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For Unipol Group, Reputation Matters and Is Manageable

Italy's second-largest insurer views reputation in both a value creation and risk management context

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By Juliette Fairley

Countries that are perceived to have strong reputations perform better than others in such areas as foreign investment, exports and tourism. Italy ranks among the top 15 countries in the Reputation Institute's 2016 Country RepTrak (<https://www.reputationinstitute.com/research/Country-RepTrak.aspx>) ratings. (Sweden, Canada and Switzerland occupy the top three positions.)

Unipol Group (<http://www.unipol.it/en>), the second-largest insurance company in Italy, is a big believer in the value of reputation, fully embracing the concept as an element in corporate strategy – and making a connection with the national perception.

Reputation represents an intangible risk “that is difficult to measure, difficult to judge, and difficult to improve,” says Alberto Federici, chief of corporate communications with Unipol in Bologna.



“Unipol is more ready to manage any crisis because of the work we are doing,” says corporate communications chief Alberto Federici.

“It’s a cultural problem in Italy as a whole as well as within Unipol,” he adds. “In response, we are developing a proactive approach that identifies, assesses and mitigates potential scenarios of reputational risk.”

According to a company fact sheet, Unipol, which has 14,000 employees in Italy and more than 16 million customers, “should be considered a ‘best case’ since it has understood, better and before others, the importance of positioning reputation as a corporate asset to enhance (with communications) and protect (with risk management) and to put in a stable relationship with business metrics to gradually become an essential part of the business planning process.”

Daniel Tisch, president and CEO of Canadian brand and reputation consulting firm Argyle Public Relationships (<http://argylepr.com/>), said, “It takes a long-term program to build a better business brand, backed by tangible policy change and delivery of positive business experiences.”

Unipol has integrated the RepTrak Index into its risk appetite framework, Federici explains. “If it falls below the 60-point mark and remains in the weak reputation bracket for at least three consecutive months, then appropriate mitigation actions should be taken.”

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Federici further described Unipol's approach to measuring reputation and managing its risks in an interview with GARP Risk Intelligence correspondent Juliette Fairley.

How challenging is it to manage reputation in a risk context?

The most important task for us is to convince our stakeholders that reputation is important to manage because there is a direct link between reputation and business. To persuade them of its importance, we employ data from the Reputation Institute which indicates that among companies listed on the Italian stock exchange that have a strong reputation score (70 points and higher), more customers are predisposed to buy their products and services.

What is a reputational risk crisis?

A good example would be the recent recall of the Samsung Galaxy Note 7, but fortunately, we don't have one in our recent past. We've established a dashboard that includes plans and strategies to manage a crisis in the event one occurs. Unipol is more ready to manage any crisis because of the work we are doing.

How can a firm execute reputation risk management within an enterprise risk management framework?

Our effort is in convincing our internal stakeholders that every action has reputational consequences and that they have to consider reputation in all their activities. An effective reputation management approach that can grasp the complexities of such a multi-dimensional risk requires a holistic and comprehensive view of all different departments. It also requires collaboration among risk management, communications and other departments responsible for managing the relationships of various stakeholders.

Specifically, how does it fit within Unipol's ERM?

Reputational risk management is included in the group's map of risks and in our risk management policy. Because it presents unique characteristics that require distinctive competencies and a dedicated approach, reputation is managed by a team within the department of risk management and is governed by the risk appetite statement group, which ranks each category of risk present in the map of risks.

What role does governance play in managing reputation risk?

Governance is crucial because it transforms what is deemed a project into a process to ensure a proactive, not random, management of Unipol's reputation. Companies working on reputation the longest are at a more advanced stage on this front, to a point that reputation is among the parameters under consideration by the management by objectives (MBO) strategy.

How does the Unipol Group define governance?

The definition of the governance system is one of the pillars on which we will focus in 2017, along with the development of reputational culture within the company. Reputational culture and the governance system are closely related. The governance system occurs at the level of accountability and within the rules and the moments of engagement between the various company departments related to the tools that alert to early signals of potential crisis, as well as risk mitigation before and after the occurrence of an event that potentially impacts reputation.

What controls can be applied to this discipline?

First, the prior identification of potential reputation risk scenarios. Second, prioritization of risks and setting of mitigation strategies for risk scenarios that exceed the required tolerance levels. Finally, the definition of risk governance and possible crisis management model to complement the current system of controls.

How does reputation translate into value creation, and how is that measured and maintained?

Risk is an event that has a negative impact on shareholders' perception of the group, which is a gap between expectations and the group's responses in terms of promises and actions. Internally, we rely on interviews with shareholders, managers and employees. Externally, we monitor research issued by the Reputation Institute, overall public opinion and, again, various stakeholders, which include people who own shares in Unipol as well as public opinion, influencers, the media, customers, agents, employees, financial analysts and institutions. We have a certain level of reputation to maintain to determine if the reputation level is strong, weak or medium, between for example, our agents and employees, or among our customers. It's a daily activity. We become aware reputation is in jeopardy by continuously monitoring the RepTrak Index relating to public opinion.

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What is the potential for insuring reputation risk?

At present we do not offer policies covering reputation risk. Our approach is currently focused on building and protecting the group's reputation, because reputation risk has an impact on current and future business, market capitalization, and operating margin. Policies currently available on the market cover damage resulting from events already covered by an insurance policy and as part of direct pecuniary damage, but not the damage of future business. Sometimes, the policy provides crisis management services through the advice of experts.

What about the role of social media?

Social media is a fantastic tool to manage as well as improve reputation, but there is also some potential risk inherent in social media, because of the speed at which it can amplify and broaden a crisis event. Social media can destroy or improve reputation, especially given that the insurance sector is not so sexy to the general public. For this reason, a proactive approach to managing reputational risk is highly recommended. The challenge is trying to manage it in the correct way.

We monitor every bit of media that is published about Unipol or our products, such as banking and insurance solutions for mobility, home protection, employment and savings. Obviously, the reaction is different and varies depending on the level and importance of the news. We also have a platform which monitors word of mouth, the news and where Unipol and its products and services are mentioned. We use the social media management platform Tracx (<https://www.tracx.com/>).

How does reputation risk management in Italy compare with other regions?

Some countries in Northern Europe and the Anglo-Saxon world are better situated than we are. For example, in the Netherlands and the United Kingdom, they have a long history of managing reputation. It's the Latin countries that are less developed in the sector. We are probably a benchmark for our sector and for the companies of our market in Italy and Spain.

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