Solvency II and mutual & cooperative insurers

Gregor Pozniak, Secretary General

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Mutual and cooperative insurance in Europe

- End-2008: 3,300 of 6,000 insurers in Europe were mutuals or cooperatives (or their subsidiaries - ~300)
- Mutuals in 18 MSt, “mutual cooperatives” in 2 MSt, insurance cooperatives possible in 7 MSt (exist in 3 MSt)
- Market share (incl subsidiaries) 18% (29 % in non-life)
- The wider sector
  - has a market share of 25%
  - employs close to 300,000 people
  - provides more than 150 million citizens with insurance services
AMICE Membership

- > 100 insurance undertakings as direct members + national assoc.
- from 18 countries
- Mutuals account for ~25% of market share in Europe
- AMICE (direct) members have close to 60% of this = 14% in Europe
Specificities of mutuals (and cooperatives)

- **Size / market position**
  - lack of size > implementation and compliance costs
  - client basis geographically or professionally restricted
    > little diversification, standard model not fitting

- **Ownership structure**
  - capital structure – no equity (the archetypical tier 1)
  - access to finance
  - difficulties in forming (cross-border) groups
  - treatment of supplementary calls, surplus finds etc

- **Governance**
  - board members from membership (cf also pension funds)
Challenges with Solvency II

- Proportionality
  - in laws and regulations and in supervisory behaviour
  - in pillar 1: simplifications, USPs, granularity and history of input
  - in pillar 2: key functions (& combination), (collective) qualification processes: ORSA and its report, outsourcing
  - in pillar 3: reporting & disclosure (frequency, level of detail, reg vs publ)

- Own funds
  - That mutuals are weakly capitalised is, in general, a myth!
  - but: recovery after SCR breach may be more difficult
  - recognition of surplus funds and limitation on hybrid / subordinate debt
  - Recognition and approval of supplementary calls

- Formation of groups of mutuals
Final remarks

- Thanks to MEPs for their support in Solvency II discussions
- Thanks to MEPs for their support of the mutual/cooperative, alternative business model in providing financial services and coverage of risks and personal needs to European citizens
- Study for the EMPL Committee in 2011
- Study for the European Commission in 2012
- Looking forward to further good cooperation
Thank you for your attention!

gregor.pozniak@amice-eu.org
amice-eu.org