Closed-loop thinking in insurance companies

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Background

• Professional background
  – Board member of the Institute for business research (current)
  – 1½ as a post-doc (current)
  – 3 years as a board member of a pension fund (current)
  – 14 years from the insurance sector specialist/executive

• Educational background
  – Ph.D. in business with a focus on business sustainability
  – MBA in global management (with honors)
  – BSc in business administration
Overview of the presentation

1. Context
2. The article
3. Research approach
4. Insurers linear business models
5. Insurers closed-loop business model
6. Highlights / conclusion
Climate-related risks

Forsikring & Pension, 2012
Hurricane Beril - Faroe Islands 2011

Source: Tryggingarfelagið Føroyar P/F, 2012
'Moderate environmental footprint'

• Insurers have relatively moderate ecological or carbon footprint
  – (CEA, 2009; Gardiner, et al., 2007; Garz, et al., 2004; Liedtke, et al., 2009; Spada Research, 2008; The Geneva Association, 2009a)

• Not “heavy emitters of greenhouse gases”
  – (Mills, 2008; 2009, p. 51; Tapiola, 2008)
'Environmental footprint quotations'

- "We are selling non materialistic [intangible services]. We don’t need any energy to produce it".
- "Our business is not polluting business ".
- "Our industry is not a polluting industry ".
- "We will never be accused for being that big polluter so to speak, and that’s why also the financial sector might be regarded quite slow compared to other industries".
Transforming the linear insurance business model to a closed-loop insurance model: a case study of Nordic non-life insurers

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ABSTRACT

Businesses are expected to become engines for positive change, and mounting evidence indicates that corporate sustainability is a success factor for businesses around the globe. In this context, the ‘business as usual’ approach to running businesses with negative environmental consequences is not an option. Industrial ecology and sustainable business models offer solutions on how this transformation can take place. However, transformation of non-manufacturing industries in this respect has not been covered in the literature. The aim of this paper is therefore to use scientific and industry literature and interview data from the Nordic non-life insurance sector to propose closed-loop insurance models. The new models allow insurance leaders to move away from running the insurance business in an old-fashioned linear way, and thus gain a better understanding of how the business contributes to sustainable development. The transformation of insurers’ business models is an example of how business models of non-manufacturing industries can be reinvented to support sustainable economic growth by utilizing ideas from industrial ecology. The new business models proposed place insurance business models within the overall research in industrial ecology, thereby filling an evident gap in the literature by showing that the closed-loop concept applies to non-manufacturers.
## Research approach

<table>
<thead>
<tr>
<th>Company location and size</th>
<th>Number of insurance sites visited</th>
<th>Number of interviews within the field</th>
<th>Number of interviewees</th>
<th>Participant observations</th>
<th>Interviews with outside specialists</th>
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</thead>
<tbody>
<tr>
<td><strong>Employees &lt;250</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Åland</td>
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<td>7</td>
<td>9</td>
<td>1</td>
<td>0</td>
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<tr>
<td>Faroe Islands</td>
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<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Iceland</td>
<td>4</td>
<td>14</td>
<td>16</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td><strong>In total: Island</strong></td>
<td>8</td>
<td>27</td>
<td>31</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Employees &lt;7,000</strong></td>
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<tr>
<td>Denmark</td>
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<tr>
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<td>10</td>
<td>1</td>
<td>0</td>
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<tr>
<td>Norway</td>
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<td>9</td>
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<tr>
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<td>35</td>
<td>43</td>
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<tr>
<td><strong>In total: Both groups</strong></td>
<td>17</td>
<td>62</td>
<td>74</td>
<td>8</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Johannsdottir, 2014
Environmental impacts of an insurer’s business model, without claims

Source: Johannsdottir, 2014
An insurer’s business model with environmental impacts of claims

Source: Johannsdottir, 2014
Closed-loop business model

5. Closed-loop insurance model

Source: Johannsdottir, 2014
Highlights / Conclusion

- Environmental impacts of claims are often excluded in insurers’ linear business models.
- Closed-loop business models are usually not proposed for non-manufacturing industries.
- The extensive network of insurers can be utilized to drive down environmental impacts of claims.
- Closed-loop thinking can be applied in order to transform insurers’ business models.

Source: Johannsdottir, 2014
Thank you for your attention

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