

**THE NATURAL STEP
ORGANIZATIONAL CASE SUMMARY**

LÄNSFÖRSÅKRINGSGRUPPEN/WASA INSURANCE (LF Insurance Group)

Headquarters: Stockholm, Sweden

A. THE BUSINESS

The regional companies forming today's LF Insurance Group were mainly founded in the 1840s and 1850s as mutual insurance companies underwriting fire insurance business in rural parts of Sweden. LF Insurance Group started as a small insurance company for farmers. The founders were farmers, and the majority of the businesses were farms. Today the LF Insurance Group consists of independent and mutual insurance companies that cooperate through a jointly owned insurance and service company. The LF Insurance Group leads the Swedish direct non-life insurance market, with more than two million customers. The LFAB Industrial & Marine section provides insurance for major companies, including commerce and fishing. The Reinsurance Department coordinates all non-life reinsurance activities within the LF Insurance Group. Today 85-90 percent of all Swedish farmers are insured through LF.

In 1998, LF merged with WASA insurance company increasing the LF Group's income from non-life insurance premiums by about 2,000 million SEK to approximately 8,500 million SEK, strengthening the LF Group's position as market leader and increasing their market share to 27 percent. As a result of the merger, the LF Group gained approximately 500,000 non-life insurance customers generating gross premium income of about 1.5 billion SEK. The merger means that WASA's large-scale activity in life insurance and savings, combined with the regional companies' strong, successful non-life insurance activities, creates a market leader in the insurance sector, reduces risk, and increases the opportunities for future development.

The LF Group has about 4,000 employees and 3,600 part time agents.

In 1997 LF WASA AB set up LF Miljö as an offshoot of the parent company. The purpose of LF Miljö is to develop environmental financial products. Currently LF Miljö is expanding within the Nordic countries and has recently opened a branch office in Oslo, Norway.

B. PRINCIPLE MOTIVATION FOR CHANGE AND CHOOSING TNS

Tomas Tengå, CEO of LF Miljö, comments that the insurance industry by its very nature is concerned with long-term developments, perhaps 30 years or more into the future. It is the responsibility of an insurance company to think long-term, to look into the future. Tengå comments: "That is why Natural Step planning instruments such as backcasting are very useful to us. And for the same reason, we continue to rely on employee training programs based on The Natural Step. The Natural Step tackles the situation as it is and looks at the real potential for our company."

Tengå points out that it is essential that the LF Group stays in the vanguard, remains the market leader, and that places great pressure on the company. He remarks that it is not easy to get good environmental advice: “Environmental consultants are often too technical, and there is a distinct lack of environmentally literate people in the labour market. For us, the best possible solution is to buy services from The Natural Step whenever we need them. They help us not only with environmental but also with marketing and financial questions.”

The Natural Step framework provides the fundamental knowledge base required to engage in this forward thinking.

C. TNS INTRODUCTION AND IMPLEMENTATION

LF’s approach to working with environmental issues begins with education. The company has educated all their employees in two half-day sessions based on The Natural Step framework. Building on this knowledge base, employees suggested changes within the company to reduce the environmental impact of its operations. They looked at internal housekeeping issues such as what kind of paper they used, how they recycled it, etc. The goal is to link the natural environment with the work environment and to make the work environment as healthy as possible with as little impact on nature as possible.

The LF Group has collaborated with The Natural Step since 1996 when LF was working with other organizations to develop an environmental manual for the construction industry. As an insurance company, LF was particularly interested in good environmental practices in the field of damage repairs. “Building is a complex field,” comments Tengå. “We wanted a manual that would enable people to make quick decisions about materials or methods. Previously, even if we hired five civil engineers we were often falling behind schedule.”

The Natural Step joined the steering group for the project. Tengå reports: “They contributed with a clear vision of the future and a systems perspective that enabled our own experts to calculate what was truly sustainable.”

In late 1998, LF Miljö was putting together a booklet about what individuals can do for the environment, at home or in the office. The purpose of the book is to make concrete steps easier for people to see. The booklet starts with The Natural Step system conditions and give practical examples of actions to take for each System Condition so an individual can begin to see how to implement them. The booklet will be available for both employees and customers.

Now the LF Insurance Group is taking the best suggestions that everyone comes forward with to find ways to make the whole business more ecologically adapted, including the development of new products.

Every company in the LF Group now has an individual who is responsible for environmental issues. These people meet several times a year to share information. They are responsible for seeing that environmental information is shared with others in their respective companies.

The LF Group continues to work with The Natural Step as technical consultants on various issues. In 1999, The Natural Step is working with the LF Group to create a CD-ROM-based environmental education program for employees. The CD ROM contains a TNS database that is designed specifically for LF's business.

D. TNS IMPACTS AND LESSONS

1. Innovation: Recycling Insurance

In Swedish society, the recycling of non-durable products such as paper and glass has become integral to daily life and is supported by a growing waste management infrastructure. The same cannot be said for durable products such as computers or televisions. According to new Swedish environmental regulations, the manufacturer, importer or retailer of any product must now assume producer liability, which means they must take responsibility for the product when it is discarded at the end of its service to the customer. This legislation imposes a difficult task upon manufacturers, importers and retailers and increases their risk. As the insurance industry is constituted to deal with long-term planning, risk assessment, and financial management, LF Miljö developed the idea of converting an unknown recycling cost into a small, manageable insurance premium, and created the world's first Recycling Insurance.

How Recycling Insurance Works:

When a durable product is purchased, included in the price is a premium which guarantees that when it is discarded, it will be recycled. During the lifetime of the product, the small premium is placed in a fund along with numerous other premiums, and that fund is managed by LF as it would manage any other fund. When the product is to be discarded, it is returned to the retail outlet where it was purchased so it can be passed on to a recycling company. The recycling company dismantles the product and recovers the components. All costs are covered by the insurance policy. In this way recycling is paid for at the beginning of the product's life span, which helps ensure that it will be directed back into resource cycles. Consumers do not incur any additional costs or problems.

Eventually cost differentials between one insurance premium and another will stimulate improvement. Premiums would be lower for products containing fewer environmentally damaging substances or products designed to be recycled. With the right incentives, companies will alter their products. Customers will choose environmentally friendly products that have a lower cost.

As long as products are returned to designated collection points, they will be efficiently and expertly recycled, even when the original manufacturer or retailer has gone out of business. Rather than individual companies trying to calculate their own recycling costs, LF works with the recycling industry to produce the necessary figures for fixing insurance premiums. These small recycling premiums will first earn interest for a number of years and then be paid out to companies providing the best, most efficient recycling service in their own field. As an increasingly important customer of the recycling

industry, LF expects to be able to exert pressure on development of the recycling industries as well as keep prices down.

LF has already attracted clients with this new insurance, especially among computer manufacturers. Already some municipalities are beginning to specify that suppliers of computers must be “recycling insured.” For example, in 1998 a new type of telephone was introduced in Sweden, and all of these are “recycling insured.” The applications for this insurance are legion including the car industry and white goods industry.

2. Lower costs

As a result of their internal housekeeping, LF has identified numerous “low hanging fruits.” Initially LF invested one million SEK in internal environmental improvements. These investments have resulted in direct savings. In cleaning costs alone, LF has experienced savings of 635,000 SEK/per year.

3. Interest and awareness among employees

Since the initiation of the change process including (1) environmental education, (2) identification of ways to improve environmentally, and (3) demonstrated commitment and willingness by the company to invest in those suggestions, employees have begun to look more carefully at how they carry out their work, and to ask more questions about current practices and ways to improve them.

In reflecting on LF Group’s success in introducing ecological thinking into a financial services company, Tengå suggests that building a knowledge base through education and training is a fundamental aspect of successful integration of environmental thinking and action into a company’s operations. However, education is not enough. Employees need to see that something is happening. The company must be willing to make investments to support ideas for improvements. Without the buy-in of company leadership this support is not forthcoming and the initiative will have limited value and impact.

F. ADDITIONAL INFORMATION

The LF Group has information in English that can be obtained directly from the company, or through their website: www.langsforsakringar.se or www.langsforsakringar.se/miljo.

G. CONTACT INFORMATION

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