

The logo consists of the words "STEEL", "CITY", and "RE" stacked vertically in a white, bold, sans-serif font. This text is contained within a white rectangular border on a dark red background.

STEEL  
CITY  
RE

The background of the slide is a dark red image with a semi-transparent overlay. The overlay shows a blacksmith's hands using a hammer to shape a piece of glowing metal on an anvil. Bright sparks are visible at the point of impact, creating a sense of intense heat and craftsmanship.

# What 's In Steel City Re's Solutions

Reputation Risk Framework and Synthetic Measures of  
Reputation Value

*Forging reputation resilience*



Two-thirds of public company directors count reputation as their firm's #1 concern. Here's why.

Dr. Nir Kossovsky

# REPUTATION, STOCK PRICE, AND YOU

Why the Market Rewards Some Companies and Punishes Others



Apress

## Reputation Value



Economic benefits of stakeholders' expectations

## Reputation Risk



Peril of stakeholders' disappointment and anger

## Reputation Crisis



Disappointment, diminished trust, causing economic losses

## Rep Risk Management



Mitigating both disappointment and noxious media

## Reputation Insurance



Indemnification affirming trust and reducing economic losses



# Essentials of Reputation ERM & Insurance

Value



Risk



Mitigation



Crisis







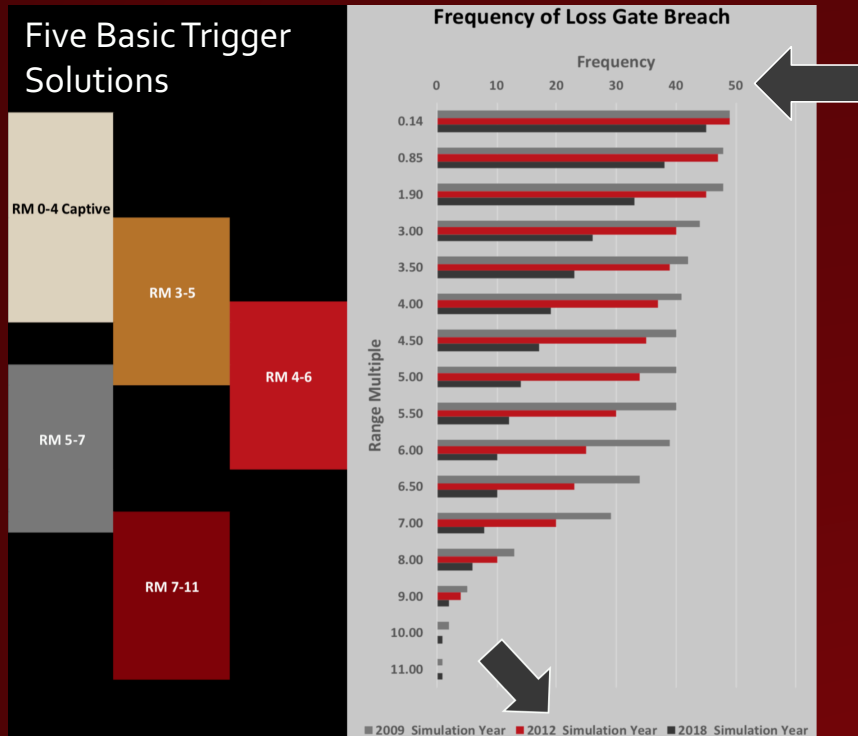


# Policy Abstract

Element	Description
Insuring Agreement	Reputational value loss
Measure of Loss	Parametric: algorithmically-generated synthetic measure of reputational value (Reputational Value Metrics—RVM)
Monetary Value of Loss	Contractual, linked to actuarial behavior of RVM ( <i>frequency</i> ) and Limits ( <i>severity</i> )
Indemnification:	Four (4) trigger conditions
Indemnification Trigger: Parametric	<ul style="list-style-type: none"> <li>• Magnitude: Loss Gates linked mathematically to the historic volatility of an Insured's RVM.</li> <li>• Duration: 140 continuous days (20 weeks) of loss</li> </ul>
Indemnification Triggers: Other	<ul style="list-style-type: none"> <li>• Failure of a scheduled business process (typically, all risk)</li> <li>• Disclosure of failure in a scheduled medium</li> </ul>
Indemnification Limits	Policy Limits; if multiple events per policy period, most severe event up to the Policy Limits
Policy Period	One year with up to 33 weeks extension



# Cost-Based Pricing – Price of Trigger Model



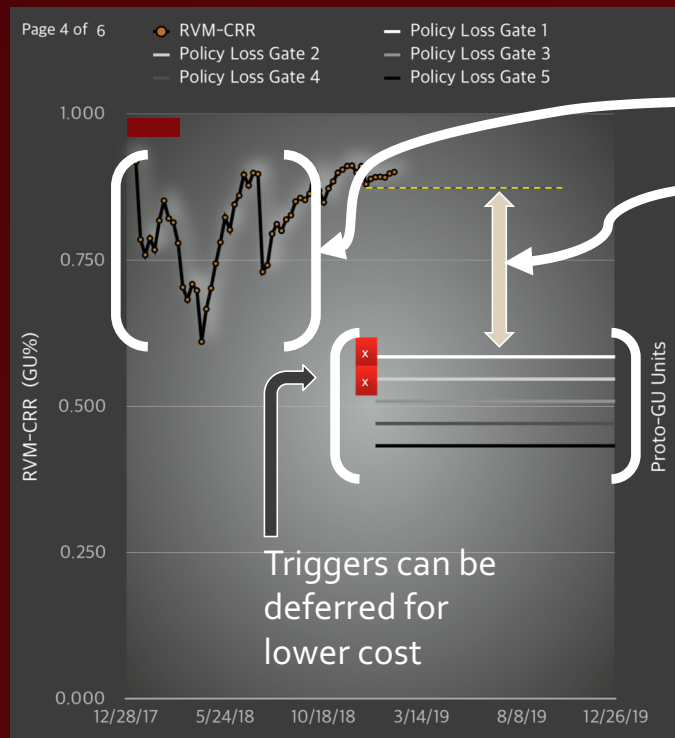
6.15 million Reputation Value Metrics (RVM%)  
Weekly x 18 years  
7500 public companies

- Solution
  - Client selects a Trigger Model that conforms to their risk management and pricing strategy.
  - Five progressively more remote trigger solutions featuring lower probabilities of payment and lower costs.

RM=Range Multiple



# Cost-Based Pricing – Cost of Trigger Models



Average 1 yr  
historic range

Range Multiple

- Engineering the Solution
  - Vary Loss Gate positions
  - Vary indemnity at Loss Gate
  - Solve for Price >> Cost



# Reputational Value Metrics Model

- **Concept:**

- Reputational Value Metrics draw data from prediction markets that capture the expected behaviors of stakeholders impacting P&L
- Steel City Re does not create the markets nor influence the decisions of the markets

- **Four equally weighted pillars:**

- Expected stakeholder behaviors responsible for revenue

- Expected stakeholder behaviors responsible for expenses
- Expected equity investor behaviors
- A measure of the alignment of the various stakeholders' expectations

- **Properties**

Unit	GU%
Range	$0.0000 \leq x \leq 1.0000$
Median	0.50
Primary use	Risk Finance and Transfer

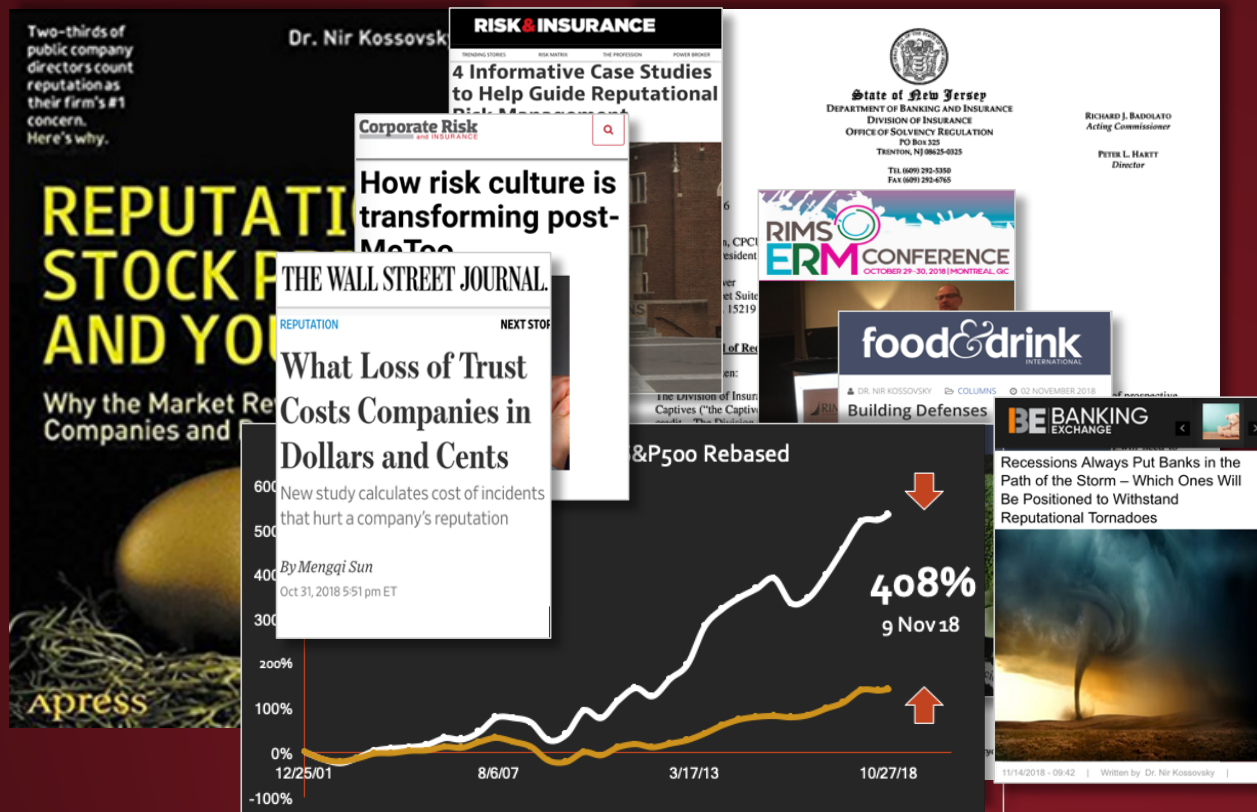


# Synthetic Measures of Reputation Value: Components

Data Description (December 2001 – present)	Indication of...	Transformation
Consensus estimates of net income	Creditor and Employee behavior	Arithmetic quotient
Common shares outstanding	Disambiguation function	None
Shares repurchased or retired	Normalizing function	None
Cash and short term investments	Normalizing function	None
Consensus estimates of sales	Customer behavior	Arithmetic quotient
Tangible book value	Normalizing function	None
Operating margin (quarterly average)	Supplier and Vendor behavior	None
Variance of the exponentially weighted moving average historic equity returns	Multi stakeholder behavior	Arithmetic quotient
Exponential weighting factor ( $\lambda$ ) for the measure of moving average volatility	Normalizing function	None
Closing stock price	Multi stakeholder behavior	Log transform of an arithmetic quotient
Gross profit	Multi stakeholder behavior	None
Net profit margin	Multi stakeholder behavior	None



# Finance: Leading indicator of value and loss



← Credibility

Authority ↓

- 6 million data sets
- 7500 public cos/wk
- 133,961 sims
- 39,688 loss events