

The Search for Opportunity: Integrating Sustainability and Circular Economy

Within Cooperators Group Limited's Core Insurance Products & Services

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Objectives and Abstract

The objectives of the research were to:

- Search for opportunities for Cooperators Group Limited, a co-operative insurer in Canada, to integrate sustainability and circular economy into core business strategy, to move the commitment beyond corporate responsibility
- Understand whether the circular economy is a fit for the cooperative values, principles, and identity
- Understand the top enablers for a circular economy within Canada.

The circular economy is a cradle-to-cradle approach for designing out waste and re-using products which when advanced through a co-operative business model would achieve a regenerative, distributed economy within the planetary boundaries.

The European Union has been advancing the circular economy for over 7 years and the business case for circular strategies within insurance has been shown by Folksam Mutual Insurance in Sweden.

Thus, there is a remarkable opportunity for Cooperators Group Limited to develop and implement circular insurance – the first of its kind in Canada - using its cooperative identity and its ability to collaborate, partner, and network.

Materials & Methods

The research methodology had an exploratory purpose. A combination of evaluation and survey research was used with qualitative and quantitative primary and secondary data.

Based on the conclusions from the literature review, 60-minute semi-structured interviews were undertaken with co-operative or mutual insurers outside of North America.

To investigate the circular economy in Canada – in terms of the key enablers coded from the literature review and insurers interviews – further interviews and focus groups were conducted with Canadian businesses, municipalities, and councils.

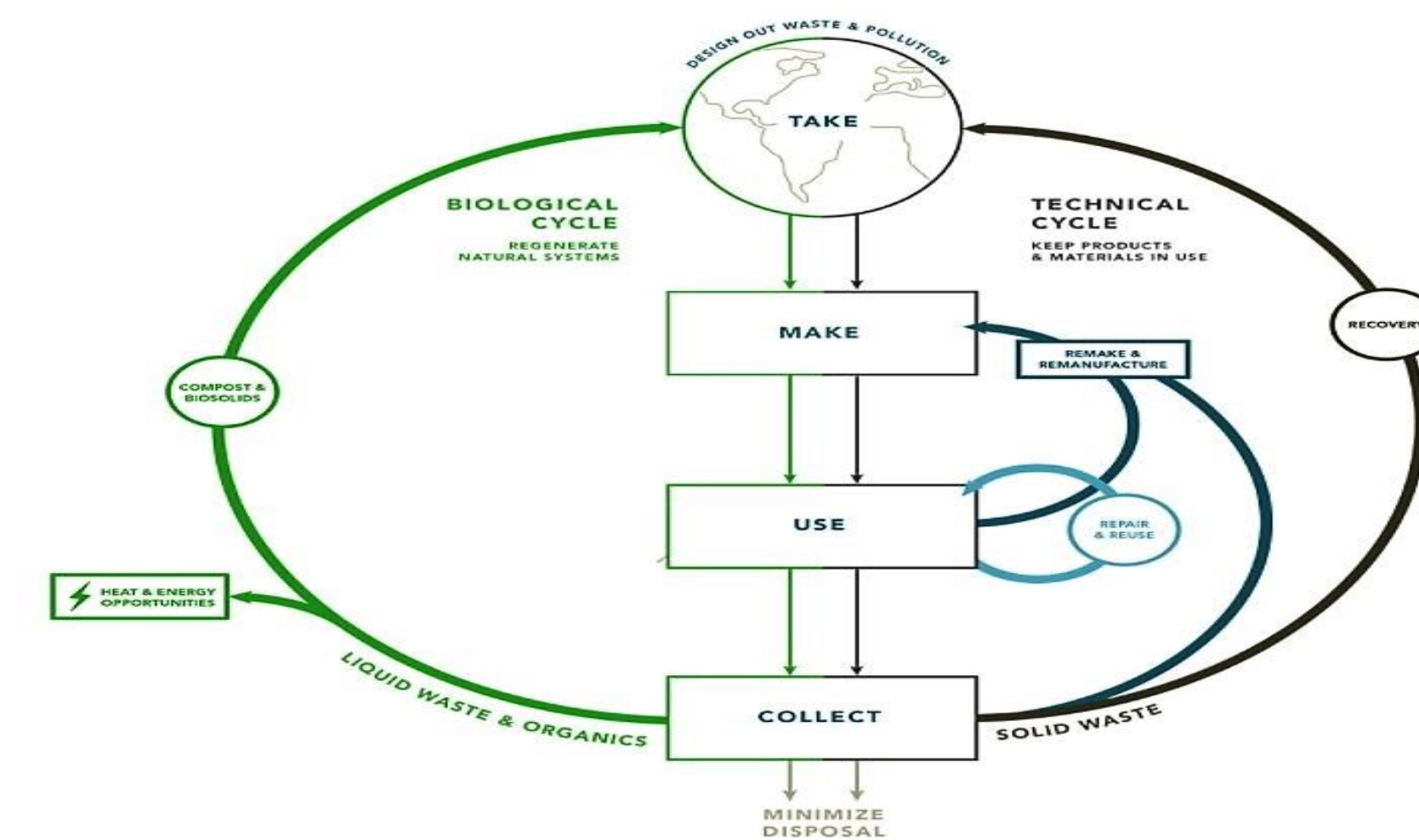
To investigate consumer interest, surveys were undertaken with Cooperators' clients to assess their interest in home insurance products and claims management services that delivered sustainability, resiliency, and a circular economy.

All the information was triangulated and analysed to answer the research objectives and provide Cooperators with insights and recommendations.

Results

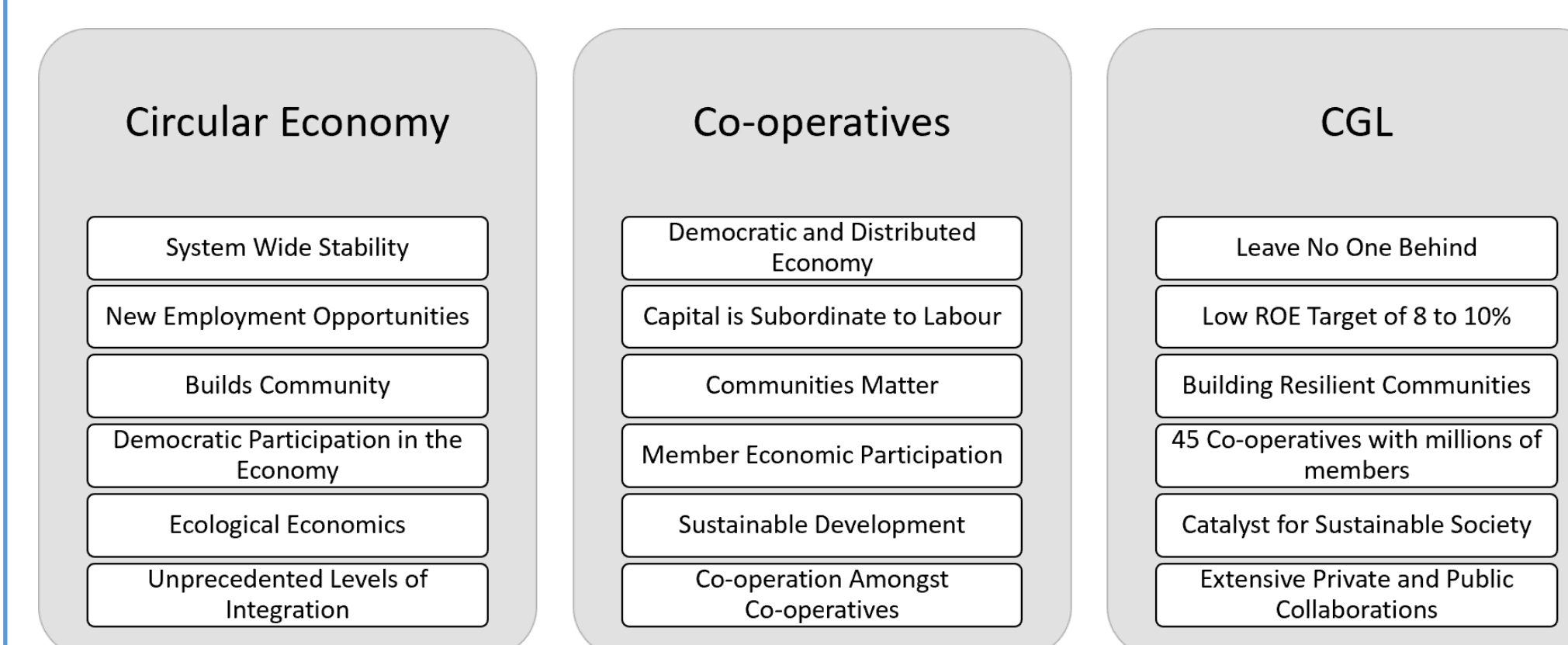
The literature review revealed that the circular economy presents a vision to promote sustainability and alleviate several of the pressures on our planetary boundaries. It builds a cradle-to-cradle approach with systems thinking meant to design out waste, regenerate natural systems, and keep products and materials in use.

Figure 1 - The Circular Economy (National Zero Waste Council, 2021).



For the circular economy to achieve all three objectives of sustainable development - economic equity, social equality, and environmental security – it needs to be advanced by business actors, such as cooperatives, whose values align with these outcomes. Co-operatives are not free to pursue financial gain at the expense of the community or the environment. A circular economy produced by co-operatives would move us closer to net global sustainability by creating an economy that is regenerative by design. There is significant alignment between the circular economy, cooperative identity, and Cooperators Group Limited, shown below:

Figure 2 - The Natural Convergence of Circular Economy, Cooperatives, and Cooperators Group Limited



The insurance industry is extremely concerned about climate change because it is causing increased severity and frequency of weather events resulting in serious problems with affordability and availability of insurance coverage. Cooperators means to act as a catalyst for sustainable development. Yet, its main insurance products do not pay for repairs and replacements with sustainable and resilient materials in the event of a loss. Cooperators disposes of 114,000 tonnes of building waste annually, and then repairs with the same materials. All of this contributes to greenhouse gas emissions; and unintentionally, Cooperators contributes to climate change.

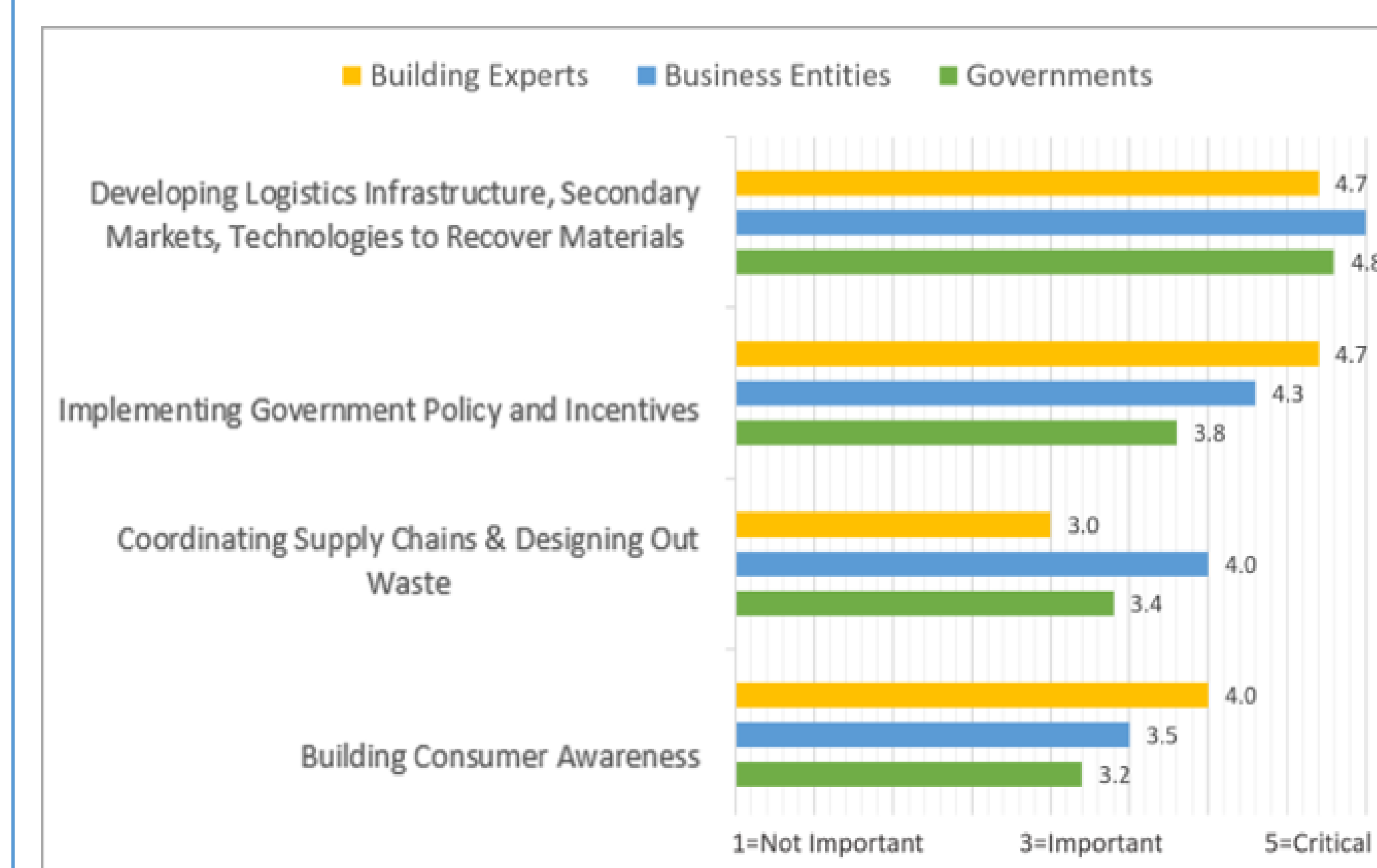
Results Continued

Exploratory interviews revealed different circular practices in the insurance industry. One organization that stood out is Folksam Mutual Insurance, the largest insurer in Sweden by client count. Folksam provides sustainable and resilient repairing and rebuilding insurance coverage because circularity in their claims management have offset any increased cost for sustainable and resilient building materials.

- Over 1.3 million of Folksam's customers have purchased their 'Good Environmental Choice' labelled auto and home insurance products because this strategy has provided a competitive advantage in their marketplace.
- The circular model reduces claims costs, waste, and greenhouse gas emissions, while enabling customers to repair and rebuild for a sustainable, resilient world.

Within Canada, interviews with municipalities, government councils, circular economy business actors, home contractors, and property building appraisers provided the top enablers for the circular economy, as shown below in Figure 3. The majority interviewed expressed strong opinions that collaboration and partnerships founded in the co-operative identity are keystones to success for circular economy. Every participant believes circular insurance would be a competitive advantage for Cooperators.

Figure 3 - The Enablers of Sustainability and Circular Economy in Canada



In surveys of Cooperators' clients, over 51% of clients indicated interest in a circular home insurance product with no increase in price, and only 8% said they would not be interested in buying it. The remainder of clients, 41%, were interested to know whether there would be an increase in premium cost for their insurance. The top barrier for clients embracing sustainability and a circular economy is financial – they cannot afford to pay for it themselves as the cost in Canada is typically 15% to 25% more than traditional methods.

Conclusions

The recommendation for Cooperators is to undertake an enterprise program to implement circularity in home insurance and claims management.

- The first deliverable would be inclusion of sustainable and resilient repairing and rebuilding in the company's core insurance policy wordings. This would allow clients to easily opt for sustainable and resilient repair and replacement at time of their claim.
- Second, two trial programs in 'circular economy friendly' locations in Canada to implement circular claims management to understand the enablers to reduce waste and claims costs, which then fund the increased coverage. There are at least two municipalities and several businesses willing to partner with Cooperators.
- Third, Cooperators and its co-operative members must be advocates for a circular economy in Canada.

Cooperators can position the co-operative movement as leaders in the circular economy and in reducing climate change; help clients and communities advance towards sustainable development; create co-operative networks and social economies; and build a resilient business for the long term.

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