



2019 Annual Conference  
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## **What's Love Got To Do with It...Everything! - Corporate Social Responsibility in the Insurance Industry**

### **I. Corporate Social Responsibility**

#### **Understanding Corporate Social Responsibility**

Corporate Social Responsibility aims to ensure that companies conduct their business in a way that is ethical. This means taking account of their social, economic and environmental impact, and consideration of human rights. It can involve a range of activities such as: working in partnership with local communities; socially responsible investment (SRI); developing relationship with employees and customers; environmental protection and sustainability. Some businesses have turned their main purpose the fulfillment of social or environmental goals, as opposed to a business that tries to achieve its financial goals while minimizing any negative impact on society or the environment. These businesses are called Social Enterprises.

#### **Benefiting from Corporate Social Responsibility**

Companies that demonstrate their commitment to various causes are perceived as more philanthropic than companies whose corporate social responsibility endeavors are non-existent.

How much good a company can do in its local communities, or even beyond that, is corporate social responsibility. And the better these programs, the better the media coverage will be in association with your company or brand.

If a company is philanthropically minded, job-hunting individuals are more likely to apply and interview for available positions. Once hired, employees who are engaged will stay with a company longer, be more productive on a daily basis, and will be more creative than disengaged workers.

Investors are more likely to be attracted to and continue to support companies that demonstrate a commitment not only to employees and customers, but also to causes and organizations that impact the lives of others.

## **Insurance Companies can Play a vital Role when Implementing Corporate Social Responsibility**

The insurance company plays a vital role in protecting communities and those who live in them—whether it's through helping individuals or companies to reduce risk or if it's to protect against the unexpected. With the amount of risk the industry sees, it's important to insurance companies and the professionals who work in them, that they're doing their part to help others. Many leading insurance companies are involved with social responsibility initiatives to contribute to safer communities and reduce environmental impact at home and abroad.

## **II. Corporate Social responsibility Implemented Globally**

### **Insurance Companies Role in Establishing a Sustainable Society—The Japanese Approach**

In Japan, the insurance industry views corporate social responsibility as taking the form of providing society with financial support in case of disasters as well as sharing the expertise of solving environmental problems, maintaining society's safety and human rights promotion.

The insurance company plays a pivotal role in the resilience of society through its capacity of managing risks and providing financial coverage. In 2011, a magnitude 9 earthquake hit Tohoku, Japan resulting over \$360 million worth of damage and took over 15,000 lives. After this unprecedented disaster, Sompo Japan, an insurance provider made an effort to pay earthquake insurance to its customers as quickly as possible. It established 12 earthquake countermeasure headquarters and over 3,000 of its employees were sent to these stations for quick payments. In two months after the disaster over 80% of the claims had been settled. This greatly aided to mitigate the losses sustained by those affected by the tragedy.

In addition, Sompo Japan has made efforts to help mitigate poverty through what it has termed "inclusive business." For example, Thai farmers in the northeastern rural areas of Thailand have been hit hard by the effects of climate change. To help rice farmers in these regions in making up their drought related income losses, Sompo Japan developed a weather insurance product tied to the rainfall index, which it put to market in 2010. Such product would also help American farmers who are prone to the effects of droughts and

low crop yields. This way insurance companies can benefit financially at the same time as providing peace of mind to those who are vulnerable.

### **People and Philanthropy—the Canadian Approach**

Many companies in Canada partner with local clubs, charities, non-profits, and other organizations to support an array of initiatives in the community—such as in art and culture, health initiatives, and athletic youth program. Notably, Aviva Canada, has created a strong partnership with the Canadian Red Cross-Community Health and wellness program.

Further, to support communities having to adapt to climate change, some companies have even partnered with major Canadian universities to create research projects to gain knowledge that can be shared and used to support future policies.

### **III. Corporate Social Responsibility, Necessary to Attract a Positive, Loyal work Force**

According to a most recent poll conducted on millennials, 76% consider business a force for positive social impact. In addition, 65% of millennials agree that businesses around the world behave in an ethical manner; up from 52% in 2015. Further, in 2015, 75% of millennials believed businesses “focus on their own agendas rather than considering the wider society.” That number dropped significantly in 2017 to 59%.

This same study also found that employers who empower millennial workers to support to support or contribute to purpose-driven initiatives while at work see significantly higher levels of loyalty (stay 5+ years), social optimism and have a higher impact on their businesses. The study also found that 77% of millennials have involved themselves in a charity or “good cause.” Of those involved, 40% follow or take active interest (e.g. Social Media), 30% actively volunteer/organize, 30% become members making regular donations, 23% raise money by sponsorship, organizing a collection, or by other means.

What these numbers show is that millennials are much more attune to social responsibility and are willing to support the causing which they believe and to boycott those that they do not support. Large corporations like insurance companies, sit in a unique position when it comes to social initiatives. Their resources and economic power make them significant catalysts for change, and their profit-driven approach places the power to direct this energy firmly with their consumers. Millennials are certainly a driving force in the market, but every individual can use their buying decisions to become an agent for positive change.

#### **IV. Corporate Social Responsibility Leads to Greater Diversity and Contributes to a Company's Profitability**

Strategic business imperatives like Corporate Social Responsibility and diversity create good for the community, but they are truly in the company's best interest. It's not altruistic; it's a selfish business proposition. Insurance isn't a charity; it's focused on the assessment of risk, and the mitigation of losses. These opportunities and aspirations lead to better communities and greater growth for the company. If the company lifts up a community, individuals in the community are positively impacted and are more likely to become that company's customers. This is all critical to a company meeting its growth goals in the competitive world in which we live.

#### **Diversity Management: A Magic Formula for Success**

Diversity management as a distinctive approach to promote inclusion of diverse employee profiles into business culture has been discussed in the US since the 1990s. In the beginning, diversity was often equated with improving women's situation in the business context, which resulted in work life balance initiatives and discussions about women's quota among others. But it now has evolved to include visible and invisible differences such as gender, age, nationality, sexual orientation, education, religious beliefs and handicaps. Implementing corporate social responsibility efforts that result in the inclusion of people with different backgrounds is now a crucial task for companies considering external phenomena and developments (globalization, assessment of new markets, war for talent, international alliances, potential for innovation, etc.).

#### **Consumers Are More Likely to Forgive Companies That have Histories of Beneficial Corporate Social Responsibility Initiatives.**

Consumers believe that increasing the transparency of business practices, and demonstrating positive social and environmental impacts are the two most effective actions companies can take to improve public trust in the private sector, according to the "State of Sustainable Business Poll 2011," a survey conducted by sustainability consultant firms BSR and Globescan.

Corporations are justifiably uneasy about spending to implement socially responsible mechanisms when the benefits are not always quantifiable and may only be apparent in the long term. However, in light of the litany of corporate scandals in recent decades, it is difficult to maintain the view that organizations are under no obligation to consider the broader social, environmental and economic interests of stakeholders.

Professors Paul Godfrey, Craig Merrill, and Jared Hansen, from Brigham Young University and the University of North Carolina, came up with a clever insight why the socially responsible types may be better off after all. In their study, they decided to

specifically focus on companies that got into trouble because some negative event had happened to them. This could be the initiation of a lawsuit against the firm, the announcement of regulatory action by a government entity, etc. Then as a metric, they looked at these companies' stock prices when they were affected by these negative events.

Their findings found, the degree to which a company was punished by the stock market for the negative news depended upon how much of a socially responsible company you were. Firms that scored low on a social responsibility index saw their share price plummet if they had to announce a negative event. Firms with very good social track records did not see their share price go down that much. And these falling share prices quickly rebounded. However, when you are more of a "social villain," the stock market washes its hands of you, drops its financial support, and makes your share price plummet.

## **V. Strategies for Putting It All Together**

The key to finding corporate social responsibility and sustainability, is developing programs that work specifically for an individual company. This can often be a complicated trial and error process. However, when a firm finds the right program these can prove to be highly beneficial both for the company's sustainability and growth into the future.

### **Environmental Efforts:**

Firms can focus their efforts on mitigating their environmental impact. Businesses regardless of size have a large carbon footprint. Any steps they can take to reduce those footprints are considered both good for the company and society.

### **Philanthropy:**

Businesses can also practice social responsibility by donating money, products or services to social causes. Larger companies tend to have a lot of resources that can benefit charities and local community programs.

### **Ethical Labor Practices:**

By treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility. This is especially true of businesses that operate in international locations with labor laws that differ from those in the United States.

### **Volunteering:**

Attending volunteer events says a lot about a company's sincerity. By doing good deeds without expecting anything in return, companies can express their concern for specific issues and support for certain organizations.

## **VI. Conclusion:**

Undertaking socially responsible initiatives is truly a win-win situation. Not only will your company appeal to socially conscious consumers and employees, but you'll also make a real difference in the world.