

A Brief Discussion on Reputation Risk and Management of Insurance Company

Na Ta^{1,2}

¹Jining Normal University, Inner Mongolia, 012000, China

²Philippine Christian University Center of International Education Manila, 1004, Philippine

Abstract: The reputation of insurance companies plays a crucial role in building consumer trust, thus affecting consumers' purchase intention to buy insurance products and services. Insurance companies with a good reputation will have higher customer loyalty and more easily stimulate consumers' potential insurance demand. This paper will study the factors that affect the reputation risk of insurance companies. The quality of the staff, the level of enterprise management, corporate charisma, financial indicators, and media coverage are 5 factors that affect the reputation risk of insurance companies. It is of great significance for insurance companies to strengthen reputation risk management, avoid and control reputation crisis events, and incorporate reputation risk into their comprehensive risk management system. Therefore, this paper proposes some suggestions for strengthening the reputation risk management of insurance companies. First, the awareness of the reputational risk of insurance companies should be improved; Second, improve the quality of insurance products and services; Third, establish an effective reputational risk management mechanism for insurance companies; Finally, improve the information disclosure system of insurance companies.

Keywords: Reputation Risk, Risk Management, Insurance Company.

1. Introduction

A survey of 132 top multinational companies by Foley International and the World Economic Forum found that corporate reputation is a better measure of success than financial performance. Although reputation management plays an important role in the competition of insurance companies, the problem of the poor reputation of insurance companies in China's insurance market is still serious. The negative impact of the insurance industry's poor reputation on consumers can be found in Swiss Re's Risk Attitudes and Insurance Survey: Asia Pacific and China. The data shows that although 72% of the Chinese surveyed said they planned to buy insurance in the next 12 months, many people will not take action. Another major indicator of the survey, "The Top Five Barriers to Buying Life Insurance in emerging Asia Pacific Markets," reveals that the top reason influencing Chinese people to buy insurance is "the reputation of insurance companies." According to the data, 26% of the respondents cited "industry reputation" as the main factor in delaying their purchase choices, and the survey results point to the distrust of the Chinese people in the insurance industry. It can be seen that the reputation construction of China's insurance industry still has a long way to go. In the future, only long-term and continuous construction of the reputation of China's insurance industry can win more social recognition.

In the insurance market, the improvement of an insurance company's reputation can enhance its intangible assets, affect consumers' recognition of the company, and encourage consumers to maintain loyalty or make purchase decisions, thus increasing the demand for insurance. Consumers will prefer insurance companies they identify with. Insurance companies with a good reputation will have higher customer loyalty and more easily stimulate consumers' potential insurance demand, so they will also have more consumer insurance demand.

2. Factors Affect the Reputational Risk of Insurance Companies

2.1. The quality of the staff

The main business of insurance companies is to provide insurance services for customers. As a service organization, the quality of employees is particularly important, because the quality of employees will have a direct impact on service quality, that is, the higher the quality of employees, the more high-quality services can be provided. When the insurance products are roughly the same, customers are more willing to choose insurance companies that provide high-quality services, that is, insurance companies with good service levels are more likely to gain customers' trust and satisfaction, which is conducive to improving the reputation of insurance companies. At the same time, employees with high quality tend to have a strong legal awareness, which reduces the probability of moral risks such as internal fraud. Moreover, the fewer negative events that occur in the company, the more effective it is to prevent the occurrence of reputation risks. Therefore, the quality of employees is one of the important factors affecting the reputational risk of insurance companies.

2.2. The level of enterprise management

Reputation risk is affected by the management level of insurance companies. Life insurance companies with high management levels can often reduce the occurrence of sales misdirection, false publicity, and other incidents, and also improve the service quality of claims. Strict management by insurance companies in underwriting and claims settlement can reduce sales disputes and claims disputes, and even reduce the company's compensation level, which will enable insurance companies to have more funds for improving services, forming a virtuous circle, and establishing a good corporate image and reputation. At the same time, the management level is directly related to the early warning and

disposal of reputation risks. Compared with ordinary companies, the reputation risk early warning mechanism of companies with higher management levels is often more effective and feasible and can handle reputation events timely and properly according to the plan through efficient cooperation after the occurrence of reputation risks, to minimize reputation losses.

2.3. Corporate charisma

The charisma of an enterprise can be comprehensively reflected through the scale, structure, and background of the shareholders of the enterprise. Generally speaking, insurance companies with large scale, strong financial strength, and leading positions in the industry will have a good brand image in the hearts of the public, and at the same time have a higher degree of awareness and recognition of the company, and there will be more positive evaluation of the enterprise, that is, the enterprise has a higher reputation, so the reputation risk is lower; On the contrary, because the public has less cognition of small scale enterprises, their corporate reputation is lower than that of large scale and well-known companies, which is more likely to cause reputation risk. In addition, people have greater confidence in listed companies, group companies, and companies with state-backed backgrounds. Once reputation risks occur, companies can use this confidence to deal with the impact of reputation risks and minimize losses. However, it is generally believed that small enterprises are weak in their ability to withstand risks, so they lack confidence in the company's ability to withstand risks. Once there is a reputation risk, small companies without the support of public confidence and lack of help, it is easy to cause huge losses or even bankruptcy.

2.4. Financial indicators

Financial indicators can directly see the operating conditions of an enterprise, which helps the public to pay attention to the development of an enterprise at any time. The sound financial indicators of an insurance company can show the good operating conditions of the company, give all stakeholders confidence in the future long-term development of the insurance company, and gain positive stakeholder evaluation. On the contrary, once the financial indicators of an insurance company reveal the problems existing in the daily management and management of the enterprise, a series of negative impacts will be generated. For example, if the shareholders are concerned about the return on equity of the enterprise, the suppliers are concerned about the net profit of the enterprise and the regulators are concerned about the solvency of the enterprise and other indicators are abnormal, it will easily lead to negative evaluation from various stakeholders. This leads to reputational risk.

2.5. Media coverage

Today is an era of "self-media", the speed and scope of which far exceeds traditional media such as TV and print. In the context of the traffic era, the media will also grasp all hot news to attract people's attention, especially some negative news through the media, become a real-time hot topic, easy to mislead the public and bring great pressure to insurance companies. Secondly, according to the requirements of information disclosure, the regulatory authorities will regularly publish the administrative penalties of insurance companies on the official website, which increases the exposure of various illegal problems of insurance companies.

If the news media reports the penalties through the official website and the insurance company does not take the initiative to deal with them, it is easy to cause reputation risks and further spread the negative effects.

As a special financial enterprise that manages risks, the insurance industry needs to rely on reputation and public confidence to maintain its operation. Once an insurance company encounters a reputation crisis, it will not only directly damage the reputation of the insurance company, but also lead to a crisis of public trust in the entire insurance industry. Reputational risk has become an important risk faced by insurance companies. Therefore, it is of great significance for insurance companies to strengthen reputation risk management, avoid and control reputation crisis events, and incorporate reputation risk into their comprehensive risk management system.

3. Suggestions for Strengthening the Reputation Risk Management of Insurance Companies

3.1. Improve the awareness of the reputation risk of insurance companies

At present, reputation risk management has become an important part of the overall risk management of insurance companies, but reputation risk management has not attracted enough attention from Chinese insurance companies. Therefore, to do a good job in reputation risk management, it is necessary to improve insurance companies' awareness of reputation risk. On the one hand, it is necessary to train, promote, and improve the system so that all employees of the company can fully understand and understand the significance of reputation management to the development of the company, to establish awareness of reputation risk management from the board of directors, management at all levels, and ordinary employees, and improve the overall reputation risk management ability of the insurance company. On the other hand, build a reputation risk management culture. Reputation risk management should be an important part of the corporate culture, which will have a great impact on the way of thinking and behavior of the company and its employees. Insurance companies should incorporate reputation management into the construction of corporate culture, shape the reputation risk management culture, and guide employees to make joint efforts to build a good corporate reputation.

3.2. Improve the quality of insurance products and services

The quality of insurance products and services is directly related to the social reputation and credibility of the insurance industry and insurance companies. The basis of maintaining a good reputation is to improve the quality of insurance products and services. First, effectively solve the problem of difficult claims settlement. Strictly implement the provisions of the Insurance Law and other relevant laws and regulations on claims, implement the disclosure system of claims procedures, establish the accountability system of claims posts and the claim return visit system, strengthen the innovation of claims service, improve the service attitude and methods, improve the efficiency of claims, and effectively improve the quality of claims service. The second is to control misleading sales behavior effectively. It is necessary to

strengthen the management of sales links, and remind and clearly explain the exemption clause to the insured; Strengthen the qualification management of sales personnel, improve the level of laws and regulations and business skills of sales personnel; Further standardize product specifications, insurance tips and promotional materials; Strictly implement the customer return visit system, focus on solving the problem of the authenticity of insurance policy information, and improve the level of insurance after-sales service; Strengthen the construction of the company's internal control system, solve the problem of combining insurance laws and regulations and regulatory policies with the company's internal control system, increase responsibility investigation, and comprehensively prevent and control misleading sales behaviors. Third, improve the management system of the company. Continuously improve various service quality management systems, increase service control efforts, standardize service processes, improve service standards, strengthen service assessment, gradually establish a scientific, comprehensive, and effective service quality management system, improve the standardization and scientific level of service quality management, and improve the public's recognition of the insurance industry.

3.3. Establish an effective reputational risk management mechanism for insurance companies

To strengthen the reputation risk management of insurance companies, it is necessary to establish a mechanism to achieve continuous and perfect risk management. First, establish a reputation risk early warning mechanism. Insurance companies should establish a comprehensive early warning mechanism, adopt a combination of qualitative and quantitative methods to establish a reputation risk monitoring index system under the complex and changeable market environment and internal uncontrollable factors, regularly analyze the occurrence factors and transmission channels of reputation risks and reputation events, and monitor the possibility of reputation risks from different aspects. Second, the establishment of a reputational risk response mechanism. The occurrence and consequences of reputation risk are uncertain, and insurance companies should formulate emergency plans for reputation risk based on the actual situation, clarify the response time of risk events, formulate treatment plans, media communication plans, and other contents to effectively deal with reputation risk. Third, establish a reputational risk resolution mechanism. After the reputational risk event occurs, the insurance company should not only deal with the risk event in time but also resolve the risk through an effective mechanism. On the one hand, insurance companies should formulate more specific, systematic, and operable solution measures according to reality; On the other hand, a reputational risk loss compensation mechanism should be established. For the

reputational risk that has occurred, the insurance company should be able to accurately measure the possible loss, withdraw the reputational risk reserve according to different risk degrees and weights, and allocate the corresponding capital to cover the loss.

3.4. Improve the information disclosure system of insurance companies

The function of the reputation risk management mechanism requires a certain degree of transparency, and the premise of reputation risk management is to ensure the authenticity, effectiveness, and accuracy of information. From the perspective of practice, the information disclosure mechanism of insurance companies in China is not perfect at present, so the information disclosure system must be perfected in the reputation risk management of insurance companies. First, regular disclosure of the company's operation, consumer complaints, claims, and other information, so that insurance consumers can objectively evaluate the company's operating conditions and claims service level. The second is to strengthen the information disclosure of insurance products. From advertising, and product sales to insurance services and claims during the insurance period, insurance companies should truthfully, comprehensively, and accurately inform insurance consumers of the various nature and characteristics of insurance products. The third is to enrich the disclosure of unique information. Insurance companies are financial institutions that operate risks, so their information disclosure should not only focus on the disclosure of profitability but also pay attention to the safety of the company's operation, solvency status, liability reserve risk management status, etc., to improve the media and the public's understanding of insurance companies.

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