SOCIAL RESPONSABILITY OF INSURANCE COMPANIES

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Abstract

The role of corporate social responsibility has increased significantly nowadays. The studies conducted have shown that consumers are increasingly no longer interested only in buying good quality and reliable products, but they are also interested whether they were produced in a socially responsible manner. In the recent years investors have increasingly realised that investing in social responsibility regarding the social and environmental areas, greatly contributes to the growth of the internal and external image of management. This paper aims at presenting a number of interesting issues related to social responsibility manifested by the insurance companies.

Key words: social responsibility, insurance, involvement, benefits, business

JEL Classification : M1, M14

Introduction

Currently, the image of an organisation and its corporate identity have gained fundamental importance. Lazăr (2006) believes that community involvement has become a necessity for a company that wants to achieve not only commercial success, but also the respect of the society in which the company operates. "Established figures of strategic management and marketing (Friedman, Porter, Kotler, etc.), renowned professors and scientists, the media and even corporate managers have made over time outstanding contributions to the conceptual outlining of the CSR[1] phenomenon, so that nowadays recent studies and surveys indicate that social responsibility is a major goal of most companies' (Hristea, 2011, p. 57).

The economist Friedman (1970, p. 32) states that "there is one and unique responsibility of the business of using the resources and of conducting the activities aimed at increasing profits, as long as they follow the rules of the game." Although there are many business people who share Friedman's view, successful organisations have understood that it is necessary for the business to pursue a very important aspect which is also represented by the effects that the activity carried out has on society as a whole rather than on obtaining profit and law observance. As a result, businesses and society are inseparable and interdependent. The best managers know this truth and act with courage, vision and passion to contribute to the society's development. This is a way for an organisation to enjoy social progress, while also making profit, being actually a way for many businesses to remain on top positions on long term. Therefore, CSR (Corporate Social Responsibility) has become an essential element of successful organisations' strategy.

The concept of Corporate Social Responsibility

Mullerat and Brennan (2011) believe that corporate social responsibility is the concept by which organisations decide to respect and protect the interests of a wide range of stakeholders by maintaining a clean environment and a better society through the interaction with all these elements. Ionescu and Udrea (2007) believe that corporate social responsibility (CSR) aims at the companies' voluntary integration of social and environmental concerns within their business activities and in the interaction with various groups relevant to the business. Social responsibility was defined by the European Commission (2011) as "a concept applied to companies in order to voluntarily integrate the social and environmental concerns in their business activities and in their interaction with the stakeholders." Corporate social responsibility (CSR) is defined as a liability of companies, as social organisations, from micro-enterprises to multinationals, to all the parties involved in their activity. Corporate social responsibility "is the procedure applied by companies in their interaction with the society and it involves developing a strategy for community involvement and partnership with social groups" (Constantin, 2009, p. 68).

[1]CSR – Corporate Social Responsability

The social responsibility of a company is to pursue the long-term goals to the benefit of the society. "The socially responsible companies feel obliged not only to shareholders, but also to all those interested in their work. The aim pursued by firms in supporting responsible behaviour is, on the one hand, to improve their image and, on the other hand, to promote common values-based management within the organisation" (Gănescu, 2011, p. 23). Corporate social responsibility (CSR) is "the committed to contributing to the society's wellbeing through discretionary business practices and corporate resources (Subhabrata, 2007, p. 16). The World Business Council for Sustainable Development defines corporate social responsibility as "companies' commitment to contributing to the economic development while improving the quality of the employees' life and of their families, as well as of the community and of the society as a whole."

The literature provides numerous results of qualitative and quantitative research in the recent years showing that "companies gain significant advantages by adopting a socially responsible policy: improving financial performance, reducing operating costs, improving brand image and reputation, increasing sales and customer loyalty, increasing productivity and quality, increasing the capacity to attract and retain employees, reducing regulatory bodies' supervision, access to capital" (Maxim, 2006, p. 200).

Philip Kotler uses the term of "social corporate initiative" under the umbrella of corporate social responsibility, to which he gives the following definition: "corporate social initiatives are the activities performed by organisations to support social causes and to fulfil the commitments made by the corporate social responsibility" (Kotler and Lee, 2005, p. 3). These initiatives are those contributing to maintaining the community's health, to ensuring safety and security (fighting crime), education (literacy course, programmes to educate poor children, etc.), environment protection (recycling, waste sorting).

Research Methodology

In order to illustrate social responsibility at the level of insurance companies I have used content analysis. "Content analysis is a set of communication quantitative research techniques in order to systematically and objectively identify and describe its manifest content" (Berelson, 1952, as cited by Wimmer and Dominick, 2010, p. 157). *The aim of the study* is to highlight the insurance companies, on european and national level, which use instruments specific to social responsibility, by the existence and observance of social reporting standards. According to Iamandi (2010) corporate social responsibility instruments are grouped into three broad categories. The first one refers to *Socially responsible management* – tools that establish performance standards and practices used by organisations to incorporate values specific to CSR in their strategies and policies in order to improve the performance achieved (codes of conduct, management standards, reporting social involvement). The second one emphasises the *Socially responsible consumption* (labelling that ensures consumers that the products were made under certain socio-environmental standards). The last category includes *Socially responsible investments* (social funds, pension funds, sustainability indices etc.).

The main *objective* of the study was the content analysis of the corporate social responsibility reports or their equivalents, published by the insurance companies in 2011 on the official websites in order to identify the standards applied and observed by them concerning corporate social responsibility. The reasons for choosing this field of activity, the insurance sector, are manifold. Constantinescu (2004) believes that insurance has distinct features in economy and in the financial system, namely:

- it is a branch of economy that participates in the growth of the gross domestic product (GDP);
- it participates with loan equity demand on the financial market;
- it speeds up the production process by the contribution made to restoring goods;
- it leads to increased productivity within national economy;
- it is a branch that creates added value and jobs;
- it is a reflection of the national economic development, of the public awareness to the business of insurance, a proof of the income received by it;
- it is a factor that reduces uncertainty and a means of resuming the temporarily interrupted activity.

I have started this scientific approach from the analysis of the members of the National Union of Insurance and Reinsurance Companies from Romania (UNSAR), highlighting those insurance companies that are present both on the European and on the national market. There are twenty-two insurance companies which are UNSAR members: Allianz Țiriac Asigurări (Allianz Țiriac Insurance), Asirom, Astra, Aviva, Axa Asigurări (Axa Insurance), BCR Asigurări de viață (BCR Life Insurance), BRD Asigurări de viață (BRD Life Insurance), Carpatica Asig, Certasig, Ergo Asigurări de viață (Ergo Life Insurance), Eureko, Euroins, Fata Asigurări (Fata Insurance), Garanta, Generali România Asigurare Reasigurare S.A. (Generali Romania Insurance Reinsurance S.A.), Grawe, Groupama, ING Asigurări de viață (ING Life Insurance), Omniasig Vig, Platinum, Uniqa Asigurări (Uniqa Insurance), Uniqa Asigurări de viață (Uniqa Life Insurance).

For this study I have chosen 16 out of the 22 insurance companies of the National Union of Insurance and Reinsurance Companies from Romania. I have excluded from the sample those companies that do not cover the full range of insurance, limiting themselves only to a certain segment. I have also considered Uniqa Insurance and Uniqa

Life Insurance are part of the same group. Certasig was excluded due to the inability to obtain data. The research for this study required the analysis of certain primary periodical documents (annual reports, corporate sustainability reports, environmental reports, corporate social responsibility reports), as well as some secondary documents (Table 1).

Table no. 1.

Insurance companies present on the European market and their expansion

No.	Insurance company	Country of origin	Regions that have insurance agents
1.	Allianz Țiriac Asigurări	Germany	Northern, West, South Europe, Central and Eastern Europe, Asia, America, Africa
2.	Asirom	Romania	South-Eastern Europe (Romania)
3.	Astra	Romania	South-Eastern Europe (Romania)
4.	Aviva (Metropolitan Life)	England	Europe, North America, Pacific Asia, Africa, Middle East
5.	Axa Asigurări	France	Central and Eastern Europe, Western Europe, Canada, Asia, Middle East, Central America
6.	Carpatica Asig	Romania	South-Eastern Europe (Romania)
7.	Eureko	Netherlands	Northern Europe, South-East Europe, Eastern Europe
8.	Euroins	Bulgaria	South-East Europe
9.	Fata Asigurări	Italy	Western Europe, Central Europe, Eastern Europe, South America, Pacific Asia
10.	Garanta	Greece	South-East Europe
11.	Generali România Asigurare Reasigurare S.A.	Italy	Western Europe, Central Europe, Eastern Europe, South America, Pacific Asia
12.	Grawe	Austria	South-East Europe
13.	Groupama	France	Western Europe, Central Europe, South-East Europe, Asia
14.	Omniasig Vig	Austria	Central and Eastern Europe
15.	Platinum (Gothaer Asigurări Reasigurări)	Romania	South-East Europe
16.	Uniqa Asigurări	Austria	Central and Eastern Europe

Source: made by the author

According to Ducu (2008) the concept of organisations' social responsibility is closely linked with social reporting. The two concepts are part of the same system: ethics and compliance management. In his view, social reporting ensures the assessment and communication of organisations' functioning and operating method, contributing at the same time, to building credibility. Content analysis has certain stages (Bondrea, 2006):

1. *Expressing the problem*. The object of the study was the analysis of the social responsibility reports published by the insurance companies from the sample of 2011.

2. *Delimitation of categories*. The content analysis of the social responsibility reports has identified the following relevant information by category:

- existence of GRI standards in sustainable reporting;
- insurance companies' attitude towards the social reporting phenomenon;
- benefits and advantages of implementing social responsibility strategies for companies, for stakeholders, for society as a whole.

3. *Codification*. The content analysis has allowed the identification of the types of reports issued by the insurance companies in the sample (annual reports, social responsibility reports, corporate sustainability reports, environmental reports), as well as the types of standards identified (GRI standards or standards specific to the analysed companies).

4. *Presentation of data and information as tables*. The database allowed granting the grade 1 to the elements above-mentioned or the grade 0 if they have not been identified so each category analysed summed up a number of points (Table 2). With regard to reporting towards social responsibility, the insurance companies analysed (in Europe)

have published annual reports on their official websites in which they refer to the need and importance of initiating and carrying out CSR actions

Table no. 2

Types of reports analysed in 2011

No.	Insurance company	Annual Report	Corporate Sustainability Report	Social Responsibility Report	Environmental Report
1.	Allianz Țiriac Asigurări	1	1	1	1
2.	Asirom	1	1	1	-
3.	Astra	-	-	-	-
4.	Aviva (Metropolitian Life)	1	1	-	-
5.	Axa Asigurări	-	-	1	1
6.	Carpatica Asig	1	-	-	-
7.	Eureko	1	-	1	-
8.	Euroins	1	-	-	-
9.	Fata Asigurări	1	1	-	-
10.	Garanta	1	-	-	-
11.	Generali România Asigurare Reasigurare S.A.	1	1	-	-
12.	Grawe	1	-	-	-
13.	Groupama	1	-	1	-
14.	Omniasig Vig	1	1	-	-
15.	Platinum (Gothaer Asigurări Reasigurări)	-	-	-	-
16.	Uniqa Asigurări	1	-	-	-
	Total	**13**	**6**	**5**	**2**
	Grand total	**26**			

Source: made by the author

As shown in Table 2, most of the published reports are the annual ones (13), followed by those of corporate sustainability and social responsibility. Thus out of the 16 insurance companies analysed, only 6 published corporate sustainability reports (23%), 5 published social responsibility reports (20%), 2 published environmental reports (8%). In Table 3 there is a series of standards of corporate social responsibility internationally distributed, as well as the reporting of the insurance companies analysed towards them.

Giannarakis and others (2011) believe that CSR standards ensure transparency and accountability evidence. They have to face challenges such as: meeting society's expectations and implementation of activities in such a manner as to meet the requirements issued. There are numerous standards observed nationally and globally, such as the Corporate Responsibility Index for businesses in the UK, the CSR Hellenic Network for Greek organisations, Eco-Management and Audit for European firms, the Maala Index and Ethos Institute for the firms in Malaysia and Brazil. Development and globalisation of communications, transport, trade and economy cause organisations to select certain global standards and try to meet them in order to attract investors and to receive some recognition of the actions undertaken internationally.

Table no. 3

Types of instruments for corporate social responsibility conceptualisation

No.	**CSR instruments**	**Explanation**	**No. of insurance companies**
1.	Dow Jones Sustainable Index (DJSI)	It was the first stock index that attempted to assess the capacity of business organisations to create long-term value for their shareholders by exploiting the opportunities and by managing the risks associated with the economic, environmental and social development.	2
2.	Financial Times Stock Exchange for Good (FTSE4Good Index)	An index that assesses the CSR actions in five key areas: environmental awareness, positive relationship with the stakeholders, human rights observance, labour standards observance, fighting bribery. It is a series of benchmark indices, which encourage investment in companies with good experience in the field of CSR.	6
3.	Sustainalytics	A global leader in research and analysis related to sustainability and social responsibility of investment.	1
4.	Ethibel Sustainability Index (ESI)	An index which assesses the financial performance of organisations in terms of sustainability.	2
5.	GRI (The Global Reporting Initiative)	It is an international network which collaborates with national and multinational organisations to provide global standards used by companies for their corporate performance reporting in line with sustainable development standards.	2
6.	United National Global Compact	An initiative adopted by the United Nations to encourage firms worldwide to adopt and observe social responsibility and sustainability policies.	1
7.	Vigeo	European company which aims to assess the way in which stakeholders' interests are integrated into the management of the business.	5
8.	Carbon Discloser Project	Non-profit organisation that advocates for reducing greenhouse gas emissions.	2
9.	Vonix	The objective of this index is to reflect sustainability in a more transparent manner and to cause the investments achieved. An index used only for companies in Austria.	1

Source: made by the author

This study allowed us to identify the fact that the index found most often in the reports published by the insurance companies analysed is FTSE4Good, an index of socially responsible investment. Only 5 out of the 16 insurance companies analysed reported to the Vigeo index which assesses the practices and the performance related to the social, environmental, responsibility and corporate governance aspects. In a world increasingly concerned about the issue of protecting the environment, the observance of the Carbon Discloser Project index by two insurance companies out of the 16 analysed is a weakness, which on the long term can affect the economic performance of firms, as well as their ability to prove their competitiveness. Certainly, the insurance companies analysed need to improve their social involvement reporting policy and to achieve long-term success, they must integrate the idea of sustainability into their business strategy by ensuring a balance between the economic, social and environmental objectives.

5. Conclusions. As a result of the content analysis conducted, we can draw a series of conclusions about the way in which the insurance companies analysed show a socially responsible attitude. The initiative to publish annual reports, with direct reference to the economic and financial aspect, can be a valued approach to ensure transparent and correct reporting methods, which should be practised by insurance companies and in the social field. The study allowed us to conclude that reporting related to social involvement is observed, especially by multinational companies, while Romanian insurance companies do not realise, yet, the importance of contributing to sustainable development. In an increasingly competitive environment, firms need to adapt the corporate social responsibility practices to the needs and trends specific to the environment in which they operate. Therefore, we consider it necessary that the companies analysed become more flexible and try to report the social responsibility practices used, voluntarily, informing the interested parties, on the one hand, and also helping to strengthen the company's image, on the other hand. The compliance with the CSR standards will allow insurance companies to demonstrate their commitment to community-specific issues in a clear, obvious manner.

Conclusions:

"In Romania reporting related to the social involvement phenomenon is superficial, mostly being a quantitative approach rather than a qualitative one. The debate of this topic refers, rather, to the extent of the phenomenon, to the existing barriers and to the spread of this behaviour on a large scale, at the level of local organisations" (Burlea-Şchiopoiu, 2008, p. 38). Nemoianu (2010) considers that the Romanian companies' challenge is to overcome the current situation, in which social responsibility is perceived as charity or as a way to improve the organisation's image, and to understand this concept as a long-term success, integrated into the company's sustainable development strategy. Corporate social responsibility should be seen as a sustainable investment within the community where the business develops. The corporate social responsibility programmes undertaken by the insurance companies on the Romanian market have expanded in recent years, becoming aware of the fact that only the firms that help the community (through financial means and other types of social involvement) help themselves, indirectly.

Iamandi (2010, p. 126) believes that "at the level of the business environment in Romania, given that corporate social responsibility is at its beginning and that, conceptually, it is promoted primarily by the international companies operating on our country's territory, the CSR implementation complexity is reduced to the philanthropic initiatives or to the public relations campaigns, which significantly diminishes its strategic potential." Social responsibility reflects the organisations' attitude directed towards society, through which success is achieved by compliance with the laws, taking on ethical behaviour, paying special attention to the environment and taking into account the needs and interests of all the partners, both from the private and the public sector.

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