
THE STRUCTURED SETTLEMENT REPORT

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Good Ethics are Good Business

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Unless you have been living under a rock lately, you've certainly seen the headlines about corporate corruption, accounting fraud, and, yes, problems within the insurance industry. Allegations include bid-rigging, steering of business to particular insurers, overrides, undisclosed or inadequately disclosed commissions, and other unethical conduct. We've seen New York Attorney General, Eliot Spitzer, and California Insurance Commissioner, John Garamendi, along with many other state officials, weighing in heavily against corruption and taking down the biggest offenders.

The sad truth is that unethical conduct exists throughout the business world. Such behavior is not limited to the area of insurance.

Successful professionals put the interests of their clients first and foremost, living by the golden rule: "I will do unto others as I would have them do unto me." Unfortunately, not

all insurance agents/brokers live by this standard.

Ethics are not a subject reserved for philosophers, academics, social critics, and theologians; it is present here in the day-to-day realities of leading and managing companies. The topic of business ethics can evoke reactions such as: cynicism, righteousness, paranoia, and laughter. Ethics are neither a religious following nor a superfluous message to do the obvious "good."

Promoting good ethics is knowing that which is right versus wrong, and to do that which is right or just, regardless of the effects on products, services, contracts, or the proverbial bottom line. When a person is under stress, their true code of ethics is revealed.

My Friend, KEN

My best friend just lost her father, Ken, after a long battle with esophageal cancer. This 77 year-old man fought a good

fight, but sadly succumbed last fall. I knew Ken socially for ten years and found him to be an honest, hardworking, gentle, soft-spoken man. He had been a captain of industry with many, many, business successes. We talked for hours about formal education, business, philosophy, and his treasured family.

At his funeral service I heard many speak of their relationship with Ken. The thing that stood out most to me was the "honor" in which Ken carried out his life. Ken would buy material in bulk then sell it to vendors. He was the middleman. Often times, he would provide tons of material to clients and ask for payment, net 120 days later. This would give the client the opportunity to resell the material and capture a profit, before paying Ken.

One woman spoke about how she had once paid Ken prematurely. Upon receipt of the check, Ken called the woman and told her to place a stop payment on the check. He was

concerned that she should be gaining interest on her money between now and the payment due date. He gave her a Business 101 lecture and scolded her to never prematurely pay him again. Regardless of whether Ken needed the money or not, he looked after the interests of his clients first. Ken lived by the motto: "Good Ethics make Good Business sense." Ken's natural honesty and interest in others created solid relationships with his clients that were unbreakable.

As Ken's life was coming to an end, he wasn't concerned about how much money he had in the bank or how many business successes he could chalk up. What mattered most, were his friends and family, and the relationships he formed with them throughout his lifetime.

I am deeply honored to have known Ken. My life has been enriched and well blessed.

Responsibilities to Mankind

In business, we have a duty to follow a professional code of ethics that is beyond reproach. If we remain true to ourselves and act with integrity, success will be achieved. My goal is to remain trustworthy, respectful, and responsible. As a believer in truth and justice, I choose to treat others as I wish to be treated.

Insurance Industry News

On Wednesday, April 13, 2005, Insurance Commissioner

John Garamendi announced new regulations to provide strong, clear guidelines that ensure consumers know whether they're getting the best deal for the best price.

The Commissioner intends to ensure that brokers put the interests of their clients first – and not their own personal financial gains. Garamendi supports SB938 by Senator Joseph Dunn, clarifying the obligations of brokers/agents to their clients. The proposed regulations would require the Broker/Agent to:

- Advise a client, prior to signing an agreement or receiving a fee, whether the producer will seek a quote from one insurer or more than one insurer.

- Reveal if he or she is acting on behalf of the insurer or client in connection with the placement of insurance.

- Reveal the full compensation he or she will receive if the client purchases insurance with any insurer recommended by the broker/agent. If the exact compensation is not immediately known, the broker/agent must disclose the method by which any such compensation will or may be calculated."

- If working on a fee basis, the broker/agent may not accept any compensation from a third party for the transaction done on behalf of the client without first obtaining consent from the client.

- If the broker/agent has told a client that he or she will search for the best quote on a policy, the broker/agent must reveal the number of quotes obtained, the name of the insurer, the premium amount, and other required information.

Summary

To summarize, as structured settlement consultants, we need to follow three guidelines: 1) identify our client; 2) clarify our commission payment in terms of actual commission dollars or as a percentage of the annuity premium; and, 3) provide the client with a comprehensive quote at time of settlement of all life insurance companies that underwrite litigation annuities. These three disclosures have not, and will not, create stumbling blocks in the settlement of injury claims. All efforts will be made heretofore to ensure "full disclosure" to all.

It is true that corrupt people exist, but we need not tolerate them. I strive to live by a Professional and Personal Code of Conduct that prohibits me from intentionally doing harm to anyone in my business or private life. It is this Code of Ethics that you have come to know and trust in our business relationship. Life is full of choices and I have chosen to base mine on ethical, forthright behavior, which has subsequently served me well in my business.

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“Structured settlements
are a proven way to
ensure that families of
accident victims live
with dignity and
economic
independence.”

- American Association
of People with Disabilities

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Structured settlements provide:

- Guaranteed security
- Tax-free income
- Funding tailored to meet the family's specific needs
- Peace of mind and a higher net return

This report is not intended as legal or tax advice, and may not be used or relied upon as such. Clients are urged to seek their own legal and or tax advice.