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Sustainable Insurance Firms in Unsustainable Economic Times: Do Sustainable Corporate Policies Matter in Times of Financial Crisis?

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Abstract: This paper examines whether insurance companies pursuing sustainable goals are better able to manage economic risks during times of financial crisis. Using a unique set of survey results for 63 international insurance companies, we find that firms with high and low sustainability rankings exhibit little difference in value and performance measures. However, bond ratings suggest that greater sustainability measures lower default risk, and subsequent to the financial crises, many of the firms that no longer exist as independent, publicly traded firms originally had low sustainability scores. Taken as a whole, the results suggest that there are good reasons to incorporate detailed risk management plans as part of an insurance company's sustainability effort, although these measures may not necessarily be a panacea in times of financial crisis.

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Key Words: Insurance Companies, Sustainability

1. Introduction

Sustainable activities meet "the needs of the present without compromising the ability of future generations to meet their own needs."[1] At a minimum, corporate sustainability embraces socially responsible principles that are environmentally friendly. Sustainable practices also emphasize transparent corporate governance and include policies aimed at minimizing the fallout from environmental and economic disasters. Ultimately, the intent of sustainable strategies is to ensure the survivability of the firm, so that a firm's enterprise risk management (ERM) program likely forms the core of any sustainable initiative.

[1] This early definition of sustainability first appears in a United Nations report on the economic interdependence of nations (Brundtland, 1987).