NOVA IMS Information Management School

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Mestrado em Estatística e Gestão de Informação
Master Program in Statistics and Information Management

CAUSES AND STRATEGIES TO FACE REPUTATIONAL RISK IN AN INSURANCE COMPANY

Tiago Miguel da Silva Fernandes

Thesis proposal for dissertation presented as a partial requirement to obtain the Degree of Master in Statistics and Information Management, Specialization in Risk Management

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Advisor: Professor Doutor Rui Alexandre Henriques Gonçalves

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Causes and strategies to face reputational risk in an insurance company

ABSTRACT

Many say that the insurer business is to sell trust and safety. With that state we can understand the importance of the reputation for a company that sells coverage for unexpected events.
Academic efforts to quantify the value of reputation confirm that there are large economic premiums associated with corporate reputations.
With the normal daily life experience is easy to figure out that an insurance company reputation is something that helps all the people somehow connected to a company, to build a trust relationship. So, it was intended with this paper to understand the events that trigger reputational crisis, what are the impacts in the organization stakeholders and in the remaining market and how can the companies manage that kind of events. To achieve this goal data collected from professionals in the field was analyzed and compared with the existing bibliography on the subject.
The study makes clear that the insurance companies having a reputational risk management strategy aligned with the rest of the company's business and communication strategy are must well equipped to handle reputational crisis. We were also able to complete the alignment with other studies in the area, which highlighted the difficulty of negotiating with investors and employees in the event of a reputational risk event.

Key Words: Reputational Risk, Risk Management, Reputation Management, Insurance, Reputational Crisis

RESUMO

Existe uma opinião generalizada que vê o negócio das seguradoras como a venda de uma garantia de confiança aos seus clientes. Pensado nisso facilmente conseguimos entender a importância da reputação para uma empresa que vende coberturas para situações de catástrofe ou em que algo corre mal. Outros estudos académicos para quantificar o valor da reputação confirmam que existe um grande impacto económico ligado à reputação corporativa.

Com o nosso dia-a-dia é fácil perceber que a reputação de uma empresa, neste caso abordamos as seguradoras, é algo que ajuda todas as pessoas de alguma forma ligadas a ela a construir uma relação de confiança. Assim, pretende-se com este trabalho compreender os eventos que desencadeiam a crise reputacional, quais os impactos nos *stakeholders* da organização e no restante mercado e como as empresas podem lidar com esse tipo de eventos. Para atingir este objetivo serão coletados dados de profissionais da área, analisados e desafiados a bibliografia existente sobre o assunto.

O estudo deixa claro que as seguradoras que possuem uma estratégia de gestão de risco reputacional alinhada com a restante da estratégia de negócios e comunicação da empresa estão melhor equipadas para lidar com crises reputacionais. Percebemos também que existe um alinhamento com outros estudos realizados nesta área, que destacaram a dificuldade de negociação com investidores e colaboradores em caso de evento de risco reputacional.

Palavras-chave: Risco reputacional, Gestão de riscos, Gestão de reputação, Seguros, Crise reputacional

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1. INTRODUCTION

We begin our study with the premise that a company reputation is a vital asset in building stakeholder trust (Forstmoser, P., & Herger, N., 2006). Today we have our society based on concepts not only factual and tangible but also abstract. Which means that in addition to the range of products and services that we can find for sale a few years ago there are also concepts. In today's society we sell insurance products, information, data and stocks, so assets are bought and sold without ever having any physical proof of their existence or if they will really materialize into something and it is in here that the trust and reputation have a crucial role in the nowadays life of the companies for all the stakeholders involved. Corporate reputation and reputation risk are becoming increasingly more relevant for the companies (Gazert, 2015) as we will see explained during this work.

It is clear that if reputation has a value, then has a risk associated to it and every treat that can trigger that action should be mitigated (Tica, A., & Weißenberger, 2021; Honey, 2017). In general, a reputational risk is any risk that can potentially damage the standing or estimation of an organization in the eyes of third parties. People have different interpretation and expressions for risk, some see the possibility of loss, others characterize the risk by uncertain situations or deviation of expected situations (Gupta, 2016). In 2005 Charles Fombrun, one of the investigators that is most at the center of the current literature on reputation, state in his paper 'The Reputation Quotient, Part 1' regarding the impact of the reputation, that various academicals studies reveal that there is large economics impact associate with corporate reputations. University of Texas at Austin conduct a study comparing ten similar companies in level of returns and business risk but with different levels of reputation and the conclusion showed that a 60% difference in reputation score is associated with 7% difference in their market value (Fombrun, 2005). With this we can start to understand the real impact that a reputation has in the companies.

In today's world where information is circulating at a speed never seen before, the way companies communicate and are seen is decisive in the way they work and in the results they can achieve. In the finance literature, the efficient market hypothesis states that added information may change market expectations and thus move a firm's stock prices (Schermer, 2021). It is easy to conclude from this statement that a reputation could be seen as the soul of the company and the remain operational part the body in which one will directly impact the other. Warren Buffett (Chairman and CEO, Berkshire Hathaway) once said: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you 'll do things differently." Moving for a more technical approach from the Basel and Solvency frameworks we can understand the definition of the reputational risk with the eyes of the regulatory institutions. They state that the reputational risk is the 'risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding' Basel Committee on Banking Supervision [BCBS] (Penikas, H., 2015).

Willis Towers Watson [WTW], a company that have as core business to sell insurance services for reputation damage events, public in his annual 2021 report where asked 200 managers and executives from a wide range of industries and geographies representing some of the largest companies in the world how they think will be the concern of companies on reputation risk in the next five years and the large majority , about 80%, reply they will be more focus in that area.

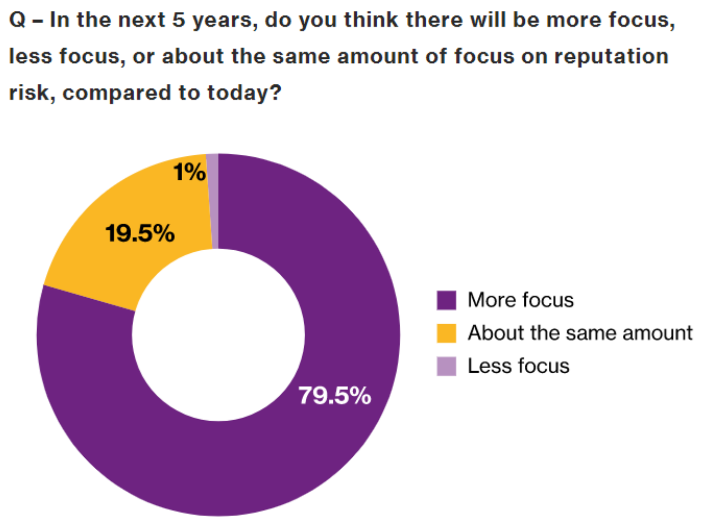


Figure 1 - How much focus on reputation risk change in next five years.
Source: Willis Towers Watson Report, 2021

The danger of facing a crisis is a highly ranked topic on corporate agendas, especially since media and the internet have the power to spread unfavorable news and rumors very quickly (Booth, 2000; Robert & Lajtha, 2002).

For the objectives of this study be easier to understand we should start from a premise that is very clear since the beginning of the reputational risk study which is that management of risk has become much more difficult to the companies but at the same time, it is becoming more critical and important (Gatzert, 2015). First, we are living now in a connected world whit companies operating worldwide and second the access that nowadays everybody can have to the social media, the newspapers, the TV where the company reputation is exposed has increased exponentially (Larkin, 2002). The objective of this research is to understand the main causes of reputational risk in an insurance company. Also, the dissertation aims to understand the best strategies to face that kind of events.

This research aims to answer four main questions, which will be detailed bellow, as well as to provide a state-of-the-art situation on each of these issues at this time. The first questions will allow us to frame the events and the reputation concept in an insurance company. So the goal is to understand What are the events that damage the reputation of an insurance company (WillisTowerWatson, 2021; Gatzert, 2015)? Knowing this the obvious follow up question will be trying to find out, what are the impacts to the company? This could lead us to a full view on events and consequences (Kautish et al., 2021; Kolb, R. 2010). The logical next step is looking for how to prevent and manage, which mean find the tools in a company that can lead to a more smother way to handle or avoid at all this events to occur. So, the third question will be What could be the mitigation strategies to respond to these situations (Tica, A., & Weißenberger, 2021; Gatzert, 2015)? To conclude we will understand what are the mainly affected stakeholders with these situations and if there is a real treat of contagious to for the rest of the market. So, with this last point we aim to answer the question on What are the most affected stakeholders? How are they affected and how can occur a sector systemic risk (Nadine Gatzert, 2015)?

In order to achieve this there will be a research using a questioner that pretends to get the opinion of insurance companies' workers. The answers will be treated and analyzed following the best investigation practices. This dissertation includes six chapters. In the first chapter we have managed to get the subject and the problem to be study is defined, here we can understand the context of the problem in today's world and a clear framework of the problem. Ending with the creation and structuring to formalize those that are the basic questions of the problem.

Next, we move on to the chapter of the state of the art, where the theorical foundations that offer the academic basis for the problem are study and it is also here that the formulation and conception of the methods that are approached from an academic perspective in the following chapter are born. Where not only each of the decisions is explained, but they are sustained on a logical and procedural basis. The following chapters will be to explain the research methods with the development of the questionnaire as well as the analysis of the data resulting from it. The data analysis's chapter allows us to perceive the trends and outliers of the responses of the collaborators participating in the survey. After this analysis, we present the conclusion that reflects on the work done and its consequences in practical terms and Scientific. There is a concluding chapter with the bibliography considered for this work.

2. LITERATURE REVIEW

2.1 WHAT IS REPUTATION AND ITS IMPACT

We should begin with the most basic concept of our work. When we think about a company we are not only talk about the company since there is always an ecosystem around it so other people that are also taking into account – stakeholders, other companies (systemic risk), own employees, policy holders – so what reputation is should for sure be a collection of interactions, perceptions and thoughts of all the people involved (Kautish et al., 2021; Fama 1970; Samuelson 1965).

Reputation risk is becoming increasingly important, in nowadays the perception of the reputation for the insurance companies is changing and it is today more than ever being considered as an asset, since everybody has access to a massive number of sources of information and data. An usual secondary subject was becoming a topic in the first point of the leader's agendas nowadays.

Although there are many interpretations and nuances it seems that most of the academic and scientific community understands reputation as a comprehensive set of the different stakeholder perceptions, opinions, and expectations (Schanz, 2006). In a more concrete way, there is a general consent to see reputation as a connection with social cognitions, such as knowledge, impressions, perceptions, or beliefs (Rindova et al., 2010) which together can be seen as a company identity. So, we can find a consensus that we are talking about a multidimensional idea that reflects the perception of everybody around the company on financial and non-financial aspects as stakeholders, workers, customers and how else have contact with the company. After these introductions is easy to understand that considering the current flow and speed of the information in the actual society the companies should minimize the threats associated to it. (Schermer, T., 2021) As stated before, we should be conscient in a research of this type that there are diverse ways to define reputation in previous academical and business studies, we aim in this case for the most generic version and the more accepted definition of reputation among the academical and scientific community.

Some studies show us that the scope of impact on a company targeting for a good reputation is huge. It can influence their sales, profitability, and customer loyalty and in some cases can even be more unexpected like increasing the employ motivation and satisfaction, and decrease the prices charged by the suppliers (Kautish et al., 2021). Others are clear and more evident as developing a positive image with the customers and increasing profits (Forstmoser, P., & Herger, N., 2006). During the years it has been proved that it is not easy to measure and validate the impact of all the reputation layers that are present in an organization life. Since it may vary depending on the different target audience.

For our study we will decompose the reputation in three main components that will be explained above. Nadine Gatzert (2015) in her study on the reputation damaging events on financial performance found link between corporate reputation, damage event reputation and financial performance. Where states clear that the behavior of the stakeholder, supplier and customer satisfaction will downgrade face a critical reputational damage event which will lead to a financial unbalance since the willing for customer to spend money, stakeholders to invest and suppliers to negotiate deals will be conditioned.

2.2 Potential reputation damage events and components

During the literature review it was evident that having a clear view and understanding of what a potential reputation damage event could be would lead to a better prevention and preparation.

The Solvency II model incorporate in his framework the reputational risk. This model has channel the majority of the concerns of the companies to focused on operational loss events as under layer of the reputational loss which lead them to be prepared with capital to cover this operational risks associated to a reputational damage issue (Gatzert, G., Schmit J., Kolb, 2016). Taking into account all the information shared above we can understand that is not enough to have just an answer depending on the area of the company affected since all the company you feel the hit.

As can be seen in the work mentioned on the next paragraph the companies and academically thinking is more oriented for operational causes than for a more extensive view. Reputation damaging events (as a signal for stakeholders), e.g., (Gatzert,2015) are clustered in three main events. The Operational Risk Events as fraud lawsuits, financial fines like regulatory Sanctions, fraudulent Earnings, and ecological crimes like environmental violations. Also, the firm's actions as the downsizing and the layoffs. For the last the Negative Earnings Surprises like unexpected provisions or wrong financial reports that needs to be correct with new provisions or reserves for example.

The approach that will be followed on this research will decompose the reputation risk in 3 main components. The reputation exposure, the reputation damaging perils and the reputation hazards that will be explain in the next paragraph (Gatzert, G., Schmit J., Kolb, 2016). Based on the work done regarding the Components of reputation risk by Gatzert, G., Schmit J., Kolb in 2016 there are three main components that should be consider when we analyze the structure of the reputation. First, we should begin with the reputation exposure, saying that the reputation should be conceptualized as max as it can to allow the proper measurement. This could give the real idea on the reputation loss when it became real as the effects of that event. Following the reputation exposure, the reputation damaging perils should also be carefully detailed to understand the risk of loss events as lost revenue, increased operational costs, high capital losses or fines and at the end the destruction of the investors assets that will mine the confidence and put the companies in risk. For last to be able to understand the reputation hazards it should be clear the drivers of the current reputational state as some antecedents that the company have. These antecedents and the image the stakeholders already have about the compact is crucial if there is a case with a total control loss in the reputation and the way the company may get it back in track again, knowing sometimes it is impossible to be back to the same trust levels by every stakeholder that were involved with the company life.

The questions approached in this paper about the reputational risk management and his relationship with the overall risk in a company have been already discussed between the academic and professional community during the last years. When we go over the analysis of the role of reputation in an insurance company that notion goes both ways on the positive seeing the opportunities behind a good reputation and on the negative the impact that a loss of reputation can bring.

2.3 Risk Management in insurance market

Risk management focus in making sure that there are certain activities and processes that will allow the companies to act, usually mitigate, eventual risk thirties. With time and real-life situations, the importance of risk management for companies became clearer and the usual reserves on spending money and forecast this type of work are not in place anymore. The companies should not only be able to react to the eventuality of risk became real but proactively manage risks (Gazert, 2015).

There are four main components in a reputation management system as can be seen in the figure bellow.

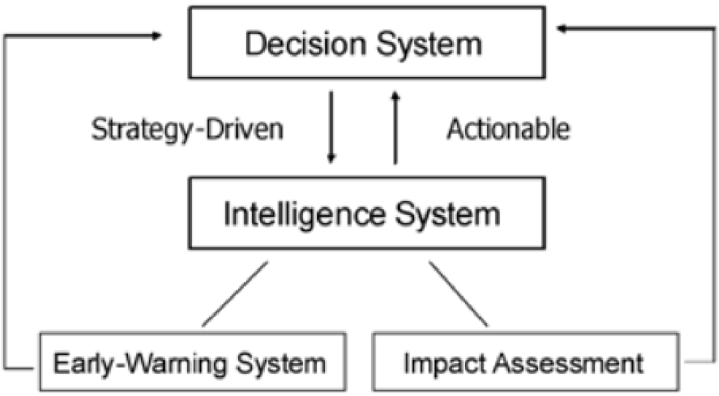


Figure 2 – Reputation Management System
Source: Diermeier, D., 2008

Following this framework presented by Diermeier (2008) in his analysis of how companies can mitigate and manage risk, we were able to divide risk management into four main stages, Impact Assessment, Early-Warning System, Intelligence System and Impact Assessment. This work can be crossed with the ISO 31000 standard, which states that the success of risk management is directly related to the information about the risk being correctly reported. Since we can understand that is what serves as the basis for decision-making upstream of that moment. This information falls under the Impact Assessment and Early-Warning System stages of the aforementioned Diermeier ‘s work.

Joining this structured RMS (Reputation Management System) (Demier, 2008) view with other works in the area, we introduce the concept of RASP, risk, architecture, strategy and protocols that was introduced by Hopkin in his first work about the matter in 2010 and have been developed during the next seven years, which we will explain in more detail. In architecture we speak of a structure in which the roles and responsibilities of each of those involved in the organization are very well explained and how they proceed in each situation. It is also important in this component that both internal and external reports are perfectly established so, as we reviewed in Diermeier's work (Abito et al., 2019; Diermeier, 2008) they work as an early alarm system and allows an impact assessment to be carried out in the first stages of the risk, here we see how this work and the ISO31000 norm intersect and establish best practices from the area. Regarding the strategic part, it is here where it is explored the "philosophy" of the company when it needs to face the risks that arise. Besides, it should also be present in the strategic documentation the protocols that exist internally and with partners to face any possibility of risks that will cause warm to the company. The techniques and the framework within the company's objectives must also be established within this point, because as we will see in other bibliographies present in this thesis, the alignment of all the risk management framework with the company's culture and objectives are essential for the success of the risk management process of a company. Protocols refer to techniques and tools, that is, the most technical component where protocols, audit procedures and also reports of previous incidents and how to act on each one is described. Organizations will thus create their RASP, risk architecture, strategy and protocols that are align with the risk management framework described in ISO 31000 (Hopkin P., 2017).

2.4 Reputational risk and reputational risk management

Reputational risk management assessment and strategy has before seen as a "nice to have" but now it becomes an important component in the company's strategy. Reputation is now seen as a core asset that needs to be protected and managed because studies shows that reputational damage can hurt a company in many ways (Diermeier, 2018). Reputational risk management needs to be seen as a central piece in the risk management, crisis management and communications activities.

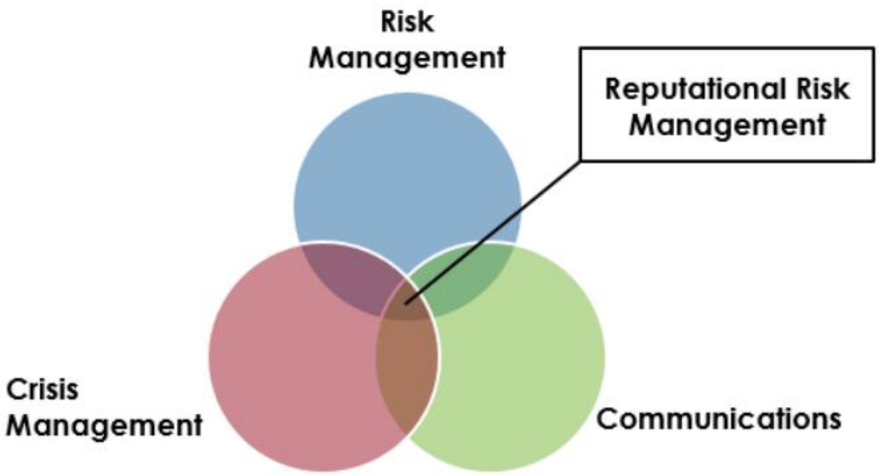


Figure 3 - The Components of Reputational Risk Management
Source: Image taken from Forum on Tax Administration: Enhancing Reputational Risk Management, OECD, Paris.

It is not linear to give reputation a numeric value, and its measurement is something that is not straight forward (Gatzert, G., Schmit J., Kolb, 2014). Companies needs to understand all the scope of the underlying exposure to proper manage and evaluate its impact. Reputational Risk Source is being perceived as a risk source for the business and consequently the high boarders of the organizations prioritize the reputational risk management in the same way they do to market or credit risk (Pineiro-Chousa, J., Vizcaíno-González, López-Cabarcos, 2016). Willis Towers Watson wrote down an article stating the main and most common factors affecting the reputation of a company and their consequences: “A reputational damage can be caused by factors outside a company’s control: supply chains can be cut; products can be maliciously tampered with; confidential client information can be lost or stolen.” The impact of this kind of events that damages the company reputation have been object of studied.

In 2015 when Gatzert et al. did research on understanding the impact on this kind of reputation damaging events on the financial performance. They concluded that reputational losses can by far exceed the original operational losses and that incorporate reputation risk into an operational risk evaluation strategy can be the best strategical approach to obtain clarity on the impact of it in a more company extensive view. On his Book “A short guide to Reputation Risk”, Garry Honey, in 2017, classified the three main factors, which will be explain in the next paragraph, influence the damage if a reputational risk becomes real and how severe they can be. Whit this kind of approach it became clear that there is more than one factor that can characterize the type and the size of the damage to the company (Honey, 2017).

In his research about key factors influencing the potential damage of reputational risk three key factors were found that can conditioning and seize the way a company will feel the damages when the concretization of a risk threat became real (Honey, 2017). The first key factor is if there is already an existing good will, which mean, a prior state of trust and confidence of all the stakeholders. This can be seen in distinct aspects, in a quantitative way, meaning the amount of trust deposited in the firm. In a qualitative way, which is related to the image that the company has with all the intervenient in his life. And the dependent conditions, that relates the bonds and dependencies that all the people involved have with the company (Abito & al 2019; Honey, 2017).

The second key factor is the nature of the threat, there could be many factors influencing this component. If there is an impact event that occurs in one shot, or it is a crisis transversal to all the company or even to all the sector of activity. As in the first key factors there are aspects that can change the amount of damage that the companies must deal with. It depends on the cause of the nature of the threat, as mentioned before but also about its preventability, saying that if there is something that can be handle and mitigate in a fast manner and the contain ability is high, this aspect will influence the propagation of the damage. This last aspect is one of the most critical aspect factors, since sometimes the companies simple cannot contain the damages and must fully rethink about their business. At the end is important to mention about this second factor that the qualification of it is also crucial in the opinion that is created by the public opinion, which mean that the blame and the culpability of what happen is very important to find a way to mitigate the damages. As a third key factor we found the response to the threat, which means the way the companies are ready to deal with the reputational damage and the mechanisms they have in place to handle the crisis.

The most critical aspects that can conditionate the way a reputational crisis damage a company are the efficiency, the comprehensiveness, and the sensitivity of the response. With these we can have a clue on the way the companies will suffer or not when an unexpected event take place. To this third factor when we talk about sensitivity, we are framing the response mainly in immediate and unquestioning or slow and unprepared, this second hypotheses will bring more harm to the companies that can be avoided.

If we try to summarize the three key factors influencing the reputation based on the risk research mentioned above (Honey, 2017) we should consider the exiting goodwill, which can be the driver feeling of the stakeholders previously to the reputation damage. The nature of threat, because as we will see in other sections of this work there can be multiple reasons or drivers for the cause of the situation which will lead to different actions and by consequence it will conditionate the way the company will be affected. And the overall response to the threat which mean how the strategy for it is assembled will be the last factor influencing the reputational risk.

One of the approaches that our investigation aims to understand is what happen when in fact the reputational risks become a reality. Understand the consequences and see how they are aligning with the current literature on the subject is one of the major challenges of this dissertation. From the book Finance Ethics: Critical Issues in Theory and Practice (Robert Kolb 2010) there is a list with the consequences of reputational risk warm. The client flight and loss of market share is stated as one of the most feared but usually most common occurrence that precede the events that turn the risk of the reputation in a true risk, it is even more heavily noted since we are focus our research exclusively in insurance companies. Following the list of the stakeholders there will be an impact on the investors with investor flight and increase in the cost of capital. Other's consequences are related with the daily life of the company and his working force. With a bad reputation or a reputation crisis on hands the company see difficulties in keep their workers and consequently the cost with the labor force increases. Depending on the causes of the reputational damage occurred it can lead also to an increase in contracting costs with some suppliers that are trying to profit from the situation. After we see and understand the impacts of this events, the next step is to understand the reaction of the companies to such scenarios. Although some experts tend to see the improve of corporate performance as the way of managing reputation – delivering best insurance products and services in the market, attracting new customers, present the best balance sheets – there are other that focus on the stakeholders and on the people perceptions (Schanz, 2006).

Still about the reputational risk crisis management research conclude that companies need to develop three core capabilities (Diermeier, 2008):

- A functioning early warning system.
- Ongoing measurement of the reputation of the company, its markets, and products
- Rapid situational assessment by issue, product, and market.

Some publications in the area see the readiness of the organization to answer to a reputational crisis as a set of stages where the organization response to crisis can be framed OECD (2020). For this case working with a maturity model begins with an assessment to determine at which level the organization is currently performing. And following that characterization the organization can improve his way to deal with this kind of events. We can see bellow a board with all the stages considered. The stages of this characterization are presented in the figure 4 bellow.

Figure 4 - Reputational Risk Maturity Model Levels
Source: Image taken from Forum on Tax Administration: Enhancing Reputational Risk Management, OECD, Paris.

Reputation management is about understanding responsibilities with everyone in contact to the organization from the stakeholders to the own employees (Larkin, 2002). It is clear as we deeper investigating the previous works in the academy that a crises management plan should select an appropriate response taking into account the surrounding environment. So the strategy should be clear and accommodate a list with all the types of possible causes in order to have the response that best fits (Coombs, 1999). As in a tennis match is not only about hit hard but you will only win if you choose the right shoot for the occasion.

The list should be built to categorize the types of possible crises incidents that can be the root causes to an organization reputational crisis. There can be different types, as can be seen in the table below result of an investigation from Coombs in 1999.

Type	Description
Rumor	Circulation of false information design to harm the organization.
Natural Disaster	A naturally occurring event that damages the reputation.
Product Tampering	Damage by an external agent against an organization.
Workplace Violence	Any attack by an employer.
Challenge	Confrontation by disgruntled stakeholders.
Technical Breakdown Accident	An industrial accident cause by technology or equipment failure.
Technical Breakdown product recall	The recall of the product caused by a technology or equipment failure.
Megadamage	Technical accident that produces significant environmental damage.
Human Breakdown Accident	An accident caused by human error
Human Breakdown Product Recall	A product recall caused by human error
Organizational misdeeds with no injuries	Management knowingly deceives stakeholders
Organizational misdeeds management misconduct	Management knowingly violates laws or regulations
Organizational misdeeds with injuries	Management knowingly deceives stakeholders at risk some are injured

Table 1 - Possible crisis incidents
Source: Author

The organization should aim for the crisis managers to be equipped with a tool that can provide a quick framing of the situation and with knowledge in what the methodology to adapt. An academical research done on situational crisis communication theory states that the way to answer this kind of crisis can be structured and planed accordingly to the table showed above.

As we already mentioned in this paper it is clear that a concrete plan previously done by the companies could lead to a very strong mitigation of the problem. Identifying the crisis type or placing an event in a crisis cluster is the initial step in assessing crisis responsibility. The severity and performance history factors must be considered as well.

A strategic communicative response can best protect the reputational resource by assessing the crisis situation and selecting a crisis response strategy that fits the crisis situation (Combs, T. & Holladay, S., 2011).

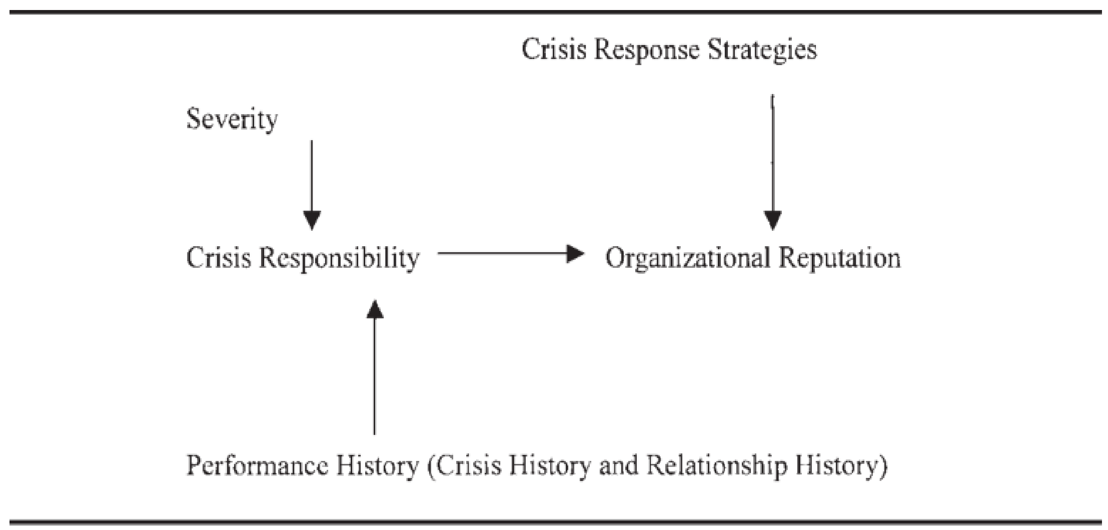


Figure 5 - Crisis response strategy
Source: Image taken from Helping Crisis Manager Protect Reputational assets: Initial Tests of the Situational Crisis Communication Theory, Combs Timothy and Holladay Sherry 2011

With the information presented so far, we were able to understand the importance of framing, analyzing, and measuring reputational risks in an organization. But as can be understood in the last four paragraphs, framing this analysis in a risk management process/tool with a proper methodology can bring greater results than framing it in a had-hoc process. The creation of a framework that can synthesize the entire process was presented by Gatzer and Schmit in a study carried out in 2015. Where they refer to the creation and use of an ERM (Enterprise Risk Management), knowing that most studies carried out in the area hit above in the perception and analysis of it, an approach that manages to interconnect and create the necessary steps to match the strategy to the risk included in the action map of the entire company can be a great advantage.

Thus, an integrated view of the entire chain allows organizations to clearly identify their main stakeholders and breaking points in the event of a reputational crisis. At the same time, it is also possible to frame and manage all the risk as a whole and in accordance with the company's objectives.

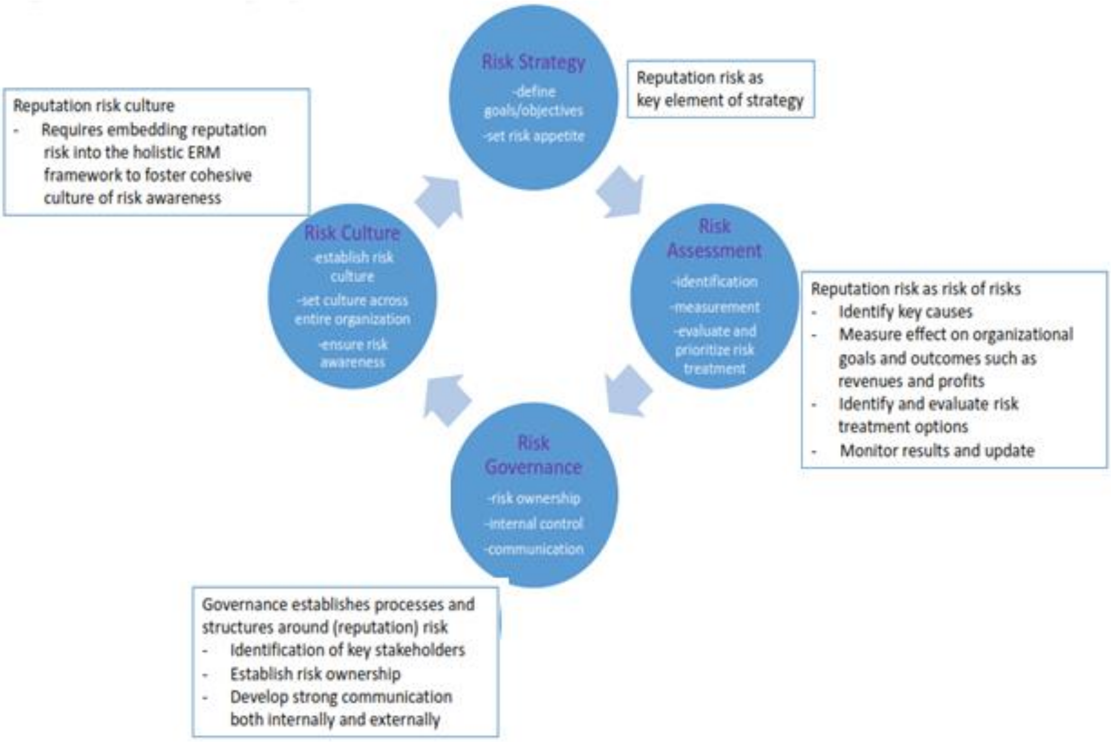


Figure 6 - Risk enterprise framework
Source: Image taken from Supporting Strategic Success through Enterprise-Wide Reputation Risk Management Gatzer G.and Schmit J., 2015

This framework comprises four main steps as you can see in the figure. It is clear from the image and all the bibliography presented in this work that all the elements of an organization must be connected and aligned so that the response to risk events is based on the company's communication and strategic plan. According to the studies in the area this is the only way to achieve a successful response, or even taking an opportunity for improvement out of a crisis situation.

To close the literature review we can look at this detailed board on the targets and previous academicals conclusion to challenge what we will look for, for each one of the work objectives.

Topic	Question	Authors
Events that damage reputation	What are the events that damage the reputation of an insurance company?	In 2021 WillisTowersWatson reported that "A reputational damage can be caused by factors outside a company's control: supply chains can be cut; products can be maliciously tampered with; confidential client information can be lost or stolen." Others relevant academical work in the area splits reputational event in three main topics. (Gatzert,2015) Operational Risk Events (Fraud , Lawsuits ,Regulatory Sanctions) , Fraudulent Earnings (Environmental violations, Firm action) , Downsizing (Layoffs ,Negative Earnings Surprises).
Impacts on the company	What are the impacts to the company?	From the book Finance Ethics: Critical Issues in Theory and Practice (Robert Kolb 2010) he list the following consequences of reputational risk warm: "Consequently, proximate symptoms of sources of loss in reputational capital include: Client flight and loss of market share. Investor flight and increase in the cost of capital. Talent flight. Increases in contracting costs." In 2021 Kautish et al. indicated the relevance of firm reputation, service performance on positive and negative emotion/affect and customer retention.
Mitigation strategies	What could be the mitigation strategies to respond to these situations?	In 2015 Nadine Gatzert did research on concluding that an effective communication strategy, strong governance and expansive risk culture, can protect and enhance an organization's reputation. In March 2008 Daniel Diermeier write an article where the main findings are that companies need to develop three core capabilities as functioning early warning system, ongoing measurement of the reputation of the company, its markets and products and also a rapid situational assessment by issue, product, and market. When a scandal is picked up by the mass media and spread to the public, this can lead to an effective problem to all the insurance industry as a whole which usually leads to a call from the insurance companies for the regulators. to introduce new regulations, instigating accounting and organizational changes (Tica, A., & Weißenberger, 2021).
Most affected stakeholders and systemic risk	What are the most affected stakeholders? How are they affected and how can occur a sector systemic risk?	Nadine Gatzert (2015) in her study on the reputation damaging events on financial performance states that we can see impact in the stakeholder behaviour, supplier, and customer satisfaction, willing for customer to spend money, stakeholders to invest and suppliers to negotiate deals will be greatly conditioned.

Table 2 - Academicals works relate to the research questions
Source: Author

With this board we can summarize what the references that we used to build this work already say about the topics we will investigate. This will allow us to understand other perspectives and do proper comparisons. At the end we pretend to see if the data collected is in line with all the answers already studied that are presented in the board above or if our data contradicts them and we have new points of view.

3. RESEARCH METHODS

In this section we describe essentially the method elaborated and applicated to the case study. The research method begins with a deep dive in the state of the art already presented in the academic and professional world. With this we can obtain a view about the investigations already done about the topic.

The main focus of the research had two distinct phases, the first where we try to understand the dimension of the problem, it's importance and the main definition. A second phase was focus on build a strong base of conclusions already presented in order to be able to challenge them.

After that, and with the main concepts that formulate the bases of our study comprehension, a survey was made and applicate in order to formulate a method to support the collection and processing of information that we would process.

During the research on the state of the art, there was an attempt to collect the conclusions already obtained on the subject. This allows us to formulate hypotheses and understand which fields to direct the questionnaire's questions. Which brings us to a deductive approximation of the matters in question. This consists in having a theory as a starting point and evolve by compelling and analyzing the data collected. Consider the way the survey is build we will not follow a strict deductive approach since there will be some characteristics of the inductive approach as we will look for patterns in the survey which can lead us to generalize and developing new theories on the subject.

In our approach, we will have a single circle that will have only one way on which will conduct to a the deductions that will use the closed answers to admit or refute previous conclusion on the matters.

3.1 SURVEY RESEARCH

In this research the survey research method will be used. This method consists in having a predetermined group of questions or individual samples of questions that are used against a population of interest. This population can be made for a very large groups or a smaller group, as is in the case of this work. This method will allow to quickly deep dive into the knowledge of our target population. (Blackstone, A., 2012)

An important point of this survey type is the versatility that we will have. Allowing to go through the different ways of looking to each one of the points in study. As there will be only close answers the result will allow us to understand the interviews tendencies when they express their opinions and that will make the answers more reliable when analyzed.

In sum, there are a considerable number of benefits in a survey research as it is a cost-effective, in which we will not spend huge amounts of human or software resources to reach a very good knowledge in the subject. It allows us to generalize if the population that reply to the survey is reliable and balanced, representing in fact a good demonstration of the reality. It is reliable every time a survey is done following a structured process that follows the best practices and others works already presented in the academy. And as a last advantage we can understand is versatility which make it accessible to almost every type of utilizations.

A detailed quantitative methodology will be used as we pretend on this search to gain in-depth knowledge of the topic. It is pretended to develop a structured interview took into account two fundamental points: find a way to reply to the main fundamentals' questions debated on this work and at the same time we should have space to understand unexpected trends in the answers that will challenge the bibliography collected about this subject. It is clear in our research about the works already developed in the academy that in a structured interview, although the initial questions for each symptom are specified and are typically asked verbatim to the respondent, there is space for the interviewer to follow up in a substantial latitude on the responses (Segal et al., 2006). Contrary to that, the survey used in this work will not having follow up questions since it is a close questionary. This kind of structure will combine multiple advantages, starting with the objectivity of a close structure which will allow us to go straight to the points we saw that are critical in our bibliography analysis. Other point will allow us to aim for the most relevant information, collecting just data that will have great impact in the final conclusions. It is easy to see the time optimization that this option of a closed answer survey will bring not only for the people that will be interview in the survey, but also for the data analysis to be done by the author since we will be able to optimize the data analyses. The interview will be standardized which will aim the data analysis to do a real understanding of the different opinion in these specific points and will not derive to the areas of the main interest of the interviewed population, because it could be normal that different departments with different concerns in this type of studies try to frame their answers into their reality. This will not only happen in the side of the population that will be interviewed but also will decrease the impact of unconscious biases in the data analysis work. With the creation of this process, we can ensure flexibility for the interview to be carry out online without the need of the direct intervention of the author of the study. To conclude this topic is also clear that since the question are standardized on the structure side of the interview it can bring an increase of reliability on the answers and the way we can compare and measure. To answer the questionnaire, the Likert scale will have levels ranging from 1 (strongly disagree) to 5 (Strongly agree).

At the end, a formula will be used to find the relative weight of each of the groups, which in turn will be the average of the selection of each option.

The formula to use will be the calculation of the simple arithmetic mean, adding the answer to the results and dividing in our case by the number of participants. Although simple, this is a rationale widely used in this type of approach, where it is necessary to extract readings from closed responses and where a midpoint of balance can bring very clear evidence.

The outcome space to be used goes from the minimum 1 strongly disagree until the max of 5 strongly agree. Going through the stages of disagree, slightly disagree, and agree (Nemoto, T., Beglar, D., 2014).

3.2 APPROACH TO THE REPUTATIONAL CRISIS - QUESTIONARY CONSTRUCTION

Among the various methods through which users/respondents can be reached, in this case study an online platform supported by a tool was used as stated before named Google Forms.

After some research in the ways the survey and the interviews can be lead and on the available tools, we found this as the best solution for the work proposed. An on-line platform will lead to a must agile way to reach and communicate with the target population of the survey. That will lead to a much higher percentage of response and a more effective and quicker communication. Also, the treatment of the data after the data collecting phase have been taking into account. In a study conducted by Conbanoglu, C. (2001) the web-based surveys have been showed the best in the number of responses and also on the response speed. In this study it was seen that a web platform would lead to the double of participation on the target population that in other ways like the Fax, phone, or webmail. The speed of the replies also increases for the double when compared with the other means mentioned. This can bring great advantages in the data analysis activities that will be a crucial part of this works as we saw in other chapters.

Other advantages that can be easily seen is the low cost of the surveys, the possible coverage and the fact that it is an easily way to reach all the respondents (Conbanoglu, C., Warde, B., Moreo, P. 2001). Following the literature on the subject the process should be very iterative which mean that should start since the data is starting to be collected as an early assess in the first data analysis phase may help the survey to be correctly direct to more useful research questions (Miles & Huberman, 1994). The data will be collected and treated in Google Forms software always following the defined policies of data collection. This software offers a package for follow qualitative and mixed research methods in order to be able to organize, analyze and publish the data collected.

The questionnaire build pretends to ensure that data are collected in a scientific and standardized manner. Being this survey mainly focus on a qualitative data collect, the main concern is to have rich row data to emphasize the real idea of the interviewee. More than finding and trust blindly in an expert opinion, it is important to independently evaluate the data collected in a standardized and scientific way.

The research process tries to reduce the most common five errors in our everyday decisions (Neuman, 2011):

- Overgeneralization
- Selective observation
- Premature closure
- Halo effect
- False consensus

The structure of the survey is done to challenge the main topics of this investigation.

In this questionnaire we aim in the first questions to challenge the assumptions collected from previous studies in the field and after with the second phase of the questionary explore in a more open and deep way the thinking of the interviewed that can lead us to new conclusions.

To answer the closed questions of the questionnaire, a Likert scale was used. Likert-type scales are composed of a set of items in relation to each of which the subject being assess is asked to express the degree of agreement from totally disagree (level 0 or 1) to totally agree (level 5 to 11) (Soczka, 1983 in Cunha, L.2007).

Likert scale is a scale where the respondents show their level of agreement or disagreement with a statement. This scale pretends to capture their opinions for each given item (Carifio, J., Rocco, J., 2007). In order to obtain meaningful answers, they should be analyzed and validated with a Likert scale-based instrument where the reliability coefficient should be measured. This concept of reliability will be explained in the furthers chapters and calculated in the data analysis chapter.

3.3 Target Population

After the definition of the method on how the data collect was going to be done it was necessary to define a target population. In this sub chapter we start to frame the target population characterizing their company and hierarchy ranking.

As the research is about the repercussions of a reputational crisis in an insurance company, we aim to collect data of experience people in the insurance business. In order to make our study more interesting we choose people from different departments inside the company. To make the population more interesting to the research it was select a convenience sample and not all the people available. With this, we tried to get impressions of people that had at least 10 years in insurance industry.

The survey will focus on a group of thirty high senior insurances company workers. The data to be collected is structured by on-line surveys with close questions in order to get an understanding of the participants' opinions and tendencies. Which will give us a qualitative descriptive data to analyze. The questions will be short and direct to obtain the information needed, to motivate and also to encourage the respondent and minimize the response error.

3.4 Work Phases

In this methodological context, this work was divided into several phases, which will be detailed explained bellow.

The problem formulation where we think about the problem to solve understanding what questions on the real world needed to be answer. Then a research on the topic is follow, to understand what is the added value that we can bring, new think or challenge works already done. After a literature review is developed to understand the state of art and the studies already done regarding this subject. And also, to know how we will frame the questions and where we should focus when build the questionary. Knowing what will be studied and how to structure the inquiry we should structure and develop the questionary and make it available in a way that allow us to be agile in give it to the population target and to validate and analyze the results in the end. After all the work done, a conclusion should be reached accordingly to the data collected, and a revision should be made considering previous works in the subject. With this method we follow a structured approach dividing the work in comprehensive phases, always knowing that the process can iterate and go back any time since a carefully analysis is mandatory to be made at the end of each stage.

3.5 QUESTIONARY ORGANIZATION

The questions structure of the first question chapter is inspired in the table presented above in this work, the table of Components of reputation risk on (Gatzert, G., Schmit J., Kolb, 2016). The reputation exposure, awareness and conceptualization and hazards are the focus for this part. As it is evident is an introductory chapter where we will understand the presence of the reputational risk present in the answers.

First Topic on the Reputation exposure. Focus primarily on understanding what are the events that damage the reputation of an insurance company?

Second Topic on Reputation Awareness/Conceptualization. Focus in understand the view and understanding about the reputation interpretation and concept.

Third Topic on Reputation Hazards. Understanding the main reputational hazards that the companies face.

The second chapter will analyze mainly the Impact of Corporate Reputation and Reputation Damaging Events on Financial Performance. In this enquiry, we will base on the division made in the literature of The Impact of Corporate Reputation and Reputation Damaging Events on Financial Performance: Empirical Evidence from Nadine Gatzert, September 2015. We divided the questions in the second chapter into two main points which are the impact of corporate reputation and the impact of reputation damaging events. As we can see below:

The impact of corporate reputation

- On Stakeholder Behavior
- On Corporate Financial Performance

The impact of reputation damaging (risk) events

- On Corporate Reputation

An extra topic has added taking into account the study by Stuebs and Sun (2010) - Fortune ranking - 112 US firm-year observations, 2006-2008 – where is said that a good reputation is positively associated with labor efficiency (due to a positive association between reputation and labor productivity). So, a section to measure the association between reputation and labor costs was add. With this, we aim to challenge if a company with a bad reputation tends to be forced to pay higher salaries, face more difficulties in hiring.

As a section of the company's internal ceiling where an approximation is conducted taking into account the company's own workers and specificities. Where we aim to grade the possible mitigation strategies.

On the document Board Perspectives: Risk Oversight in 2016 the authors from Protiviti, a risk consulting company, decompose the board's oversight to manage the reputational risk in 5 main areas as we can see in the table below which are the one we based the topic 3 of our questionnaire. Here we can understand the areas and the way we split the questions on this chapter are following this logic.

Area	Description
Strategic Alignment	This area main focus is the integration of the risk in the company strategy and business planning.
Cultural Alignment	Care about the company having incentives in order to be compliance with laws, regulations and internal policies.
Quality Commitment	Promote a near relation and a clear and positive communication with the shareholders about the quality delivered.
Operational Focus	Having a strong commitment and strategy relative to the competitors.
Organizational Resiliency	Knowing the strategy to follow in case of a crisis

Table 3 - *Manage reputational risk areas*

Source: Table taken from Board Perspectives: Risk Oversight, Protiviti Risk and Business Consulting Company, 2016

The last part of the questionary is based on the New Reputation Risk Survey Report, produced by Deloitte in 2015, there was state that when a reputational risk becomes real the main range of negative impacts are loss of revenue, loss of brand impact, loss of customers and loss of stock price.

Which may lead us to think in the following order to the main stakeholders impacted, first the investors, with the loss of revenue and the loss of brand impact. Second comes the customers of the company that lose a product or a service where they rely on and where they may already invest. For last all the suppliers since the company will lose money and value in the market which will impact his buying power.

Question about systemic risk were based on the fact that the systemic risk is usually seen as a two dimensions formula, cross-sectional and time. Each has vastly different policy implications (Caruana, J., 2010). The first dimension of systemic risk - the common exposures/interlinkages in the cross section - relates to how a specific shock to the financial system can propagate itself and become systemic. The focus is on how risk is distributed within the financial system at a given point in time. The financial system is a network of interconnected balance sheets so a reputational crisis in a company on the insurance sector can became a systemic risk to all sectors.

3.6 Questionary Structure

For one month the target population were inquired and the data collected and analyzed. The survey structure was explained in this document. The questionary was build following the guidelines and the concepts previously presented in this document.

As already stated in this document, thirty insurance companies professionals were enquired with the questionary made. During the work a preselection of participants was done in order to get different views from different departments inside the company, as said before, a sample for convenience. The questionnaire has two main goals, one was to rise the most important KPI's to formulate and validate the views of the people and to challenge the studies already done by the academy and some companies related to the subject. The second was to look for new threads different from what is expected.

As in the study done by Coombs, T. & Holladay, S., 1996, regarding the response for an inquiry on perceptions of organization image after reputation damages, the responses were recorded on a 5-point scale range from a Likert scale as explained before. The questionary is divided in four chapters.

3.6.1 Data validation and Internal consistency

In order to analyze the information collected there will be need to do quantitative analysis of data. Which will follow 5 stages of a 8 stage process presented by Wildemuth (2016), the first step, will be prepare the data which will mainly consist in the extraction and structure the files to be analyzed. The following step will be defining the units of analysis, this will be strictly related with the number of answers that we will be allowed to collect. In this study work we will aim to have minimum 25 replies and mainly 30. In our work following this approach, after the data collection the answers will be categorized, not only a clusterization of the answers by type or subject but also on the interview questions to be align with the objectives of this study, which mean the questions will be grouped accordingly to the work objective question they are made to answer. The last two steps will be draw conclusions from the collected data which means the interpretation of the data treated and collected and to summarize a report whit the methods and findings that will be done in a table or other structure that the author find appropriated.

To validate the results obtained in this study, in addition to the outlier analysis and data normalization, the reliability of the responses obtained was calculated. This concept derived from the classical theory of tests describes the accuracy of each measurement (Warmbrod, J., 2014). The true result obtained must be an analysis between the observed result minus the number of errors according to the equation (Cronbach, 1984, on Warmbrod, J., 2014). What extrapolated to a group of individuals will be the variance of the true score that allows us to validate this question. In this case, according to the equation that make the difference between the Variance in the observed score with the Variance of the error. This will lead us to the Variance on the True Score. Thus, we arrive at the reliability formula, as there is an equation that defines the variance of true scores as the variance of the observed results minus the variance of random errors, the equation to estimate the reliability coefficient will be the difference explained above giving the Variance on the True Score divided by the Variance on all the observed scores.

Considering the coefficients showed above the internal consistency estimates the reliability of the summed results obtained through a survey using the Likert Scale (Warmbrod, J., 2014). For this, an equation to calculate the alpha coefficient (A) was formulated by Cornbach (1951) defined in the Cornbach Alfa equation.

By analyzing this coefficient for each group of questions, we will be able to obtain the estimated internal consistency of the results obtained. Thus, for each of the sections, the sum of the multiple items is calculated, and the Cronbach's coefficient (A) is computed.

3.7 Population sample

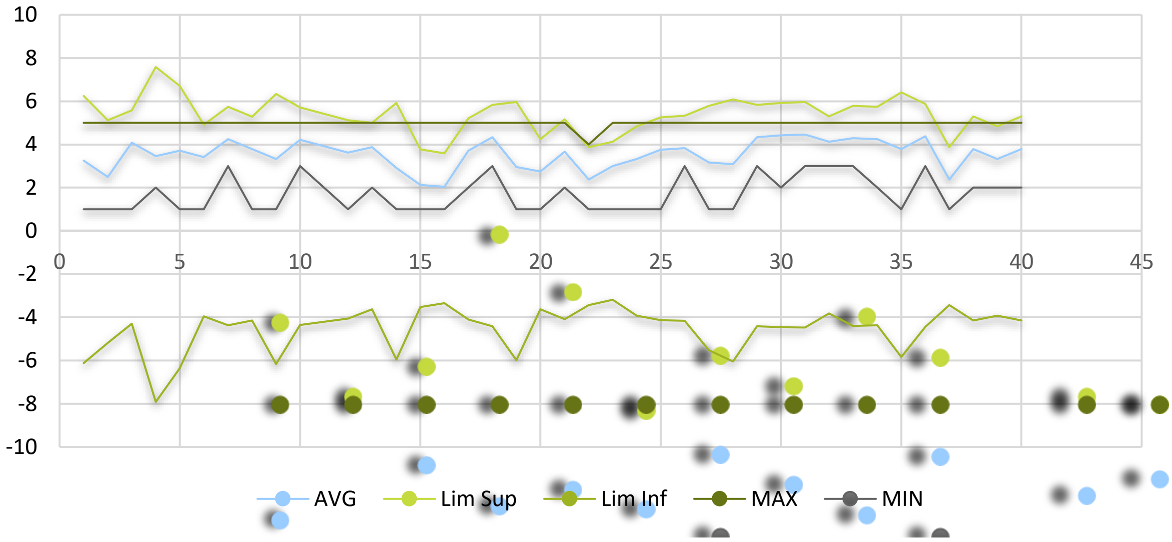
For the purpose of our study, the questionary was directed to thirty employees of an insurance company with more than 100 years of history in the market. To enrich and make sure we cover all the perspectives of the company people from every department has been interview. The departments involved in this enquiry were Data and Portfolio Management, Actuarial Department, Planning & Control, Client Services, Sales Department, IT Support & Infrastructures, BA & BI Department. It was crucial to involve also operational departments as IT and Business Intelligence departments or Planning & Control since nowadays as we understood by the bibliography shared in the previous chapters, they are key players on the perception and management of an eventual reputational crisis. There was also a special attention to get distinct levels of seniority since the different generations have a distinct perspective of the information flows and communication channels as a different view and perception on the impacts of a possible reputational problem. Also, with this heterogeneity of our sample we aimed to understand if there is a consensus on how a pandemic reputational risk is believed in case it became a reality. From the thirty questionaries sent we get reply to 26.

3.8 Data normalization and validation

The results and conclusions obtained will be analyze and presented in this chapter. Considering the structure of objectives and the questionnaire, we will analyze each of the chapters and finally compile and challenge the conclusions already obtained by other authors.

Before starting the analysis and presentation of results, it is important to frame the target population. This questionnaire was sent to thirty professionals from the insurance sectors knowing that only twenty-six had answered.

An initial analysis was conducted to see the understanding of the questions by the participant population and the fact that there are outliers that distort the sample. For that, in each question, we performed the analysis regarding the dispersion of results, to understand the possible frame gap between the interviewees and in addition to look for human error events. By graphically analyzing the results obtained, we can verify that there are no relevant outliers. Only in specific cases and by a very small margin are there values equal to or higher than the Upper Limit (calculated using the formula AVG+(1.5*IQR)).



Graph 1 - Outliers analysis with superior and inferior limits from data collected
Source: Author

To validate the results, the Cronbach's alpha value was used according to the formula explained in Chapter 3.6.1.

Variable	Result / Cronbach's Alpha	N of Items
Reputation awareness	0.601457	6
Part I	0.833001	3
Part II 1	1.09918	7
Part II 2	1.26714	4
PART III 1	0.923279	6
PART III 2	0.030724	3

PART IV 1	1.876909	6
PART IV 2	0.920497	4

Table 4 - Summary on the calculation done to assess the internal consistency of the answers collected
Source: Author

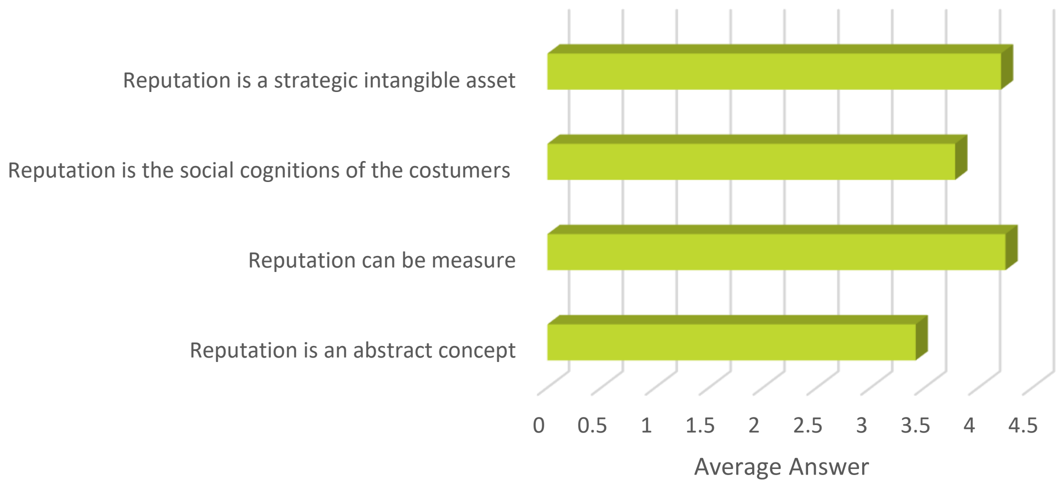
Observations with results below 0.6 are not considered balanced, and the results of those questions are not taking into consideration for the conclusions on this study. Studies in the academy suggests that Alpha Cronbach's value above 0.6 is considered high reliability and acceptable index (Nunnall, J., 1994). As we can see in PART III 2, about the mitigation strategies. Values above 1 can be perceived as redundant or containing duplications.

4. RESULTS AND DISCUSSION

4.1 Data Analysis

Reputation awareness

Although the questionnaire is structured in 4 parts, following the relevant studies in the areas mentioned in the last chapter, in order to present a guiding line and a solid structure, some of the questions in a certain chapter also help us to obtain answers to others. As an introduction, we tried to understand if the concept of reputational risk is something that is within the concerns of those who work in the insurance market. In addition, they feel that it is as materializable a concept as any other type of risk that can be more easily measured.



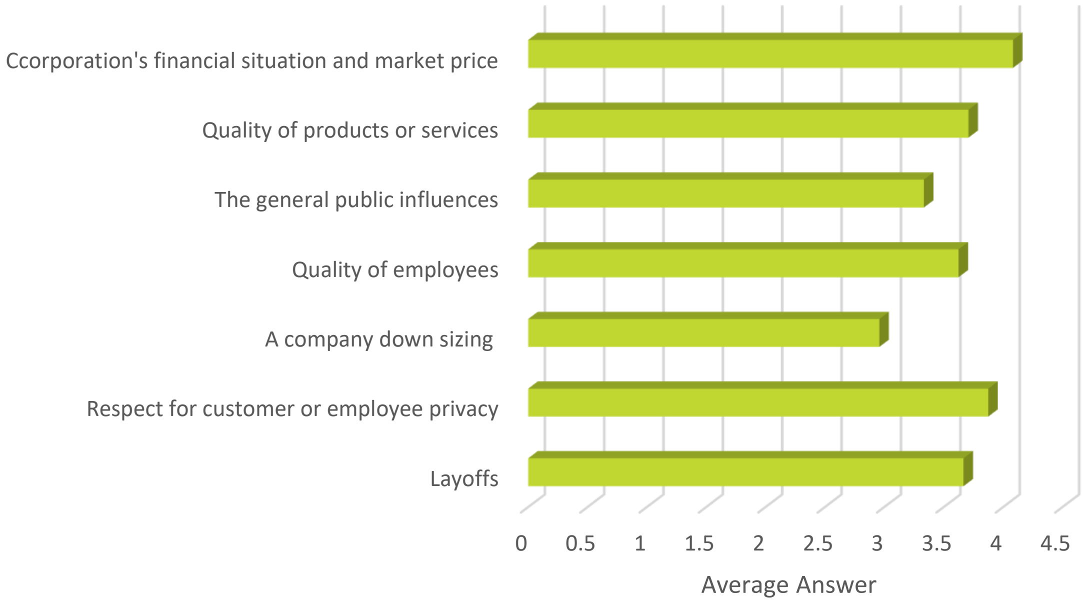
Graph 2 - Reputation awareness from the data collected
Source: Author

It is clear that is not unanimous that the reputation is an intangible asset as the average of responses only slightly overcome the last degree of choose. Another easy conclusion to see is that the reputation is beginning to start to be saw as an all and not only as the social recognitions on the customer side.

Regarding if the insurance companies are more or less exposed to a reputation scandal taking into account the business model, the target population are split, since we have an average of 3.25. This is in line with the answer to the question 2. The companies that sell goods are less expose to a reputation scandal than a company that sells non-physic services' where the majority of the people disagreed.

The mean value of the mean response to each question in this chapter was 3.91 and the standard deviation was 0.89. Reading these mean and standard deviation values, we can see that the awareness of the importance of reputation for an insurance company is very present in the minds of the respondents, as the values of agreement were high and that the answers did not vary much between the elements of the population.

For the next step we show the statistical evidence that help us to understand which events impact the reputation of an insurer.



Graph 3 - Events that contribute to reputation damage
Source: Author

It is clear from the data obtained that the financial situation and the perspective that the investors have from the company plays a crucial role. As some breach in RGPD or data privacy violation can put in cause the reputation of the company, something expected considering the new norms developed by the central governments during the last years. Bellow we can see a board that resumes and challenge previous bibliography in the fields against the conclusions obtained.

The mean value of the mean response to each question in this chapter was 3.60 and the standard deviation was 1.00. Reading this mean value can help us understand that mainly the target population agree with the majority of the events that we propose as possible.

Events that damage reputation summary on the data collected

What are the events that damage the reputation of an insurance company?

Align with WillisTowersWatson reports in 2021. Our data conclude that confidential client information lost or stolen can be one of the most critical factors for a reputational crisis.

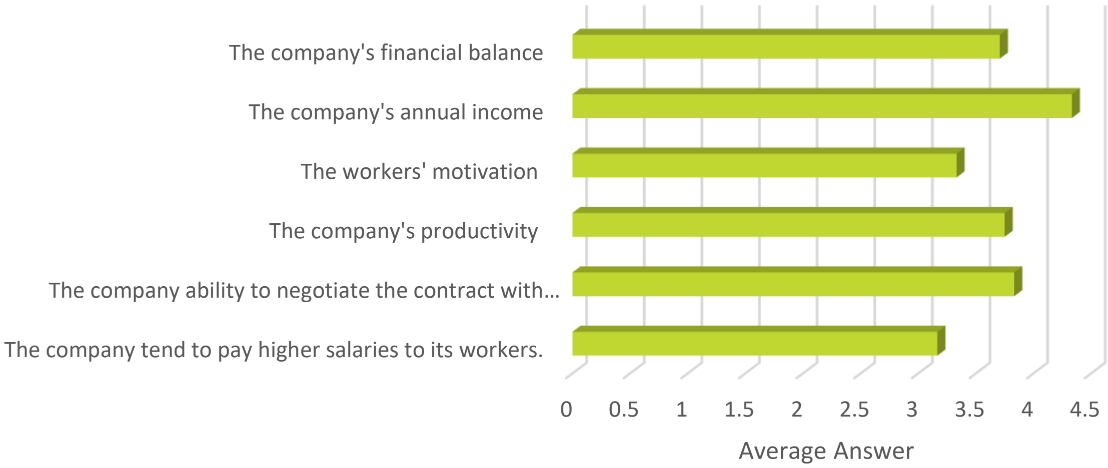
A firm downsizing or layoff is not so related with a possible reputational risk trigger event as it was mentioned on 'Supporting Strategic Success through Enterprise-Wide Reputation Risk Management' (Gatzert,2015).

In this second part of the questionary an assessment was made in 4 main topics as explained in the previous chapter (Gatzert, 2015). On the impact of corporate reputation concerning more specifically the Stakeholder behavior, Corporate Financial Performance, Corporate Reputation. And from the study by Stuebs and Sun (2010) - Fortune ranking - 112 US firm-year observations, 2006-2008 challenge if in fact the reputation is positively associated with labor efficiency. So we separate the conclusions. First more focused on the view on the financial and stakeholders' relation impacts:

Graph 4 - Impacts on the stakeholder and other financial impacts
Source: Author

The mean value of the mean response to each question in this chapter was 2.541 and the standard deviation was 0.935. We can see that it is not high the average of agreement with the suggested statements on which is accorded to what was expected and can show that there are still some lack of clarity on the true impact that a reputational problem can create.

Then with a view on the corporate financial and labour efficiency related:



Graph 5 - Most impacted areas in the company / What is affected
Source: Author

Two extra question were made to have a view on the perception of the insurance companies' workers in two main topics. Which are the stakeholders' perception on the two following questions, a reputational risk is seen as less of a concern than a financial or operational risk and if reputational risks have negligible impact on organizations as they usually do not have a direct impact on the company's operations.

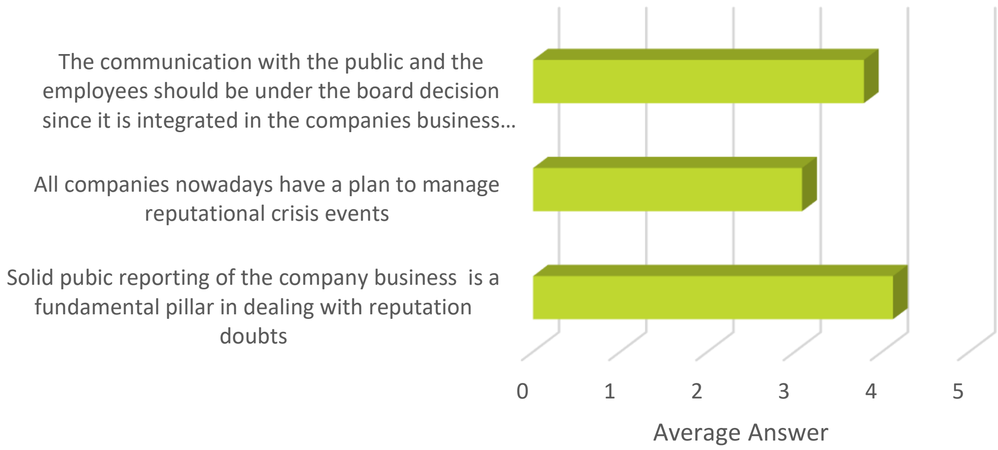
The mean value of the mean response to each question in this chapter was 3.687 and the standard deviation was 0.855. Contrary to the first set of questions on this part this higher average rate and less standard deviation are showing that the population that answered to the questions see an impact in all the areas and stakeholders mentioned in the questionary.

Impacts on the company summary on the data collected

What are the impacts to the company?

We can confirm the consequences from the book Finance Ethics: Critical Issues in Theory and Practice (Robert Kolb 2010). As we see a clear tendency to difficult deal with investors and on the hiring costs.

In the part III, as explained, we especially address the issue of awareness about a reputational risk management. The results show that most respondents agree that one of the main strengths to deal with reputational crises on the part of a company will be the transparency in the reports it makes public about its business. It is also evident among respondents that most companies today do not have an effective plan to manage and respond to reputational events.



Graph 6 - Awareness about reputational risk management
Source: Author

The values obtained here show a tendency to assume that a company with an open and proper channel of communication with the customers and stakeholders is closer to have a solid way to answer a reputational crisis. We can see that since the mean value of the mean response to each question in this chapter was 3.666, although the second question it is decreasing the average it is going in the same direction of thinking as the other two, also the standard deviation of 0.918 can be explained by that question.

In this second section of questions, the answer that stands out most follows the line of the previous answer, where it is perceived that communication with the outside should be one of the pillars of reputational risk management strategies.

Graph 7- Mitigation strategies
Source: Author

From the data collected, we can see that companies should assure proper channels of communication with the exterior. This is aligned with the studies that prove nowadays with the speed of information exchange rates are even more important to the insurance companies to be ready to assure the propel communication channel and message with all the stakeholders. Bellow we can see a board that resumes and challenge previous bibliography in the fields against the conclusions obtained.

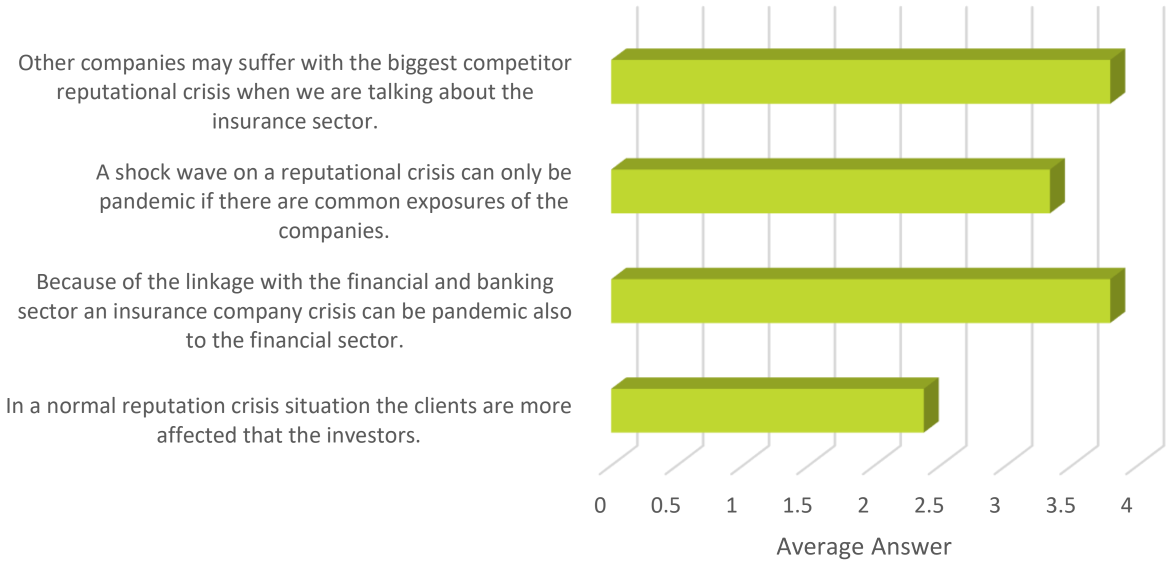
The mean value of the mean response to each question in this chapter was 4.35 and the standard deviation was 0.67. These values can show us that this is the most unanimous answer of all the questionary.

Mitigation strategies summary on the data collected

What could be the mitigation strategies to respond to these situations?

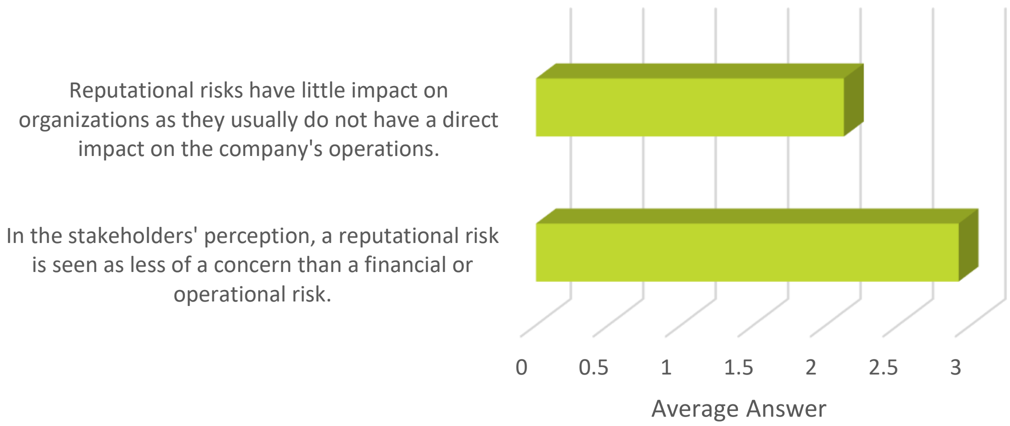
Our data analysis confirms the conclusions collected by the authors in previous academic studies in the area, where the focus will be on the existence of a strategy to mitigate the impacts of a possible reputational crisis event. As well as effective communication with all stakeholders will be the key to overcome this type of event.

The last focus group of the work is divided in two areas. In the first stage of the part 4 in this work, we focus on the system risk impact in the market and on how are the most affected stakeholders.



Graph 8 - Systemic risk awareness
Source: Author

From the data collected looks like there is not a concrete link between a reputational insurance crisis and the impact in insurance or bank system. Contrary to what happened in 2008 crisis where all the sectors were affected. The investors and clients seem in the same way affected and a behaviour change could be possible as expected taking into account previous academical studies (Gatzert, 2015). The mean value of the mean response to each question in this chapter was 3.32 and the standard deviation was 0.89.



Graph 9 - Perception and Impact on company and stakeholders
Source: Author

The second stage analyzing the perception and impact we can show that the perception on the importance of the reputational risks seems clear as they are seeming as important as an operational risk. We can easily conclude this considering the respondents' disagreement with question 1 of the graph above. Bellow we can see a board that resumes and challenge previous bibliography in the fields against the conclusions obtained.

The mean value of the mean response to each question in this chapter was 2.52and the standard deviation was 1.21. In here the low average is aligned with what we were expecting since the non-agreement with these questions means that the importance of this risk is in the head of the inquired population.

Most affected stakeholders and systemic risk

What are the most affected stakeholders? How are they affected and how can occur a sector systemic risk?

The investors and clients seem in the same way affected and a behavior change could be possible as expected taking into account previous academical studies Nadine Gatzert (2015). Contrary to what we expect in the data collected there is not a concrete link between a reputational insurance crisis and the impact in insurance (other companies) or bank system. This may be a consequence of only people that work in insurance companies have been inquired.

To wrap up the data collection and analysis we can say that we had begun to understand the awareness with the crisis reputational risk that was raised in various works related with the topic (Gatzert, G., Schmit, Kolb, 2014; Diermeier, D., 2008 ; Gupta K., 2016). We started by analyzing the importance of reputation in insurance companies, where we realized that professionals in the area who responded to the survey also agree that this is already one of the topics on the agenda of all insurers. In the first part of the questionnaire, we analyzed the importance of the data confidentiality and data protection of the clients. We aimed in these questions to challenge the Willis Towers Watson reports in 2021, the conclusions that we took from the data collected can confirm that this is one of the most critical points in the customers trust, so it is also a risk for the reputation of an insurance company. Contrary, in the case of the challenge done against the work and conclusions took on the paper 'Supporting Strategic Success through Enterprise-Wide Reputation Risk Management' (Gatzert, 2015) where a firm downsizing or layoff was stated as a possible reputational risk, we do not see the same alignment between our results and the previous study in the area. This can lead us to a conclusion that there is not a deep understanding on the meaning of these two financial movements in an insurance company, by the stakeholders.

In the second part of the questionary, we try to make a validation on the impact of the reputation in the labor efficiency and the hiring costs since these are two topics that have been associated with the reputation of the companies (Stuebs, M. & Sun, L. 2010). In here the data collected confirmed the previous studies in the topic, and the field experience of the author which can feel a clear tendency to difficult deal with investors and on the hiring costs in case of a reputation damage event. The most unexpected conclusion of this part of the study can be the impact also on the labor efficiency but thinking in a human perspective is expected that we feel more connected to a firm that has a good reputation among the customers and investors than a company with a bad name in the market.

After these two first questions we analyzed the most important outcome of this study, which is focus on how to manage the reputational risk and how this kind of issues can affect the market. As the conclusions from this study can be apply in the market and help the companies to create strategies to prevent the scalation of an event like this. All the studies presented in the bibliography done below, in the area of risk management, conclude that an early warning system (Diermeier, 2008), ongoing assessment of the reputation risk on the company and an effective strategy of communication with the customers (Diermeier, D., 2008; Gatzert, 2015) are key features to be developed in order to have a proper reputational risk management. This can seem obvious, but we want anyway to confirm with the professionals operating in the market because is not rare the cases where the experience professionals contradict what the academicals studies say, and in fact all the data collected and analyzed in our questionary confirmed this. The last topic in our questionary approach an overly sensitive theme because it is direct related with the investments done in the companies which leads to the capacity of the insurer companies to survive. Is in fact the relation between a reputational crisis or risk and the investors trust and support of the company. This is a question that at the first sight do not need any study to be answered but why it is important to get data from professionals that are in the market? Because sometimes the insurance companies get into reputational troubles to protect the profit and their stakeholders' investments. There's why we want to know if the investors and the client seems in the same way affected when a reputational risk becomes a reality. The results confirm the theories already studied (Gatzert, 2015; Honey, 2017) where the clients and investors seem affected as equal. To wrap up the work the systemic risk has been studied, and in here it cites the most unexpected result that we can take from the data collected. Works done in bank and insurance markets, since they are very related as we could saw in the 2008 crisis, show that a company with a reputational risk can infect all the market (Gatzert & Schmit, 2014; Gupta, 2016). Our work conclusion contradicts what it is show in those works. The possible limitation that leads to this is discussed in the last chapter.

5. CONCLUSION AND EXPECTED CONTRIBUTIONS

In the modern era, the insurance companies realize that the value of their reputation is becoming a more important asset than some financial indicators or material ones. The way the business is made is easier, faster, and more profitable as the modern world is more connected and dynamic than ever because of the technological and social grow of the nations and companies. This characteristic does not bring only advantages, the insurance market is more exposed to the risk especially to reputation risk. Any realization of a potential reputational risk is likely to be materialized in real operational and economic loss as we saw in the studies mentioned in our literature review, so the company's focus on the question if the reputational crisis events have a real impact on corporation financial performance or other operational features and how severe they are (Gazert, 2015).

With this said this research pretended to understand the current studies done in the area and at the same time to raise awareness in this topic which is more explored and a focal point for the insurance companies nowadays. Also, the current conclusions that already existed about the topic were challenge and congregated for at the end with the new conclusion acquired or the old research confirmed frame them to have impacted in the insurance world. The companies rely in a certain status regarding their reputation in the market (Eckert, C. & Gatzert , N., 2015). and this research try to understand what the main causes of loss in this commercial immaterial asset are and at the same time emphasizes the best strategies that should be follow in order to mitigate or even to take advantage from some reputational crisis. The search address to have a clear picture on the potential risks of reputation for an insurer company and acknowledge what are their main sources. Identify clearly all the people involved and establish their role in the thread.

Saying this, this study shows with the data collected that nowadays the importance of information privacy prevails in this type of business, which is one of the most critical factors in terms of an insurer's reputation, it became clear the importance that insurer companies' workers give to the protection of their customers. After analyzing the data collected this study also provide important insights to complete the alignment with other studies in the area, which highlighted the difficulty of negotiating with investors and employees in the event of a reputational risk event. This means every service or employer hired by the company became more expensive which have a direct impact in the company's balance sheet, here we see two sectors of the company clearly affected which are the recruitment and the salary expenses.

Accordingly, to the analysis done, the statistic results observed from the answers of the interviewed point that the insurance companies must have a reputational risk management strategy aligned with the rest of the company's business and communication strategy. Since there is a true risk in the company to not be able to manage a proper response and damage control if all the company's structure are not ready for that. One of the main reasons this study had used people from all departments was to confirm if this is an idea only sponsored by more strategic departments or if it is transversal as it was proved. Here we obtained a clear picture in the importance of the transparency of the company, this means, clear reporting on the business status for all interested stakeholders and the maintenance of a proper channel to talk with the market, suppliers, and investors.

In relation to the risk of contagious and contrary to what we expect the data shows that there is not a concrete link between a reputational insurance crisis and the impact in insurance (other companies) or bank system. This may be a consequence of only people that work in insurance companies have been inquired about.

Making a summary of the conclusions it is clear that the insurance companies are, more than ever, seeing reputation as an asset to maintain and that a strategy to quick respond and mitigate the eventuality of this threat becomes real is something saw as absolutely necessary.

The causes for the main reputational crises are related, as mentioned in the chapter on the analysis of results of this work, with four main points. And they are the company's financial situation and market price, this means that the confidence of the company's markets is directly related to its financial reports and the health it shows to the market, which is easy to understand, taking into account that many investors mainly follow the results presented by companies. The other most important point is respect for the privacy of clients and employees, with the insurance area being a very sensitive area in terms of the information and exposure it can give its clients. It is also evident that the other two possible causes for an insurance company's reputation problem are related to the quality of the product and service and the work shown by its employees. This we can say that it will be transversal to all organizations, but in a more accentuated way in the insurance companies since the human contact and the way in which the products are presented and sold can be central in the customers' decision.

So, companies must find within their staff responsible for controlling critical points such as the privacy of employee and customer data, something that is beginning to be regulated these days and therefore implemented in a mandatory way. There should be also a strategic reputation management plan in line with the company's vision, values, and mission. This will commit all employees to these processes and at the same time manage to frame the company in a more positive way and give it a more resilient image to the outside world. It is therefore expected that with the conclusions obtained in this work, it is possible to more concretely alert and sensitize companies present in the market and that still do not give due importance to the mitigation of reputational risk. As well as being able to be more consistent in the points and perspectives to improve, as companies are increasingly looking for ideas and key points to “attack” so that this type of messages can be received by everyone in a clearer and more committed way.

At the end, the author hopes this work could bring some clarity and evidence between workers in the insurance companies that sustains the importance of give the deserved credit and be prepared for any reputational risk that would occur. To summarize, the evidence find in this work should and must be transported for the real insurance market world in order to prove the importance of a real plan to mitigate this type of risk as the importance of transparency and communication with the stakeholders.

6. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE WORKS

During the realization of this work, decisions were made within what was believed to be the best to achieve the objectives proposed for it. With the experience gained and after the analyzes conducted, we were able to find some points where the perspective of analysis can be different and enrich future work in the area even more.

When analyzing the data, we wondered if a more diverse and numerous samples would not show another trend of answers, especially on questions in which there was a clear misalignment with other works conducted in the area. When we talk about diversifying, in our case it would involve other companies in the insurance area, knowing of course that most of the participants in this study have already gone through several players within the sector, there is always a tendency to focus more on the concerns we have at the moment. And then we know that a company that focuses on a certain objective will always influence its employees to be more attentive to these aspects.

At the level of data collection, it could also be interesting to ask some open-ended questions, this would bring an increase in opinions, and we would even be able to obtain new currents of thought on the topics addressed. Here we would have a more comprehensive view of the respondents' real thinking and we could eventually get new opinions or discover other views to address. When using Google Forms, the tool is quite practical and would also allow information to be collected using natural language, but its analysis would require some other methodology. Here it could be a tool or even the development of a program in a language like Python or Ruby to analyze this data.

Regarding the last question addressed in the work, which sought to find out the opinions of the participants regarding some possible contagion effect, and that the answers contradicted some revisions made later in the matter, possibly because we only interviewed people in the area of insurance companies. Here we think that it might be relevant and interesting to remove this limitation by trying to include workers and banking companies that support and do credit insurance, or including workers from other financial sectors because, as we saw in the Subprime crisis in 2008, every financial, insurance and market institutions are interconnected.

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