

Course Syllabus
Sustainability, Risk Management and Insurance FIL 382...

*Risk is a function of how poorly a strategy will perform if the “wrong” scenario occurs.
Michael Porter- Competitive Strategy*

Prerequisites: FIL 250 with a B or better **or** FIL Chair Consent

In today's world leaders in every sector, including business, government, and non-governmental organizations (NGOs) must be able to identify and manage risks such as Economic Risks, Environmental Risks, Societal Risks, Geopolitical Risks, and Technological Risks. Many of these risks threaten the strategic competitiveness of businesses. Many of today's risks stem from unsustainable growth in resource consumption, and the ability of diseases, economic failures, and political unrest to spread quickly around the world through increasing global interconnections. Some risks are due to climate changes that affect everyone, including businesses. Other risks are created by the legitimate changes in businesses practices such as cutting costs through sourcing of materials and labor from developing countries, and increasing their reliance on technology for operational performance.

Major segments of the world's business communities are developing and encouraging more sustainable systems to help manage risks which encompass business functional areas including human resources (workers' injuries, sweatshops), marketing (products liability, customer boycotts), finance (socially responsible investing), accounting (sustainability auditing and disclosure requirements) real estate (brownfield developments) manufacturing (waste disposal, energy efficiency), operations (supply chain) and corporate governance (reputational risks, directors and officers liability).

Businesses are beginning to develop strategies beyond compliance and mere sustainability and into areas which will have a positive impact on system-wide risks. Examples include strategies for viable alternate energy, affordable transportation not based on fossil fuel, making a positive environmental impact through carbon reduction, developing treatments for poverty-induced diseases, alleviating food and water shortages, responding to disasters, and bringing products and services to ignored markets in developing countries (i.e. microfinance and microinsurance, and crop insurance).

This course examines these overarching risks, their interconnections, and common causes. This course is designed to view risks from a high, strategic level perspective. This course will help both business students and practitioners to understand how these risks affect the enterprise wide risks of firms, and public policy students and practitioners who are interested in understanding how society is affected by these risks and how business sustainability practices can help mitigate these risks.

Learning Objectives:

Upon completion of this course students should be able to :

1. Identify key economic and environmental risks facing businesses and explain the interconnections among these risks
2. Explain the common causes of risks stemming from “unsustainable” business, consumer, and government activities
3. Explain the benefits to businesses having sustainable business practices
4. Explain the relationship between sustainability, risk management, and insurance
5. Describe new risk management tools being developed to help address sustainability issues

Required Text: The following text and materials will be used in this course:

Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*

Online Readings: Students will be assigned various online readings. The suggested readings found in the syllabus below are examples of the types of readings which may be included. This will be modified each semester. For longer readings students may be assigned specific pages.

Supplemental Book Readings: The following list of supplemental book readings is a list of books that contain information that will be used in the course. Students are encouraged, but not required to read the books, and may use the information found in these books to support their paper.

- **Greg Craven.** *What's the worst that could happen? A Rational Response to Climate Change.* 2009
- **Kevin Wilhelm.** *Return on Sustainability. How Business Can Increase Profitability and Address Climate Change in an Uncertain Economy.* 2009
- **Meadows and Randers.** *Limits to Growth.* 2004
- **Robert Reich.** *Aftershock. The Next Economy.* 2009
- **Thomas Freidman.** *Hot, Flat, and Crowded.* 2.0. 2009.

Week

Subject and Readings

1.	Subject: Readings:	Introduction to Risk and Sustainability Dan R. Anderson, <i>Corporate Survival: The Critical Importance of Sustainability Risk Management</i> , Introduction Thomas L. Friedman, <i>Hot, Flat, and Crowded: Why we Need a Green Revolution – and how it can Renew America</i> , Chapter 1 (Version: Release 2.0 – Updated and Expanded) “Sustainability Risk Management”-Dan Anderson, CPCU Journal, May 2006 “Global Risks” – <i>An initiative of the Risk Response Network, World Economic Forum, 2012 Sixth Edition</i>
2.	Subject: Readings:	Sustainability Risk Identification and Assessment Dan R. Anderson, <i>Corporate Survival: The Critical Importance of Sustainability Risk Management</i> , Chapter 1 <i>Extending Enterprise Risk Management (ERM) to address emerging risks</i> , PriceWaterHouseCoopers, Samuel Piazza, PWC. 2009
3.	Subject: Readings:	Sustainability Risks in Products and at Work: Dan R. Anderson, <i>Corporate Survival: The Critical Importance of Sustainability Risk Management</i> , Chapter 6 (pp. 166-172; 189-207) Mark Finster, Patrick Eagan, and Dennis Hussey, 2001, “Linking Industrial Ecology with Business Strategy,” <i>Journal of Industrial Ecology</i> , Volume 5, No. 3

John R. Ehrenfeld, "Industrial Ecology: Coming of Age," Environmental Science & Technology, July 1, 2002

Pat Eagan and Rebecca Cors, "Industry and Ecology: A Partnership that Works," Wisconsin Academic Review, Winter, 2003

- 4 and 5. Subject: Increasing Environmental and Social Liability Exposures**
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapters 2, 7, 10
- 6. Test and Outline for Papers Due**
- 7. Subject: Global Warming /Climate Change: Implications for the Risk Management / Global Sustainability Science**
Readings: **L. James Valverde, Jr. Marcellus W. Andrews** "Global Climate Change and Extreme Weather: An Exploration of Scientific Uncertainty and the Economics of Insurance ." Insurance Information Institute, New York, USA, 06/23/2006
- Greg Craven.** *What's the worst that could happen? A Rational Response to Climate Change Debate.* **Chapter 9** Pages 181-201
- Myles R. Allen, **Munich Re Report.** "Liability for Climate Change? Experts' views on a potential emerging risk", July 2009
- 8. Subject: Climate Change and the Role of the Insurance Industry**
The Geneva Reports: "The Insurance industry and climate change-Contribution to the Global Debate", July 2009 The Geneva Association.
- Insurance Information Institute.** "Climate Change: Insurance Issues". **09/2011.**
http://www.iii.org/issues_updates/climate-change-insurance-issues.html
- Sample Insurance Company Report on Risk Mitigation and Climate Change.
Carbon Disclosure Project, NAIC Working Group. 2010
- Evan Mills, Ph.D. • Richard J. Roth, Jr. • Eugene Lecomte.** " Availability and Affordability of Insurance Under Climate Change – A Growing Challenge for the U.S." **CERES, 09/08/2005**
- Evan Mills and Eugene Lecomte.** "From Risk to Opportunity: How Insurers Can Proactively and Profitably Manage Climate Change. **CERES, August 2006**
- 9 and 10. Subject: Sustainable Human Resource Practices in a "Do more with less" Environment.**
Readings: **Dan R. Anderson, Corporate Survival:** The Critical Importance of Sustainability Risk Management, Chapters 3,4,5 (**Boycotts/Reputation Risks/Political Risks**)
- Jennifer Adiwinata, Ogushan Berber, Beth Borrasso, Mellissa Brendel, Heidi Dodds, Mark Fleming . Abstract on "Negative Effects Resulting From Particular Types or Quantities of Stress in the Workplace".**

Carin Hawkins, Rubab Jafry, Vicki Keslar, Seuran Lee, Jesarela Ravelo, Renee Snyder, Dr. Amitkumar Talele. Abstract on "How Organizations Recognize and Address Workplace Stress".

Daniel Wagner. "Is Country Risk Really Rising?". 2010

Karen L. Sedatole, Dimitris Vrettos, Sally K. Widener. "Beyond Transaction Cost Economics: The incremental effects of intra-firm moral hazard and management control mechanisms on strategic outsourcing decisions", April 2011.

11. Subject: Catastrophe Risk Trends and Solutions
Readings: **Dan R. Anderson, Corporate Survival: Chapters 9, 11**

Dan R. Anderson, CPCU Journal, "Catastrophe Insurance and Compensation: Remembering Basic Principles," CPCU Journal, Vol. 53, No. 2, Summer 2000.

12. Subject: Agricultural Risk Management, Climate Change and Food Security
Readings: **"Insurance Solutions for Managing the Food Crisis." Swiss Re White Paper, December 2008**

"Enhancing Sustainable Access to Capital for Farmers in Ghana Through Indexed Insurance"; Katie School Research Paper 2011

Dan R. Anderson, Corporate Survival: Chapter 8

➤ **Papers Due**

13. Subject: Entrepreneurial Risk Management
Risk Management and Renewable Energy
Microfinance and Microinsurance
Carbon Storage and Trading Risks
Risk and Recycling

Readings: **"Insurance in Emerging Markets: sound development; Greenfield for agricultural Insurance", Swiss Re Sigma NO.1 / 2007.**

Socio - economic drivers of risk Swiss Re Sigma 2009.

"Microinsurance: Risk Protection for 4 Billion People". Swiss Re Sigma, NO.6 /2010

Stephen H. Bickel, Roberto L. Sanchez. Risk Reduction at Ash Disposal: A Case Study on Risk Management and Recycling. 2011

"Innovating to Insure the Uninsurable", Swiss Re Sigma, NO. 4 / 2005

➤ **Papers Given Back to Students to Revise and Resubmit**

14. **Subject:** **The Role of the Insurance Industry in Creating Sustainable Environments**
Readings: *"Insurance & Sustainability Playing with Fire"*, March 2004, Pan European Equity
 Insurance Strategy/SRI

15. **Test and Papers with revisions due**

Course Requirements, Grading, Readings,

15% Participation

Participation grade will be based on student answers to questions submitted, and interaction with other students including two comments made by other students.

50% Tests

Two tests will be given over the material covered in presentations and assigned readings. 50 percent of the test will be knowledge-based and short answer. 50 percent will be applied case-based.

35% Paper

Students will work in pairs. Each two student team will select a company and examine its Sustainability / Environmental / Corporate Social Responsibility (S/E/CSR) Program, and how this can support a strong risk management program. To eliminate overlaps among selected companies, there will be a draft in the class where the student teams will select their companies. Once a company has been selected then that company is out of the draft. Therefore you will need to come to the draft with more than one company. If you run out of choices, at the end of the draft you can select any company that has not been drafted. A pre-selection examination will be important to judge whether the company will be a good choice, i.e., has a strong S/E/CSR program, and will provide ample information for a study. Included in each report will be:

1. Brief description of the company's business, including basic financial data like sales, number of employees, importance in its industry, etc.
2. A description of the company's S/E/CSR program, with documentation as to why they have a good program. List any awards, or rankings, or other recognition of its program. Did the program lead to new business opportunities? Also why was the S/E/CSR program adopted? Did the company have problems in the past, like a boycott?
3. If available, how the S/E/CSR program is organized in the company – sustainability officer, committee, department, or other forms. Is there evidence that the company's risk manager is involved?
4. An S/E/CSR report on the company's website will need to be in place, or a significant section of the annual report devoted to the S/E/CSR program, to qualify a company for a group project. Other information on the company would include newspaper and magazine articles, books, and NGO websites, etc.
5. Dow Jones Sustainability Indexes and Socially Responsible Investment (SRI) Funds can provide lists of company with good records. The World Economic Forum each year selects the 100 most sustainable companies in the world. ISO 14000 or SA (Social Accountability) 8000 certifications, participation in CERES, or the use of The Natural Step strategy techniques are other screening vehicles.
6. Positive effects on risk management costs/programs can include: objective data-workers' injuries went down, liability (e.g., environmental, worker discrimination) suits went down, insurance (e.g., liability, D&O, EPL) premiums were decreased, a boycott was called off, or can include: anticipated positive effects – a company removes toxic substances from their products so do not have to worry about future liability suits, increased energy efficiencies reduced green house gas emissions..
7. A general concept of this report is that a strong S/E/CSR program supports a strong risk management program. A company which incorporates S/E/CSR strategies in its corporate planning will help to reduce S/E/CSR risks. Sustainability strategies implemented by a company to enhance its overall business opportunities and reputation will act to reduce/mitigate sustainability risks.
8. A group statement of some common characteristics, themes, strategies, etc., across the various companies. Include any general statements or conclusions you were able to observe as a group.
9. A set of sources at the end of each company section with appropriate referencing inside the text.
10. Please number the pages of the group report, or the individual company sections.