We have all noticed in the last years the huge number of changes that took place in the social, political, economical and technological fields, phenomena that led to substantial changes including in the management practices of many small, medium and large companies. In this new trend can also be included the social responsibility phenomenon of different companies (including the insurance ones).

This paper explains that social responsibility implies the idea that insurance companies, along with their commercial activities, must be also involved in voluntary actions that do not generate an immediate benefit in terms of profits or other pecuniary earnings.

At present, there is a real argue between the specialists regarding what really means to be a social responsible insurance company, if an insurer should be interested only in obtaining profits or its concerns should also take in consideration activities that generate global benefits for the entire society. Of course, there are many specialists that promote the social responsibility attitude and others that are against such behavior.

From a brief analyze of the behaviors of different insurers, the conclusion that can be drawn is that each insurance company’s attitude toward social responsibility can be one of the following: the reaction attitude, the defensive attitude, the adaptation attitude and the pro-active attitude.

The present paper also presents, in the final part, a short study-case regarding the way an insurance company engages in social responsibility actions. In fact, are presented the most important points from the social responsibility strategy of AIG (American International Group, Inc.), the world’s leader in the insurance sector.

1. Definition of the Social Responsibility Concept

Social responsibility represents a relatively recent concept within the business communities, which promotes the idea of the companies’ voluntary involvement in activities that are not immediately intended to make a profit¹. Thus, we should underline here the voluntary character of the trading companies’ participation in a series of cultural, sports, economic, or other types of actions that all bring benefits to different categories of the population, and not immediate gains to those who performed them. Consequently, those social activities that are implemented and developed because of some external pressure (a court order, for example), do not fit into the category of “social responsibilities”.

Another important aspect regarding the phenomenon of the companies’ social responsibility refers to the necessity that, before taking major decisions, the managers also analyze the social consequences of such decisions, in order to minimize the negative impact, and to maximize the positive results. More specifically, the analysis and decision-taking procedures should value as much as possible as many social aspects as possible.

Currently the experts on the matter have contradicting opinions of what the process of the companies’ social responsibility exactly implies, and what, in fact, the roles of a trading company are: are they exclusively some economic entities whose only purpose is to generate profit for their shareholders, or rather social-economic entities that should also apparently selflessly contribute to the wellbeing of society in general?

a) According to classical economic thinking (which first appeared around the 18th century), short-term profit should represent the trading companies’ only concern. And, of course, this could have only be accomplished, in most cases, if the products and services of one company or another had met the society’s needs to a sufficient extent. According to Adam Smith, the father of classical economic thinking, that “invisible hand” that promoted public wellbeing was at work here; more specifically, Smith considered that general welfare was a final state that was implicitly attained under the conditions of a competitive economy, within which every company exclusively attempts to look after its own interests (i.e. making a profit). In conclusion, according to this concept, making short-term profits and the companies’ social responsibility are one and the same.

b) A different approach is suggested by the so-called social-economic model, according to which the companies represent a sub-system, along with many others, within a complex social-economic system. The supporters of this opinion consider that besides a company’s shareholders (who are mostly interested in the company’s profits), there are many other categories or groups of people with different (sometimes divergent) expectations from the business environment; here we may include current and former employees, company’s

creditors, suppliers, competitors, public institutions, nonprofit organizations, that is the entire society. Thus, there are companies (which especially operate in the area of goods production) that periodically perform complex analyses of all the entities that might be affected (positively or negatively) by the respective company’s operations, also studying the actual impact that every situation would have.

2. Pros and Cons of the Companies’ Social Responsibility

Certain that companies’ role is not only to obtain profits for their shareholders, the supporters of the principle of social responsibility give the following pros:

− Inevitably, companies’ activities have social implications, as well – as some people well say, the companies are either a part of the solution, or a part of the problem, since companies are responsible for some social problems such as unemployment, inflation, or pollution;
− The business environment possesses the necessary financial resources to solve the world’s current social problems – benefiting from a rich technical, financial and human “supply”, companies have the power to identify and support the implementation of adequate solutions to the most important problems of modern society; in fact, without the society’s support, businesses could not have prospered, could not have attained the current level of development and profits;
− A better society also means a better business environment – it is already a fact that companies can only make long-term profits if they invest in society as soon as possible, since, with some ability and effort, today’s problems may turn into tomorrow’s profits;
− The actions in the social responsibility area forestall government interventions to the same effect – sooner or later, the public authorities, through the laws they pass, will lead companies to get involved in different social activities, in case this has not already happened.

In other words, companies should necessarily include in their activity agenda a complex range of economic and social activities, with diverse, ample and profound implications in all the areas of everyday life.

On the other side, convinced that a company’s only role is to make profits, the opponents of the social responsibility “movement” bring the following cons of such practices:

− Profit maximization ensures an efficient use of company’s resources – by purchasing different products and services on the market, the ones that most adequately answer their needs and expectations, the consumers directly “determine” what companies survive on the market and make profits, and what companies will disappear;
− As purely economic entities, the companies lack the abilities to also achieve social objectives – if the managers of different companies are required to shift their focus from the economic objectives of daily activities to some social objectives, significant inefficiency is foreseen;
− The business environment already has enough power – considering that the business environment exerts a strong influence on where and how we work and live, what we buy and cherish, a greater concentration of social power in the “hand” of different economic entities is not desirable;
− Since managers are not elected by the free vote of the “people”, they are not directly responsible to society – the social programs that are initiated and supported by different companies can be quite easily “turned” from the initially set path, as the mechanisms of free market have the capacity of mainly controlling the efficiency of economic actions, and not also the performance of the social ones.

At the same time, the advocates of these conceptions also support the idea that the activities with social implications should be assigned to entities such as families, schools, religious organizations, cultural societies, and government institutions.

3. What Are the Companies’ Attitudes towards Social Responsibility?

It is said that the business environment relies on a “command” that says that “in the long run, those who do not use power in a way that society considers responsible, will tend to lose it”! Thus, the necessities that at present, and especially in the future, the companies operate in a much more responsible way, including from the social point of view, is evident. Another reason for it is that those who do not voluntarily adopt such an attitude eventually will do it, as new laws on the matter will force them.

Thoroughly analyzing the economic agents’ behavior, we noticed four main categories of company attitudes towards the phenomenon of social responsibility:

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a. **Reaction** – is the attitude adopted by the companies that deny and condemn the principles of social responsibility and their supporters, trying to keep their own principles and policies unchanged, regardless of the requests from different entities within society;

b. **Defense** – is a rather passive attitude, characteristic of those economic agents that by legal maneuvers and/or public relations try to avoid assuming social responsibilities;

c. **Adaptation** – characterizes those companies that under the pressure of some external factors (laws or different interest groups) get involved in certain activities in the social responsibility area;

d. **Initiative** – is characteristic of those companies that constantly and actively get involved in the conception, promotion, and implementation of social responsibility programs, and serve as a model to other entities, as well.

Last but not least, we should also mention the fact that recent studies conducted on the American market in connection to the phenomenon of social responsibility have revealed two extremely interesting conclusions:

- The companies that have a good reputation as far as their involvement in activities specific to social responsibility is concerned enjoy a significant competitive advantage over other companies within the process of recruiting people who are talented, experienced, and have exquisite knowledge and abilities;
- There is a direct correlation between the companies that stand out as leaders of the social responsibility area, and their profitability.

Therefore, the **general conclusion** is that companies that help society as a whole (by financial and other types of involvement in different actions) indirectly help themselves!

### 4. Case Study – AIG and Social Responsibility

An extremely eloquent example of the way in which an insurer’s **social responsibility** should manifest is that of AIG (American International Group, Inc.), the largest insurance group in the world.

More specifically, the **action areas** in which American International Group, Inc. is involved, in its continuous attempt to participate as actively and substantially as possible in activities specific to social responsibility, are the following:

a. **Environmental initiatives** - Thus, in the first place, AIG is especially committed to complying with laws and legal rules governing environmental protection and conservation in all the countries in which it operates. Second, the corporation makes substantial financial investments, and supports also by providing its own expertise different environmental projects regarding energy conservation, environmental risk management, recycling operations of different natural resources and products, and creating a healthy work environment.

b. **Community activities** – AIG has built a tradition of rewarding the communities where it operates, either by giving donations, raising funds, or volunteer activities, or by different other methods. Thus, many of the top-management people (both within the corporation, and the member companies) are also part of the management of the most well-known charitable organizations in the world, while AIG employees contribute time and money to supporting some education or health projects within their communities.

c. **Human resource activities** – AIG values its employees, and is committed to affording all its employees and partners every opportunity to succeed both within the organization, as well as in their private lives. The foundation stones on which AIG companies were established and developed are diversity, leadership, and innovative thinking. Thus, founded in Shanghai in 1919, the AIG companies have earned a reputation for attracting, developing, and counting on the “local talents”, and fostering an innovative entrepreneurial approach that is still thriving in all the 130 countries in which the group currently operates.

d. **Disaster relief** – In time, AIG has demonstrated its substantial financial support to the victims of different catastrophes.

e. **Investment initiatives** – AIG focuses on investing in, and developing business relations with partners whose activities are of the highest quality standards, companies that operate in developing areas that have a major impact on durable development (for example, information technology), in the environmental, and unconventional energy areas, etc;

f. **Activities related to the quality of personnel worksites** – AIG has conceived and implemented complex programs that ensure the best work environment for all the employees and partners present in AIG locations all over the world, in case economies on energy consumption, or maximal decreases in environmental pollution, etc are recorded;

g. **Corporate governance initiatives** – They refer to conceiving and applying some codes of conduct and ethics, some guidelines comprising the basic principles that should guide the activity of top and middle managers. All these activities are the result of AIG’s preoccupation with ensuring the effective and

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5 The information below was downloaded from the official AIG website – www.aigcorporate.com.
efficient functioning of the group’s management boards, while promoting the interests of all its shareholders, clients, business partners, employees, and other partners;

h. Legal initiatives – They refer to numerous activities performed by AIG representatives in order to improve the laws in the countries in which the corporation operates, to adapt them to the new trends of different markets, provide necessary assistance to the area regulation and supervision authorities, as well as to state authorities on different themes, such as: the pension and insurance systems, investment, or asset administration.

Bibliography:
3. www.aigcorporate.com