

Business Interruption Insurance: When Circularity Pays Off

Key Learnings

Connect Circular Practices To Insurance Through the Risk Management Lever

Business interruption premiums depend on three parameters: sum insured, occupation type, and discounts. The first two are purely value-based and indifferent to how a company operates. **The connection between circularity and insurance sits in the third: risk management discounts.** Companies that demonstrate diversified sourcing, modular equipment, or faster recovery paths can shorten their indemnity period and qualify for better terms. The premium benefit comes from proving operational resilience, which is what circular practices systematically build.

Reduce Climate Liability Exposure Through Material and Design Choices

Climate liability is an expanding legal risk. Customers increasingly hold companies responsible for harm caused by their products during use and after disposal. Eliminating toxic substances, enabling repair, and adopting modular design reduces pollution, waste, and health risks. **This directly lowers litigation probability and potential compensation costs, which reduces liability insurance exposure.** Once regulations push externalized climate costs back to the companies causing them, the financial gap between circular and linear products will widen sharply.

Anticipate Downturns Through Systemic Thinking, Not Efficiency Gains

Research on publicly traded companies over ten years showed that those applying ESG risk measures outperformed peers when stock prices fell. The same research could not prove outperformance during upswings. **The advantage lies in anticipating risks before they materialize, not in generating higher returns.** Circular practices embed this logic through diversified sourcing, local supply options, and modular operations. The competitive edge shows up when disruption hits, not during business as usual.

Treat Staying Linear As the Largest Uninsurable Business Risk

Five pressures compound against linear operations: commodity prices have risen at historic rates since the early 2000s, critical chemical elements face depletion within decades, geopolitical monopolies create sudden supply shocks, planetary boundaries are breached in seven of nine categories, and climate damage costs escalate beyond what individual insurers can cover. **Staying linear means remaining exposed to all five pressures at once, and no insurance product exists that covers this cumulative risk.** For some of these threats, the industry is already moving toward pooling arrangements because no single insurer can carry the exposure alone.

Listen to the full episode here:

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