

Life Insurance: Who Benefits, the Consumer or the Company? Teaching Notes

What Are the Relevant Facts?

1. The company for which Mark works pushes the sale of a combined insurance and savings plan.
2. For most young families, this plan is expensive and would not adequately compensate for the loss of the breadwinner.
3. The company also offers an inexpensive insurance policy which would adequately cover a young family's needs in case the breadwinner died.
4. Mark earns considerably more money selling the combined insurance/savings policies than the inexpensive term insurance and annuity.

What Are the Ethical Issues?

1. Does Mark have a responsibility to sell the product that the company pushes?
2. Does Mark have a greater responsibility to his potential clients in the product that he presents to them?
3. How can Mark provide well for his family if he does what he believes is right for the consumer?

Who Are the Primary Stakeholders?

- Mark and his family
- The company and its management
- Mark's clients

What Are the Possible Alternatives?

1. Mark could choose to sell the more expensive product.
2. He could choose to work much harder and sell large quantities of the lower-priced inexpensive product.
3. He could go to another company that doesn't push the expensive product.
4. He could present both products and let the client decide.

What Are the Ethics of the Alternatives?

- Ask questions based on a "utilitarian" perspective (costs and benefits). For example:
 1. Which alternative would provide the greatest benefit to the greatest number of stakeholders?

2. How would costs be measured? How much value could be placed upon the company's directives to an employee? How much value on the rights of the consumer? How much on Mark's integrity if he does what he believes is right for the consumer? How much on Mark's family's welfare as related to his income?
3. Do the benefits of following the company's preference of product and, making more income outweigh the right of the consumer to know about a better product for his family?

- Ask questions based on a "rights" perspective. For example:

1. What rights should a company have with respect to the choice of product that it sells?
2. What rights do salespeople have with respect to the integrity of the products that they present to consumers?
3. What rights do consumers have to know about alternative products which would benefit them, even if the company would not profit as much from that sale?
4. Doesn't Mark have the right to make the best living possible for his family?

- Ask questions based on a "justice" perspective (benefits and burdens), such as:

1. Which of the alternatives distributes the benefits and burdens most fairly among the stakeholders?
2. Which stakeholder(s) will be burdened most if Mark continues to sell the more expensive product? Which one(s) if Mark chooses to sell the less expensive product?
3. What obligations do insurance salespeople have to give consumers complete and accurate information?

What Are the Practical Constraints?

1. If Mark doesn't sell enough of the combined policies, he would not make enough for his own family.
2. He could put his job at risk by selling the other type of policy, because his company's management does not look favorably on low sales production.

What Actions Should Be Taken?

1. What actions should Mark take?
2. Which alternative would you choose in Mark's position, and why?
3. What ethical theories (utilitarian, rights, justice) seem to relate best to this situation?