



Social Economy and International Stakeholders

The global mutual insurance sector

Catherine Hock, International Relations, International Cooperative & Mutual Insurance Federation

CIRIEC 2013 Conference Social economy on the move, at the crossroads of structural change & regulation

International Cooperative and Mutual Insurance Federation

DEFINITION OF MUTUALS

THERE IS NO CLEAR ALL ENCOMPASSING LEGAL CONCEPT OF WHAT DEFINES A MUTUAL TYPE ORGANISATION AS THERE ARE DIFFERENCES CONCERNING TRADITIONS HISTORY POLITICAL CHOICES MARKETS BUSINESSES GOVERNANCE MODELS AND RULES. HOWEVER DESPITE OR MAYBE THANKS TO THOSE DIFFERENCES MUTUAL TYPE ORGANISATIONS IN EUROPE MAKE A CONSIDERABLE CONTRIBUTION TO THE EUROPEAN SOCIETY AND ECONOMY AT LARGE AND DESERVE A STRONG POSITION IN THE EUROPEAN MARKETS

Reflecting on the theme of your conference ...I would like to cite the words of the OECD's sec gen at the organisation's 50th anniversary Better Policies for Better Lives, (Mr Guria) 'in the wake of the financial crisis, we need policy actions that have a tangible action on peoples' lives.'

With that in mind, my aim today is to give you a glimpse of mutuals' actions in some parts of the world; follow with some recent figures of the market share of coop and mutual insurers and end with some

conclusive remarks.

WAEMU/UEMOA



International Cooperative and Mutual Insurance Federation

My first incursion into the mutual sector takes place within the West African Economic and Monetary Union (Union Économique et Monétaire Ouest Africaine) 8 States : Sénégal, Mali, Burkina Faso, Bénin, Niger, Togo, Ivory Coast and Guinée-Bissau.

This Union was set up by Treaty of 10 January 1994; it covers an area of 3 504 220 km² and about 74 million people.

Until 2006 > 90% population in the WAEMU does not benefit from any form of social security => hence the difficulties of access to healthcare

Many organisations of social protection (mutuals) have seen the light and are tailored to the part of the population which is not covered by social security

These mutuals allow access to health protection to the people with low income.



Legal framework for social mutuals

- Social mutuals ?
- Impressive growth of health mutuals – no adequate framework
- In 2004 – STEP /ILO: innovative participative process ----->
- Regulation n°07/2009/CM – adopted 26 June 2009
 - Objectives
 - Contents
- Some additional thoughts

International Cooperative and Mutual Insurance Federation

Social mutuals are mutual organisations active in health but offering also insurance cover for risks such as death, funeral insurance, etc.

Mutuals, in particular the ones operating in the health sector had developed dramatically in spite of a proper legal environment.

Since 2004, the STEP (Strategies & Tools against Social Exclusion and Poverty) programme of the ILO (financed by Belgium since 1990 and France) has led a participative process which brought about the set up of the Regulation for social mutuals. The process can be seen as innovative as the ILO has only brought some coordination to the dynamics of the process, and some technical guidance.

The objectives of the Regulation were to ensure a rational management of social risks so as to facilitate the access of basic health and social services to the population of the WAEMU states;

The content : the regulation (downloadable on the net) is made of 94 articles and is very comprehensive include definitions, basic principles, objectives, constitution and licensing; fusion and winding operations.

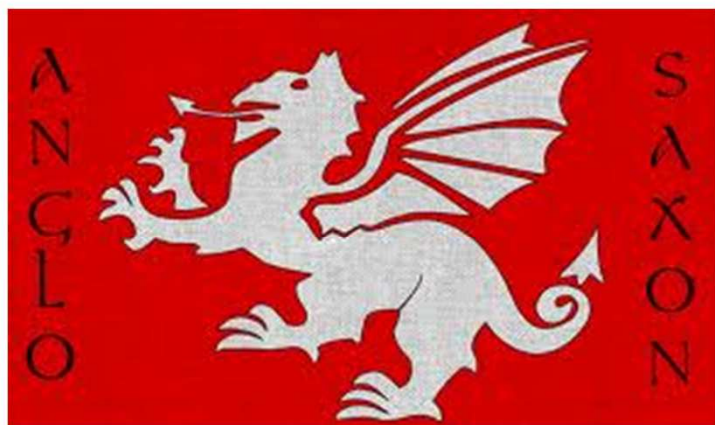
Some additional thoughts: this regulation valid in West Africa grants mutuals with a specific statute as organisations of general interest and are instrumental in the application of fundamental rights.

The regulation is the most binding of all legal tools within WAEMU and is the 1st of its kind in the world.

It shows the benefits of working within a region (or sub-region) (with regard to the virtuous circle of an 'across member states' joint working process as well as the reinforcement of the legal framework).

Finally this regulation shows the political will of member states in recognising the adequateness of the mutual model for the provision of health insurance and insurance to the person.

Reference to other plenary where the recent study of the EC on the mutual society is being presented and mention the on-going process.





Discretionary mutuals

- Definition
- Main characteristics
 - Not regulated
 - Claims paid at discretion of board
 - No reporting to supervisor
 - No regulatory capital
- Anglo Saxon countries

International Cooperative and Mutual Insurance Federation

Alternative” to Insurance (self-insuring pool) no “policy” but an agreement

UK and Australian law have firm legal basis for discretionary structure

Claims paid at discretion of Board

Universities – Unimutual (Australia)

Motor repair industry - Capricorn Mutual (Australia)

Livery Companies Mutual (UK)

Started with just first year’s Contributions.

Essential that financial risks understood

Benenden offers a health cover for a price of £7.80 per person, per month.

Every service they offer is entirely funded by their members’ contributions, so when their members ask for help, Benenden uses its judgement to ensure that it puts the needs of its members first.

In 2011 Benenden said yes to treating 92% of people who asked for help. They were able to direct the remaining members to other services.

Discretionary mutuals: examples

- Benenden, UK
- Unimutual, AU
- Capricorn, NZ, AU
- Livery companies mutual, UK
- Etc.

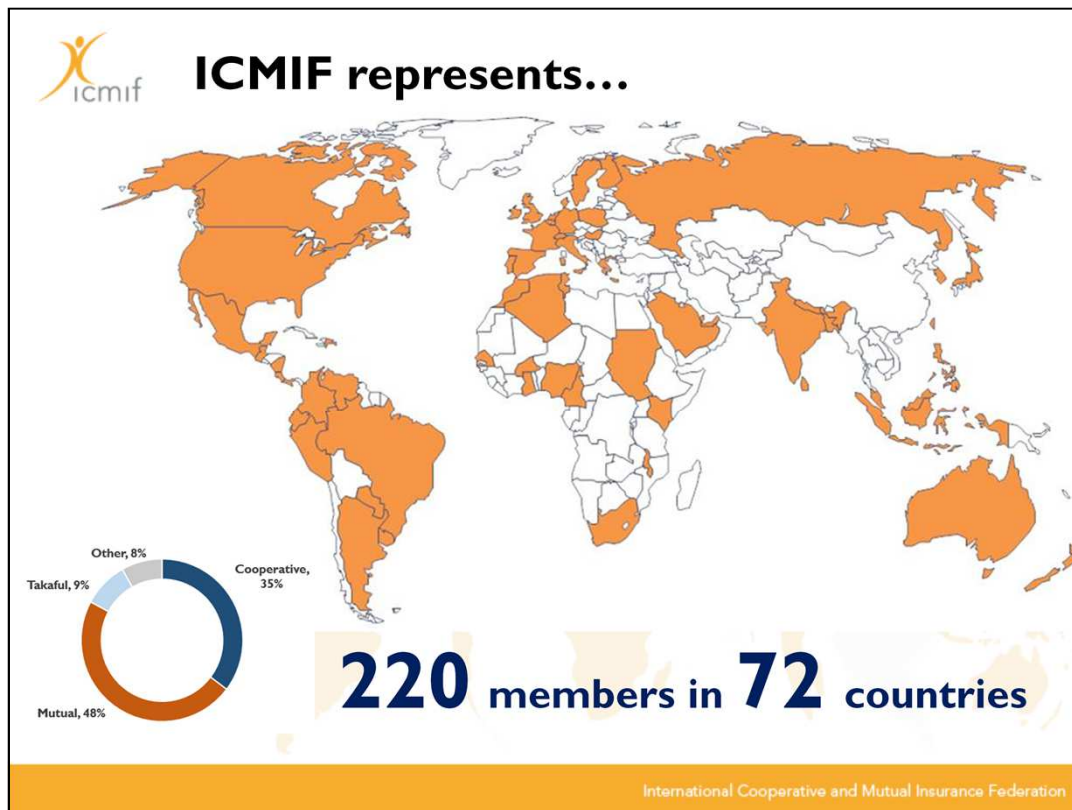


Benenden is a member of ICMIF

ICMIF currently represents 220 mutual and cooperative insurances companies in 72 countries in all 6 continents

48% of members are “mutuals”, 35% are “cooperatives”, 9% are “Takaful” (Shariah-compliant insurers) and 8% are “Global” which includes 5 Supporting Members

ICMIF also represents over 2,000 indirect members (through other trade organisations and bodies)



Latest financial data on our members from Key Stats report, based on 2012 figures.

Premiums had grown by 26% since 2007 – in comparison the global insurance market had only grown by 12%

As a result, the global market share of ICMIF members had grown from 4.8% to 5.5%



ICMIF Members in 2012

- **USD 252 billion** in premium income
- **5.5%** share of the global insurance market
- **USD 1.53 trillion** in total assets
- **250,000** people employed by member companies
- Serve over **190 million** policyholder/members

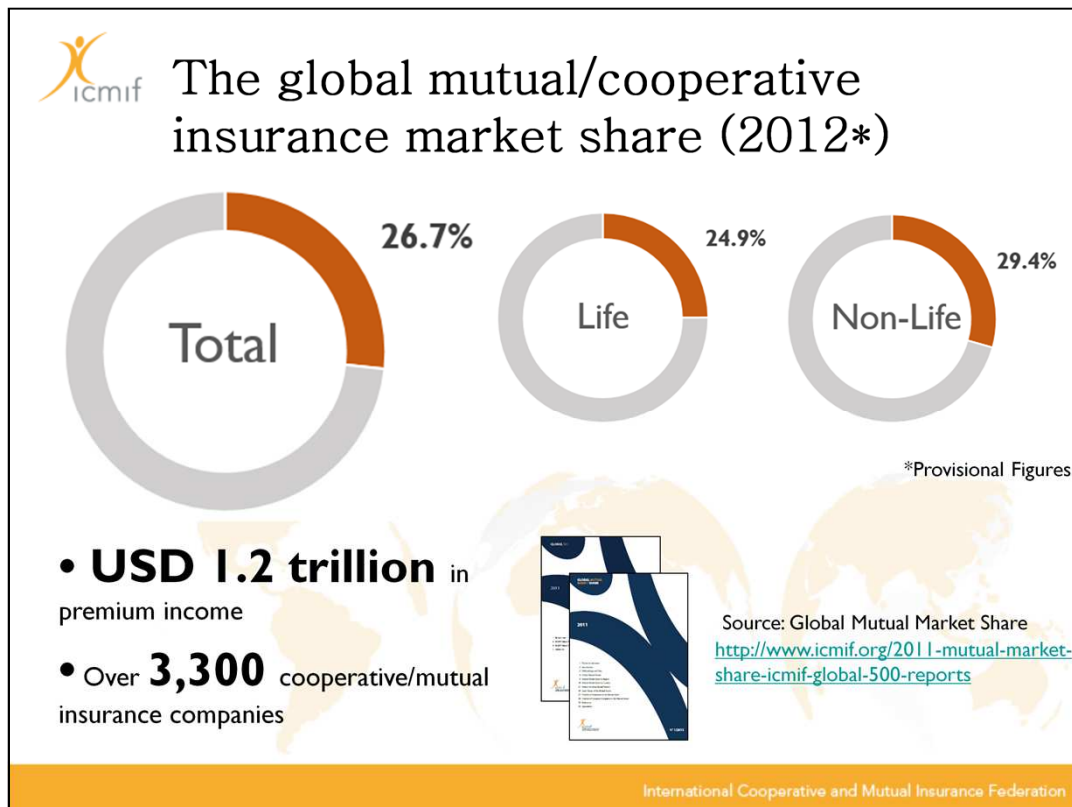
International Cooperative and Mutual Insurance Federation

ICMIF's Shared Intelligence department produces annual research into the size and financial performance of the global mutual and cooperative market (over 3,300 insurers) – Mutual Market Share reports (link to download).

Also produce Global 500, list of 500 largest mutual/coops by premiums

Provisional figures for 2012 show that mutuals wrote over USD 1.2 trillion of premiums

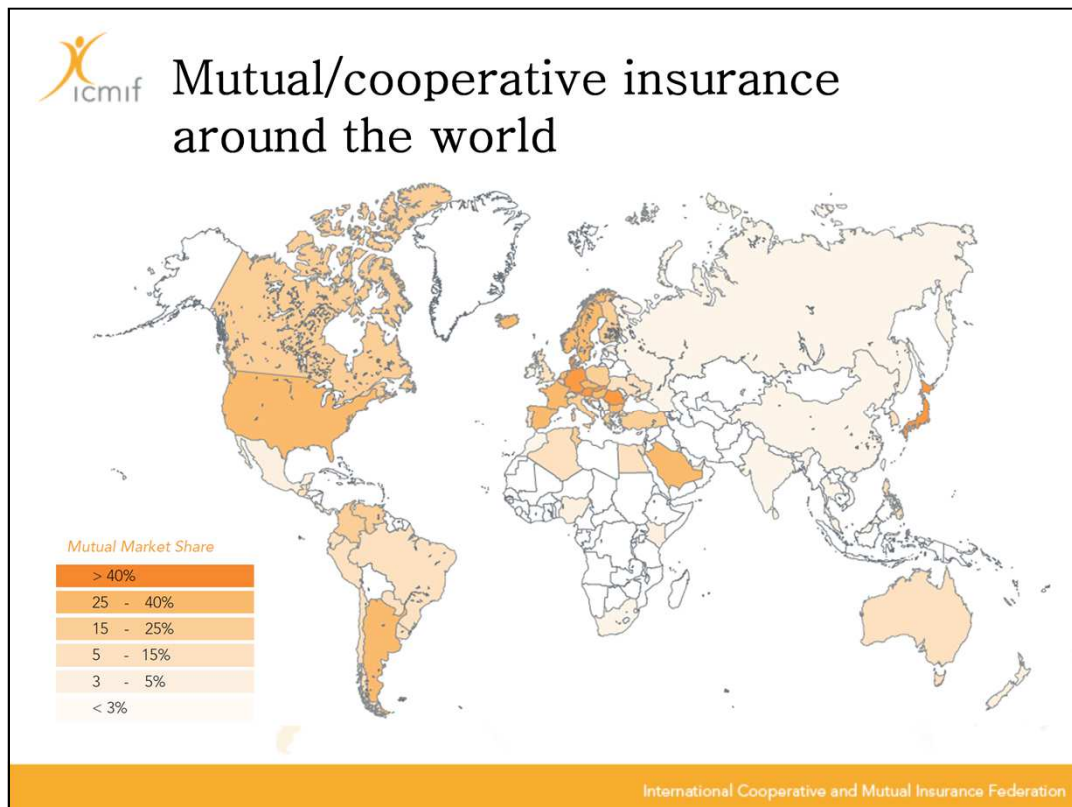
This represent 26.7% of the global market (around 25% in life market and 29% in non-life)



Over 80 countries are covered in the research- this map shows the countries with the highest mutual market share – i.e. the local markets where mutuals hold the highest share of the total market.

Mutual business is most prevalent in Western Europe and North America (Germany, France, USA, Canada) and Japan

In Latin America and Africa, mutual business makes up only a small part of the market, but it is among the fastest-growing insurance model in these regions



In the ten largest global insurance markets, mutual/coops hold an important share in most

In Japan, France and Germany, mutuals hold more than 40% of the market. In Netherlands, they hold just under half.

The USA is the largest mutual market in terms of premium income, with over USD 400 billion of premiums, and makes up over a third of the total market

Demutualisations in the UK over the past 50-years has seen mutual insurance insurers drop from holding around 50% of the market. However, market share has doubled since the financial crisis, growing from just 4% in 2007 to 8.2% in 2012.

Mutuals have grown quicker than the market since financial crisis

Mutual growth since 2007 is greater than local market growth in 8 of the ten largest markets (exceptions in Asia).

Highest growth in market share was in UK. Total insurance market has declined by 27% since financial crisis. However, mutual premiums have grown by over 38%. Likewise, the French insurance industry has

contracted by 5% since 2007, but mutuals have seen a 4% growth in business in this period.

China, mutuals only hold 0.2% of the market, but premiums have grown 3-fold since 2007



Mutual Market Share in 10 largest insurance markets

Rank*	Country	Mutual Market Share 2012	Mutual Premiums 2012 (USD millions)
1	USA	34.3%	435,322
2	Japan	41.7%	272,703
3	UK	8.2%	25,626
4	France	40.1%	97,313
5	Germany	43.4%	100,612
6	China	0.2%	434
7	Italy	20.6%	29,771
8	Republic of Korea	8.6%	11,911
9	Canada	19.9%	24,389
10	Netherlands	49.8%	50,000

* Global Rank as per Swiss Re, sigma, No.3/2013
Source: Provisional figures from Global Mutual Market Share 2012

International Cooperative and Mutual Insurance Federation

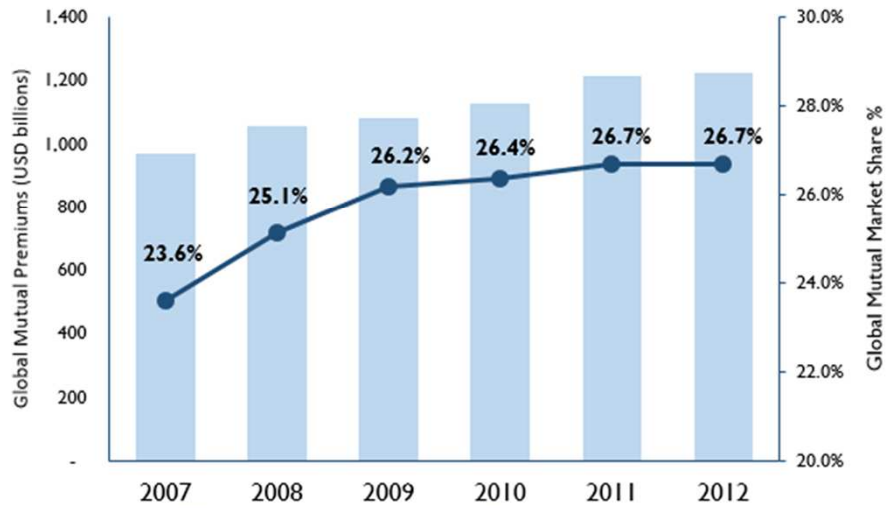
The mutual model has been the fastest growing part of the global insurance market since 2007.

Each year since 2007, growth rates of the mutual/coop sector have exceeded the growth of the total market.

That has seen market share grow from 23.6% in 2007 to 26.7% in 2012



Mutual Market Share growth since global financial crisis



International Cooperative and Mutual Insurance Federation



We have seen that the mutual insurance sector is alive and well and has shown its resilience during the last (and current) crisis.

What we observe however is that on a global level, too many countries still don't authorise mutuals to provide insurance or have no legal framework for them.

In Europe these countries are Estonia, Lithuania, Czech Republic, Slovakia, Liechtenstein and Iceland). In addition, mutual-type organisations

in other countries are restricted to certain activities (for instance, in the field of insurance, to life or non-life insurance).

In fact we have ample proof (through our membership) that an impressive number of companies are

making a difference but they are not on the radar screen of governments, supervisory authorities,

politicians and international organisations. An ICMIF audit into the global reputation of the sector

undertaken in 16 languages over a 12-month period shows how stock insurers dominate the global

conversations. Based on these findings, the question is 'how effective are

we when projecting the success of our coop/mutual model to society?" this has consequences in terms of

Image/Impact/CSR/ Competitive Advantage+ live by the mutual/coop values (what would happen if the press found out about it?)

So what is the answer? Will mutuals have to lose their identity to reach next steps? Our members

clearly say 'no' but they believe they must improve their services through innovation

Enhance the cooperation among their peers, cooperative and mutual societies

Go back to basics and rediscover their organisations

Make sure the staff understands the social pursuit and

Project their identity to society.

For the rest, i.e. dealings with the global organisations, mutuals and coops should rely on global organisations such as the ICA and ICMIF.

Conclusive remarks





catherine@icmif.org

www.icmif.org

International Cooperative and Mutual Insurance Federation