Are Insurance Companies Getting the Customers they Deserve?
Outline of an Approach to Understanding Insurance Customer Dishonesty

Johannes Brinkmann
BI Norwegian School of Management
PO box 4676 Sofienberg, N 0506 Oslo, Norway
johannes.brinkmann@bi.no

Patrick Lentz
Department of Marketing, Dortmund University
D-44221 Dortmund, Germany
patrick.lentz@udo.edu

Paper presented at the
11th Annual International Business Ethics Conference
in Chicago, October 21st to 23rd, 2004

Journal submission version

*Johannes Brinkmann* has a Ph.D. in sociology and is a professor of business ethics at the
Norwegian School of Management in Oslo. Most of his recent articles have appeared in the
Journal of Business Ethics, Teaching Business Ethics and Business Ethics A European Review.
He has also published a number of books, two of them related to business ethics (in Norwegian,
1993 and 2001).

*Patrick Lentz* is a doctoral candidate at the Department of Marketing, Dortmund University.
Are Insurance Companies Getting the Customers they Deserve?  
Outline of an Approach to Understanding Insurance Customer Dishonesty

Abstract

Most consumer morality studies focus on consumer immorality, i.e. different types and degrees of consumer dishonesty or deviance. This paper follows this tradition, by looking at insurance customer dishonesty. For looking at insurance customer dishonesty in a wider perspective, the paper drafts a sociology of insurance customer morality, including outlines of micro-level, meso-level and macro-level moral sociologies of insurance fraud, as well as a discussion of moral heterogeneity and a critical understanding of deviance. As a next step a few empirical research questions are formulated and illustrated with data from a Norwegian-German pilot study.

Keywords

Consumer ethics, insurance fraud, consumer ethics scales, ethically questionable behavior, sociology of deviance, sociology of morality.
Introduction
Consumer ethics has to do with describing, understanding and criticising consumers and their behavior from a moral perspective. Compared to other topics in the fields of business ethics and marketing ethics there are a relatively few publications (see for example Vitell, 2003; Brinkmann, 2004). Most consumer ethics studies have looked at consumer dishonesty (Vitell, 2003). As a discussion of insurance customer dishonesty, this paper fits into this research tradition, both in terms of theory and methodology.

The consumer dishonesty research tradition
A common focus of consumer dishonesty research has been the development, validation and frequent replication of the so-called "consumer ethics scale" (abbreviated CES - see Vitell et al., 1991; Muncy and Vitell, 1992; Vitell, 2003). In short, this CE-scale offers 16 to 20 ethically questionable consumer activities for consideration. A factor analysis suggests that the activities fit into four categories, ranging from clearly questionable to clearly non-controversial categories:

- Actively benefiting from illegal activity
- Passively benefiting at the expense of others
- Actively benefiting from questionable behavior
- No harm/no foul.

After an examination of almost twenty studies using the CE-scale, Vitell concludes (2003, p. 40): “…One of the issues supported in several studies is the relatively consistent factor structure for the consumer ethics scale, even when used cross-culturally. That is, ethical judgments seem to be determined by (1) whether or not the consumer actively sought an advantage or was basically passive, (2) whether or not the activity might be perceived as illegal and (3) the degree of perceived harm, if any, to the seller. Furthermore, the ‘actively benefiting from an illegal activity’ items from the Muncy-Vitell scale are almost universally seen as being both illegal and unethical. Thus, the other dimensions may be better for discriminating among consumers from different
cultures, especially the ‘actively benefiting from a questionable action’ or ‘no harm/no foul’ dimensions…”

In addition to such numerous cross-cultural replications of this instrument there are promising examples of bridge-building towards other research tools (see in addition to Vitell, 2003 the recent reviews of Polonsky et al., 2001 and Fukukawa, 2002). There is little doubt that consumer dishonesty research ² is “the” dominating specialty within the wider field of consumer ethics research. For protecting both research fields against uncritical narrowness one can add some sceptical remarks (Brinkmann, 2004b, pp. 129):

“Perhaps businesses get the consumers they deserve and vice versa. Rather than criticizing business … or passing on the blame to the market and to the consumers … it seems more fruitful to consider … consumer theft (and similar issues) as a shared responsibility of business and consumers…”

In other words, one should look for more than simple answers to simple questions, such as “why do people break positive criminal law and/or positive contract law norms?” Once one goes beyond treating positive law as positively given a wider and more critical consumer ethics research perspective emerges. In the field of insurance customer ethics which we focused on in this article a wider and more critical approach would ask additional questions such as:

- Does light-and-frequent insurance customer dishonesty represent consumer punishment of an industry with a bad moral reputation?
- Is there a risk of contagious cynicism where consumers claim they would feel stupid if they would not follow the crowd and commit the same disputable behaviors in given tempting situations as everyone else?
- Does resistance to low-risk insurance fraud temptation represent an indicator of consumer morality, in general and/or more specifically e.g. feelings of gratitude after having been treated well by one’s insurance company?
Could one use consumer punishment, cynicism, temptation resistance and similar indicators for a segmentation of consumers by moral heterogeneity?

In other words, this article tries to follow the consumer dishonesty research tradition, while seeking to test and transcend its limits. The following sections reflect such a double strategy. A theory section presents a sociology of morality as a complementary frame of reference for a wider and more critical approach to consumer ethics research. Another section presents empirical pilot data, collected using a mix of instruments taken from different sources – from the CES-tradition, from a survey among US insurance customers and from a Danish study of morality as a potential barrier against light crime.

**Moral sociology**

Put simply, where psychology would look at individuals, at intra-individual mind-states and processes, and at intra-individual-level explanations of human behavior, sociology *does not*. Intra-individual states and processes can be treated as a black box and individuals can be treated as either less interesting, or as replaceable. Instead, one can focus on social relationships, on primary and secondary groups, on social systems stretching from an individual micro-level to a societal or even global-societal level. Insurance customer behavior and the attitudes that go with it, are rather explained inter-individually and/or by putting them into a larger societal context. Another difference shows when it comes to building a desirable society or at least to making desirable behaviors more likely or criticising behaviors morally. Sociologists would be concerned with reconstructing of and communicating with more or less homogeneous groups rather than addressing individuals.

Danish sociologist J. Goul Andersen’s empirical study of Danish morality (1998) can serve as a point of departure. In his study he intends to *describe* the importance of morality\(^3\) for breaking/following of legal rules and to *discuss* if law conformity can/could/should be influenced
by a reinforcement of morality (p. 35). Moral decline and moral reflexivity theory serve as a
frame of reference, with rational/public choice theory as a possible third position. Classical
sociology predicts a growth of cynicism and egoism in modern societies, while modernization
theory talks, similarly, of a moral decline, referring to increasing hedonism, narcissism, to a
dissolution of the moral basis of society, and to relativism. Other sociologists, such as U. Beck
and A. Giddens, focus on increased reflexivity in modern societies, i.e. information use for
continuous redefinition of activities, where a duty mindset is replaced by more situational
responsibility. For such a position, the challenge is living with ambiguity and critical
responsibility. Uncritical rule-conformism is old-fashioned. While reflexivity theory suggests that
citizens follow their conscience or moral intuition independently of legal rules, a third rational-
choice model would predict cost-benefit thinking for finding ways around the rules (with
morality/norms and opportunities as filters/barriers). Goul Andersen’s research design and
theoretical approach is of particular interest here, since he uses potentially dishonest insurance
customer behavior as one among several comparable disputable behaviors, not least with an
assumption that insurance customer behavior most likely will follow a rational/public choice
perspective (see 1998, pp. 112-113).

Goul Andersen reasons mainly macro-sociologically when it comes to alternative
explanations of the likelihood of egoism, reflexivity and morality as models for action. A
complementary micro-sociological approach could depart from a distinction between cognitive
and normative expectations (i.e. moral-free, open-minded versus moral-trusting ones). Once
practiced for a while and being institutionalized and reinforced in other ways normative
expectations become social norms. If social norms are grouped by the social situations they apply
to, one can talk of social roles, such as insurance customer roles. As with any other consumer
role, there is a typical built-in duality. One the one hand, cognitive expectations, cost-benefit
maximizing and defense of one’s consumer self-interest are legitimate, as well as an attitude of
skepticism or even distrust towards one’s counterparts, self-interested insurance agents and
powerful insurance companies. On the other hand, one trusts promises (i.e. has normative expectations, that there will be help available if and when one needs it) and buys increased economic safety, and signs a contract full of norms about legal rights and duties. In other words, as in other roles and in particular as in other consumer roles, one holds probably a healthy mix of normative and cognitive expectations, trust and distrust. Normative expectations and trust make insurance customers vulnerable to aggressive insurance salesmen and powerful companies, while cognitive expectations make consumers more open-minded and more vulnerable to dishonesty, i.e. more vulnerable to “pure” cost-benefit maximizing if and when any temptation of “cheating” the company should turn up (cf. also modified version of the Goul Andersen model in the appendix of Brinkmann, 2004a).

According to such views, honest and dishonest insurance customer behavior reflects how the socio-cultural climate may have worsened or just changed and/or reflects changes in the mix or balance of morality-free cognitive expectations and moral-normative expectations. A third (and still complementary) approach could be looking at what goes on inside the insurance industry and then perhaps look at how this could influence what insurance customers think and do, perhaps if the insurance industry gets the customers it deserves and vice versa. Baker’s literature review article Insuring morality (2000) takes an almost industry-cultural-historical look at two paradigms for how the insurance business can handle its heterogeneous customers, the good ones and the bad ones. The more old-fashioned one focuses on “moralized personal attributes and pressures like ‘temptation’ and ‘character’” while the more modern one focuses on ‘system efficiency’” (p. 559). In the first case one speaks of ‘moral hazards’, ‘negligent and fraudulent’ insured individuals (p. 560), of risks (if at all) as a function of personal irresponsibility, with logical insurance self-protection by critical character examination when closing insurance contracts and by thorough claim investigation. In the second case ‘moral hazard’ is simply a challenge for predicting high and low risks and relevant incentives, statistically correct on an aggregate level. And when it comes to the conclusion, Baker writes:
“… Putting these paradigms side by side… it is easy to see how the ‘actuarial’ can appear to de-
moralize identities and relationships. Yet, the … actuarial (or economic) paradigm also moralizes
identities and relationships… This new way of understanding the world was a synthesis built on
the old that did not abandon morality but rather (partially) transformed it, creating an alternative,
not a replacement. The ‘actuarial’ account differs from the ‘juridical’ account, not in the absence
of moral judgments but only in their definition. One demonstration… comes from the internal
organization of insurance companies, where the two moralities are institutionalized within
different departments. The typical insurance company contains an actuarial department that is
responsible for setting rates and risk classifications, an underwriting department that is
responsible for selecting who will be insured from among those who apply and a claims
department that is responsible for weeding out fraud and exaggeration…” (pp. 573 f.)

Baker (2000) illustrates the differences, complementarities and the more abstract
similarities between the legal and the actuarial paradigms. One could and should also ask follow-
up questions, such as if and how this duality of moral rationality and rational money-making
produces (internal) conflicts, contradictions or dilemmas in the insurance business, e.g. when
trying to communicate (externally), credibly and consistently, with its heterogeneous customers
(potential ones and actual ones, good ones and bad ones, naïve ones and smart ones, and most of
them probably in-between). Ethics and profit, ethics as an end in itself and ethics as a means for
reaching desirable other ends can represent complementary, synergistic or contradictory
objectives, perhaps more obviously in this industry than in many others. The more the insurance
industry switches to a more opportunistic (or cognitive) attitude towards fraud, the higher the risk
of involuntary customer reeducation, i.e. irreversibly removing the moral barriers of cheap
customer self-protection against opportunism. Or the more the insurance industry moralizes in its
communication with its customers, the higher the risk of being asked critical moral questions and
being evaluated in terms of consistency, credibility and trustworthiness. And if one chooses a
middle position of ‘yes, both’ one risks being criticized for double standards. In the end, as with
business and consumer ethics in general, the difficult questions remain, whether the companies
get the customers they deserve and vice versa, and whether insurance customers and the insurance industry have interdependent moralities (or perhaps interdependent double moralities).

Baker’s thoughts and our reflections related to them contain a potential basis for still another (fourth) sociological approach, which one could label moral heterogeneity or moral inequality approach. This is more or less an extension of sociological textbook wisdom about societal diversity and inequality, and the horizontal and vertical groupings of individuals (cf. e.g. Giddens, 2001). Such an approach could be summarized as follows (with a free translation from Brinkmann, 2003, 119-121):

The more one is concerned with influencing attitudes and raising moral sensitivity the more important it is to be prepared that target groups might be heterogeneous. Heterogeneity implies a likelihood of different reactions to the same message. While the attitudes of one group are confirmed and reinforced by a message, the attitudes of others might become insecure or dissonant while the attitudes of still another group might be provoked and trigger defense and reactance reactions. Advertising and public relations are expertise specialties which accept target group heterogeneity and suggest well-justified discrimination. When it comes to defining heterogeneity, more technically social science methodologies can be useful, particularly with concepts such as dispersion and measurement levels and approaches such as cluster and correspondence analysis.8

Among different moral philosophy approaches only discourse ethics seems to justify itself by referring to moral (and cultural) heterogeneity across individuals and groups in modern and postmodern societies and by assuming that it is a good idea to let consensus-seeking dialogues depart from an assumption of equality of parties and standpoints (cf. e.g. Pruzan and Thyssen, 1990).9

In terms of the referred-to Baker article one could say that moral heterogeneity is equally interesting to the lawyers and to the economists, but in different ways. In a way both types of expertise would look for possibilities of rational discrimination, but in different meanings of the word rationality and discrimination. For lawyers the natural way of handling heterogeneity is by
designing predictable discrimination procedures for whom to close contracts with and whom not, as well as by designing contract conditions which discriminate either positively or negatively. For the economists (or insurance statisticians) the question is simply how to construct best models and typologies for predicting risks and pricing of products, fraud risks included. Both professions would profit from reliable and valid social science data related to insurance fraud probability, and from moral-philosophical reasoning related to distributive justice issues concerning both conditions and prices.

Still another moral sociology approach (and in case a fifth one) could be a sociology of insurance customer dishonesty as a critical sociology of law or sociology of deviance, as a somewhat superficial illustration of what sociological criticalness and non-positivism could mean:

- a rejection of a psychological or individualist reductionism, i.e. a rejection of a focus on autonomous, independent, asocial, criminal individual decision-makers (as we know it from traditional penal law thinking), and
- a criticism of, or at least skepticism towards an unconditional acceptance of narrow penal law definitions of rightness or wrongness of a given behavior such as insurance fraud, instead of asking critical-moral questions in “all directions” alike, asking honest and dishonest customers, insurance companies as providers of welfare safety as well as of products as necessary conditions of fraud opportunities.

To sum up: If one wanted to choose a few common denominators for a moral sociology the following attributes would be good candidates: holistic or multi-level, relational or non-individualistic, heterogeneity-conscious or differentiating and critical or non-positivistic. This section started with a few simplistic remarks about the focus differences between sociology and psychology. The previous paragraphs have offered a taste of holism as a question of
complementary macro-, micro- and meso-level sociologies of insurance fraud, with moral heterogeneity and deviance perspectives cutting across such approaches.

**Preliminary Research Questions**

Research questions try to build a bridge between previously published research, one’s own theoretical interests, one’s own data collection and one’s own data analysis. In the special case of exploratory or pilot research design (as here) research questions are intentionally *not* fixed, but rather unfinished and open to revision along the way. Pilot research is rather about developing than answering research questions. The first three of the following research questions are inspired by the consumer dishonesty research tradition presented above (and relate at least loosely to the sociology of deviance referenced above). The fourth and the fifth research questions follow up previous suggestions of insurance customer grouping by likelihood of dishonesty (and follow up the moral heterogeneity thoughts outlined above):

1. How does insurance customer dishonesty compare with other examples of consumer dishonesty?
2. Are there any differences between the respondents’ own attitudes towards consumer dishonesty and expected peer attitudes?
3. Is it possible to reconstruct common denominators across examples of dishonest consumer behaviors, e.g. by factor analysis, and how does such a reconstruction compare with the widely used CE-scale?
4. Are there any fruitful insurance customer grouping possibilities by honesty and dishonesty, using cluster analysis based on attitudes towards insurance fraud, towards fraud rationalization and towards appropriate insurance company reactions?
5. Is there a connection between experience with insurance fraud in one’s network and/or one’s own claim experience and cluster membership?
Pilot data presentation

The data referred to in this paper were collected by self-completed questionnaire among business students in two countries. In a pilot study context, student convenience samples can be really helpful if one intends to test rather long questionnaires before developing shorter versions. On the other hand, students might have less and narrower insurance customer experience (bivariate control tabulations by role experience can help as an insurance).

The Norwegian questionnaire version was distributed in classroom situations in April 2004 among business students at two campuses of one (Norwegian) business school. Building on the experiences from this first stage shortened and improved (but fully comparable) German-language and English-language versions of the questionnaire were developed. The German questionnaire version was then distributed electronically during late July/early August 2004, by a direct email-guided link to a web-based questionnaire.

The questionnaire mainly consists of previously tested parts of the CES instrument developed and used by Vitell (2003) and others, parts of the US “four-faces” study (Coalition..., 1997), combined with some questions taken from the Goul Andersen study (1998). As an opening to the questionnaire a few moral temptation scenarios were introduced (describing insurance fraud situations, two scenarios in the Norwegian and 4+1 scenarios in the German version), mainly for later use as dependent variables (the scenario responses are analyzed and discussed in Brinkmann, 2004a). After a response rate of approx. 70% in the Norwegian sample and of approx. 33% in the German sample, the data-set consists of 156 Norwegian and 165 German usable questionnaires.

Remarks about the issue of Social Desirability Response Bias

Any study with “threatening” questions about illegal and socially disputable behaviors risks a Social Desirability Response Bias (SDR). Such a bias consists of two more or less independent factors, of self-deception, i.e. “the unconscious tendency to see oneself in a favourable light…”
and of impression management, i.e. the “conscious presentation of a false front, such as deliberate falsifying test responses to create a favourable impression” (Zerbe and Paulhus, 1987, p. 253). Any use of threatening questions (Sudman and Bradburn, 1983) about disputable attitudes and particularly about disputable behaviors is asking for methodological trouble. There is a risk of underreporting, perhaps even of overreporting, of lying about lying as in Eubulides’ famous quotation about the lying Cretons (or not lying about Cretons’ lying?).

There are examples of papers suggesting a standard control routine for discovering a SDR-bias, e.g. regarding self-reported student cheating when it comes to exams (see Bernardi et al., 2003), regarding consumer behavior research and other marketing research (King and Bruner, 2000), and, not least, regarding business ethics topics (Randall and Fernandes, 1991, Chung and Monroe, 2003). In addition, one could also ask, of course, if cultural values or norms as such are confessed as socially desirable (cf. making such a point more cautiously, Fisher and Katz, 2000), and if SDR varies, not only by behavior but also by culture (cf. Nyaw and Ng, 1994).

There is not sufficient space here to elaborate further on SDR-questions. Still, a shortened and culturally adjusted version of the MC-scale (see Reynolds, 1982, cf. also Paulhus, 1991) was included in the pilot instrument as an insurance, for being able to control and check for such a response bias. More technically, we performed an exploratory factor analysis on these eight items, using principal component analysis combined with promax rotation and eigenvalue criterion to decide on an appropriate number of factors. Based on item communalities only six items were retained, leading to a clear two-factor solution (for the results for both the Norwegian and German sample as well as the pooled sample see Appendix Table A).

For an examination of the potential influence of any SDR bias we used factor scores to group the respondents into one group with low values and one group with high values on both factors. We then used one scenario for both samples and controlled the scenario responses by SDR-level (cf. Appendix table B, showing no significant pattern). In other words, the probability for any strong SDR-bias seems to be fairly small. Consequently, we so far see no
further need for any SDR bias control. Next, we turn to and investigate our research questions stated previously.

RQ1: **How does insurance customer dishonesty compare with other examples of consumer dishonesty?**

Since the intention was both to follow and to transcend the dishonest consumer research tradition, the instrument departed from Fukukawa’s version of the CES (2002). In the Norwegian version, a twenty-item 6-point Likert-type instrument was used three times, asking for the respondent’s own attitude, for the expected peers’ attitude (or “norms” one might say), and for temptation frequency. The German instrument was shortened and used only 8 of the same CES-items but four times, asking in addition for a rating of behavior opportunity frequency and for degrees of perceived temptation. Table #1 shows all available averages, tabulated by sample, and speaks almost for itself:

- The two examples of insurance fraud, misrepresenting the nature of an insurance claim and exaggerating the value of a lost item are clearly ranked as less serious than minimum-value theft (drinking a can of cola) and price-tag switching, independently of subscale and sample
- The Germans are more tolerant of misrepresenting insurance claim facts and of lost item value exaggeration.

/RQ2: **Are there any differences between the respondents’ own attitudes towards consumer dishonesty and expected peer attitudes?**

As shown in Table #1, self-reported respondents’ attitudes are slightly stricter on average than expected peers’ attitudes. This is consistently so for the Norwegian sample, and with only one exception for the German sample. According to univariate analyses of variance, the Norwegian
sample shows for six out of eight items and the German sample shows for three items significant
differences between own and expected peer attitude (p < .05). In other words, we find large and
significant differences between own and peer attitudes throughout the items and the two samples.
An alternative and even more transparent presentation of such differences would be a grand total
table. Looking at insurance fact misrepresentation, 38% of the Norwegians claim (or pretend) to
have a “more moral” attitude than their peers. Since the expected peers’ attitudes both represent a
less threatening form of questioning and a better measure of perceived average or general social
norms, the peers’ attitude data should and will be used when looking at the next research
question.

RQ3:  Is it possible to reconstruct common denominators across examples of
dishonest consumer behaviors, e.g. by factor analysis and how does such a
reconstruction compare with the widely used CES?

As mentioned above, the Norwegian questionnaire contains 20 and the German questionnaire
contains only eight of the CES-items (i.e. of the Fukukawa 16-item version, 2002). Both the
Norwegian and the German sample consist of normal age business students. For this reason one
cannot expect any simple replication of the CE-scale. Still, some experimenting with the expected
peers’ attitude battery seems results in a meaningful two-factor solution.

Based on the tolerance levels as presented in Table #1, we can label the first factor for
each sample as forbidden behavior norm factor and the second factor as a allowed behavior
norm factor. The two insurance-related items, which are of most interest in this paper, show
almost equally strong loadings on both factors, i.e., both the forbidden and the allowed behavior
factor (see Table #2). Since the factor solutions are strikingly similar, one can defend to pool both
samples and obtains virtually the same solution. The conclusion is that both dishonest insurance-related behaviors cannot be clearly defined as forbidden or allowed (by the peers). One cannot imagine a better illustration of mixed feelings about these issues than shown in this table.

**RQ4:** Are there any fruitful insurance customer grouping possibilities by honesty and dishonesty, using cluster analysis based on attitudes towards insurance fraud, towards fraud rationalization and towards appropriate insurance company reactions?

A next group of instruments stems originally from a US study, presenting four different insurance customer types (“Four Faces”) that can be differentiated by their attitude towards insurance customer dishonesty and how in their opinion companies should deal with it (see Coalition…, 1997). Before briefly discussing how one could best group the respondents by their answers to these questions, one can take a quick look at the answer distributions, sorted by average scores on 6-point Likert-scales (see Appendix Tables C-E). When comparing the two samples, it can be found that insurance fraud is relatively “more” accepted among German than among Norwegian business students. No obvious differences between the two samples can be found with regard to expectable rationalizations for committing insurance fraud as well as regarding acceptable reactions of insurance companies to customers committing insurance fraud.

Similar to the ‘Four Faces’ study, we tried to identify meaningful groupings of respondents, i.e. groups which are homogeneous within and heterogeneous across groups and performed a hierarchical cluster analysis (using Ward algorithm). For both samples we find four clusters similar to those in the ‘Four Faces’ study. Table #3 uses average scores on the above-mentioned attitudes as illustrations.

/insert table #3 here/
Table #3 shows that all four groups of respondents clearly differ across the three attitudes. The most obvious findings relate to clear differences in acceptance and non-acceptance of insurance fraud.

The first cluster contains 28% and 31% of the Norwegian and German respondents, respectively. These respondents share a relatively high level of acceptance of insurance fraud. Similarly, in both samples, these respondents show the highest average acceptance of possible apologies for committing insurance fraud. Consequently, as in the ‘Four Faces’ study, members of this cluster in both samples can be labeled ‘Critics’, as they have a high tolerance for fraud and recommend only little or almost no punishment for perpetrators. The second and third clusters represent those respondents with an average level of acceptance towards insurance fraud. In both the Norwegian and the German sample these clusters can be differentiated by their level of apology acceptance, with higher levels found in the second cluster. This cluster represents 21% of the Norwegian and 29% of the German sample. As in the ‘Four Faces’ study, these respondents can be labeled as ‘Conformists’, i.e. as “fairly tolerant of insurance fraud, largely because they believe many people do it, making it more acceptable” (Coalition…, 1997, p. 2). The third cluster shows lower acceptance for apologies related to committing insurance fraud, representing 19% and 27% of the Norwegian and German sample, respectively. As in the US report, these respondents can be called ‘Realists’, who “may feel some behaviors are justified depending on the circumstances” (ibid., p. 2). Finally, the fourth cluster contains respondents with least tolerance of insurance fraud, representing 32% of the Norwegian, but only 13% of the German sample. Based on their level of acceptance of insurance fraud, these respondents are called ‘Moralists’, since they seem to believe that such behavior is unacceptable and are willing to punish those customers who break the rules.

Altogether, the cluster solution provides interesting insights into respondent and customer groupings, based on acceptance of and possible reactions to insurance fraud. Furthermore, we find differences not only between the four groups of respondents, but also between the two
countries. In particular, there is a clearly bigger critical mass of “moralist” Norwegian respondents than among the German respondents (only 13% of all respondents in the German sample and almost one third of the respondents in the Norwegian sample belong to the ‘Moralist’ cluster, while the proportion of ‘Critics’ is almost equally distributed across the two samples).\textsuperscript{16}

\textbf{RQ5: Is there a connection between experience with insurance fraud in one’s network and/or one’s own claim experience and cluster membership?}

Not least from a sociological angle, as outlined above one would expect potential contagiousness of insurance fraud, either by directly following the example of one’s reference groups’ successful cheating, or more indirectly by developing egoism, cynicism or at least relativism. Such variable interdependencies are probably quite complex and need to be addressed carefully in future research. The pilot instrument contains only two rather simple questions asking if the respondents recall any light or more significant insurance fraud in their social network, and of the respondents have any insurance claim experience, both referring to the last two years. After some variable recoding\textsuperscript{17} tables \#4 and \#5 are almost self-explanatory – apart from table \#4a with clear percentage differences and a clear gamma-value there is no clear pattern.

/insert tables \#4&5 here

Even if such hearsay fraud-experience might increase the likelihood of having a low-morality or ‘Critics’ cluster membership among the Norwegians (\%-diff. 37) and the lack of such experience the likelyhood of being classified as ‘Moralists’ (\%-diff. 26) this might very well be accidental or due to third variables, such as the respondents’ own fraud experience, rationalizing, approval of such recalled cheating etc. When it comes to interpreting any clear (or in this case
unclear) effects of claim experience there are no indicators available in the present pilot data set related to customer satisfaction, if the claim was honest or dishonest, etc.

The percentage base and percentaging direction in such tables depends on one’s research question in general and on one’s assumption about causal relationships among the variables in particular. In this case it makes also sense to look at experience background differences within the clusters. Appendix tables F and G show that almost all Norwegian ‘Critics’ (94%; and 71% of the German ‘Critics’) do have fraud experience within their network and that ‘Critics’ have relatively more claim experience than the other clusters. In other words, if there is any conclusion for research question #5 it must be that network fraud experience and own claim experience need primary attention in a follow up-project, related to new and more specific research questions such as which aspects of network fraud experience and claim experience give best predictions for consumers’ potential moral resistance against insurance fraud, insurance customer cynicism etc.

Final remarks
The prehistory of this article as a conference paper and its pilot project background justify an open end up with suggestions for a discussion and for priorities for future research. This final section tries to combine such purposes.

Theory
This paper has purposefully focused on suggesting a “sociological” approach to describing and understanding insurance customer behavior, and presented a draft of how such an approach could be structured. Further work in the same direction could focus on a better bridge-building between theorizing about moral heterogeneity and describing it empirically, as well as on further elaboration of what one could call a sociology of insurance customer deviance. For a better understanding of micro-level situations e.g. as temptation handling one could try to elaborate and exploit the overlap between micro-sociology and “moral psychology”. The most interesting field
for future theory development work is the overlap between moral philosophy and critical social science, e.g. related to questions of using all available information for “just” differential treatment of insurance customers, to what triggers relativism, i.e. what it depends on if insurance customers tend towards egoism or towards morality or not least to the interdependency of industry and customer moralities which has been mentioned shortly above.

Data
A normal prejudice would be that business students represent an insurance customer segment with a clearly higher likelihood of moral-free cost-benefit thinking than almost any other segment one can imagine, both due to the age group and to the field of study. On the other hand, possible overrepresentation of fraud inclination (if this should be the case) does not hurt when the purpose is studying attitudes towards and experience with insurance fraud. An additional advantage with such a sample has been the possibility of recruiting a matched sample from another country permitting the development of propositions for future comparative research.

An important weakness in the material is the lack of more thorough information about the respondents’ contact experience and potential fraud experience in relation to their insurance company (we did not dare to ask such direct questions in our survey). Rather than conducting just another country-wide representative attitude survey one should mainly conduct high quality studies of insurance customers, preferably with triangulation strategies, e.g. a combination of closed claim file or claims-in-progress studies with observation or interviews among insurance company staff, perhaps by extending standard customer satisfaction studies with hypothetical questions about dishonesty and perhaps by conducting a larger number of in-depth interviews with discovered or undiscovered dishonest insurance customers (nine such interviews have been conducted during the same pilot project, with interviewees representing the same age group as our business students).
Practical opportunities

One could also think of conventional PR and marketing communication research strategies, which could use these insights to design sophisticated campaigns that could use more or less pre-tested fitting arguments and messages for targeting different customer segments through appropriate media. Marketing and Public relations are disciplines with better and better competency in translating reliable and relevant marketing data into mass media and electronic media campaigns with measurable effects. Two other opportunities are less conventional but perhaps far more challenging. One focus could be on participatory inquiry or action research where data collection would take place in close cooperation and with extensive mutual information sharing with one or a few selected insurance companies involving their claim handling and fraud investigation staff, almost as a field experiment (for a balancing of perspectives one-could consider a qualitative self-selected sample study of insurance customer cheating and neutralization). Another focus could be on marketing ethics in the double meaning of the word. Marketing ethics could mean, e.g., removing high fraud-risk products and hence cheating opportunities and temptations, reeducating insurance sales staff from recruiting many to recruiting honest customers, focusing on values, caring and responsibility whenever interacting with customers. In the end, marketing ethics is probably the best and perhaps the only way of marketing ethics, as a good insurance against insurance customer dishonesty, so to speak.
Literature


Brinkmann, J., 1994, *Sosiologiske grunnbegreper* (Basic sociological concepts), Adnotam, Oslo (3rd printing)

Brinkmann, J., 2004a, Moral temptation handling – the case of insurance customer (dis)honesty, EBEN Research Conference paper (in review for a journal)


http://insurancefraud.org/four-faces.htm, paper:

http://insurancefraud.org/downloads/Four%20Faces.pdf)


Merton, R.K., 1968, Social Theory and Social Structure, New York


Sudman, S. and N.N. Bradburn, 1983, Asking Questions, Jossey-Bas, San Francisco


Table #1: Illegal, morally disputable and dishonest consumer behaviors, sorted by own rejection
('Attitude' measure: Unacceptable: 6.0 - Acceptable 1.0)

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Norwegians (N = 150)</th>
<th>Germans (N = 164)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Own attitude</td>
<td>Peers' attitude</td>
</tr>
<tr>
<td>Drinking a can of cola in a supermarket without paying for it a)</td>
<td>5.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Changing the price-tag to a lower price on an item in a retail store a)</td>
<td>5.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Misrepresenting the nature of an incident to obtain insurance payment for a loss not covered by the policy a)</td>
<td>4.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Returning a damaged item to the shop when the damage is one's own fault a)</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Deliberately exaggerating the value of a lost item when making an insurance claim a) b)</td>
<td>4.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Returning an item after finding out that the same item is now cheaper in a sale</td>
<td>2.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Copying computer software or using unauthorized software a) b)</td>
<td>2.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Downloading music from the Internet instead of buying it in the store b)</td>
<td>1.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

a) Significant (p < .05) difference between own and peers’ attitude (Norwegian sample)
b) Significant (p < .05) difference between own and peers’ attitude (German sample)

Table #2: Rotated Component Matrix;

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Norwegians (N = 150)</th>
<th>Germans (N = 164)</th>
<th>Pooled Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>forbidden behavior norm factor</td>
<td>allowed behavior norm factor</td>
<td>forbidden behavior norm factor</td>
</tr>
<tr>
<td>Change a price-tag to make things cheaper</td>
<td>.93</td>
<td>.85</td>
<td>.86</td>
</tr>
<tr>
<td>Drink a can of coke without paying</td>
<td>.90</td>
<td>.86</td>
<td>.86</td>
</tr>
<tr>
<td>Return a damaged item if it's your own fault</td>
<td>.66</td>
<td>.51</td>
<td>.39</td>
</tr>
<tr>
<td>Deliberately exaggerate an insurance claim</td>
<td>.60</td>
<td>.35</td>
<td>.42</td>
</tr>
<tr>
<td>Misrepresent facts for obtaining insurance coverage</td>
<td>.53</td>
<td>.33</td>
<td>.41</td>
</tr>
<tr>
<td>Download music from the Internet</td>
<td>.93</td>
<td>.93</td>
<td>.90</td>
</tr>
<tr>
<td>PC software copying/ unauthorized usage</td>
<td>.74</td>
<td>.93</td>
<td>.90</td>
</tr>
<tr>
<td>Return an item which is on sale elsewhere</td>
<td>.63</td>
<td>.28</td>
<td>.35</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization. Omitted loadings < .25 Variance explained: 62 (Norway), 57 (Germany), 57 (Pooled sample)
Table #3: Mean Values of Fraud, Apology, and Reaction Tolerance
(Groups created by Cluster Analysis using Ward algorithm; fraud acceptable 1, doubtful apologies reasonable 1, tough reactions appropriate 1)

<table>
<thead>
<tr>
<th></th>
<th>Norwegians</th>
<th></th>
<th>Germans</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fraud</td>
<td>Apology</td>
<td>Reaction</td>
<td>all (%)</td>
</tr>
<tr>
<td>‘Critics’</td>
<td>2.9</td>
<td>2.6</td>
<td>3.9</td>
<td>28</td>
</tr>
<tr>
<td>‘Conformists’</td>
<td>3.9</td>
<td>2.8</td>
<td>2.4</td>
<td>21</td>
</tr>
<tr>
<td>‘Realists’</td>
<td>3.8</td>
<td>3.7</td>
<td>3.6</td>
<td>19</td>
</tr>
<tr>
<td>‘Moralists’</td>
<td>5.4</td>
<td>3.8</td>
<td>3.0</td>
<td>32</td>
</tr>
<tr>
<td>totals</td>
<td>4.1</td>
<td>3.2</td>
<td>3.2</td>
<td>149</td>
</tr>
</tbody>
</table>

Table #4: Cluster membership by insurance fraud experience (vertical percentages)

<table>
<thead>
<tr>
<th></th>
<th>a) Norwegians</th>
<th></th>
<th>b) Germans</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
<td>all</td>
<td>No</td>
</tr>
<tr>
<td>‘Critics’</td>
<td>6</td>
<td>43</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>‘Conformists’</td>
<td>25</td>
<td>18</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>‘Realists’</td>
<td>22</td>
<td>18</td>
<td>19</td>
<td>41</td>
</tr>
<tr>
<td>‘Moralists’</td>
<td>47</td>
<td>21</td>
<td>32</td>
<td>9</td>
</tr>
</tbody>
</table>

Gamma: ,55 (p < .01)  Gamma: ,16 (p = ,26)

Table #5: Cluster membership by claim experience (vertical percentages)

<table>
<thead>
<tr>
<th></th>
<th>a) Norwegians</th>
<th></th>
<th>b) Germans</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Claim experience</td>
<td>No claim experience</td>
<td>all</td>
<td>Claim experience</td>
</tr>
<tr>
<td>‘Critics’</td>
<td>35</td>
<td>23</td>
<td>28</td>
<td>38</td>
</tr>
<tr>
<td>‘Conformists’</td>
<td>22</td>
<td>22</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>‘Realists’</td>
<td>11</td>
<td>22</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>‘Moralists’</td>
<td>32</td>
<td>33</td>
<td>32</td>
<td>11</td>
</tr>
</tbody>
</table>

Gamma: ,15 (p = ,32)  Gamma: ,09 (p = ,44)
Appendix

Table A: The SDR factor loadings

<table>
<thead>
<tr>
<th></th>
<th>Norwegians</th>
<th>Germans</th>
<th>Pooled Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor1</td>
<td>Factor2</td>
<td>Factor1</td>
</tr>
<tr>
<td>It is sometimes hard for me to go on with my work if I am not encouraged</td>
<td>.84</td>
<td>.83</td>
<td>.81</td>
</tr>
<tr>
<td>I sometimes feel resentful when I don’t get my way</td>
<td>.66</td>
<td>67</td>
<td>.72</td>
</tr>
<tr>
<td>On a few occasions, I have given up doing something because I thought too little of my ability</td>
<td>.71</td>
<td>.78</td>
<td>.61</td>
</tr>
<tr>
<td>There have been times when I felt like rebelling against people in authority even though I knew they were right</td>
<td>.57</td>
<td>.71</td>
<td>.75</td>
</tr>
<tr>
<td>There have been occasions when I took advantage of someone</td>
<td>.70</td>
<td>.81</td>
<td>.80</td>
</tr>
<tr>
<td>I sometimes try to get even rather than forgive and forget</td>
<td>.89</td>
<td>.71</td>
<td>.70</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization
Omitted loadings < .3 Variance explained: 57 (Norway), 57 (Germany), 56 (Pooled sample)

Table B: The leather jacket loss scenario, by grades of SDR-inclination

<table>
<thead>
<tr>
<th></th>
<th>Norwegians</th>
<th>Germans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low SDR</td>
<td>High SDR</td>
</tr>
<tr>
<td>Report, no doubt</td>
<td>44</td>
<td>31</td>
</tr>
<tr>
<td>Report, with doubt</td>
<td>39</td>
<td>45</td>
</tr>
<tr>
<td>No report, with doubt</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>No report, no doubt</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>( \gamma = .22 \text{ (p = .10)} )</td>
<td>( \gamma = .14 \text{ (p = .25)} )</td>
<td></td>
</tr>
</tbody>
</table>

Table C: Across the entire population of your country of residence, how acceptable or unacceptable do you think are each of these behaviours? (sorted by Norwegian means)

<table>
<thead>
<tr>
<th></th>
<th>(acceptable, 1, unacceptable, 6)</th>
<th>Norwegians</th>
<th>Germans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misrepresenting the nature of an incident to obtain insurance reimbursement for a loss not covered by the policy</td>
<td>3.8</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Inflating an insurance claim to help cover the deductible</td>
<td>3.9</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Falsifying receipts or estimates to increase the amount of an insurance settlement</td>
<td>4.1</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Misrepresenting facts on an insurance application in order to obtain a lower rate</td>
<td>4.2</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Submitting an insurance claim for damages that occurred prior to the accident being covered</td>
<td>4.4</td>
<td>3.8</td>
<td></td>
</tr>
</tbody>
</table>

Table D: Here are several reasons with which people apologize for dishonest insurance customer behaviour. On a scale from 1 to 6 how reasonable do you find the following apologies? (sorted by Norwegian means)

<table>
<thead>
<tr>
<th></th>
<th>Very reasonable, 1, not at all reasonable, 6</th>
<th>Norwegians</th>
<th>Germans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance companies make too much money at the consumer’s expense</td>
<td>2.9</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Insurance premiums continue to increase regardless of one’s claims history</td>
<td>3.0</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>People are only looking to get a fair return on all the premiums they’ve paid</td>
<td>3.1</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>If insurance companies treated people with more respect, people wouldn’t lie to them as much</td>
<td>3.5</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td>Insurance rates are based on the assumption that everyone does this</td>
<td>3.6</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Nobody tells the whole truth on their insurance applications</td>
<td>4.1</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>
**Table E:** Next we have listed some possible consequences of dishonest insurance customer behaviours. How appropriate do you think the following consequences are? (sorted by Norwegian means)

<table>
<thead>
<tr>
<th><strong>Consequence</strong></th>
<th><strong>Totally appropriate, 1, not at all appropriate, 6</strong></th>
<th><strong>Norwegians</strong></th>
<th><strong>Germans</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Any portion of a claim that is unjustified is denied but for the remainder of the claim is paid</td>
<td>2,8</td>
<td>2,0</td>
<td></td>
</tr>
<tr>
<td>All claim payments are denied if facts on an insurance application are misrepresented</td>
<td>3,1</td>
<td>3,1</td>
<td></td>
</tr>
<tr>
<td>The consumer is prosecuted for lying and falsifying information, on purpose</td>
<td>3,1</td>
<td>3,1</td>
<td></td>
</tr>
<tr>
<td>If a consumer claim is found to be unjustified, in part or totally, the consumer pays the costs associated with the insurance company investigation</td>
<td>3,3</td>
<td>3,4</td>
<td></td>
</tr>
<tr>
<td>The consumer is denied insurance coverage in the future if they have been found to submit false claims in the past</td>
<td>3,5</td>
<td>3,0</td>
<td></td>
</tr>
<tr>
<td>Claims are processed with no questions asked</td>
<td>4,8</td>
<td>3,6</td>
<td></td>
</tr>
</tbody>
</table>

**Table F: Insurance fraud experience differences in the clusters (horizontal percentages)**

<table>
<thead>
<tr>
<th></th>
<th>a) Norwegians</th>
<th>b) Germans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>‘Critics’</td>
<td>6</td>
<td>94</td>
</tr>
<tr>
<td>‘Conformists’</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>‘Realists’</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>‘Moralists’</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>all</td>
<td>31</td>
<td>69</td>
</tr>
</tbody>
</table>

Gamma: .55 (p < .01)  Gamma: .16 (p = .26)

**Table G: Claim experience differences in the clusters (horizontal percentages)**

<table>
<thead>
<tr>
<th></th>
<th>a) Norwegians</th>
<th>b) Germans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Claim experience</td>
<td>No claim experience</td>
</tr>
<tr>
<td>‘Critics’</td>
<td>34</td>
<td>66</td>
</tr>
<tr>
<td>‘Conformists’</td>
<td>26</td>
<td>74</td>
</tr>
<tr>
<td>‘Realists’</td>
<td>15</td>
<td>85</td>
</tr>
<tr>
<td>‘Moralists’</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>all</td>
<td>26</td>
<td>74</td>
</tr>
</tbody>
</table>

Gamma: .15, (p = .32)  Gamma: .09 (p = .44)
Figure #1

Norwegians

Germans

28
Endnotes

1 In addition, a few empirical studies have dealt with consumer behavior as voting behavior, e.g. for good or against bad companies or countries (cf. e.g. Klein et al., 2002, Sen and Bhattacharya, 2001). Another stream of research has been concerned with socially responsible consumer behavior or consumer idealism (see e.g. van Kenhove et al., 2001).

2 Fukukawa, 2002 uses another label, “ethically questionable behaviour”

3 Quite similar to the consumer dishonesty research tradition, Goul Andersen defines morality as individual perceptions of right/wrong behavior in situations (Goul Andersen, 1998, p. 32), operationalized as individual acceptance of given behaviors. Norms are defined as rules sanctioned by reference groups and perceived normal behaviors of others and operationalized as perceived behaviors of others (ibid., p. 33 f.). In addition to the original 3000 subject study carried out in 1997 there was also a minor follow-up study conducted in 2000 (cf. S.L. Clement, 2001, Borgerne og lovene II, Aalborg, Aalborg universitet)

4 Another empirical (sociological) study published in German almost 20 years ago, about secularized manager ethos (Kaufmann, Kerber and Zulehner , 1986) formulates a similar view (cf. esp. pp. 119-120).

5 Goul Andersen assumes that there is a typical danger of starting a vicious circle of minor dishonesty, price increase, frustration and a temptation to “get something in return”, even more price increase, control and distrust increase (there is a slight chance of some trust-building and informal norms of limited dishonesty as potential counter force).

6 The most thorough introduction of expectation as a basic sociological term is found in N. Luhmann, Rechtssoziologie, Rowohlt, Reinbek, 1972, pp. 40-64. The distinction can be presented as follows: “Expectations are assumptions about future events and situations, raising a principal, almost philosophical question: is the future your friend or your enemy, are you looking at life optimistically and hope for the best or are you a pessimist, at least a skeptic? Some expectations take a certain future as given (an eternal life, marriage as security, trust among friends). With ‘normative’ expectations we anticipate security, but risk disappointment. But there are other expectations, too, ‘cognitive’ expectations, skepticism and playing safe, where one not at all anticipates anything as given. One is prepared equally well, mentally, for headwinds and for tailwinds. What is right can vary by person and by situation. When buying a used car cognitive expectations seem appropriate while friendship almost is defined as a right to have normative expectations. Another way of distinguishing between these types of expectation is to say that different reactions are appropriate when expectations are not met. Cognitive expectations program learning, in other words adjusting expectations to reality. Normative expectations program not-learning, often accompanied by some disappointment. Expectations are maintained, not adjusted to reality. But normative expectations which are disappointed too often become gradually cognitive expectations, while cognitive expectations which are met for some time develop gradually into habits and into normative expectations which then risk disappointment…” (Brinkmann, 1994, pp. 107-108, author’s translation).

7 A few (among many) inspiring quotations can serve as illustrations here: “…Many … nineteenth-century insurance sources suggest (that) insurance was understood as a potential threat to the moral order – because
of the temptation it could create and the bad character it could reward... Therefore, insurance companies had an obligation to serve as guardians for that order. Insurance was for good people; bad character was a perfectly acceptable, indeed, laudable reason for refusing insurance coverage, but even good people had to be protected from the temptation that insurance could create...” (p. 565) “...The economic concept focuses less on the individuals with insurance than on the institutions that provide that insurance. From this perspective, risk is less dependent on the character of the individual insureds than on the incentives they are given, and ... a measure of the institutional structures erected to protect them from risk. Thus, the encounter with risk becomes a test of institutions, not a test of individual character. A related difference occurs in the metamorphosis of the insurance temptation into an incentive. Where the insurance writers' ‘temptation’ evoked a confrontation between good and evil, the economists’ ‘incentive’ evokes a cost-benefit calculation... In the insurance writers’ account... the insurers take an explicitly moral measure of the people they insure. In the economic account, in contrast, the insured is a rationally calculating, ‘thin’ subject whose character cannot be known or accounted for on an individual basis... By holding moral character constant, and by focusing on the institutional structures that encourage rational people to act in one way rather than another, the economics of insurance appear to leave morality behind... Immorality is not the cause of moral hazard and virtue is not the solution, because moral hazard is the result of people acting in their best interests...” (p. 569)

8 Dispersion is a simple measure of a group’s homogeneity or heterogeneity on one variable – such as religiousness or moral sensitivity. A group is morally heterogeneous if there is a low mode percent or a high standard deviation (depending on the variable type). Ordinal versus nominal measurement levels help with conceptualizing a ranking of morality differences (e.g. by moral maturity) versus a mere distinction between them (e.g. of deontology versus utilitarianism).

9 The traditional social science way of describing and understanding such heterogeneity is by constructing typologies, deductively from theory and concepts, inductively from data or from a combination of both. Cf. Brinkmann (2003) with a nine-cell typology, combining Kohlberg’s (ordinal level) distinction between pre-conventional, conventional and post-conventional morality with a (nominal-level) distinction of three major moral philosophy positions: utilitarianism, deontology and discourse ethics (Brinkmann, 2003, p. 121).

10 Cf. also Brinkmann, 2004b, with the following presentation (shortened and slightly adjusted): “…Social deviance is normally defined by sociologists as a violation of specified moral, legal or other social norms, in a given socio-cultural context. Consumer dishonesty and other examples of "ethically questionable behavior" represent deviance from such kinds of norms, rankable by relative rejection or by frequency…” A sociology of deviance could also illustrate and further elaborate the macro-, micro- and meso-level perspectives drafted above, e.g. with reference to anomie theory which would consider questionable consumer behaviors as symptoms of and surviving with societal norm dissolution (cf. Merton's anomie-typology of deviant behaviors, 1968, pp. 193-211) or to counter-culture -theory which would ask if dishonest consumer behaviors represent subgroup conformism rather than societal deviance, or to a theory
of a suitable societal amount of crime (Christie, 2004), perhaps to micro-sociological labelling theory or to rational choice criminology

11 In addition 42 questionnaires were filled in by a convenience sample which was recruited personally in the cafeteria space of on one campus of the same school; these responses are kept as part of the data-file but omitted from the analyses reported in this paper.

12 In fact, today there is a L- or lie-scale, too, cf. Birenbaum and Montag, 1989

13 If one as an alternative chooses an experimental design type, there is a control effect risk instead of a SDR-bias.

14 We used cluster analysis to create two groups, one with relatively low and one with relatively high factor scores on both factors.

15 Several of the 16 Fukukawa items were replaced by items from the Goul Andersen study mentioned above. For meeting the business student respondents “at home”, two items regarding take-home and closed-book exams dishonesty were added as well. For the “complete” table covering all the 20 items from the Norwegian sample see the appendix to the Norwegian project report.

16 The cluster analysis as a process is perhaps more interesting in this case than its results presented above. We decided to stop the iterative process at a four-cluster solution (using agglomerative hierarchical clustering technique), based on both objective and subjective criteria (increase in between-cluster sum of squares and meaningful interpretation of the resulting clusters respectively, not least with the same solution as in the Four-Faces study, and for both subsamples). Iterating one step further produces a three-cluster solution. Among the Norwegians, the ‘Realists’ and the ‘Conformists’ collapse into a single ‘Situationist’ cluster, while the Moralists merge with the Conformists among the Germans. In particular among the Norwegians one might prefer a three-cluster solution with a slightly less homogeneous situationist group, where “it depends” if they would cheat when an opportunity turns up, or not (cf. Appendix figure #1, with percentages included).

17 Both the fraud experience variable and the claim experience variable were recoded to dichotomies – by recoding the don’t recall and the don’t know answer alternatives to invalid responses and in the first case recoding fraud experience to one yes-category instead of the original answer alternative distinguishing between an under and over 500 EUR alternative.

18 Appendix table Gb shows also that half of the Germans and “only” a quarter of the Norwegian respondents have (recalled) claim experience.

19 In 2004 two bachelor thesis pilot studies have been conducted, too, one web-based survey among insurance sales staff (focusing on incentive systems and on the problem of over-selling) and one qualitative interview study among claim handling staff, focusing on trust/distrust and role empathy.