

SOCIETY OF RISK MANAGEMENT CONSULTANTS

BOARD MANUAL

ETHICS COMMITTEE REPORTS

© Society of Risk Management Consultants
330 S. Executive Drive • Suite 301 • Brookfield, WI 53005-4275
(800) 765-SRMC

Society of _____

RISK MANAGEMENT

CONSULTANTS

December 14, 2009

To: Mr. Thomas Atkins JD, CPCU, ARM
Mr. Hank Bahr CPCU, ARM, CIC, CRM
Mr. Dan Free JD, CPCU, ARM

From: Al Waters CPCU, CLU, ARM, AIC

Re: SRMC Ethics Committee Inquiry
Expert Witness, Work for Agents/Brokers/Insurers

INQUIRY

As you know, I asked for your input last week regarding an inquiry posted to the internet by a member. The following is the member's inquiry, followed by the solicitation of member services.

Member Inquiry:

This is an interesting request for services and begs several questions as respects SRMC members participation. I would like to request the Ethics Committee to respond to the questions as follows:

1. Does this request for Expert Witness services on behalf of a Broker fall within the prevue of work that can be conducted by an SRMC member?
2. If the services were other than as an Expert Witness would there be any problem for an SRMC member to provide services on behalf of a Broker?
3. If the answers to # 1 and # 2 are different what is the distinction?

Thanks in advance for the clarifications

Solicitation of Member Services

From: Jamie Buckwalter [mailto:jbuckwalter@roundtablegroup.com]
Sent: Thursday, December 10, 2009 12:23 PM
Subject: RTG Inquiry - Expert in Contingent Premiums

One of our clients, from a distinguished law firm, has a need for an expert witness in your field of expertise. Following are the details of the engagement:

Our client represents a major property and casualty and benefits insurance broker defend-
ing against a putative class of insureds claiming breach of fiduciary duty and fraud con-

cerning payment of contingent commissions to the broker. We are seeking a prominent retired property and casualty industry expert in how contingent commissions impact the calculation of premiums. The expert will opine how insurers price insurance, whether underwriters factor the percentage of the standard commission to be paid to the broker (which may vary from broker to broker), and the potential for payment of contingent commissions, in calculating premiums, and whether the process varies from carrier to carrier, line of insurance, or other factors and on related issues. Will consult, draft an opinion affidavit and testify. Some testifying experience is required but we do not seek a professional expert.

If you are interested in learning more about this engagement and potentially serving as an expert witness, please email me a 1-2 paragraph statement of your expertise as it relates to this matter, along with your proposed hourly billing rate. (Regarding billing rates: our clients are more price sensitive than ever in this economy, so please optionally include a high and low range and we will do our best to negotiate on your behalf within those parameters).

If you are not interested, I would also be grateful if you could let me know of any qualified colleague(s) who may be interested in this project.

Finally, due to the seriousness and timeliness of this significant litigation matter, I would appreciate the courtesy of a reply in either event. Additionally, Round Table Group launched our Expert Case Referral Program worth up to \$10,000.00. It's simple. If you refer a case to us, and the law firm engages an expert through Round Table Group for that case, we will reward you with up to \$10,000.00. This is just one more way Round Table Group works for our expert partners. To learn more, give me or one of my colleagues here at Round Table Group a call. Our number is 202 595 1338.

Thank you for taking your seat at the Round Table where we provide a level of service and a breadth and depth of experts that is unmatched.

Sincerely,

Jamie Buckwalter

SRMC ETHICS COMMITTEE RESPONSES

First Response

An SRMC member can work for a broker (or insurer) on a “one off” basis as long as it is not a continuing relationship.

Second Response

I think the problem here is an understanding of the work involved.

I have done Expert Witness work in the past involving both Brokers and Insurance Companies. I DID NOT WORK FOR EITHER THE INSURANCE COMPANY OR THE BROKER. I did work for the Attorney that may have been representing the plaintiff or the defendant in the case. My job was to review the facts of the case and render my expert opinion. This may or may not have been in the interest of the Insurance Company or Broker. Since this is an opinion as to facts, I do not see any conflict of interest here.

In the second case, the consultant is paid directly by the Broker or Insurance Company. If we have to explain the problem here, we might as well abandon an Ethics Code altogether.

In short, if you are an Expert Witness, you are, by definition, to be impartial. If you are hired by a client, you should be partial to that client's needs.

Third Response

Unless this provision has been revised (and I don't think it has), I believe this is the relevant provision of the Code of Ethics:

INTEGRITY & OBJECTIVITY

A member or a firm by which he or she is employed or of which he or she is a partner or shareholder shall not have:

Any direct or indirect material or influential interests in any insurance company, agency, brokerage house or other entity engaged in the direct sale of insurance to the public at large.

An interest in equipment, supplies or services recommended to a client or shall disclose such interest to the client as set forth in the following section, Conflicts of Interest.

It seems clear and unambiguous to me. If the member is hired directly by a law firm, then the contract is with the law firm and not the lawyer's client, whether it's a broker, insurance company or anyone else. That breaks the nexus. Otherwise it is both a direct and material interest, and thus a violation of the Code, period.

Fourth Response

The following is my input:

1. Does this request for Expert Witness services on behalf of a Broker fall within the purview of work that can be conducted by an SRMC member?

Yes. The member consultant's client will be the law firm, not the broker.

2. If the services were other than as an Expert Witness would there be any problem for an SRMC member to provide services on behalf of a Broker?

More likely than for expert witness work, based on the following in the Code:

INTEGRITY & OBJECTIVITY

A member or a firm by which he or she is employed or of which he or she is a partner or shareholder shall not have:

Any direct or indirect material or influential interests in any insurance company, agency, brokerage house or other entity engaged in the direct sale of insurance to the public at large.

CONFLICTS OF INTEREST

No member of the Society shall undertake any business relationship with any insurance agent, broker, insurer or provider of risk management services which shall in any way impair the objectivity of that member, the member's associates, or his or her firm in providing counsel to his or her clients, or impair the reputation of the Society or its members. Factual situations which may appear to border on violation of this provision shall be referred to the Board of any appropriate Committee of the Society for conditional approval before engagement in the relationship, or for either approval or disapproval with appropriate disciplinary action if the relationship already exists.

3. If the answers to # 1 and # 2 are different what is the distinction?

The distinction is who the client will be: a law firm or an insurance agent, broker or insurance company?

Two other points:

- If a predominance of a member's work and billings were for the same insurance agent, broker or insurance company, I would be concerned about that member's objectivity regardless of the client being a law firm.
- The solicitation of member services states "we will reward you with up to \$10,000.00." Members should be aware of the following, from the Code of Ethics:

FEES & COMMISSIONS

COMMISSIONS

A member shall not accept a commission or fee for a referral of products or services of others.

This applies to any products or services of others.

ETHICS COMMITTEE CONSENSUS

The consensus of the Ethics Committee, based on these opinions, is that being engaged by a law firm for expert witness work for an insurance agent, broker or insurance company is acceptable because the client is the law firm.

Work engaged by an insurance agent, broker or insurance company who will be the client is subject to the conditions stated in the Code.

The difference is who the client is.

ms

RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT – SEPTEMBER 2001

Ethics Committee Purpose

To assure the public the members possess the ethical standards, professional competence, and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as Risk Management Consultants under the bylaws and ethical standards of the Society.

Committee Members:

Mr. Thomas Adkins JD,CPCU,ARM
Mr. Hank Bahr CPCU,ARM,CIC
Ms. Rachel Efrati CPCU,ARM
Mr. Dan Free JD,CPCU,ARM
Mr. Allan Paul Waters CPCU,CLU,ARM,AIC


Accomplishments since Cancun Meeting:

1. Responded to a member inquiry regarding his firm hiring an employee with residual life insurance commissions.
2. Began review of a referral of background on a potential membership applicant who appears to be working for insurance companies in underwriting, product development, etc.
3. Available for referrals of ethics issues from the membership.

Objectives for 2000-01:

1. Receive and review Committee and general membership input on ethics issues.
2. Develop reports and recommendations as appropriate.

Chair:


Allan Paul Waters CPCU,CLU,ARM,AIC

Date: October 5, 2001

Society of _____

RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT – APRIL 2001

Ethics Committee Purpose

To assure the public the members possess the ethical standards, professional competence, and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as Risk Management Consultants under the bylaws and ethical standards of the Society.

Committee Members:

Mr. Thomas Adkins JD,CPCU,ARM
Mr. Hank Bahr CPCU,ARM,CIC
Ms. Rachel Efrati CPCU,ARM
Mr. Dan Free JD,CPCU,ARM
Mr. Allan Paul Waters CPCU,CLU,ARM,AIC

Accomplishments since Cancun Meeting:

1. Discontinued consideration of web sites containing testimonials, including examples of savings, since SRMC now permits such testimonials.
2. Responded to a member inquiry regarding the appropriateness of conducting a seminar for agents/brokers, for expenses and a fee. The Committee found no objection.
3. Responded to a member inquiry regarding the appropriateness of a trade name for his practice. The Committee found no objection.
4. Available for referrals of ethics issues from the membership.

Objectives for 2000-01:

1. Receive and review Committee and general membership input on ethics issues.
2. Develop reports and recommendations as appropriate.

Chair: _____
Allan Paul Waters CPCU,CLU,ARM,AIC

Date: April 11, 2001

Society

RISK MANAGEMENT

CONSULTANTS

ETHICS COMMITTEE REPORT - SEPTEMBER 2000

Ethics Committee Purpose

To assure the public the members possess the ethical standards, professional competence, and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as Risk Management Consultants under the bylaws and ethical standards of the Society.

Committee Members:

Mr. Thomas Adkins JD,CPCU,ARM

Mr. Hank Bahr CPCU,ARM,CIC

Ms. Rachel Efrati CPCU,ARM

Mr. Dan Free JD,CPCU,ARM

Mr. Allan Paul Waters CPCU,CLU,ARM,AIC

Accomplishments since Tulsa Meeting:

1. Received verbal input from a member regarding web sites containing testimonials and questioning if examples of savings are appropriate. Referred the matter to the Committee for input. Action to be taken must be coordinated with the report of the task force on testimonials, and Board action.
2. Received an inquiry from a member regarding change in status of licensing, to accommodate reciprocal licenses of other states. Prompt action by the Committee confirmed that there is no problem with the member's change from a consultant's license to an agent's license to accommodate such reciprocity.
3. Received an inquiry from a member regarding the appropriateness of conducting a seminar for agents/brokers, for expenses and a fee.
4. Available for referrals of ethics issues from the membership. Objectives for 2000-01:
 1. Receive and review Committee and general membership input on ethics issues.
 2. Develop reports and recommendations as appropriate.

Chair:

Allan Paul Waters CPCU,CLU,ARM,AIC

Date: September 15, 2000

Society of _____

RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT – MARCH 2000

Ethics Committee Purpose

To assure the public the members possess the ethical standards, professional competence, and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as Risk Management Consultants under the bylaws and ethical standards of the Society.

Committee Members:

Mr. Thomas Adkins JD,CPCU,ARM
Mr. Hank Bahr CPCU,ARM,CIC
Ms. Rachel Efrati CPCU,ARM
Mr. Dan Free JD,CPCU,ARM
Mr. Allan Paul Waters CPCU,CLU,ARM,AIC

Accomplishments since Williamsburg Meeting:

1. Reconfirmed the Committee members for another term.
2. Received transfer of Committee records from prior Chair.
3. Available for referrals of ethics issues from the membership.
4. The Chair spoke to a member on an individual situation that did not result in a need for communication beyond the Chair.

Objectives for 2000-01:

1. Receive and review Committee and general membership input on ethics issues.
2. Develop reports and recommendations as appropriate.

Chair: _____

Allan Paul Waters CPCU,CLU,ARM,AIC

Date: March 30, 2000

Society of _____ **RISK MANAGEMENT** **CONSULTANTS**

ETHICS COMMITTEE REPORT – OCTOBER 1999

PURPOSE

To assure the public the members possess the ethical standards, professional competence, and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as Risk Management Consultants under the bylaws and ethical standards of the Society.

MEMBERS OF THE COMMITTEE

Tom Atkins
Hank Bahr
Rachel Effrati
Dan Free

ACCOMPLISHMENTS SINCE SALT LAKE CITY – SPRING 1999

We have handled the request for review as has been presented to us by members of the Society. A summary of the activities is as follows.

SUMMARY

It, again, has been a quiet six months. The Chair has spoken to a couple of members on individual situations, none of which fostered themselves into any specific accumulation of information or communication beyond the Chair.

ACTIVITY

1. Alerted by a member of another member's marketing activities.

RESULTS

1. Reporting member later confirmed the marketing was for an acceptable position.

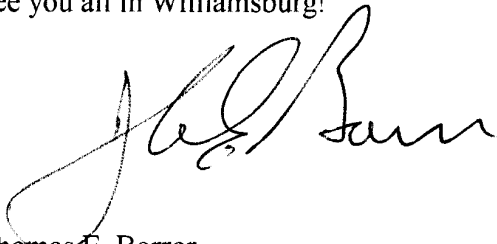
OBJECTIVES FOR 2000

1. To continue to investigate the charges of the ethics violations of the members or potential members.
2. Perform other tasks as assigned by the Board.

The Ethics front has been quiet again for six months.

We look forward to the discussion at the General Membership Meeting on the Remuneration Task Force Report. We expect it to be a rather interesting and lively discussion.

See you all in Williamsburg!

A handwritten signature in black ink, appearing to read 'T. Borrer', with a large, stylized initial 'T'.

Thomas E. Borrer
Chairman, Ethics Committee

September 28, 1999

cc: Ethics Committee
Pauline Thomas
J. Hayden Knowlton

Society of _____

RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT – APRIL 1999

PURPOSE

To assure the public the members possess the ethical standards, professional competence, and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as Risk Management Consultants under the bylaws and ethical standards of the Society.

MEMBERS OF THE COMMITTEE

Tom Atkins
Charlie Cox
Hank Bahr
Rachel Effrati

ACCOMPLISHMENTS SINCE SAN FRANCISCO – FALL 1998

We have handled the request for Committee Review as has been presented to us by members of the Society. A summary of the activities is as follows.

SUMMARY

It, again, has been a quiet six months. The Chair has spoken to a couple of members on individual situations, none of which fostered themselves into any specific accumulation of information or communication beyond the Chair.

ACTIVITY

1. Answer of a question related to a member who is developing a partnership with a group that has developed a Risk Management Information System that is sold in the general market.
2. Discussed a situation where a member may become associated with a practice that includes reinsurance underwriting evaluation.

RESULTS

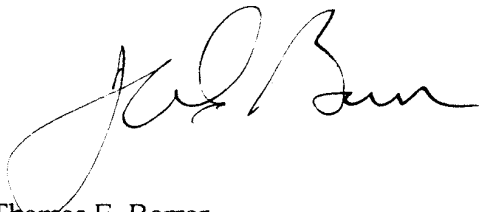
1. Indicated, as long as disclosure was given, was seen to be no other conflicts related to the service product available in the general market place.
2. The issue will become an issue if the member chooses to join his firm with the new relationship. Spoke with Tom Gold of the Membership Committee and indicated this most likely would be a "change in status" issue which may entail an Ethics review. However, until the transaction is complete, it is not an issue.

OBJECTIVES FOR 1999

1. To continue to investigate the charges of the ethics violations of the members or potential members.
2. Perform other tasks as assigned by the Board.

The Ethics front has been quiet again for six months. We believe this is a result of the continued fair practice of our members as well as the elimination of several of the items that brought problems and confusion, i.e. the elimination of the 15 questions and answers seemed to have smoothed out the ethics process in the Society.

We look forward to the discussion at the General Membership Meeting on the Remuneration Task Force report. We expect it to be a rather interesting and lively discussion.



Thomas E. Borrer
Chairman, Ethics Committee

April 6, 1999

cc: Ethics Committee
Pauline Thomas
J. Hayden Knowlton

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

SEPTEMBER 1998

PURPOSE

To assure the public that the members possess the ethical standards, professional competence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants under the By-Laws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE CHICAGO - SPRING 1998

We have handled the requests for Committee review as have been presented to us by members of the Society. A summary of the activities is as follows:

Summary

The Committee has been rather quiet. The Chair has spoken to several individual members on situations, none of which fostered themselves into any specific accumulation of information.

Activity

1. Answering questions from several members related to either their services being requested to be rendered by their client or prospective services. No specific action or gathering of information was necessary.
2. We participated with the SMRC Future Survey Committee in reviewing the questions to be put out to the membership as well as providing input to that group.
3. We have circulated to the Committee a letter describing some suggestions to be considered by the Committee to the Code of Ethics in contemplation of lengthy discussions at Board and other meetings as we move forward. That letter was dated August 17, 1998.

Results

1. As spoken earlier, no specific action was necessary, since there was nothing that came to light which needed any further input.

Results

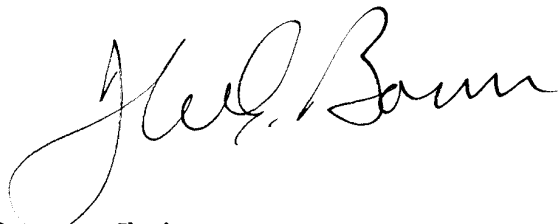
2. We believe the SRMC Future Survey Committee was successful in the release of a survey in late August. We understand results are forthcoming.
3. We do have input from all four members of our Committee as respects the August 17, 1998 letter regarding changes in the Ethics Code. We will be prepared to discuss those issues at the Board Meeting.

OBJECTIVES FOR 1998

1. Investigate the charges of ethics violations by the members or potential members.
2. Perform other tasks as assigned by the Board.

It has once again been a very calm six months. We appreciate the silence. We do understand there was lengthy discussion in the Board Meeting in Chicago and the membership survey which was circulated certainly may have an impact on the Ethics Committee as a whole. We are prepared to participate in those discussions at the upcoming Board Meeting in San Francisco.

We look forward to continuing to be of service to the Society. If any questions arise prior to the Fall Meeting, please feel free to contact one of the members of the Committee.

A handwritten signature in cursive script, appearing to read "T. E. Borror".

Thomas E. Borror, Chairman
Ethics Committee

TEB/md

cc: Ethics Committee
Daniel Coate Free, JD

Society of _____ RISK MANAGEMENT CONSULTANTS

300 Park Avenue
New York, NY 10022
1-800-765-SRMC

PLEASE RESPOND TO:
Thomas E. Borrer, CLU, CPCU
c/o Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

17 August 1998

COPY

TO: The Ethics Committee

RE: Ethics Code - Fees and Commissions

Those of you who attended the Spring Meeting in Chicago as well as those who may be involved in various conversations surrounding questions over contingent fees may be aware the Board has authorized a questionnaire to all members discussing membership and ethics issues. Most of us on the Committee at this time have been through the process of attempting to provide input to rules in the past and know it is distinctly a challenge. Charlie, my hand extends a pat on the back to you for volunteering to act on behalf of the Ethics Committee in the question process.

The Chair has expressed verbally to a couple of the officers, more than once, that perhaps the answer to some of our concerns within the Society over the "limitations of our Ethics Code" could be softened by modifying certain parts of the Code to a more laissez faire description, and allow the individual member to judge themselves under the Conflicts of Interest, and Integrity and Objectivity portions without strict limitations. One of the issues the Chair has been very vocal about is the concern over modifying the Code to provide permission for contingent fee projects.

I am suggesting you individually look at the Code of Ethics and give me some input, prior to the Fall Meeting, on whether or not the Committee would support an attitude to suggest deleting in its entirety the last section of the Code, titled "Fees and Commissions," thereby eliminating specific reference to the prohibition of commissions and contingency fees.

Ethics Committee
17 August 1998
Page 2

We believe there is also a section of the Membership Application which addresses methods of compensation. We are not into the practice of suggesting how Tom Gold's Committee may want to move along, however, reasonable input might continue to ask how a potential member is compensated. If their answer is related to contingencies, ask them to respond in their own words whether or not they feel their method of remuneration qualifies when one applies the Integrity, Objectivity and Conflicts of Interest sections of our Code.

The By-Laws, under Article II, Members, Section 2.1.1 - C, makes reference to "Practitioners principal remuneration is client fees . . ." This writer does not believe this needs to be changed, if we eliminate the reference to commissions and contingency fees in the Ethics Code.

The overall effect of this would be to be silent as it relates to specific types of remuneration and allow the individual practitioner to bear the burden of acceptance in their own eyes, as well as perhaps in the eyes of the overall SRMC, as to whether or not their relationship between their business and their client can be judged to have a degree of independence and the results of their project do not materially effect the level of their remuneration.

I am not sure whether we are going to take a stance on this at the Fall Board Meeting. However, at this time I am soliciting some of your thoughts. We have not bothered you much this past twelve months as the ethics front has been rather quiet. I am planning to go to San Francisco for the Board Meeting only and will be available to discuss whatever input you all provide to me prior to the Board Meeting.

I would appreciate an answer to this question prior to September 4, 1998. I recognize it is the end of the summer, it is a busy time, but if we let this go beyond Labor Day, it is going to be difficult to get any kind of input shared with all of you prior to the Board Meeting, with the calendar quickly approaching the October 7, 1998 Board Meeting.

If any questions arise, a telephone call would be welcome. Frankly, I will accept any input.

TEB/md

cc: Daniel Coate Free, President
Thomas E. Gold, Chair, Membership Committee
Pauline Thomas, President-Elect

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

MARCH 1998

PURPOSE

To assure the public that the members possess the ethical standards, professional competence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants under the By-Laws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE CINCINNATI - ATLANTA - FALL 1997

We have handled the requests for Committee review as have been presented to us by members of the Society. A summary of the activities is as follows:

Summary

The Committee activity has been rather quiet. The Chair has been contacted by three individual members with situations which have been discussed on the telephone. A portion of the Committee reviewed a piece of information which was forwarded to us about the amalgamation of a past member and an active member.

Activity

1. We had a member come forth requesting some assistance in relationship to a project for a large public entity. After completion of the project remuneration for the benefit of our member was suggested to come from a source prohibited by our Ethics Code.
2. A member has been requested by a broker to provide fee service based risk assessment loss control and safety audit functions. The description would be hired by the broker and paid by the broker, with a report delivered to the client.
3. It came to the attention of a member of the Committee, through a newsletter process of a current member, that a prior member had joined the firm. Questions were raised regarding a merger of interests and did the surviving firm understand all of the particulars related to the prior member's activities.

Activity - continued

4. A member has contacted the Chair to discuss a new activity to be undertaken prospectively by their firm. The activity is clearly outside the scope of the permissible remuneration under the terms of the Society and its Ethics Code.

Results

1. While we do not believe we caused the remuneration to our fellow member to come from the previously agreed source, a letter written by the Chair of the Committee to the member outlining the prohibition of a vendor paying any part of the fee for the project was distributed for the benefit of our member. It has been reported back to the Committee the member received full payment from the original contracting party, in satisfaction of the project.
2. It is believed the loss control services requested by a broker to be paid by the broker will not be performed under those criteria. The individual consultant may approach the client for a direct remuneration.
3. The current member did respond promptly to the Committee and indicated the individual had been hired. It was not a pooling of interests of firms. The member did indicate he was unaware of the reasoning why the individual was no longer a member of the Society at the time of hiring. The current member did confirm the firm will not undertake any projects related to issues which caused the Society concern in the past.
4. At this time there is no further action necessary related to the projects to be undertaken under a different remuneration than permitted by the Society. It is expected this member and their firm will pursue this activity in the future, due to the requests made by their clients.

OBJECTIVES FOR 1998

1. Investigate the charges of ethics violations by the members or potential members.
2. Perform other tasks as assigned by the Board.

Ethics Committee Report
March 1998
Page 3

It once again has been a rather calm six months, since our last report. We are encouraged at the openness of our members in policing themselves and calling for input, prior to undertaking certain projects.

I will miss the meeting in Chicago. It is believed Charlie Cox will deliver this report to the Board and will be prepared to answer some of the questions which may arise during the meeting. Unfortunately, I will be with my family, out of the country, skiing in the French Alps, enjoying ourselves, instead of having the fellow SRMC members beat up on the Chair of the Ethics Committee. If you have any questions, call me, I will be back in the country after April 26, 1998.



Thomas E. Borrer, Chairman
Ethics Committee

TEB/md

cc: Ethics Committee
Daniel Coate Free, JD

ps: Charlie, thank you very much for agreeing to provide this report at the Board Meeting. Call me if you have any questions.

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

SEPTEMBER 1997

PURPOSE

To assure the public that the members possess the ethical standards, professional competence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants under the By-Laws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE CINCINNATI - SPRING 1997

We have handled the requests for Committee review as have been presented to us by members of the Society. A summary of the activities is as follows:

Summary

The Committee has dealt with one issue brought forth by a member for review. The Committee has responded to the request by the Society for guidelines related to advertising, inclusive of the use of SRMC, with comments of June 13, 1997 forwarded to the Secretary for distribution. The Committee has submitted the necessary information to the Treasurer, in response to a request in August for information.

Activity

1. We have dealt with a very interesting case presented by a member, based upon activities he was requested to perform by certain state authorities in his domicile.
2. Six specific guidelines for the use of SRMC in the advertising and brochure information of members has been forwarded on for distribution by the Secretary of the Society.
3. While the Treasurer is good enough to assign budget numbers to us, to date our Committee has not presented any specific expenses for the Society to pay. It has been discussed whether or not the reprinting of the By-Laws and the Code of Ethics will occur in the upcoming twelve months and, if so, will it be charged to our budget. I do not get paid enough to make that decision. You folks will have to figure that out.

Results

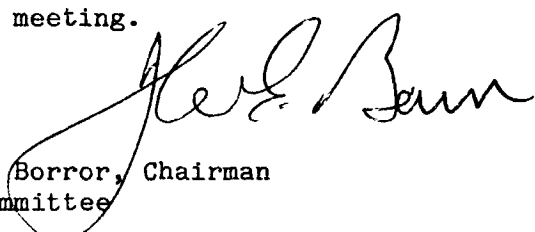
1. We have corresponded with the individual member, over the course of the last five months, concerning the request to perform certain services on behalf of an insurance company which a certain State was taking through the bankruptcy and conservatorship transactions. The member was asked to serve as an officer and operate certain non-insurance company related assets during a time of liquidation. The member has been very open in correspondence with the Committee and as of August 19, 1997 has indicated the last asset was sold and approved as of August 14, 1997. There will be continued activity to collect the sales proceeds and distribute the sales proceeds under the jurisdiction of a bankruptcy court. However, direct operation of any non-insurance facility has ceased. It is the finding of the Committee to accept the information as presented by the member and at this time the Committee does not encourage any specific action by the Board.
2. Based upon discussions during the Board and Membership meetings on requests for information about use of SRMC as a symbol or name within advertising, we put together six bullet points and shipped them to the Secretary on June 13, 1997. It is understood those guidelines will be distributed with the President's note, inviting people to the Atlanta meeting.
3. The budget issue is one that frankly we probably need more direction from the Board. Tom has apportioned \$75 to \$100 to us. We have not submitted any costs to the Board in the past and do not intend to submit any in the future.

OBJECTIVES FOR 1997/98

1. Investigate the charges of ethics violations by the members or potential members.
2. Perform other tasks as assigned by the Board.

It has been a good six months, probably the quietest six months we have had. The specificity of the one issue was rather interesting and we will discuss in more detail during the Board meeting.

See you in Atlanta! If there are any questions prior to the meeting, please feel free to call. If not, we will discuss the details of this report during the Board meeting.


Thomas E. Borrer, Chairman
Ethics Committee

TEB/md
cc: Ethics Committee

Society of Risk Management Consultants

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

March 1997

PURPOSE

To assure the public that the members possess the ethical standards, professional confidence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants under the By-Laws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE VICTORIA - FALL 1996

We have handled the various requests for Committee review. A summary of the activities is as follows:

Summary

There was one outstanding issue, following the Victoria meeting, to be dealt with. We have made follow up contact and have input. In addition, we have had two items submitted to us related to membership activities. We have had an individual submit information on their own about their office's activities and we have had two membership applicant brochure issues submitted for comment.

The Committee has responded to review of the minutes and discussions in the Victoria Board and Membership meetings. We have commented to the officers and have approved the minutes as distributed, reflecting the Ethics Committee's role in future massaging of the Ethics Code and By-Laws.

Activity

1. We have continued to correspond with a member about a specific listing in the Business Insurance publication.
2. A members has written to us directly, related to licensing and sale of long term health care.

Activity - continued

3. A financial transaction has illustrated the presence of the word "Agency" on checks used by a member.
4. A member has inquired about actuarial services provided to self insured entities, municipal pools, and private sector pools.
5. Two membership applicant brochure issues have been forwarded for our commentary.

Results

1. We have received a late, yet favorable, response to a listing of approximately one year ago in Business Insurance about services provided by said consultants firm. In addition to a current response, the member has provided us with the same inquiry which was undertaken by the Ethics Committee in the late 1980s.
2. We have responded to the member that licenser and sale of long term health care will clearly be a violation of the Code. It is our understanding the individual is going to proceed with this business relationship and therefore, most likely has resigned from the Society.
3. We have received a satisfactory answer about the word "agency" in a financial transaction and believe we have resolved that issue without any recourse to the member. NOTE: The agency commentary flows with a real estate agency operation and supporting documents, we believe, clearly state that.
4. We have verbally commented to the member raising the question about actuarial practice services that they must very much pay attention to disclosure. One of the services being provided through this actuarial work is rate promulgation. We indicated to the member to be very careful on proposal analysis so they do not find themselves in violation of our professional ethics with our commentary on rates.
5. The individual members applicants have been instructed they must make modifications to their brochures before they will be eligible to be accepted into the Society. We will leave the commentary on these two individuals in the hands of Tom Gold. To date, we understand he has heard from one party and the other party has not responded. We will leave Tom's Committee to update that information.

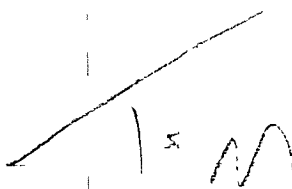
OBJECTIVES FOR 1997/98

1. Investigate the charges of ethics violations by the members or potential members.
2. Perform other tasks assigned by the Board.

We are pleased to announce that Hank Bahr has joined our Committee. The balance of the Committee remains in tact. I must say this has been a rather enjoyable six months. Without the normal turmoil which has been placed at the feet of the Ethics Committee, the job has actually been enjoyable.

We look forward to Board input to these issues described above. We do not anticipate that any unusual issues will be brought forth at this time.

Look forward to seeing you in Cincinnati! After having had an opportunity to review this material, if you have any questions prior to the meeting please feel free to call. If not, we will listen to your comments during the meetings.

A handwritten signature in dark ink, appearing to read 'T. E. Borrer', is written over a horizontal line.

Thomas E. Borrer, Chairman
Ethics Committee

TEB/md

cc: Ethics Committee

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

August 1996

PURPOSE

To assure the public that the members possess the ethical standards, professional confidence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants under the By-Laws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE BIRMINGHAM - SPRING 1996

We have handled various requests for Committee review. A summary of the activities is as follows:

Summary

There were two outstanding issues, leaving the Birmingham meeting, to be dealt with. We have made contact and have input. In addition, we have had two issues submitted to us by the Membership Committee and three other issues which have been brought forth for review.

The Committee has also dealt with the ever-present question concerning the modification of language surrounding the 15 Questions & Answers related to Ethics Guidelines on Independence, Integrity and Objectivity.

Activity

1. We have corresponded with a member involved with the AAA. We have a response which will be discussed during the Board meeting.
2. We have worked on a membership update situation concerning a member's activity on broker establishment of captives and broker risk management standards.
3. The Membership Committee has forwarded two brochure related issues for the Committee for discussion.
4. A member has made an inquiry related to a Workers' Compensation State Fund Audit, on a contingency basis.

5. A member has been asked to clarify their services as described in the April Business Insurance Risk Management listing.
6. We have been approached by one of the members of the Society, whose firm is establishing a World Wide Web Site, inclusive of certain advertising material for clarification.
7. Two members of the Committee have drafted documents, which have had limited circulation within the Committee and certain executive members, surrounding the dilemma over the direction of the Ethics Committee as well as the condition of the 15 Questions & Answers.
8. We have received several telephone calls describing certain situations asking questions for clarification, etc., without specific activity related to those situations.

Results

1. We will read the response received from the member involved with the AAA and ask, once again, for a final decision from the Board.
2. We officially await the member's written response to the questions raised in our membership update related to broker assistance in creating a captive and the creation of broker risk management standards. This member has provided verbal input in response and we await the fully written clarifications.

This particular member has served on a board of the Institute of Management Consultants and has some fairly interesting commentary related to an ethics code which might include two sections:

- A. direct conflict of interest for which it is clear, in black and white, that members are prohibited from doing; and,
 - B. indirect conflicts of interest, where there is an inference of impingement of ethics codes. Depending upon the facts of the case, disclosure may solve the problem. We hope, prior to the Board meeting, there will be more information available from this members. However, we will discuss the pieces as they are made available.
3. The Membership Committee has forwarded two brochure-related issues. We have discussed the same with the members, applicants and/or have provided direct, written commentary. Typically, the situation has developed statements which may be self laudatory or create false and unrealistic expectations. Our general discussions with these individuals as well as in past discussions relating to brochures is to not leave one in an indefensible position, if what you have promised in your brochure - fails to occur. We believe that both individuals involved will move favorably to address these issues.

4. Workers' Compensation State Audit on a Contingency Basis - While we have not spoken directly to the individual as the Chair, a member of the Committee fielded a telephone call and we have provided written commentary. We suspect at this point the activity is not going to be undertaken or, if it is, this individual will resign, understanding the issues on ethics.
5. We have a member's listing in a Business Insurance Index, which would indicate placement of re-insurance for a risk retention group. At the time of this writing, we do not have a response from the member.
6. The subject of the World Wide Web has come up. The interest of the inquiry was can we utilize written text, which may or may not include testimonials by others. The gist of the commentary is the utilization of newspaper articles out of business papers, etc., which contain quotations by clients. We have indicated, based upon the material received, we regard a World Wide Web publication to be the same as printed advertising and that the Ethics Code, as currently stated, should be adhered to. We suspect they may be some other discussion at the Board meeting, related to the use of the Internet.
7. Enclosed are copies of memorandum which have been written this summer, concerning the 15 Questions & Answer on Ethics Guidelines to Independence, Integrity and Objectivity. The Chair is going to enter in, for discussion during the Board meeting, a suggestion to abolish the 15 Questions & Answer as we currently know them, due to the issues outlined in our June 21, 1996 memorandum. It is the opinion of the Committee, if we can establish consistent representation and a decent set of records, that based upon the facts of the presentations, the Committee and the Board will be acting on a consistent basis in interpreting the Ethics Code as we understand it.

One or more members of the Committee have raised some very interesting questions in that the 15 Questions & Answers basically may provide waivers, as currently drafted, to activities which we know are being performed by certain members of the Society, either in the past or currently. The question has been raised - do we grandfather these members, do we change the Code, or do we ask these members to cease and desist. We welcome the Board's input on this subject matter.

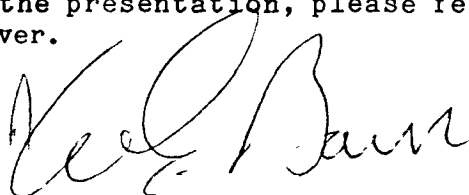
OBJECTIVES FOR 1996/97

1. Investigate the charges of ethics violations by members or potential members.
2. Perform other tasks assigned by the Board.

The protocol over the last five years has been to ask the Immediate Past President to be the rotating member of the Ethics Committee. Based upon the overwhelming amount of work that the president does during their administrative year, we have witnessed time delay, procrastination, etc., which is fully understood by the Past President. With no direct reflection on the current Past President, we are convinced as a group that we should probably not utilize the protocol of moving the Past President through the Committee over the coming years. We are suggesting, at this time, the Board acknowledge that we will continue to keep an odd number of members. However, we will appoint a new member rather than asking the current President, soon to be the Past President, to become a member of the Committee as of the close of the meeting.

The Chair looks forward to a lively discussion at this Board meeting. However, based upon several of the agenda items outlined above, we expect we all can enjoy the discussion rather than continue our series of past practices wherein deep dissension is brought throughout the Board and membership when the subject of ethics is brought up. We would suggest, if the Board acknowledges and accepts the deletion of the 15 Questions & Answers, that we report it out to the membership and ask for support of that position. Hopefully, we will eliminate many of the nasty positions which have evolved over the last three or four years, encompassing five to six business meetings.

Look forward to seeing all of you in Vancouver! After you have had an opportunity to review this Board Report, if you have any questions or serious concerns about the presentation, please feel free to contact us before we arrive in Vancouver.



Thomas E. Borrer, Chairman
Ethics Committee

TEB/md

cc: Ethics Committee

rec
9/5/96
pt

Society of RISK MANAGEMENT CONSULTANTS

300 Park Avenue
New York, NY 10022
1-800-765-SRMC

RESPOND TO:
Thomas E. Borrer, CLU, CPCU
c/o Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

21 June 1996

TO: Ethics Committee
FROM: Thomas E. Borrer, Chairman *10/17*
RE: Charlie Cox's Memo Distributed 6/12/96

In a follow up to Charlie's initial commentary, which we are considering mailing to all members, I have spoken to several of you directly and have open calls in to the others.

My overall view of this dilemma which we face rests with an understanding of principle that the Ethics Code is in print and is distributed to members and members of the public, when requested. The Guidelines for Independence, Integrity and Objectivity - the infamous 15 questions and answers, is an internal document used within the Society. It is not printed in a format which is readily distributable to the members and, in fact, I suspect if we polled the members, less than 50% would even know what we are talking about. As you are aware, a couple members of this Committee have had difficulty finding the copies which were distributed over the years.

We started a project in the Spring of 1994 to address many issues. In Santa Fe (the Alamo), while we made a slight bit of progress on contingency commissions, the balance of the work the Committee had undertaken related to the Guidelines was shelved. Through counsel of the various officers and board members, it was indicated - let's deal with the questions and answers as ethics situations arise and over time we will clean them up.

Two issues were presented in Birmingham, Alabama in the Spring meeting of 1996 which ostensibly gave us an opportunity to revisit specific guidelines related to these issues. Once again, the wheels came off the cart, the stop sign was put up and, in fact, a motion was on the floor for approval by the members to suspend the ethics code, the Society's committee work, etc., until such time a small group of members could effectively be appeased that the Board and the Ethics Committee were not acting improperly.

Furthermore, at the Board meeting two days previous we were given the green light to revisit Guidelines questions and answers #1 and #2, in relationship to services that Rick Betterley's firm is providing, which we have been reviewing for a year now.

The Committee's original intent, when yours truly became Chair several years ago, was to get the three control documents in order, i.e., the Code, the procedures for handling a member's actions and finally, the Guidelines for Independence, Integrity and Objectivity. My original presentation to the Board in, I believe, 1992 was to get these documents cleaned up, assemble them in a complete document, whether it be the small 4" x 8", which could accompany the advertising brochures, etc., that we utilize. In the Summer of 1996, I am hear to say I suspect we are never going to accomplish an acceptable redraft of these questions and answers. Two reasons:

1. We do not meet often enough to have the debate that the average members wishes to have on the subject; and,
2. There are so many inconsistencies in those documents that even having a basis of debate and discussion is difficult.

Based upon the frustration, the road blocking and the obstinance of various parties as well as my intention as Ethics Chair to "live with the rules as written", would suggest the following:

1. Request to the Board that we eliminate the 15 questions and answers from an official document of the Society.
2. Put emphasis on the Ethics Code as currently drafted in our' Bylaws and Code of Ethics brochure.
3. Utilize the Code as written as well as the historical files as related to reported ethics questions and violations, to allow the Committee to evaluate the facts on each individual case as they are brought forward.

This may seem a little radical for a rather conservative individual, however, I am having a very difficult time understanding the origin of the questions and answers and their purpose. Input from several members as well as other Committee Chairs, past Board member and past Presidents seem to indicate the questions and answers were created shortly after the merger of the two organizations, (IRMC and ICS), to provide guidance and acceptability, i.e., warm and fuzzy feelings, for people operating their businesses in any manner as they so speak.

Ethics Committee
21 June 1996
Page 3

While I do not agree with that process, I certainly understand, from the historical perspective, while it may have been important. My comment to the Committee and recommendation to the Society as a whole is we either codify those questions and answers, thereby expanding the Code, or we eliminate them as Charlie has suggested, either start over or from this writer's perspective simply not have them be a burden to our discussion.

The Membership Chair has indicated this might be a disaster in relationship to membership applications, however, this writer thinks we may be over-reacting. The Code itself is not that difficult to work through and once again, from the standpoint of principle, it is written down, it is distributed and we either live with it or we change it. The focus has been on the questions and answers and frankly they are not the Code, so why should the focus be there.

Please try to provide me with some written comments on Charlie's letter as well as my dissertation to decide what course of action we wish to take. I would expect these responses by July 15-20, 1996. I will be contacting the rest of you by telephone to discuss some issues, however, I am still interesting in written commentary on these issues.

Look forward to your lively response. If any questions arise, a telephone call would be welcome.

TEB/md

cc: Steven A. Coombs, President-Elect
Daniel Coate Free, Treasurer
Robb Hubbard, President

ALDRICH & COX

Incorporated

FAX TRANSMISSION FORM

DATE: June 12, 1996

TO: Thomas E. Borrer, CPCU, CLU

COMPANY: Crain, Langner & Company

FAX NO.: (216) 659-6241

RE: Ethics Issues

FROM: Charles H. Cox

rec
9/5/96
PJ

NUMBER OF PAGES, INCLUDING THIS FORM: 3

COMMENTS: I am sorry this draft memo took so long to prepare. Please give me a call to discuss it after you have had a chance to look at it.

It was my intent to NOT impose any of my (or the Committee's) feelings on any of the issues discussed. I think we need to make all members aware of the problems and seek their input before we try to tackle the problems.

While it may be a tight time frame, Pauline Thomas is planning a general mailing next week in which we could include the final version of this memo and its enclosures.



Note: If you do not receive the indicated number of pages or experience any other difficulties with this transmission, please contact our office.

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MEMO (Ethics Issues)

June 12, 1996

Page Two

We've included these two excerpts from the brochure because, to many SRMC members, these are (or are presumed to be) the characteristics of SRMC members that set them apart from the other consultants and/or brokers of the world.

Now, keeping the above excerpts in mind, we ask you to take a close look at the present Ethics Guidelines for Independence, Integrity and Objectivity that are enclosed. As you will see, some work for brokers is permissible with proper disclosure while some is strictly prohibited. Nevertheless, the specified work for insurance companies, pools, and captives is all acceptable, with appropriate disclosure.

One significant conflict among the various Guidelines is the fact that a review of a broker's risk management program is strictly prohibited, while a review of an insurer's risk management program is permissible with appropriate disclosure. These conflicts could become the source of litigation for SRMC as we evaluate and rule on the practices of current or prospective members, and this is why we need your help.

We have (or have had) members who are (or were) involved with the following activities: (1) Serving on the Board of Directors of an Automobile Club that is involved with the sale of personal lines insurance, (2) Provide ongoing management services to captives or pools, (3) Review of Broker's client service standards. Can we differentiate among these activities in terms of acceptability in light of our current Code of Ethics Guidelines?

Should we revise the Code of Ethics? If so, should it become more definitive or should it become more flexible? Should we "fine tune" the Guidelines to make them more consistent? Should we throw out the current Guidelines and start over? If so, should we "grandfather" current members who are known to be operating outside of the Code of Ethics and/or Guidelines? Is "disclosure" the key to virtually all activities (i.e. SRMC members can provide services to or undertake relationships with virtually anyone they wish so long as proper disclosure is made)?

Before we begin to struggle with these issues, we would value your input and hope you will take a few minutes to think about your position on these matters. Please feel free to call or write any Ethics Committee Members with your input by July 20, 1996. Committee members' names, phone and fax numbers are listed below. Please contact us! Thank you for your involvement!

Tom Borrer, Chair - Tel. (216) 659-3142 / Fax 659-6241

Tom Atkins - Tel. (617) 449-2866 / Fax 449-5340

Charlie Cox - Tel. (716) 675-6300 / Fax 675-2098

Rachel Efrati - Tel. (516) 466-0750 / Fax 466-0977

Jim Marshall - Tel. (813) 577-2780 / Fax 579-8692

Wm - 516 - 466 - 0750
→ 466 - 0977

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Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

March 1996

PURPOSE

To assure the public that the members possess the ethical standards, professional confidence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants under the By-Laws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE BOSTON - FALL 1995

We have handled various requests for Committee review. A summary of the activities is as follows:

Summary

We have been working on five different subjects since the Boston meeting. Two are carry-overs which have been worked on before, one is a membership issue, one is a type of clientele and the last is related to a member's service on a volunteer board.

Activity

1. We have continued to correspond with five individual members of a company, detailing the conflict of ethics standards, based upon admitted ownership by their worldwide affiliation member of an insurance related entity.
2. A member has indicated to us they do not believe their business practices qualify any longer for membership in the Society. We have corresponded with that member, after a second request was received from the member.
3. The Membership Committee' forwarded on certain information related to a member's service, disclosed in an application based upon change in ownership. There are two basic questions about this individual's type of service which have been discussed with the Committee.

4. A member requested some guidance for a financial services industry request for risk management consultants to perform services.
5. A member corresponded with the Committee, related to their non-compensated service on a board of directors.

Results

1. To date, we have receive communication from the legal advisors to the individual company involved, requesting permission to perhaps speak to the Board at the upcoming Board Meeting. Furthermore, they indicated they would provide direct answers to us by January 19, 1996. To date, two members have resigned. We have been informed one of the members retired from the practice in November 1995. The practice manager and one other member have not responded to this Committee. They may have corresponded with other committees.
2. We have corresponded with the individual indicating, based upon their reluctance to sign the Affirmation Statement and, furthermore, failure to pay dues for 1995, that we do not believe it is in the Ethics Committee's parlance to do anything at all. We have not heard from said member regarding our comments.
3. We have reviewed the input related to the change in ownership issue, for a description of member services. The Committee is split, with the Chair casting the deciding opinion. Based upon the services rendered, we have in one area - while the service is related to a broker it is related to captive formation, since the Questions & Answers on Independence Integrity and Objectivity do permit a consultant to work for a pool or another entity which is forming a captive, it is the Chair's position, with the support of two members of the Committee, that this is not in direct violation of ethics.

A second issue related to setting service standards for brokers we believe is a potential problem. We are looking for the Board's direction to either endorse commentary to cease and desist this second activity or for a change in direction.

The issue related to assisting a broker in organizing or evaluating the organization of a captive for that broker, we believe needs to be addressed by evaluating certain questions and answers in the Independence, Integrity and Objectivity questions, specifically questions 1 and 2. We look to the Board for their direction on this matter.

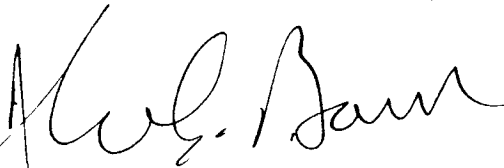
4. The Committee has found, as long as the financial institution is given an option of various consultants to use, preferably a directory of SRMC consultants, and that the parties involved receive the report, including the party being examined, the services do not present any conflict of interest.
5. We have an individual who has been asked to serve on a state AAA Board. As many of you are aware, AAA sells personal auto insurance to their members. While there is an implication of involvement between our member and an organization who has an interest in the direct sale of insurance to consumers, it is the opinion of the Chair and some members of the Committee, this volunteer service on a board, for which the individual does not have any direct financial ties, is not in violation of the spirit of the Ethics Code. We would appreciate the Board agreeing or disagreeing with this specific issue.

OBJECTIVES FOR 1996/97

1. Investigate the charges of ethics violations by members or potential members.
2. Continue to review the Questions & Answers pertaining to the Ethics Guidelines on Independence, Integrity and Objectivity.
3. Perform other tasks assigned by the Board.

The Ethics Committee has had a rather quiet six months. Other than the answer from legal counsel related to the five individual members, it has been fairly quiet. We would take the opportunity, at this time, to discuss one specific issue which will cause us and perhaps give us permission to go in and work on a few of the Questions & Answers. In addition, we do look for the Board's support, related to the member's service, on a volunteer basis, on a board, which has an impact on personal lines coverages.

Look forward to seeing all of you in Birmingham!



Thomas E. Borrer, Chairman
Ethics Committee

TEB/md

cc: Ethics Committee

Society of RISK MANAGEMENT CONSULTANTS

September 1995

ETHICS COMMITTEE REPORT

PURPOSE

To assure the public that the members possess the ethical standard, professional confidence and independence required to qualify to be members of the Society of Risk Management Consultants and continue to practice as risk management consultants, under the bylaws and ethical standards of the Society.

ACCOMPLISHMENTS SINCE INDIANAPOLIS SINCE - SPRING 1995

We have handled various requests for Committee review. A summary of the activities is as follows:

SUMMARY

One specific membership brochure/advertising related issue was addressed and one practice issue was addressed. We have carried out the Executive Committee/Board's direction related to the question of a practice adherence to associated business ownership. In addition, we have reviewed a brochure related question for SRMC.

ACTIVITY

1. A member contacted us following the release of some advertising material related to their practice. We have discussed the utilization of those materials with said member and their firm.
2. A member requested specific information about practice services and said information has been forwarded to member for their review.
3. We have addressed a specific letter to five individual members of a company questioning the potential conflict, based upon believed ownership by their company of an insurance related entity.
4. A draft copy of a SRMC brochure was reviewed for the Public Relations Committee.

RESULTS

1. Member has responded, indicating they will no longer distribute the type of material shared with the Committee, specifically for advertising of their firm.
2. We believe the individual member has read and understands the Ethics Guidelines related to the business practice. As we understand, the member may be resigning, based upon a new course of business practice.
3. To date, September 19, 1995, we have received a partial response from the members. We will update that information at the Board Meeting.
4. We have made various suggestions and changes in wording of the Public Relations Committee's advertising brochure, on behalf of SRMC. We believe a final draft will be shared at the Board Meeting for comments.


OBJECTIVES FOR 1995/1996

1. Investigate the charges of ethics violations by members or potential members.
2. Continue the project related to changes in the questions and answers pertaining to the Ethics Guidelines on Independence, Integrity & Objectivity.
3. If we complete step 2, begin the formal printing of updated brochures on ethics items which can be distributed to the membership.

The Ethics Committee has been rather quiet over the last six months, even with the various Board assignments discussed in the Spring Meeting. Based upon a delay in the issue related to Activity #3, and furthermore, no specific instances of concern over the various questions and answers related to our project of the Fall of 1994, we have not furthered that project at this time. Perhaps with the good graces of the Board and the Committee, over the next six months we may begin to pursue the issue further.

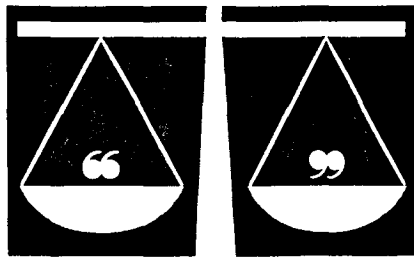
September 1995
Ethics Committee Report
Page 3

Enclosed is a copy of an article out of the CLU Journal discussing ethics. We would encourage the reading and absorption of this material prior to the Board Meeting. I believe it sheds specific light on various issues that this Committee has brought forth to the Board for discussion. Look forward to any questions or concerns which may be raised at the meeting in Boston. See you in Boston!

A handwritten signature in cursive script, appearing to read "Th. Borrer". The signature is written in dark ink and is centered below the main body of text.

Thomas E. Borrer, Chairman
Ethics Committee

cc: Ethics Committee Members



Ethics by Definition

Ethics is a word with many definitions. While this may be frustrating to the student of ethics, it is an inevitability given the scope of the subject matter covered by the term. For purposes of this month's column, we shall use the definition offered by Will Durant in the introduction to his now classic work on the evolution of philosophic thought: "Ethics is the study of ideal conduct."¹

The fundamental importance of ethics as an academic pursuit (and as a personal goal) was recognized centuries ago. Long before the birth of Aristotle in 384 BC, ethics had been recognized as a separate companion to religion in the human attempt to explain the difference between good and evil. In Aristotle's teaching, the study of ethics was ultimately given a place of prominence amongst all other fields of study. Durant writes: "...as Aristotle developed, ...more and more his mind turned from the details of science to the larger and vaguer problems of conduct and character. It came to him more clearly that above all questions of the physical world there loomed the question of questions — what is the best life?"²

The quality of one's life has only a fleeting relationship with one's income and possessions. This causes considerable conflict in a business which has traditionally measured a person's worth more in terms of "how much production" rather than the quality of service provided. I do not mean to denigrate the importance of production to a commission-based business. However, I do mean to suggest that a single focus on "how much" is inconsistent with the common law concept of professionalism which would require a more prominent focus on "how good." It is this inherent human conflict between the need to preserve one's self with the desire to help others that makes ethics such an interesting and

Strictly Speaking

BURKE A. CHRISTENSEN,
J.D., CLU

difficult course of study. It also makes the decision to live an ethical life a continuous exercise in the difficult process of resolving "the larger and vaguer problems of conduct and character."

When Rulon Rasmussen, CLU, was president of the MDRT, he helped us all to better understand the importance of a well-rounded life with the concept of Family Time Balance. Through Rulon's work, we are better able to understand that there are more important things in life than one more sale. These other competing values include one's family, one's reputation, and one's self-esteem. Acquiring to be acquiring, working to be working, and going to be going are major obstacles in the pursuit of life.

Durant's definition of ethics as the study of ideal conduct has meaning because it teaches that ethics has two elements. First, a knowledge of ethics is not something with which we are born; it is acquired by study. Second, ethics is not common behavior, it is the ideal conduct we hope to find in the best of us. Let's examine each of those principles in turn.

Ethics is an acquired, not an inherent quality. This column has previously opined that we are not born with a sense of right and wrong. People exhibit moral behavior only to the extent that it is taught to them. As a child, I learned a song which described our human need to be taught.

"I am a child of God, and he has sent me here; has given me an earthly home with parents kind and dear. Lead me, guide me,

walk beside me, help me find the way. Teach me all that I must do to live with him someday."³

We are all children at varying levels of maturity in the continuous process of becoming better people. As past American Society President Jack Campbell, CLU, ChFC, has said, we all require education and examples of ethics to teach and inspire us as we attempt to resolve "the larger and vaguer problems of conduct and character."

Ethics is ideal, not common, conduct. High ethical behavior is what we hope for but do not generally expect to get. If it were more common, we would not feel the need to praise and recognize it when it occurs. There is a lesson here for those who would seek to distinguish the service they provide from that provided by their peers and competitors.

There are varying levels of human conduct. Some are acceptable; some are not. At the lowest level, the courts impose punishment on those whose conduct does not meet the minimum standards of the law. At the middle levels, certain behavior may be legal but socially unacceptable. At the higher levels, we find behavior that is legally and socially acceptable, but nevertheless, we would not consider it to be ethical behavior. For example, it is legal and socially acceptable to keep (as lost or abandoned property) an old canteen found in the forest. However, an ethical person might feel compelled to take the canteen to a ranger station or to any nearby camps in search of the owner. Finally, at the highest level, we find purely ethical behavior. This is behavior based upon the view that the needs of others are equal to, if not more important than, our own needs.

The American Society has long taken the position that our Code of Ethics is aspirational rather than punitive. This means that the Society does not seek primarily to punish those who have violated the Code by suspending or revoking their member-

ship. It is, instead, the Society's goal to use the Code as a pedagogical tool, by which Society members may learn to set their goals ever higher.

Let's examine whether there is a gap between ethical and unethical behavior. If the finder of the canteen were to walk five miles to the nearest camp, determine the identity of the rightful owner and return it, we would certainly classify that as an ethical act. Suppose, instead, that the finder merely leaves the canteen in the forest. Is that an unethical act? Or is it neither ethical or unethical; merely an example of not doing an act which he or she had no obligation to do? People frequently allow themselves to act in a manner that is not consistent with the highest levels of ethical behavior; but we do not generally think of that as choosing to be unethical.

What is the advantage of living an ethical life? Aristotle would have disagreed with the admonition in the song that since Santa Claus is coming to town we should "be good for goodness sake." To Aristotle the aim of life is not goodness for its own sake, but to attain happiness. "For we choose happiness for itself, and never with a view to anything further, whereas we choose honor, pleasure, intellect...because we believe that through them we shall be made happy."⁴

We should aspire to a higher standard of conduct than the mere obedience to law. As we select our personal standard, we might consider that "the highest conduct is that which leads us to the greatest length, breadth and completeness of life."⁵ J

(I/R Code No. 4400.01)

Burke A. Christensen, J.D., CLU, is a life insurance agent with A. W. Ormiston & Co. in Chicago, Illinois. From 1984 to 1995, he served as general counsel for the American Society of CLU & ChFC. He is co-author of the recently published book, *The Best of Strictly Speaking*, available through the American Society.

- (1) Will Durant, *The Story of Philosophy*, (1961) page xxviii
- (2) Will Durant, *The Story of Philosophy*, (1961) pp 74-75
- (3) "I Am a Child of God," by Naomi W. Randall and Mildred T. Pettit

- (4) Aristotle, *Nichomachean Ethics*, Book I, Chapter 7
- (5) Herbert Spencer, *The Principles of Ethics*, (1893)

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Society of RISK MANAGEMENT CONSULTANTS

APR 17 1995

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS COMMITTEE REPORT

April 1995

PURPOSE

To assure the public that the members possess the ethical standard, professional confidence and independence required for Society membership, and are, therefore, qualified to practice as risk management consultants.

ACCOMPLISHMENTS SINCE SANTA FE - FALL 1994

We have handled various requests for Committee review. A summary of the activities is as follows:

Summary

A couple of membership brochure related questions have come up and one specific advertising issue has arisen. We have worked with the Executive Committee related to the contingency fee membership voting process.

Activity

1. A member, contemplating the reprinting of their brochure, forwarded a copy of their brochure for review.
2. A member furnished us a copy of their engagement letter for comment.
3. A member forwarded a copy of a yellow page advertisement for another member for our attention.

Results

1. Comments have been made to the member supplying the brochure draft, with softening of the language related to cost.
2. We have reviewed the proposal letter.

3. A letter has been supplied to the individual, regarding the yellow pages advertisement, requesting information about why certain statements are made. To date, no response has been received. NOTE: This is a recent issue and a timely response may come prior to the Indianapolis meeting.
4. We have spoken many times and written to the President regarding the contingency fee issue.
5. The Committee has put on hold any further communication, as respects the modifications to the project undertaken in the spring and summer of 1994, as related to the Questions & Answers on Independence, Integrity and Objectivity. We have not forwarded any further information on to the members, awaiting further direction from the Board of Directors.

OBJECTIVES FOR 1995/1996

1. Investigate the charges of ethics violations by members or potential members.
2. Continue the project related to changes in the Questions & Answers pertaining to the Ethics Guidelines on Independence, Integrity and Objectivity.
3. If we complete step 2 above, begin the formal printing of updated brochures on the ethics items which could be distributed to the membership.

The Ethics Committee has been rather quiet during the last six months. Based upon the disruptions to the normal operations of the SRMC and its members during the six months preceding, we felt we would take some time off. All kidding aside, the Committee as well as its Chair are a little bit frustrated that we carried out a project, were delivering results to the Board and its membership and were met with a firing squad. We certainly hope the paper process created through the contingency fee question comes to a reasonable conclusion, prior to the Indianapolis Board meeting.

We have been requested to be prepared to summarize the other changes suggested in the Questions & Answers related to Independence, Integrity and Objectivity. To date, we have not compiled said summary. We will be prepared, during the Indianapolis Board meeting, to discuss what the Board would like us to do.

Ethics Committee Report
April 1995
Page 3

To let you know, we have a full range of opinions on our Committee. One Committee member has approached the Chair suggesting that we completely eliminate the 15 Questions & Answers, as there are so many discrepancies in answers and services that it creates more confusion than it does good. From the Chair's perspective, the printed material does assist most people who approach the Committee for assistance, in that they comment they have read through it.

On balance, we are charged that the membership and Board are as committed to paying attention to ethics, which is evidenced in the uproar over a change in position. We are not sure we can read the total reaction to this, however, we are pleased people are at least paying attention.

The Society has continued to be a sponsor, by name only, of the Ethics Awareness Month, as co-sponsored by the Societies of CLU and CPCU. Our name has appeared in various advertisements and professional publications.

We certainly expect a discussion at the Indianapolis meeting to be slightly less combative than it was in Santa Fe, however, we are prepared for just about anything. Look forward to continuing to be of service to the Board at their direction. We await your charge for what we are expected to do during the summer of 1995.

See you in Indianapolis!



Thomas E. Borrer, Chairman
c/o Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

TEB/md

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RESPOND TO:
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ANNUAL MEETING REPORT

ETHICS COMMITTEE

September 1994

PURPOSE

To assure the public that the members possess the ethical standard, professional confidence and independence required for Society membership, and are, therefore, qualified to practice as risk management consultants.

ACCOMPLISHMENTS SINCE KANSAS CITY - SPRING 1994

We have handled various requests for Committee review. A summary of the activities is as follows:

Summary

Two membership related activities have been discussed, two membership brochures have been discussed, and one membership update information issue has been discussed.

Activity

1. As part of a membership update process, the particular activities of a consulting practice has been reviewed.
2. A member's activity pursuant to captive reinsurance placement was reviewed.
3. Two membership brochure issues have been reviewed.
4. One membership applicant's brochure issue has been reviewed.
5. The Committee has been active in the project to review the Guidelines on the Questions & Answers on Independence, Integrity and Objectivity.

Annual Meeting Report
Ethics Committee
September 1994

6. The Chair has responded to a request to create a living document from the position of the Chair of the Committee.
7. The Committee has begun the process to present a portion of the educational program in Santa Fe.

Results

1. It is the finding of the Committee that the particular member's practice is not in violation of the Ethics Guidelines.
2. It is the finding of the Committee that the placement of reinsurance for a captive is acceptable, as long as we have determined there is not direct remuneration in the way of a fee paid to the consultant.
3. The brochure related items have been addressed by the respective members', making the necessary deletions in their documents.
4. One of the applicants, who is also related to a member involved in a similar question on brochure reference, has agreed that the member and the applicant will make the necessary change in the brochure.
5. By separate cover, the Committee has reported out its complete review of the 15 Questions & Answers and the recommended questions that need to be addressed, followed with a recommendation in change in language.
6. The Chair has supplied the president the living document for the perpetuation of the Committee, due to change in chairs.
7. Schedule education session to include one hour ethics time frame.

OBJECTIVES FOR 1995/1996

1. Investigate the charges of ethics violations by member and potential applicants.
2. Begin to process the paper necessary, based upon the outcome of the Board and member input, on the Ethics Guidelines on Independence, Integrity and Objectivity.
3. Prepare a formal printing of the various ethics items that could be compiled into one document for distribution to the members and potential members, during the Spring of 1995.

Annual Meeting Report
Ethics Committee
September 1994

NOTE: Based upon our activity over the last four or five months, we have come to two basic conclusions.

1. It is proper, based upon the input of various Board members and other members of the organization, to request a block of time within the education meeting structure to discuss ethics at least once per year, if not at both educational sessions throughout the year.
2. As we have become acutely aware, during the process of review of members' brochures, we need to do one of two things:
 - A. request each and every member to submit, once per year, a copy of their sales material to the Ethics Committee for review; or,
 - B. anytime a member is going to make a change in a piece of sales material, that they submit it in advance of the printing for review by the Ethics Committee.

Process A, noted above, could be done in conjunction with submission of the affirmation statement each year and act as an honor system that as long as they do not change their brochure, they do not need to resubmit year after year.

We have replaced a member of the Committee. Following the Kansas City meeting, Charlie Cox has replaced Greg Trout and has been a very valuable part of the Committee during the discussion of the Guideline Questions & Answers.

We look forward to a lively discussion at the upcoming Board meeting. We will apologize, in advance, if we are commanding too much of the Board time. However, we feel that it is time to address these particular issues that have not been looked at in-depth, for all intent and purposes, in the ten years from the time in which they were implemented as a basic working document when the organization was formulated.

See you in Santa Fe!!!

TEB/md



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SEP 1 1994

RESPOND TO:
Thomas E. Borrer, CLU, CPCU
c/o Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

15 September 1994

TO: Board Members and Officers

Attached is the summary input of our Committee, as respects specific questions and answers within the 15 questions and answers that make up the Ethics Guidelines on Independence, Integrity and Objectivity. As you may recall, through my Committee reports, we have commented for a better part of a year that we have been working on this project. It was completed in August. Dave Tibbals has indicated he would like this document to be distributed with the Committee Reports, so that you are informed as to the items we wish to discuss during the Board meeting in Santa Fe. This is a summary document, we have compared the complete set of materials, however, they are very voluminous - two and a half times the size of this attached document. Issues that we need to discuss during the Board meeting are as follows:

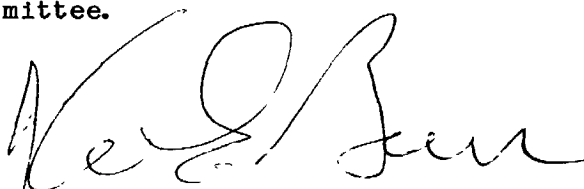
1. A members work for a broker, in conjunction with a project for a broker's client.
2. A members activity in providing claims and loss control services for clients.
3. Contingency fees, as respects workers' compensation second injury fund recoveries.
4. Consultants involvement in product development and design for an insurer or a broker.
5. Consultants activity with brokers in the strategic plans for their organizations.

You may note there are twelve individual subjects as part of eight questions that the Committee has found are in need of improvement. During the meeting, we will share the suggested change in wording for each item.

If any questions prior to meeting arise, please feel free to contact me or another member of the Ethics Committee.

TEB/md

cc: Ethics Committee



**ETHICS GUIDELINES ON INDEPENDENCE, INTEGRITY
AND OBJECTIVITY**

1. Broker Contracting Party

- C. Question: Would objectivity of member be considered to be impaired on assignment for broker for actuarial work on self-insured reserves and if broker pays fee and gets reports?

Answer: No, but defer to Casualty Actuarial Society code of ethics requiring organization to receive actuary's report on actuary's letterhead. Activity should be disclosed to any other client or prospect considering that broker.

INDIVIDUAL MEMBER INPUT

Atkins - Disagree. What is the difference between actuarial work and other consulting work? In this guideline, the consultant will be working 100% for a broker and I disagree with allowing this.

Borrer - Believe the answer should be yes, with the same caveat as 1A and 1B - no, if the report goes to the organization and the fee is paid by same.

Cox - Regardless of the type of service being provided, the answer to this should be yes. If work being performed is for the ultimate benefit of another organization, then the answer should be yes. No, if report goes to the organization and fee is paid by same.

Efrati - No comment.

Parsons - I don't really understand why a broker would be involved in self-insured reserves, but to my mind ANY work for a broker for a fee limits one's objectivity on other projects for clients involving that broker. So I would say, yes, it would impair objectivity.

- D. Question: Would objectivity of member be considered to be impaired on assignment for broker to evaluate security underlying insurance placement of an organization if broker pays fee and gets report?

Answer: No, but disclose to prospects considering broker (Member should be qualified to render such opinion - or even qualified opinion).

INDIVIDUAL MEMBER INPUT

Atkins - Same as 1C above.

Borrer - Believe the answer should be yes. No, if the report goes to the organization and the fee is paid by same.

Cox - Unless I do not understand the service being provided, I believe the response should be identical to 1A and 1B.

Efrati - Same as 1A.

Parsons - Same as 1C.

F. Question: Would objectivity of member be considered to be impaired on assignment if consultant is retained by a broker to put on an educational seminar for the firm?

Answer: No, if not a material source of income and if activity is disclosed to client or potential client considering that broker.

INDIVIDUAL MEMBER INPUT

Atkins - Same as 1C, although I would not be adverse to allowing a consultant to put on an educational program for a broker, if the consultant did not receive a fee for these services.

Borrer - No problem. NOTE: There probably should be a distinguishment between doing an educational seminar for employees of the brokerage firm only, or a participant in an educational seminar including persons other than employees of the brokers firm, i.e., clients.

NOTE: On all broker contracting party questions - it is our opinion and interpretation of this section of Code that we all would be in a better position if it clearly said the organization was to order the work, report go to the organization and fee be paid by the organization. If the broker introduces the consultant to the organization, that is fine, but to simply state that the report goes to the organization and the fee is paid by the organization leaves out the important step of questioning whether or not the organization was aware, in advance of the work, of the consultants activity.

Cox - If this is acceptable (as long as it is not a material source of income) why isn't 1E acceptable, if it is not a material source of income?

Efrati - No comment.

Parsons - Same as 1C above.

SUMMARY OF COMMENTS AND POSITION BY: Atkins

1A, 1B, 1E - No change.

1C, 1D, 1F - Change. Issues are all the same. Answer should be: No work for broker where broker pays and gets report.

2. Pool or Industry Captive as Contracting Party

C. Question: Would objectivity of member be considered to be impaired on assignment to assist in coping with pool or captive growth if captive pays fee and gets report?

Answer: No. Must disclose any relationship to any client considering pool or captive.

INDIVIDUAL MEMBER INPUT

Atkins - Same as 2A.

Borrer - No problem.

Cox - I do not understand why the various examples of services performed for Pools, Industry Captives or Commercial Insurers are all acceptable providing that appropriate disclosure is made, whereas similar services provided to Brokers are prohibited even with disclosure.

I suspect these scenarios and answers were developed and established in order to accommodate certain members and/or their firms and thereby allow the merger of the two previous organizations.

Once a pool or captive has been established, ongoing work for it thereafter appears no different than ongoing work for brokers, which is almost entirely prohibited. With this in mind, perhaps we should consider leaving 2A and 2B alone. With respect to 2C - 2F, and with regard to "Commercial Insurer Contracting Party," the responses clearly conflict with responses to similar questions under Brokers.

Efrati - No comment.

Parsons - No problem.

SUMMARY OF COMMENTS AND POSITION BY: Cox

All but one member of the committee felt this guideline is acceptable as is. One member of the committee felt there was little difference between this activity (which is acceptable) and work for a broker (which is not acceptable).

Perhaps some membership or board level discussions may be appropriate to explore whether or not there is a difference between working for a broker and working for a fully operational captive. In the absence of any meaningful difference, I recommend the answer be changed to "Yes."

- E. Question: Would objectivity of member be considered to be impaired on assignment to do actuarial work on reserves and rates for pool with pool paying fee and getting report.

Answer: No. Must disclose any relationship to any client considering pool or captive.

INDIVIDUAL MEMBER INPUT

Atkins - Same as 2A.

Borrer - Believe the answer should have a statement about being a qualified actuary, in order to perform said services.

Cox - Same as 2C

Efrati - No comment.

Parsons - No problem.

SUMMARY OF COMMENTS AND POSITION BY: Cox

All but one member of the committee felt this guideline is acceptable as is. One member of the committee felt there was little difference between this activity (which is acceptable) and work for a broker (which is not acceptable). Another member, while agreeing with the guideline, did express the opinion that perhaps the guideline should be clarified to indicate that only qualified actuaries should be providing actuarial services.

Perhaps some membership or board level discussions may be appropriate to explore whether or not there is a difference between working for a broker and working for a fully operational captive. In the absence of any meaningful difference, I recommend the answer be changed to "Yes."

- F. Question: Would objectivity of member be considered to be impaired on assignment to provide underwriting and rating advice if captive pays fee and report goes to captive?

Answer: No. Must disclose any relationship to any client considering pool or captive.

INDIVIDUAL MEMBER INPUT

Atkins - Same as 2A.

Borrer - No problem.

NOTE: In questions contained in 2, it may be proper to insert a clarification between an assignment to do a feasibility study and an assignment to review a feasibility or formation study done by others. We find it an inherent conflict of interest to not only be the author of the idea, but to be the party who routinely expresses an opinion of the feasibility of a client joining said alternative risk financing device.

Cox - Same as 2C.

Efrati - No comment.

Parsons - No problem.

SUMMARY OF COMMENTS AND POSITION BY: Cox

All but one member of the committee felt this guideline is acceptable as is. One member of the committee felt there was little difference between this activity (which is acceptable) and work for a broker (which is not acceptable).

Perhaps some membership or board level discussions may be appropriate to explore whether or not there is a difference between working for a broker and working for a fully operational captive. In the absence of any meaningful difference, I recommend the answer be changed to "Yes."

3. Commercial Insurer Contracting Party

C. Question: Would objectivity of member be considered to be impaired on assignment for product development with fee paid by insurer?

Answer: No, if insurer was not serving your clientele and you disclosed role to any client involved with that insurer.

INDIVIDUAL MEMBER INPUT

Atkins - I disagree with this guideline. If you have a hand in developing a product for an insurer, you are going to have a hard time telling a client that the product is not as good as other products which may be available to them. I think this is a real conflict of interest should you ever have to face this situation in your practice.

Borrer - Same as 3A.

NOTE: We do not believe it is the intent of the Society to be providing direct services to an insurance source. While the specifics may be known between the insurance company and the SRMC member, said activity may have a different affect on other SRMC members and/or their clients. The expectation and use of SRMC as an authority on these issues may be a hindrance to the Society and also possess a potential for professional liability exposure.

Cox - See 2C.

Efrati - No comment.

Parsons - No problem.

SUMMARY OF COMMENTS AND POSITION BY: Parsons

Roughly half of us agreed with 3A, B and C and the others did not. I tend to think of an insurer as a supplier of goods to my clients. My clients have suppliers of furnace oil, stationery, equipment, cars, insurance. What is the difference? Recommendations that I make, I hear you saying, but read on. I have clients whose businesses overlap other clients, either as suppliers or as tenants. I disclose to both that I counsel both. We never have a problem. What, then, is the difference, I repeat, between the insurer of a client of mine and the grocery chain which buys its frozen foods? I hear you saying, again, "But you make a recommendation to your client to use an insurer and you do not make a recommendation to your client to buy from a particular frozen food company."

Suggest a rewording of the guideline to read: Would objectivity of member be considered to be impaired on any assignment for an insurer, life or general, if fee paid for by insurer and report goes to insurer? Answer: No, but must disclose relationship with any client considering that insurer.

Further research by Board and Members.

5. Engaging in Joint Ventures

Question: Would objectivity of member be considered to be impaired on joint ventures with any organization whose equipment, supplies or services the consultant might be in position to recommend to the member's clients?

Answer: Yes.

INDIVIDUAL MEMBER INPUT

Atkins - No problem.

Borrer - No problem.

Cox - No comment.

Efrati - No comment.

Parsons - I disagree with the answer. I think it is ethical to joint venture inspection services, actuarial services, employee benefits services, engineering services and so on, as long as disclosure to clients is made. My point is that you might want to joint venture a seminar or course, for instance, on sprinklers, safety equipment or employee benefits and I see no harm in doing so.

SUMMARY OF COMMENTS AND POSITION BY: Cox

All but one member of the committee felt this guideline is acceptable as is. One member felt this practice should be acceptable with proper disclosure to clients.

With further input from the Board, this guideline should be amended to permit such joint venturing with proper disclosure. The current Code of Ethics seems to permit this activity with proper disclosure per Item No. 2 of the Integrity & Objectivity section.

If amended it could read: No. Must disclose any relationship to any client considering the service/product of the other joint venture.

8. Member's Other Division Works for Commercial Insurer

Question: Would objectivity of member be considered to be impaired when consulting firm's other division or unit undertakes work in employee benefit plan design, actuarial work on pension plan or development of direct compensation plan for a commercial insurer?

Answer: No. Disclosure is advisable if you are aware of relationship.

INDIVIDUAL MEMBER INPUT

Atkins - Here again is the Wyatt/Tillinghast hand. However, if an SRMC consultant works for an insurance company, on a project basis, in order to provide an insurance benefit to the insurer as client and that program will not be turned around and sold to other

customers, I do not have a problem. An insurer can be a client just like any commercial business, as long as there is no continuing retainer type relationships.

Borrer - No problem.

Cox - If a decision is made to prohibit work for commercial insurers, then this situation should also be prohibited. If this does not occur, disclosure must be required instead of "advisable."

Efrati - No comment.

Parsons - No problem

SUMMARY OF COMMENTS AND POSITION BY: Cox

All but one member of the committee felt this guideline is acceptable as is. One member felt this is no different than working for a broker, which is prohibited. That same member also felt that if the practice were to be deemed acceptable, disclosure should be "required" instead of "advisable."

I recommend that the board and/or membership review the ethics implications of working for insurance companies in any capacity and determine what, if any, difference there may be between the excluded practice of working for a broker and the currently acceptable practice of working for a commercial insurer.

If ultimately deemed to be an acceptable practice, the answer should still be modified by replacing the word "advisable" with "require."

13. Service Sales to Clients

Question: May members offer to sell R.M. Software programs and similar service to their clients?

Answer: No, unless disclosed.

INDIVIDUAL MEMBER INPUT

Atkins - I disagree with this guideline. I do not have a problem if an SRMC member sells risk management software programs and similar services to their clients, as long as they are developed by the SRMC member and are a proprietary product. SRMC members should not sell products of others.

Borrer - No problem.

Cox - Why should this be prohibited "unless disclosed?" Whether disclosed or not, this would seem to place the consultant in a situation where he or she would lose objectivity with respect to other service providers/ suppliers. (See 14D, which is a similar situation but is completely prohibited!)

Efrati - What is the thrust of this? What does disclosure do? Consultants should not be developing and marketing any software programs or other materials that will favor the consultants approach to tracking exposures or losses? Or selling the program and then

evaluating a client's program are conflicts?

Parsons - What if the RM software is a program developed entirely by the consultant? I see no breach of ethics if he is selling his own product. This, surely, is no different from selling his RM services.

SUMMARY OF COMMENTS AND POSITION BY: Borrer

We have two disagreements, one request for discussion, one specific agreement, and one partial agreement. Based upon the input of the five members of the Committee, I gather two thoughts from what I have read from our Committee.

- A. Should we or should we not be in the business of hawking products for others?
- B. It may be permissible to do it, as long as the product is developed by an SRMC member.

Questions raised:

- 1.) How can you be objective to evaluate a program used, if this is work you have sold to the client?
- 2.) If we are selling products to our clients that are not generated by our own office, are we receiving a fee, commission or contingency fee for doing so?

NOTE: I believe we all agree, if, as a function of our assignment, we develop and implement software to assist a client in performing the activities that they have requested assistance for, then the software developed most likely is the property of the client. If, however, as part of an assignment the client requests a software program, off the shelf or otherwise, we continue to ask "should we be in the position of selling a software solution developed by others, SRMC or otherwise, or should we be in a position to suggest - here are a representative two or three products which may serve your needs, you be the judge, you be the decision maker Mr. Client, we will assist you in your evaluation, if you need it.

14. Association as Contracting Party

- D. Question: Would the independence, integrity and objectivity of a consultant be considered to be impaired if a consultant provides claims administration and handling services (e.g., like GAB and Crawford claims services) to clients' self-insured programs?

Answer: Yes. Would lose objectivity with respect to other service suppliers.

INDIVIDUAL MEMBER INPUT

Atkins - I disagree with this guideline. In order to provide services to our clients we have to fulfill their needs. If we remain narrowly focused on insurance/risk management type of activities, we will become a society of dinosaurs. A reasonable and

"synergistic" area of expansion for SRMC members is in the area of loss control and claims adjustment. After all, it is commonly agreed that this is 60%/70% of the client's theoretical cost of risk. Claims management and loss control services can and quite often should be an integral part of the services available from SRMC members.

Borrer - Agree with the answer. NOTE: Is it proper to add loss control and other related services to this question for clarification?

Cox - If this is a prohibited service for Associations, shouldn't it be a prohibited service for any type of client?

Perhaps this is an area that deserves further thought. Several of our members are now providing more services (Employee Benefit Consulting, Claims Auditing, Loss Control, etc.). What happens if these consultants are asked to evaluate such services offered by other firms for a particular client? As we widen the scope of our practices, this may become a difficult area to remain truly independent.

Efrati - No comment.

Parsons - Again, I am not sure the question is clear enough. Is actual adjusting involved? In Canada, this would be illegal unless the consultant was a licensed adjuster. As far as administering the claims, monitoring them, providing the client with statistics, appointing adjusters and paying adjusters out of the plan, I see nothing unethical in providing such a service. To me it is merely part of Risk Management.

SUMMARY OF COMMENTS AND POSITION BY: Borrer

We have two agree, two disagree and one no response. NOTE: My particular write-up, after further review, indicates that on my letter of July 22, 1994, 14C should be 14D. I omitted any comment on 14C, which, by the way, I agreed with.

Based upon the input of various members, the conservative ones of us have one set of opinions and the more progressive or liberal minds have a different set of opinions. Based upon what I read, I offer the following. The problem in interpretation may very well lie with the question of providing service to an association, a group captive or risk retention group as the client. If, as a function of an assignment to the large overall association, you are providing claims management services, loss prevention service or other related services, how can you be objective on behalf of an individual member of that association, if they raise a question on an overall audit?

The analogy we would use for discussion is, if Arthur Anderson is providing CPA services to XYZ Corporation and the Anderson Consulting Group is providing an overall management audit, can the management auditing function be candid and objective, as respects the services provided by a subsidiary of their operation? In the public accounting and management consulting field, it gets a little fuzzy about who owns what, however, I believe the principle may apply.

It may be simpler in the risk management consulting field, as usually it is our own personnel doing the specialty service, rather than a subsidiary or partnership group. However, I still raise the same question: If, as a function of your assignment for an association/client, you are asked to evaluate the specific duty provided by other members of your firm, how can we expect objectivity even if we disclose the relationship? There are several members of our Society, including a couple of members of our ethics group, that seem undisturbed by the thought process that we can provide a "fee for service" specialty service, as well as an overall opinion of the risk management program including that specialty service, for an association/ client.

One of the questions raised was, if this question applies to association clients and prohibits this type of assignment, why is the same type of prohibition not applicable to an individual client? From our perspective, we see a slightly different fiduciary duty, in that with a specific corporate or public client, we do not have multiple members which are expecting an opinion on the overall program. We have a specific client, with a specific group of managers or board of directors, that has made a decision, hopefully with the insight and disclosure, of you or your firm, of the inherent conflict of providing a specialty service, as well as an overall auditing function. However, I believe that is a workable solution with an individual client. With group clients, especially associations, I am befuddled as to how to understand how you can uphold your fiduciary duties of a professional audit, if you are providing a specialty service that provides a stream of income distinctly different from your auditing assignment.

RECOMMENDATION - I believe this issue should be discussed more in-depth at the Board level and it is my recommendation, based upon the input of members of the Committee, that other services should be added to the descriptive question, including loss control, actuarial and other services that we may be providing to this type of an association, captive, or risk retention client.

15. Contingent Fees

- A. Question: Would the independence, integrity and objectivity of a consultant be considered to be impaired if the consultant undertakes work for a client trying to secure Workers' Compensation Second Injury Fund recoveries if the consultant is paid a contingency fee based upon any amount recovered?

Answer: No.

INDIVIDUAL MEMBER INPUT

Atkins - Disagree with any contingency fee on any basis.

Borrer - We disagree absolutely with this answer. We do not believe anything within the scope of SRMC Bylaws or Ethics permits any work to be done on a contingency fee base, regardless of the type of work.

Cox - Disagree with exceptions for accommodation purposes.

Efrati - No comment.

Parsons - I never really have understood this situation (Tom Waltson's work) very well. It seems to me that 15.B. describes what Tom does and, therefore, I would say that 15.A. should be eliminated and 15.B. revised to delete the exception. It still seems like contingency fees to me, regardless of how you dress it up.

SUMMARY OF COMMENTS AND POSITION BY: Efrati

Although the guideline on the acceptability of contingency fees was promulgated only a few years ago, it seems necessary to reopen the discussion on the acceptability of allowing contingency fees in any situation, as there is more disagreement than agreement that in a specific situation, recovery of second injury funds for workers' compensation should be allowed. Since the topic of contingency fees was previously brought up through membership input, it should again be thrown out onto the floor, for discussion. Perhaps the board should be presented with the pros and cons for discussion so that when it goes back to membership, there's already been some focus established. The crux of the issue appears to be in subpart (b) and revolves around the issue as to whether there would be impairment of objectivity if the consultant is paid a contingency fee based upon any amount recovered or amount saved. The underlying current is that contingency fees of any sort should not be allowed since the consultant would have a self-serving interest to obtain a certain result. Focus should be directed to the ethics of the act versus whether or not consultants view the act as a source of income. If the guideline were rewritten, 15(a) would be eliminated and the answer to 15(b) would be yes without the exception for workers' compensation second injury fund recoveries.

Society of RISK MANAGEMENT CONSULTANTS

300 Park Avenue
New York, NY 10022
1-800-765-SRMC

RESPOND TO:
Thomas E. Borrer, Chairman
SRMC Ethics Committee
c/o Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

11 March 1994

Society of Risk Management Consultants
Ethics Committee Report
March 1994

PURPOSE

To assure the public that members possess the ethical standard, professional confidence and independence required for Society membership and are, therefore, qualified to practice as risk management consultants

ACCOMPLISHMENTS SINCE ST. PETERSBURG, FALL 1993

We have handled various requests for Committee review. A summary of the activities is as follows:

Summary

One member related activity has been reviewed, a couple of membership related issues have been discussed.

Activity

1. A marketing related letter has been forwarded by a member of the Society obtained from a client source. The marketing letter by another member of the Society contains several references to, perhaps, challenges to the Ethics Guidelines on advertising and promotion.
2. A prospective member's activities were clarified, under the questions and answers section of the Guidelines.
3. A prospective member's licensing requirements, in a particular state, were brought from the Membership Committee.

Results

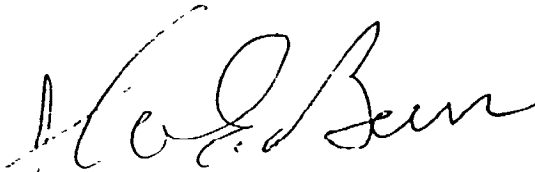
1. It is the finding of the Committee that the marketing letter utilized by a member may very well violate the spirit of the guidelines, related to advertising and promotion. We are currently in communication with said member and expect to render a final report at the Board meeting.
2. The activities of the particular applicant have been clarified under the questions and answers, and this particular situation has been clarified with the Membership Chair.
3. Research was done with the particular state and the findings of said research reported back to the Membership Chairman for correspondence with said member.
4. The Committee is in the process of reviewing the Guidelines on Independence, Integrity and Objectivity. We are beginning to gather input from Committee members, as respects the applicability. We are not prepared to render a report at this Board meeting, however, we will be prepared by Fall to render a written report.

OBJECTIVES FOR 1994 - 1995

1. Investigate the charges of ethics violations by members and potential applicants.
2. Continue the process to review the questions and answers entitled Ethics Guidelines on Independence, Integrity and Objectivity.
3. When point #2 above is completed, prepare a formal printing of the materials related to the ethics guidelines for distribution to membership, prior to the end of the calendar year 1994.

NOTE: We have requested the Membership Committee to check through their paperwork, as delivered to a potential applicant and/or new member, recommending that a complete package of ethics material, including the Ethics Code, the Guidelines on Unethical Practice, and the questions on Independence, Integrity and Objectivity, be distributed to any applicant and/or new member of the Society, for clarification purposes.

We have concluded the first six months of a completely new Committee and are in process of working the kinks out before we function as an effective group.



TEB/md

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS ETHICS COMMITTEE REPORT SEPTEMBER 1993

PURPOSE

To assure the public that members possess the ethical standards, professional confidence and independence required for Society membership and are, therefore, qualified to practice as risk management consultants.

ACCOMPLISHMENTS SINCE CLEVELAND, SPRING 1993

Handled various requests for Committee review. The summary of activity is in the following section.

SUMMARY

Two member related activities have been reviewed, one membership related issue has been discussed and answers have been provided to those involved in previous requested activity reviews.

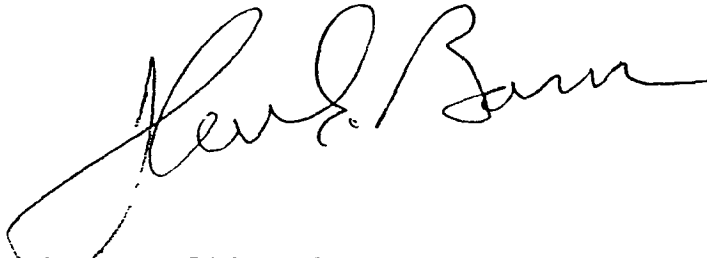
1. A purported ethics issue, brought by a current member, about the use of a trade name and/or business and practices concerning response to subject of a member adopted this Spring was reviewed.
2. A member was requested to disclose and explain the activities of their practice related to certain concerns raised by a member.
3. A prospective member's brochure was reviewed, based upon a request from the Membership Chair.

RESULTS

1. It is the finding of the Committee that the issue raised by the member, as related to trade name issues, is not a concern of the Ethics Committee. No formal finding by the Committee, as a whole, in relation to the business practices of the party who is accused.
2. The member has satisfactorily answered the description of services and explanation of practice, to a majority of the Committee's satisfaction, and therefore, there is no specific finding at this time.
3. The Ethics Committee Chair has indicated to the Membership Committee Chair the applicant should be given instructions to change their brochure, as soon as possible, in order to comply with the Ethics Guidelines on brochures. The Committee, as a whole, has reviewed the information forwarded to the Membership Committee. As a majority, they support the position of the Chair.

OBJECTIVES FOR 1993-94

1. Investigate the charges of ethics violations by members and potential applicants.
2. Begin a process to review the questions/answers, entitled Ethics Guidelines on Independence, Integrity and Objectivity.
3. Prepare a formal printing of the materials related to the Ethics Guidelines for distribution to the membership, March 1994 - Ethics Awareness Month.

A handwritten signature in black ink, appearing to read "Thomas E. Borrer", is written over the list of objectives.

Thomas E. Borrer, CPCU, CLU
Ethics Committee Chair
c/o Crain, Langner & Co.
3728 Waitley Drive
P. O. Box 531
Richfield, OH 44286

TEB/md

Society of RISK MANAGEMENT CONSULTANTS

Society of Risk Management Consultants Ethic Committee Report

March 1993

Purpose

To assure the public that members possess the ethical standards, professional confidence and independence required for Society membership and are, therefor qualified to practice as risk management consultants.

Accomplishments Since Las Vegas, Fall 1992

Handled various requests for committee review. Summary of activity in the following section.

Worked with the Legal Committee on the language in the outline presented as SRMC Action Guidelines for unethical practice, a draft revision is being presented to the Board for approval as a temporary guideline until such time a final version can be coordinated between input of ethics, legal and a member of the Executive Committee.

Completed the enrollment of SRMC as a sponsor of the Ethics Awareness Month, March 1993. Mailed to the members of SRMC a letter outlining our endorsement of the process and encouraging them to review the SRMC by-laws, code of ethics and questions and answers related to their practice.

Summary

Five member related activities have been reviewed, two membership related issues have been discussed and one change in ethics code issues have been reviewed.

1. Change in member status service as a part-time director of a Risk Retention Group.
2. Member disclosure of licensing and brokering being reviewed.
3. Prospective members service relationships with agents and brokers as well as a discussion on a change in ethics code to permit disclosure rather than a strict ethics code.
4. Use by a commercial insurance company of a members study in a particular line of business.
5. Benefits consulting, eligibility interests as well as a members potential application.

6. A members' request for information about performing audits for a broker of the broker services for their clients.
7. A comment on a current applicant as related to a current member issue in the same firm on another related matter.
8. A review of the Business Insurance listing of risk management consultants.

Results

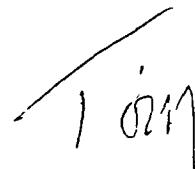
1. Is currently in process.
2. Is currently in process. There are discussions concerning potential joint venture relationship and conflict of interest and also licensing concerns related to employee benefits work.
3. The Committee has indicated the business practices outlined would create significant potential conflicts of interest and could not be handled through disclosure. To further answer the question raised by the member on whether or not said procedures as well as other issues of ethics could be better handled by strictly disclosure rather than adherence to a code of ethics has been answered in the negative by the Committee.
4. It has been confirmed through contact of the members company that there would appear to be an unauthorized use of material by a commercial insurance company of a report rendered by a member firm to an association for which the SRMC member has a direct relationship and does perform bi-annual surveys for that association. The Chair has ruled that based upon the response from the particular member that there does not appear to be any violation of ethics by this organization or any of its members.
5. The Committee has offered input as to the acceptability of benefits consultants and the applicability of the current membership application. In addition, the Committee has recommended the acceptance of the application of a potential member and so communicated to the Membership Committee.
6. The members description of services requested by a broker to perform audits for the broker's accounts, we have advised the member that if this practice were undertaken it would be in violation of various portions of the Code of Ethics.

7. We have advised the Membership Committee of a potential applicant that action should be delayed until such time specified practice questions, related to their firm, have been answered in more depth.
8. Chair has provided information to the Membership Committee as well as the President, requesting some communication with Business Insurance to attempt to alleviate the incorrect listing of risk management consulting firms as members of SRMC. In addition, questions were raised to the Membership Committee about specific members who indicate they have an ownership interest in multiple risk management firms.

In conjunction with input from the Legal Committee we have redrafted the SRMC Action Guidelines for Unethical Practice. Included in this report is a redraft of that material. We will be asking the Board for endorsement of this draft to be utilized until such time a task force could be conveyed to iron out the input from the Legal Committee, Ethics Committee and a member of the Executive Committee of the Board to address in-depth, the intent of the mechanical process which we inherited based upon the original draft dated December 1986. It is the feeling of the Ethics Committee Chair that we should distribute to all the SRMC members the changes that have been discussed since the spring of 1992 so as to inform the membership in general that the President and the Board of Directors have been taken out of the mechanical loop until such time the Ethics Committee has had an opportunity to investigate and review the information available, including discussions with said member, before it is disclosed to the Board who the party is and what the specifics are of the alleged unethical practice. If the Board so pleases or the President so pleases to convene a task force to redraft the language, we will appoint a member of our committee to serve on that task force.

Objectives for 1993

1. Investigate the charges of ethics violations by members and potential applicants.
2. Begin a process to review the questions and answers entitled Ethics Guidelines on Independence, Integrity and Objectivity.
3. Participate in a task force review of the suggested guidelines for unethical practice mechanical process.


Thomas E. Horror, CPCU, CLU
Ethics Committee Chairman
Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

TEB/md

Society of RISK MANAGEMENT CONSULTANTS

Society of Risk Management Consultants Ethic Committee Report

March 1993

Purpose

To assure the public that members possess the ethical standards, professional confidence and independence required for Society membership and are, therefor qualified to practice as risk management consultants.

Accomplishments Since Las Vegas, Fall 1992

Handled various requests for committee review. Summary of activity in the following section.

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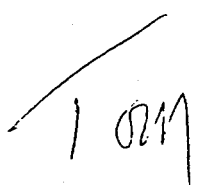
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Objectives for 1993

1. Investigate the charges of ethics violations by members and potential applicants.
2. Begin a process to review the questions and answers entitled Ethics Guidelines on Independence, Integrity and Objectivity.
3. Participate in a task force review of the suggested guidelines for unethical practice mechanical process.


Thomas E. Borrer, CPCU, CLU
Ethics Committee Chairman
Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

SRMC Guidelines for Unethical Practice

1. If any member has a reasonable basis to believe that their practice or the practice of any other member may violate the Code of Ethics, that member shall provide a written report, signed by the member, to the Chairman of the Ethics Committee.
2. The facts presented in the written signed report shall be reviewed by the Ethics Committee. If the material is sufficient to render an opinion, based upon the material presented, it will require a majority vote to constitute a finding of the Committee.
3. If the Committee finds the written signed report does not state allegations that constitute a violation of the Code of Ethics, it shall so notify the originator of the report.
4. If the Committee finds the written signed report does contain enough allegations that violate the Code of Ethics and a conclusion cannot be drawn, it shall conduct an investigation, including verification of information from the originator and questions to the member whose conduct is the subject of the report. Questions may be raised to others, members and non-members, who may have knowledge of pertinent facts and circumstances to assist in the Ethics Committee investigation. The Committee may conduct any other investigation it deemed necessary.
5. The Committee may request guidance and advise from the Board of Directors during the process at its discretion.
6. Based upon the information developed during the investigation, the Committee is charged with the responsibility to determine whether or not there is sufficient evidence to support the allegations in the report. If so, with a majority vote of the Ethics Committee of a finding of violations of the code, the Committee shall notify the member whose conduct is subject of the investigation and findings. A request should be made to the member to cease the activity in question. The originator of the report may be notified of the findings.
7. Based upon the findings of the Committee, if the member who has been notified and in the Committee's opinion the members practice is outside the Code of Ethics and that member refuses to cease the activity and the member chooses not to request a hearing with the Board of Directors, then an additional written notification shall be made to the member within 10 working days to the last known address of the member whose conduct is the subject of the Ethics Committee investigation and findings. A copy of this notification shall be given to each member of the Board of Directors.

8. Within a reasonable time after sending the notice specifying the conduct that is subject of the investigation and findings specifying the unethical practice involved, the Chairman of the Ethics Committee shall contact the member to discuss the members response, if any. The member will be informed that they are entitled to discuss the issues contained in the report in a conference call with the Board of Directors, the Ethics Committee and the member. As an option, parties can be convened in a conference meeting at a time and location convenient for all parties. Whether during the conference call or at a conference meeting, the member shall have an opportunity to be heard, to present witnesses, to question witnesses and/or present additional written information.
9. Within 10 working days after the conclusion of the telephone conference or face to face meeting, the Committee as a Whole, including the input of the Board of Directors shall issue a finding. The finding of the Committee of the Whole shall be based exclusively on the matters presented during the conference call or the face to face meeting. A finding by the Committee of the Whole that the conduct is unethical, must be by a majority vote and shall be in writing.
10. The written confirmation of the finding of the Committee of a Whole shall be delivered to the President and to the Board of Directors. Based upon the findings of the Committee of the Whole, a recommendation by the Ethics Committee shall be made in writing to the Board of Directors for action.
11. In the case of a finding of specified unethical conduct, after considering the gravity of the offense, consideration should be given to a cease and desist order, expulsion, suspension, sensor or reprimand of the member. The President shall immediately communicate the decision of the Board of Directors to the member by certified mail, return receipt requested, and shall direct the member to cease and desist from the unethical conduct. The originator or the report shall also be notified of the findings.
12. Expulsion, suspension or ~~sensor~~ of a member shall be reported in the Journal of the Society of ~~Risk~~ Management Consultants. Reprimand of a member shall not be reported and shall be communicated only to the member whose conduct is found to be unethical.

Drafted March 12, 1993

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS ETHICS COMMITTEE REPORT - SEPTEMBER 1992

Purpose

To assure the public that members possess the ethical standards, professional competence and independence required for society membership and are, therefore, qualified to practice as risk management consultants.

ACCOMPLISHMENTS SINCE HOUSTON 1992

Added Robb Hubbard of Williams & Company to the Committee to provide Committee five members in addition to the Chairman.

Handled various requests for Committee review. Summary of activity in the following section.

Drafted a suggested revision to the outline of the SRMC Action Guidelines for Unethical Practice, copy is attached.

SUMMARY ACTIVITY

Three member related activities have been reviewed. One membership related question has been reviewed.

1. Membership current brochure reviewed.
2. Member related question with services potentially for an insurance company - marketing study.
3. Member related question for an insurance agent requesting help in evaluating policy forms to be recommended to a client.
4. Membership question on brochure reviewed.

Results:


1. Member was encouraged to make changes in suggested format.
 2. The Committee found with disclosure as outlined and project is in compliance with guidelines.
 3. The Chair indicated to member a direct violation of ethics for project with an agent.
 4. The Committee has suggested that the applicant member change his brochure to delete reference to savings upon next printing.
-

Attached is a suggested draft to be reviewed by the Board for the SRMC Action Guidelines for Unethical Practices. This follows discussions in the Spring Board Meeting of the issue as well as input from various Committee members and other members of the Board approaching the Chair. In essence, we have removed the reference and inclusion of the President in the cycle until the ultimate finding of the Committee has been reached. We believe this will provide a better source of anonymous report of action and provide a non-political response to an allegation. NOTE: currently the President is an ex-official member of the Committee. If the Committee feels that the President's involvement on a particular issue would present a problem, we would surmise the Chair would exclude the President from the communication process as a Committee member until such time the Committee as a whole has produced a finding or is unable to reach a conclusion.

OBJECTIVES FOR 1992/1993

1. Continue to review ethical issues brought to the Committee by member and prospective member.
2. Investigate any charges.
3. Do an in depth review of the questions and answer guidelines set out for ethical practices.

Thomas E. Borrer
Ethics Committee Chairman

 9/25/92

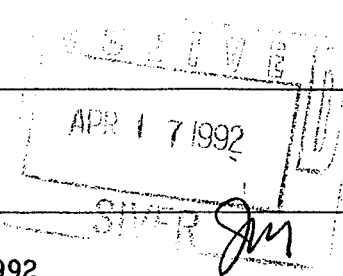
SRMC ACTION GUIDELINES
FOR UNETHICAL PRACTICES

1. If any member has a reasonable basis to believe that a practice of any other member may violate the Code of Ethics, that practice should be reported, in writing, to the Chairman of the Ethics Committee.
2. The facts presented in the report shall be reviewed by the Ethics Committee, who will require a majority vote to constitute the finding of the Committee.
3. If the Committee finds that the written report does not state allegations that constitute a violation of the Code of Ethics, it shall notify the originator of the report.
4. If the Committee finds that the written report does state allegations that violate the Code of Ethics, it shall ~~direct the Ethics Committee to~~ question the member whose conduct is the subject of the report, question others who may have knowledge of pertinent facts and circumstances, and conduct any other investigation it may deem necessary.
5. The Committee may request guidance and advice from the Board of Directors.
6. On the basis of these inquiries, the Committee shall find whether there is or is not sufficient evidence to support the allegations in the report and shall notify the member whose conduct is the subject of the report, and the originator of the report and request the member to cease the activity.
7. If member refuses and does not request hearing with the Board of Directors then the written notification shall be made within ten working days to the last known address of the member whose conduct is the subject of the report.
8. The notice shall specify the conduct which is the subject of the report and the specified unethical practice involved. Within a reasonable time after sending the notice, the Ethics Chairman shall contact the member to discuss the member's response and to arrange a conference call of the Board of Directors, the Ethics Committee and the member, a conference at a time and location convenient for everyone or some other arrangement to give the member an opportunity to be heard, to present witnesses, question witnesses and/or to present written evidence.

9. Within ten working days after conclusion of the conference, the Committee shall issue its finding. The finding of the Committee shall be based exclusively on matters presented at the conference. A finding by the committee that the conduct is unethical must be by a majority vote and shall be in writing.
10. The Committee finding shall be immediately communicated to the President and the Board of Directors. The Committee shall also submit its recommendation for action by the Board of Directors.
11. In the case of a finding of specified unethical conduct, after considering the gravity of the offense, consideration should be given to a cease and desist order, expulsion, suspension, censure or reprimand of the member. The President shall immediately communicate the decision of the Board of Directors to the member by Certified Mail, return receipt requested, and shall direct the member to cease and desist from the unethical conduct. The originator of the report shall also be notified of the findings.
12. Expulsion, suspension, or censure of a member shall be reported in the Journal of The Society of Risk Management Consultants. Reprimand of a member shall not be reported, and shall be communicated only to the member whose conduct has been found to be unethical.

Society of RISK MANAGEMENT CONSULTANTS

SPRING REPORT
ETHICS COMMITTEE REPORT - APRIL 1992



PURPOSE

To assure the public that members possess the ethical standards, professional competence and independence required for society membership and are, therefore, qualified to practice as risk management consultants.

ACCOMPLISHMENTS SINCE PHILADELPHIA 1991

Re-equipped the committee function with new Chairman, T. E. Borrer. His new committee includes T. E. Gold, F. Alderson, B. McGovern and M. Kaddatz.

Handled various requests for committee review. Summary of active in following section.

Began review of mechanical process as currently outlined in SRMC Action Guidelines for Unethical Practice.

SUMMARY ACTIVITY

Three member related activities have been reviewed. One membership related question has been reviewed.

1. Practice time oriented
2. Contingency fee - two issues
3. Membership brochures
4. Staff/contractors providing services

To be discussed:

1. Contingency fee work - Member wishes to discuss with Board.
2. Membership brochure - Deferred to Membership Committee Report.
3. Mechanics of process - Please read the SRMC Action Guidelines

Current Committee is discussing stream lining the President's involvement in process. Chair and one member recommend limitation of President and Board exposure only after finding of non-compliance is rejected by member. At that time the Board will be presented with full facts of findings and be asked to rule on Committee findings.

Wish to have an open Board discussion of this topic on the Houston agenda for clarification and direction.

OBJECTIVES FOR 1992

1. Interpret guidelines and modify mechanics.
2. Investigate charges of ethics violations by members.
3. Assist other Committee as requested.

Handwritten signature
4/14/92

(The # following point # is in reference to Action Guideline #'s.)

Society of _____ RISK MANAGEMENT CONSULTANTS _____

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS SRMC COMMITTEE

PURPOSE: Aid members in ascertaining that their activities do
not violate the Code of Ethics and to report any violations
to the Board for appropriate action

ACCOMPLISHMENTS SINCE MILWAUKEE MEETING: _____

1. Prepared Guideline 15 a for submission to the Board for approval
at the Philadelphia annual meeting
2. Assisted Membership Committee in clarifying questions regarding
Ethics relating to new applications
3. Reviewed possible breach of Code of Ethics by a member and
found no breach

OBJECTIVES FOR 1991-1992: _____

1. Interpret Guidelines
2. Investigate charges of Ethics violations by members
3. Assist other Committees as requested to interpret Ethics
Code and Guidelines

Frank C. Alderson
CHAIR

August 22, 1991
DATE

Society of RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS SRMC COMMITTEE

PURPOSE: Aid members in ascertaining that their activities do not
violate the Code of Ethics and to report any violations
to the Board for appropriate action

ACCOMPLISHMENTS SINCE SEATTLE MEETING: _____

- 1) Presented to Board proposed "Yellow Pages Advertising" by one
member and Board approved
- 2) Committee reviewed membership application of a proposed member
submitted by our Membership Committee and Ethics Committee
had no adverse comment re the applicant's services
- 3) At Board request, Committee reviewed question of Contingent
fees re reviewing workers' compensation audit computations

-- Prohibited under Code
OBJECTIVES FOR 1991: _____

- 1) Interpret Guidelines
- 2) Investigate any charges regarding Ethics violations by
members
- 3) Work with other Committees as requested to help interpret
Ethics Code and Guidelines

Frank C. Alderson
CHAIR

3/26/91
DATE

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS
SRMC COMMITTEE

PURPOSE: To assure the public that members possess the ethical
standards, professional competence and independence required
for Society membership and are therefore qualified to practice
as Risk Management Consultants

ACCOMPLISHMENTS SINCE -DENVER MEETING:
Ethics Guidelines 12,13 & 14 have been approved by the Board
and distributed to all members
Committee has reviewed and reconfirmed the matter of members
advertising SRMC in telephone Yellow Pages

OBJECTIVES FOR 1990 1) Interpret Guidelines for members
2) Investigate charges regarding Ethics
violations by any member

Frank C. Alderson
CHAIRMAN

8/20/90
DATE

Society of _____ RISK MANAGEMENT CONSULTANTS

SOCIETY OF RISK MANAGEMENT CONSULTANTS

ETHICS SRMC COMMITTEE

PURPOSE: To assure the public that members possess the ethical standards,
Professional competence and independence required for Society
membership and are therefore qualified to practice as Risk
Management Consultants

ACCOMPLISHMENTS SINCE HALIFAX MEETING: _____

Committee has formulated Proposed Ethics Guidelines 12, 13
& 14 to be presented for approval by the Board at the Spring
meeting in Denver

OBJECTIVES FOR 1990: 1) Interpret Guidelines for members
2) Investigate charges regarding Ethics violations
by any member

Frank C. Alderson
CHAIRPERSON

March 26, 1990

DATE

Ethic: 04/04/90: 1 (P04905?)
(Replacing: Undated Pages)

SOCIETY OF RISK MANAGEMENT CONSULTANTS.

ETHICS
SRMC COMMITTEE

PURPOSE: To assure public that members possess the ethical standards,
professional competence and independence required for Society membership
and are, therefore, qualified to practice as Risk Management Consultants

ACCOMPLISHMENTS SINCE Baltimore Meeting _____

1) Reviewed conflict of interest question regarding news article show-
ing Ambassador Insurance Company owed large fee to Warren, McVeigh,
Griffin & Savage-resolved as no conflict since member's client was
an attorney for Ambassador (in bankruptcy) and the assignment in-
volved a claims audit

2) John Liner members agreed to "tone down" savings claim in their
advertising brochure on next reprint

OBJECTIVES FOR 1988 _____

1) Interpret ethics guidelines as requested by members

2) Investigate charges brought to attention of Committee relating to
violation of SRMC Code of Ethics by any member

Frank C. Alderson
CHAIRMAN

January 28, 1988
DATE

SRMC Guidelines for Unethical Practice

1. If any member has a reasonable basis to believe that their practice or the practice of any other member may violate the Code of Ethics, that member shall provide a written report, signed by the member, to the Chairman of the Ethics Committee.
2. The facts presented in the written signed report shall be reviewed by the Ethics Committee. If the material is sufficient to render an opinion, based upon the material presented, it will require a majority vote to constitute a finding of the Committee.
3. If the Committee finds the written signed report does not state allegations that constitute a violation of the Code of Ethics, it shall so notify the originator of the report.
4. If the Committee finds the written signed report does contain enough allegations that violate the Code of Ethics and a conclusion cannot be drawn, it shall conduct an investigation, including verification of information from the originator and questions to the member whose conduct is the subject of the report. Questions may be raised to others, members and non-members, who may have knowledge of pertinent facts and circumstances to assist in the Ethics Committee investigation. The Committee may conduct any other investigation it deemed necessary.
5. The Committee may request guidance and advice from the Board of Directors during the process at its discretion.
6. Based upon the information developed during the investigation, the Committee is charged with the responsibility to determine whether or not there is sufficient evidence to support the allegations in the report. If so, with a majority vote of the Ethics Committee of a finding of violations of the code, the Committee shall notify the member whose conduct is subject of the investigation and findings. A request should be made to the member to cease the activity in question. The originator of the report may be notified of the findings.
7. Based upon the findings of the Committee, if the member who has been notified and in the Committee's opinion the member's practice is outside the Code of Ethics and that member refuses to cease the activity and the member chooses not to request a hearing with the Board of Directors, then an additional written notification shall be made to the member within 10 working days to the last known address of the member whose conduct is the subject of the Ethics Committee investigation and findings. A copy of this notification shall be given to each member of the Board of Directors.

Society of RISK MANAGEMENT CONSULTANTS

Society of Risk Management Consultants Ethic Committee Report

March 1993

Purpose

To assure the public that members possess the ethical standards, professional confidence and independence required for Society membership and are, therefor qualified to practice as risk management consultants.

Accomplishments Since Las Vegas, Fall 1992

Handled various requests for committee review. Summary of activity in the following section.

Worked with the Legal Committee on the language in the outline presented as SRMC Action Guidelines for unethical practice, a draft revision is being presented to the Board for approval as a temporary guideline until such time a final version can be coordinated between input of ethics, legal and a member of the Executive Committee.

Completed the enrollment of SRMC as a sponsor of the Ethics Awareness Month, March 1993. Mailed to the members of SRMC a letter outlining our endorsement of the process and encouraging them to review the SRMC by-laws, code of ethics and questions and answers related to their practice.

Summary

Five member related activities have been reviewed, two membership related issues have been discussed and one change in ethics code issues have been reviewed.

1. Change in member status service as a part-time director of a Risk Retention Group.
2. Member disclosure of licensing and brokering being reviewed.
3. Prospective members service relationships with agents and brokers as well as a discussion on a change in ethics code to permit disclosure rather than a strict ethics code.
4. Use by a commercial insurance company of a members study in a particular line of business.
5. Benefits consulting, eligibility interests as well as a members potential application.

6. A members' request for information about performing audits for a broker of the broker services for their clients.
7. A comment on a current applicant as related to a current member issue in the same firm on another related matter.
8. A review of the Business Insurance listing of risk management consultants.

Results

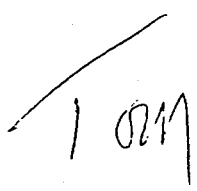
1. Is currently in process.
2. Is currently in process. There are discussions concerning potential joint venture relationship and conflict of interest and also licensing concerns related to employee benefits work.
3. The Committee has indicated the business practices outlined would create significant potential conflicts of interest and could not be handled through disclosure. To further answer the question raised by the member on whether or not said procedures as well as other issues of ethics could be better handled by strictly disclosure rather than adherence to a code of ethics has been answered in the negative by the Committee.
4. It has been confirmed through contact of the members company that there would appear to be an unauthorized use of material by a commercial insurance company of a report rendered by a member firm to an association for which the SRMC member has a direct relationship and does perform bi-annual surveys for that association. The Chair has ruled that based upon the response from the particular member that there does not appear to be any violation of ethics by this organization or any of its members.
5. The Committee has offered input as to the acceptability of benefits consultants and the applicability of the current membership application. In addition, the Committee has recommended the acceptance of the application of a potential member and so communicated to the Membership Committee.
6. The members description of services requested by a broker to perform audits for the broker's accounts, we have advised the member that if this practice were undertaken it would be in violation of various portions of the Code of Ethics.

7. We have advised the Membership Committee of a potential applicant that action should be delayed until such time specified practice questions, related to their firm, have been answered in more depth.
8. Chair has provided information to the Membership Committee as well as the President, requesting some communication with Business Insurance to attempt to alleviate the incorrect listing of risk management consulting firms as members of SRMC. In addition, questions were raised to the Membership Committee about specific members who indicate they have an ownership interest in multiple risk management firms.

In conjunction with input from the Legal Committee we have redrafted the SRMC Action Guidelines for Unethical Practice. Included in this report is a redraft of that material. We will be asking the Board for endorsement of this draft to be utilized until such time a task force could be conveyed to iron out the input from the Legal Committee, Ethics Committee and a member of the Executive Committee of the Board to address in-depth, the intent of the mechanical process which we inherited based upon the original draft dated December 1986. It is the feeling of the Ethics Committee Chair that we should distribute to all the SRMC members the changes that have been discussed since the spring of 1992 so as to inform the membership in general that the President and the Board of Directors have been taken out of the mechanical loop until such time the Ethics Committee has had an opportunity to investigate and review the information available, including discussions with said member, before it is disclosed to the Board who the party is and what the specifics are of the alleged unethical practice. If the Board so pleases or the President so pleases to convene a task force to redraft the language, we will appoint a member of our committee to serve on that task force.

Objectives for 1993

1. Investigate the charges of ethics violations by members and potential applicants.
2. Begin a process to review the questions and answers entitled Ethics Guidelines on Independence, Integrity and Objectivity.
3. Participate in a task force review of the suggested guidelines for unethical practice mechanical process.


Thomas E. Borrer, CPCU, CLU
Ethics Committee Chairman
Crain, Langner & Co.
P. O. Box 531
Richfield, OH 44286

SRMC Guidelines for Unethical Practice

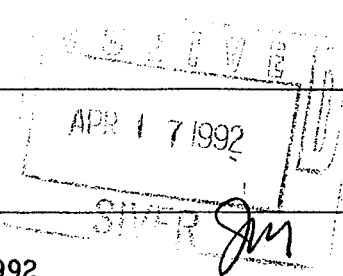
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5. The Committee may request guidance and advise from the Board of Directors during the process at its discretion.
6. Based upon the information developed during the investigation, the Committee is charged with the responsibility to determine whether or not there is sufficient evidence to support the allegations in the report. If so, with a majority vote of the Ethics Committee of a finding of violations of the code, the Committee shall notify the member whose conduct is subject of the investigation and findings. A request should be made to the member to cease the activity in question. The originator of the report may be notified of the findings.
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8. Within a reasonable time after sending the notice specifying the conduct that is subject of the investigation and findings specifying the unethical practice involved, the Chairman of the Ethics Committee shall contact the member to discuss the members response, if any. The member will be informed that they are entitled to discuss the issues contained in the report in a conference call with the Board of Directors, the Ethics Committee and the member. As an option, parties can be convened in a conference meeting at a time and location convenient for all parties. Whether during the conference call or at a conference meeting, the member shall have an opportunity to be heard, to present witnesses, to question witnesses and/or present additional written information.
9. Within 10 working days after the conclusion of the telephone conference or face to face meeting, the Committee as a Whole, including the input of the Board of Directors shall issue a finding. The finding of the Committee of the Whole shall be based exclusively on the matters presented during the conference call or the face to face meeting. A finding by the Committee of the Whole that the conduct is unethical, must be by a majority vote and shall be in writing.
10. The written confirmation of the finding of the Committee of a Whole shall be delivered to the President and to the Board of Directors. Based upon the findings of the Committee of the Whole, a recommendation by the Ethics Committee shall be made in writing to the Board of Directors for action.
11. In the case of a finding of specified unethical conduct, after considering the gravity of the offense, consideration should be given to a cease and desist order, expulsion, suspension, sensor or reprimand of the member. The President shall immediately communicate the decision of the Board of Directors to the member by certified mail, return receipt requested, and shall direct the member to cease and desist from the unethical conduct. The originator or the report shall also be notified of the findings.
12. Expulsion, suspension or ~~sensor~~ of a member shall be reported in the Journal of the Society of ~~Risk~~ Management Consultants. Reprimand of a member shall not be reported and shall be communicated only to the member whose conduct is found to be unethical.

Drafted March 12, 1993

Society of RISK MANAGEMENT CONSULTANTS

SPRING REPORT
ETHICS COMMITTEE REPORT - APRIL 1992



PURPOSE

To assure the public that members possess the ethical standards, professional competence and independence required for society membership and are, therefore, qualified to practice as risk management consultants.

ACCOMPLISHMENTS SINCE PHILADELPHIA 1991

Re-equipped the committee function with new Chairman, T. E. Borrer. His new committee includes T. E. Gold, F. Alderson, B. McGovern and M. Kaddatz.

Handled various requests for committee review. Summary of active in following section.

Began review of mechanical process as currently outlined in SRMC Action Guidelines for Unethical Practice.

SUMMARY ACTIVITY

Three member related activities have been reviewed. One membership related question has been reviewed.

1. Practice time oriented
2. Contingency fee - two issues
3. Membership brochures
4. Staff/contractors providing services

To be discussed:

1. Contingency fee work - Member wishes to discuss with Board.
2. Membership brochure - Deferred to Membership Committee Report.
3. Mechanics of process - Please read the SRMC Action Guidelines

Current Committee is discussing stream lining the President's involvement in process. Chair and one member recommend limitation of President and Board exposure only after finding of non-compliance is rejected by member. At that time the Board will be presented with full facts of findings and be asked to rule on Committee findings.

Wish to have an open Board discussion of this topic on the Houston agenda for clarification and direction.

OBJECTIVES FOR 1992

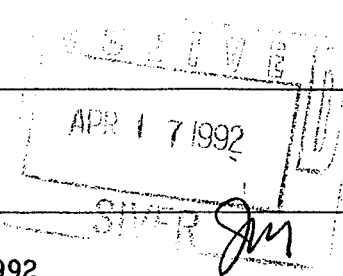
1. Interpret guidelines and modify mechanics.
2. Investigate charges of ethics violations by members.
3. Assist other Committee as requested.

Handwritten signature
4/14/92

(The # following point # is in reference to Action Guideline #'s.)

Society of RISK MANAGEMENT CONSULTANTS

SPRING REPORT
ETHICS COMMITTEE REPORT - APRIL 1992



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Drafted March 12, 1993