training**

[www.cii.co.uk/about-us/professional-standards/code-of-ethics](http://www.cii.co.uk/about-us/professional-standards/code-of-ethics)

**2. All Party Parliamentary Group report 'Building Ethical Data Policies For the Public Good'**

[www.policyconnect.org.uk/appgda/research/trust-transparency-and-technology-building-data-policies-public-good](http://www.policyconnect.org.uk/appgda/research/trust-transparency-and-technology-building-data-policies-public-good)

**3. An auditing framework for artificial intelligence from the UK's Information Commissioner's Office;**

<https://ai-auditingframework.blogspot.com/>

**3. A review into algorithmic decision making in financial services by the UK Government's Centre for Data Ethics and Innovation;**

<https://www.gov.uk/government/groups/centre-for-data-ethics-and-innovation-cdei>

**4. Research at the University of Loughborough into AI-based innovation in the UK insurance sector;**

<https://www.gov.uk/government/news/new-era-of-tech-driven-legal-and-financial-services-to-boost-productivity-and-improve-customer-experience>

**5. A digital ethics code in the Swiss insurance market, funded by the Swiss Government and involving both business and academia;**

<http://www.nfp75.ch/en/projects/module-2-societal-and-regulatory-challenges/project-christen>

**6. A number of digital ethics projects organised by the National Association of Insurance Commissioners in the US.**  
[https://www.naic.org/cmte\\_ex\\_bdwg.htm](https://www.naic.org/cmte_ex_bdwg.htm)

**7. Talks available on social media by the UK's Alan Turing Institute and the US's AI Now Institute, looking at the broader picture of digital ethics.**

**Alan Turing Institute**

<https://www.youtube.com/channel/UCcr5vuAH5TPIYox-QLj4ySw>

**AI Now Institute**

<https://www.youtube.com/channel/UCj6Sdo4tRaczDt30FNbMztg>

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