Isn't Time to Insure Your Reputation? ***By Caroline Sapriel***

The value of corporate reputation has long been questioned. What are the factors and variables influencing its rise or fall? Several reputation measurement tools based on a range of more or less precise indicators, provide organisations with ways to evaluate reputation performance. Among such markers, the most relied upon is market value, which is why the obvious time to assess reputation gain or loss is often following a well or poorly handled crisis. Let's consider some facts:

- According to Llyods and KPMG research, 35.3% of market capitalization for the world's 15 leading equity market indices is accounted for corporate brand and reputation. This equated to $16.77 trillion of value for shareholders in Q1 2019.
- 80% increase in scrutiny on business conduct and risk landscape seen by global companies since 2016, with activist protest targeted at business more than doubling over the period.[1]
- 41% of companies experiencing a reputation damaging event reported loss of brand value and revenue.[2]
- 80% of the total value of the average company is comprised of intangible assets such as intellectual property, trademarks and reputation.[3]
- According to Airmic 3% of companies report buying specialized reputational insurance coverage.

Unlike branding, which is based on what you say about yourself, reputation rests on what stakeholders (employees, customers, suppliers, shareholders, investors, etc.) say about you. It is derived from consistent behaviour over time, it is granted and not acquired, it takes persistent efforts to build and can be wiped out in second.

Moreover, according to Polecat, 86% of people would pay more for services from a company with higher ratings and reviews.

The external perceptual view by stakeholders versus the internal operational view of the organisation's performance is an increasingly powerful differentiator that drives crises and bears huge impact on reputation. As a case in point, according to The Institute of Crisis Management's Annual Crisis Report 2020, the Consumer Activism and Whistle-blower crisis categories rose four and three-fold respectively over 2019. Despite their financial success, companies like Amazon, Google, Samsung and others, are facing periodical internal and external pressures on their pay, gender, privacy and discriminatory policies, or in response to real or perceived unethical, fraudulent or illegal behaviours. Therefore, stakeholder perceptions and perspectives can make or break a crisis and as such must be at the core of any reputation management and crisis response strategy.

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[1] Polecat

[2] Polecat

[3] World Intellectual Property organization (WIPO), 2016

"For decades corporations have been managing a range of commercial/marketing intangible assets, such as trademarks, patents, domain names, copyrights, algorithms, databases, and even goodwill. Such assets are typically less impacted during a crisis. However, communicational intangible assets, including celebrity, branding, image, trust, trustworthiness, credibility, reputation, and CSR, need a little more love than a domain name. During a crisis, these assets can, if not strategically managed, lead to a corporate disaster.", says Stephane Prud'homme, CEO of the Credibility Institute, a Canada-based company specialising in research on intangible assets and providing global corporations with innovative tools to manage and evaluate their communication and relationships.

"Reputation is regarded as the final opinion a stakeholder has on an organisation, based on branding, image, trust, and credibility. Today, everyone talks about trust, but corporations often forget trustworthiness and credibility when it comes to reputation management. How can you build a strong reputation if you're not trustworthy or if your stakeholders don't believe you?" he adds.

If reputation is considered as a critical asset, can it be insured like other loss events such as product recalls, fires, cyber disruptions, etc.?

Until recently, because it is difficult to define what constitutes reputation, reputation risk insurance has been mostly integrated in other insurance policies. Sub-categories of reputational risk insurance, such as cyber threat and liability insurance, etc., typically make it easier to tailor an add-on to a company's specific needs.

However, in the context of our increasingly digital world riddled with misinformation and disinformation, reputations can be constructed and destroyed at light speed. Corporate executives and boards need real-time intelligence to identify reputational threats, protection against financial loss and crisis mitigation. Consequently, a handful of specialist insurance groups have started offering organisations stand-alone reputation insurance policies.

"Companies face a dual challenge regarding increasing reputational risk. Firstly, they must evidence to their stakeholders that their situational awareness around reputational risks is prioritised as a risk management and governance issue. Secondly, they should demonstrate that they possess a financial mechanism to protect profits in the event of reputational crises and have access to leading outside expertise to support response and recovery. The Beazley solution, including crisis response services from CS&A International, delivers on these two aspects", says George Beattie, Head of Incubation Underwriting at the Beazley Group.

Insurance companies such as the Beazley Group offer reputational risk solutions that address the entire life cycle of a crisis. As soon as notified of an event that could damage reputation, the policy provides crisis management expertise to help manage the problem.

If the crisis worsens, seriously impacting business, additional coverage for loss of profits, including advice on reputation remediation, is made available[4].

Reputation is one of the hardest areas of corporate risk to manage and is an asset that companies cannot afford to lose as the financial impact can be catastrophic.
Could you own a house without a fire insurance? The answer is no. Could you drive a car without insurance? The answer is also no. Whether you self-insure your business assets and facilities or contract outside insurance, securing coverage for reputation loss can no longer be a nice to have. It's become a must-have corporate life jacket.

About CLCA

The Crisis and Litigation Communicators´ Alliance (CLCA) is a global network of owner-managed PR consulting firms who are leaders in the areas of Crisis Management and Strategic Legal communications in their respective markets. Clients can benefit from the collaboration of members on cross-border matters and the CLCA's specialist expertise in international disputes (especially Competition Law and Cartel cases, Cross-Border Litigation, Class Actions, Regulatory Enforcement cases, Fraud and Employment related disputes).

[4] https://www.beazley.com/documents/Factsheets/beazley-executive-risk-reputational-risk-brochure-us.pdf