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Insuring a spotless reputation

ROSS GOW EXPLAINS WHY LARGE BRANDS ARE LOOKING AT HOW BEST TO PROTECT THEIR MOST VALUABLE ASSET.

No lesser a commentator than Shakespeare noted, "The purest treasure mortal times afford is spotless reputation." In today's world, where brand equity and trust increasingly displace physical assets in the production of economic value, competition for reputation is a significant driving force for business.

Johnson & Johnson's Christmas recall of Tylenol arthritis pain tablets is the latest in a series of bruised reputations caused by product recall – joining Unilever's 10 million cans of Slim-Fast, Procter & Gamble's Vicks Sinex nasal spray, Maclaren's child-unfriendly buggies and Nokia's charger exchange programme.

And morally questionable behaviour by celebrities can also cause severe levels of negative association for brands. Before his car 'accident', the sentiment about Tiger Woods within social media and traditional media was 85 per cent positive. After news of the first affair came out, this dropped to 41 per cent while negative sentiment rose from 20 per cent to 54 per cent.

Accenture, AT&T, Gillette, EA Sports, Nike, and Tag Heuer are sponsors that understood how the formula worked. But immediately following Woods' admission of moral turpitude, contingency insurers noticed enquiries from Madison Avenue and Soho agencies, for Death & Disgrace (D&D) insurance; after all, if the formerly infallible Tiger isn't safe from opprobrium, who is? But pricing a billion dollar man is complex and underwriting capacity is not easy to come by, even in the specialist market of Lloyd's of London.

D&D claims are subjective – the definition of "a disgraceful act" could fairly be argued to differ between the behaviour of a rock star and an international chess player, for instance. The technical policy wording is complex and the premiums are likely to remain steep.

The more intimately business seeks to address consumers through traditional relationship marketing, or the more powerful corporations seek to become through globalisation, the greater the scrutiny and responsibility required of them. Reputation is the single most valuable asset of most businesses today - albeit an intangible one. Hard-earned reputations can be surprisingly fragile in the globalised, technologically interconnected 21st century. Reputation risk insurance should be a key ingredient in any risk manager's or svengali's toolkit – it's not cheap, but the trust and confidence that underpin brands – both corporate and personal – can be irrevocably damaged by a momentary lapse of judgment or an inadvertent remark.

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A US brokerage firm specialising in insurance products for the entertainment, arts, and advertising communities, will introduce "Reputation Risk Insurance" in early 2010. According to the press release, the insurance will "compensate policy holders for lost sales, crisis management fees, lost advertising campaign expenses, and pre-committed and incurred endorsement fees."

Although this underpins the commonly-held belief that you can insure anything that has an 'insurable interest', insuring a reputation is not the only activity managers should observe. Prudent practitioners should invest in appropriate management controls and processes to ensure that a reputation isn't put at risk in the first place.

BLOG STANDARD

Digital defamation - where false accusations online give a negative image or damage a reputation - is fast becoming an issue in the blogosphere, in content feeds and on social media sites. Robert Paydon, partner in charge of Reputation management at law firm Faskin Martineau LLP, says, "Social networking sites provide a platform from which damaging defamatory or private information can be published to a potentially wide audience at the stroke of a computer key. The law of defamation and privacy applies to materials published on social networking sites as much as it does to 'traditional' publications. The belief held by some aficionados of blogging that they can remain anonymous is misplaced. The English courts are now well used to granting assistance to litigants to identify those who have published unlawful material about them, allowing legal action to be taken. Some insurance companies now offer media liability insurance policies designed to cover online libel claims. However, the insurer is likely to undertake an audit review of the blogger's previous work and may insist upon certain standards and qualifications - i.e. procedures to screen inflammatory/offensive content, procedures to take down content after complaint. Consequently, users of social networking sites should avoid personal opinions or negative comments that are not 100 per cent factual and refrain from making any statements that may harm a person's image or reputation.

Ross Gow is founder of ACUITY Reputation, a Mayfair-based consultancy.