

Reputation and Reputational Risk Management in Insurance



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Agenda

- About The Geneva Association
- Reputation: An increasingly relevant asset
- Sources of reputational risk
- Managing reputational risk: Some recommendations
- Benefits of effective reputational risk management



About The Geneva Association

- A unique global organization formed by a maximum of 80 CEOs from the world's most important insurance companies
- Committed to researching the growing importance of insurance to economic and social development and progress
- Acting as a forum for its members, including their CFOs, CROs, CCOs, Chief Economists etc.



Reputation: An intriguing concept (...)

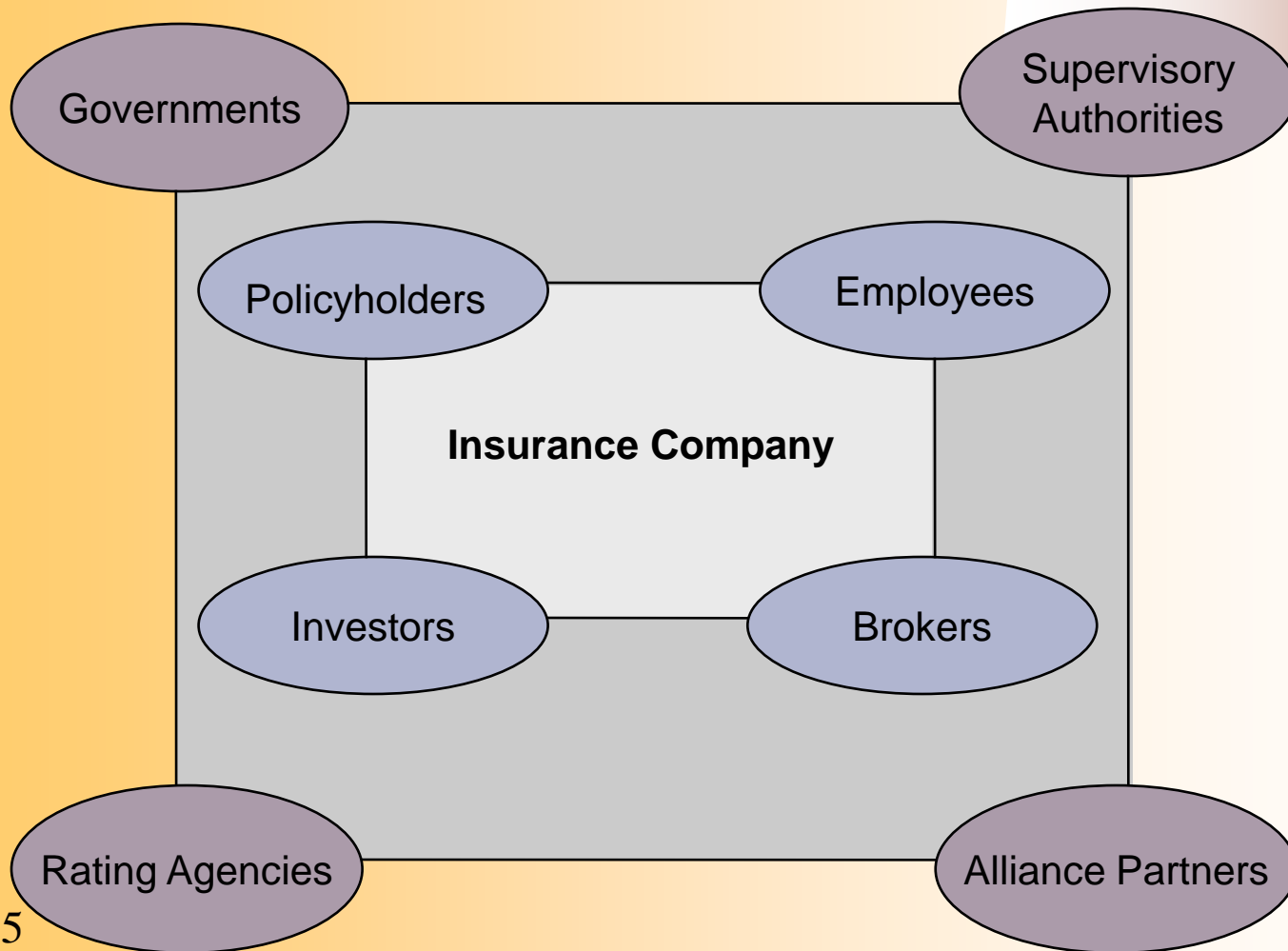
- One possible definition: “The totality of enduring and relevant stakeholder perceptions and opinions”
- Creates value by generating future benefits to the insurer
- Stakeholders (e.g. policyholders) pay for these benefits because
 - Reputation partially compensates for imperfect observability of contractual performance
 - Reputation can be viewed as the seller’s guarantee of performance for which policyholders are willing to pay a premium



**Key determinant of policyholders’
purchasing behavior**



(...) of increasing relevance in a dynamic stakeholder environment



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Areas of risk in a company's direct sphere of influence



How can you mitigate reputational risk?

- Identify relevant stakeholders
- Understand who and what influences their behaviour
- Enhance core business and corporate processes
 - Insurance value chain
 - Governance, disclosure, ethics, compliance
- Establish an effective crisis management process
 - Look out for early crisis indicators
 - Speed is of the essence as soon as a crisis strikes
 - Do not overreact and watch your clients' and competitors' reaction
 - Build goodwill pre-crisis you can draw upon post-crisis

Commercial benefits if you do it right

On client markets:

- More successful business production
- Ability to command a premium on market prices
- Minimize policy cancellations
- Attract additional broker business

On capital markets:

- Higher P/B ratio driven by intangible assets
- Lower cost of capital
- Increased financial flexibility



Commercial benefits if you do it right (cont'd)

On talent markets:

- Attract the best based on superior corporate reputation

Vis-à-vis regulators and governments:

- Goodwill paying off during rainy days

Vis-à-vis rating agencies:

- Positive impact on rating criterion “business profile”



The bottom-line

- A topic of increasing commercial relevance in insurance
- Largely a “white spot” from a research perspective
- Significant incentives for academia to fill the research gap

