

Reputational Crisis Insurance

Reputation – what is it?

Reputation is a broad theme, subject to many different and sometimes competing interpretations

As a major intangible asset, reputation has grown to comprise a significant proportion of many companies' entire value. For this reason, damage to reputation should be considered as an important risk for any business.

The forces that affect reputation have multiplied over the past decade and in recent years there have been systemic changes to how people consume information, form opinion and take action. This is true both in terms of where people choose to obtain the information, but also the lens of interpretation that is being brought to bear. In general, we are living in a 'post-truth' era, where fake news and mass psychological conditioning are fast becoming the norm.

Changing demographics, falling public trust, rising state and non-state manipulation of public opinion and the exponential rise in both the quality and quantity of data are all factors driving a new reputational landscape for companies to navigate.



Reputation-linked losses for companies have risen exponentially in the last decade



Reputation in a changing world

Proliferation of social media

The exponential growth in mobile devices has driven unforeseen levels of viral immediacy in the sharing of stories. Negative public commentary about products and services can spread anytime and can be very difficult for companies to control.

Rogue nation states have also been seen to use social media for disreputable objectives, for example in the context of electoral manipulation. Such activities have the propensity to be targeted at specific companies, especially those that are important constituents of national economies.



Over the course of a single day in 2018 one celebrity tweet criticising Snapchat's redesign had, at one point during trading, wiped

\$1.5bn

off Snap Inc.'s share price.

Wider public mistrust

Amid an atmosphere of wider public mistrust of corporations, greater media democracy has the effect of escalating reputational damage. Consumers now have a more accessible route to voice opinions and are more likely to post damaging content online than ever before. The public is grappling with a shifting trust dynamic; it is clear that in today's world, many consumers struggle to identify products, services and companies in which they have a high level of trust.

Demographic changes

Younger generations, an increasingly important consumer segment, increasingly look to social media to consume news and opinion rather than traditional sources of media like established newspapers.

Whilst traditional news sources remain influential they are losing ground to platforms that are not subject to the same stringent ethics and reporting quality. Negative stories on social media can be highly influential, viral and difficult to target via traditional public relations methods.



Client needs

As the shadow of reputational risk looms larger, many companies are looking for risk management and transfer solutions. Polecat research indicates that company executives frequently articulate how hard it can be to identify and manage reputation-harming events, with many saying that they are taking positive action to invest in products and services that can help them to understand the situation and scan the horizon for threats.

Willis Towers Watson have partnered with Polecat, a technology leader in reputation intelligence, to deliver the critical actionable insights that corporate reputation professionals need to make key decisions. Polecat solutions support many of the world's largest and most high-profile global businesses across multiple sectors.

About Polecat and Artificial Intelligence

Recent developments in Artificial Intelligence mean the universe of unstructured data – everything published online and in social media - can now be synthesised and surveyed in real-time. The Polecat platform takes on board all publicly available data and enriches it to enable interrogation against multiple issues, assets, stakeholders and markets in order to actively anticipate, identify and manage risks and opportunities for corporate reputation.

Polecat's platform and product, RepVault, visualises this universe of data through intuitive and interactive dashboards so that customers can see what is important to their business on-demand and in real-time, and rapidly benchmark their profile and performance against competitors and peers.

- Impact metrics focus on the results which are most influential and significant for a specific corporate brand.
- Flexible design enables customers to map and interrogate their landscape according to precise reputation drivers and across the range of topics and environmental, social and governance risks, opportunities and perils that define business performance today.
- Topic trend and sentiment capabilities allow instant insight to the issues that are emerging or diminishing and the positive or negative association with the company to aid with early warning and horizon scanning.

The Polecat platform is also setup with a dashboard view that enables the viewing of data relating specifically to each of the standard named perils within the insurance risk transfer element of the reputational crisis insurance solution.

Polecat's products and services allow you to:



Put corporate reputation at the heart of strategic decision-making processes.



Reduce over-reliance on budget heavy, expensive consulting services.



Monitor reputation campaigns that directly impact the corporate brand.



Gain foresight around issues happening on the horizon, so you can plan your response now.



Improve the speed and efficiency on delivery of insight around changing trends.



Gain perception of the corporate brand across key stakeholder groups: NGOs, politicians, activist investors etc.

Fictional case studies*



Major lapse in safety controls at theme park

A theme park in the UK suffered a major lapse in safety controls relating to a new 'freefall' rope ride, leading to life-changing injuries being caused to a customer. The event was captured on social media by a number of other visitors and the event caused a major reduction in the venue's attractiveness for a period of time, resulting in reduced ticket sales. This led to a reduction in revenues and tens of millions of lost profits. For companies facing this kind of issue, it can be hard to know which insurance policy

to turn to, or if any of them will respond. A public liability policy will pay for compensatory damages to the victims, and a property policy would potentially pay business interruption relating to the period of time that the attraction is remediated and damage repaired. However, there are substantial costs that are not covered under these policies. The reputational crisis insurance solution would provide coverage for such an event through the 'bodily injury' peril named in the standard wording, which provides coverage for adverse publicity caused by a significant bodily injury event on the premises.



Safeguarding failure by charity

A major global charity suffered a substantial withdrawal of public support following the publication of information indicating that a major safeguarding failure had taken place, related to the charity's operations in the Congo. An employee of the charity had engaged in payment for sex from a legal minor that the charity was supposed to be helping. The event led to the charity losing extensive subscription donations and those from commercial organisations, despite government grants narrowly being maintained. Maintaining the cash

flow of the charity is essential to support ongoing, important work. A public liability policy will pay for compensatory damages to the victims, but the implication of an event like this is often that donors withdraw fundraising support. This leads to a compromised stream of donations that can be hard to recover. The reputational crisis insurance solution would provide coverage for such an event through the 'safeguarding failure' peril named in the wording for the charities/NGO's vertical, which provides coverage for adverse publicity caused by the mistreatment or abuse of charity beneficiaries by an employee or volunteer of a charity/NGO.



Global airline attracts public criticism

A global airline attracted public criticism following the physical and verbal abuse by a security guard of a customer with hearing difficulties standing in the boarding gate queue. The issue was caused by the airline procedures regarding the overbooking of the flight. The physical prevention of the customer from boarding by airline security was recorded by other passengers and posted to social media, leading to calls to boycott the airline by the public. Further criticism of the airline was exhibited following the initial press communication from the company's head of public affairs, which was interpreted as striking the wrong tone.

Customers began to book with other airlines as the social media backlash grew. Incidents like these can indicate that even the best-funded companies can suffer unforeseen reputational events that follow a different pattern to ones that have been planned for. Reputational crisis insurance would provide coverage for such an event through the 'customer abuse' peril named in the standard wording for the transportation vertical, which provides coverage for adverse publicity caused by the mistreatment or abuse of a customer by an employee.



Loss of attraction for hotel chain

A major hotel chain in Asia suffered significant dislocation of its business activities following an attack on customers by individuals using automatic weapons, grenades and blades. The horror and depravity of the terror attack, which is extensively covered by people recording videos and taking pictures on social media, led to the hotel in question facing an economic catastrophe resulting from loss of attraction. The impact of active assailant attacks permeates far beyond the chronology of an event itself. Much of the financial damage to a brand following such an event is posed by the loss of attraction that attaches to the brand and its physical locations long after clean-up. The reputational crisis insurance solution would provide coverage for such an event through the 'active assailant' peril named in the standard wording, which provides coverage for attacks made at or from a company's premises, whether the attackers utilise small arms or other means including motor vehicles, chemical/biological agents or bladed weapons.

*All names, characters, and incidents portrayed in the case studies are fictitious. No identification with actual persons (living or deceased), places, buildings, companies, entities or products is intended or should be inferred.

How can reputational crisis insurance help you?

Reputational risk is one of the most dynamic and systemic risks facing modern companies.

Greater public and shareholder scrutiny with regards to a board's fulfilment of fiduciary and regulatory duties on the subject has resulted in greater pressure on companies to prepare for and mitigate against reputational crises.

In response to this growing problem and in response to the fact that intangible assets comprise an ever-higher proportion of total enterprise value, Willis Towers Watson is developing a truly value-driven suite of new products and solutions led by the reputational crisis insurance solution.

The solution is an innovative risk management tool, incorporating cutting-edge technology to drive proactive risk management and responsive crisis management insurance covering critical costs like business interruption.

Alongside Liberty Specialty Markets, a leading provider of commercial and specialty insurance products globally, a leading global insurance company with an exceptional financial rating, we are helping our clients to comprehensively mitigate and transfer this catastrophic balance sheet threat.

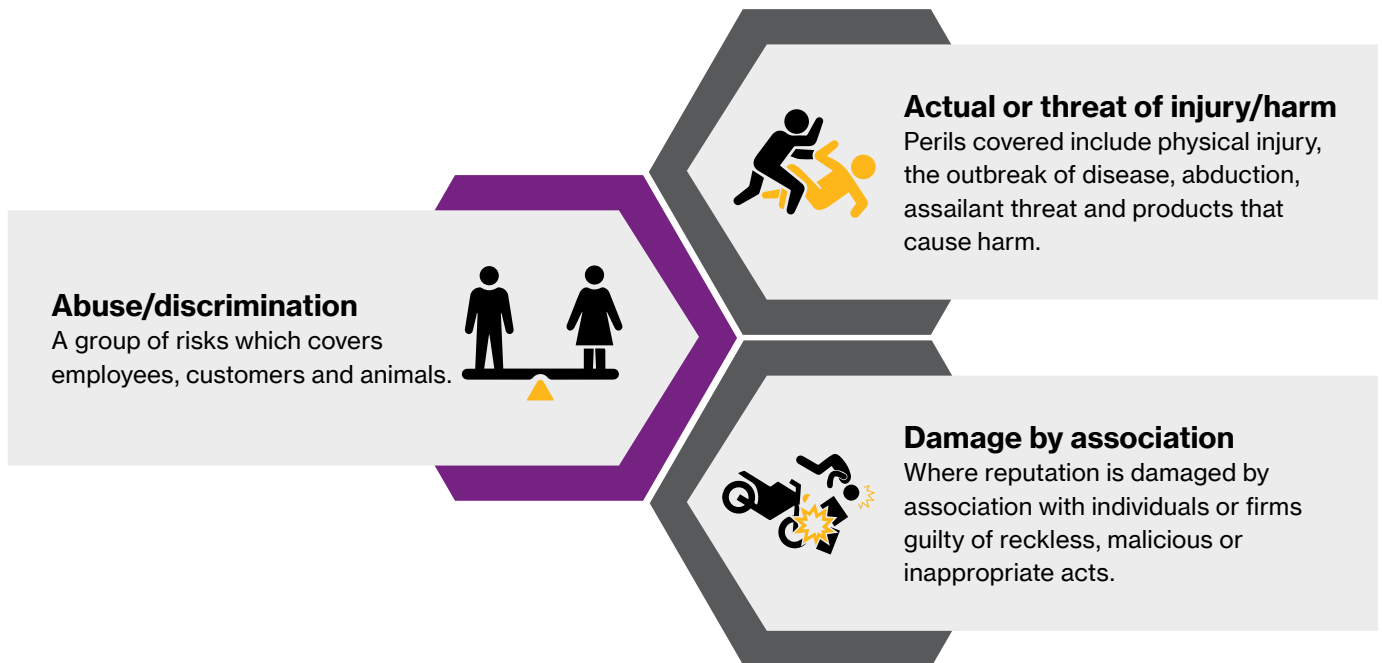
“Companies are good at managing humans and physical assets, but they aren't good at managing intangible assets. We have to learn how to manage them, understand the risk and put strategies in place.”

John Ludlow, Chief Executive of Airmic



How reputational crisis insurance works

The product is specifically designed to help clients understand and manage their risks from reputational damage. The key areas which may result in reputational damage can be summarised as:



Each policy is designed to cover a client-selected number of the nine key perils described under the headings above, but it is possible to discuss other perils for inclusion as insured events on a bespoke basis.



Reputational crisis has been specifically designed to serve businesses with strong consumer-facing brands in the following sectors:



Leisure &
Hospitality



Manufacturing



Retail



Transportation



Non-Governmental
Organisations and
Charities

We are also able to consider solutions for companies falling outside of these industry sectors or in different parts of the supply chain, whether via adaptation to the reputational crisis product solution or in the wider insurance market.



Next Steps

For more information on Willis Towers Watson's global reputational offering, please contact:



Tom King
Global Markets P&C Hub
Willis Towers Watson
E: tom.king@willistowerswatson.com
T: +44 (0)20 3394 0498



Tom Rowley
Global Markets P&C Hub
Willis Towers Watson
E: tom.rowley@willistowerswatson.com
T: +44 (0)84 5404 4203

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