



## Press Release

# Is Solvency II set to harm consumer choice and smaller insurers?

**Europe's mutual and cooperative insurers urge the European Commission to protect much needed diversity in the insurance sector as it finalises the Solvency II requirements.**

**Brussels, 11 March 2010** “Although the new Solvency II regulatory regime is not intended to restructure the European insurance market it currently risks doing just that,” warned AMICE President Asmo Kalpala prior to the mutual insurance seminar being held in Espoo, Finland on 11 March 2010, “Europe's mutual and cooperative insurers are therefore calling on the European Commission to maintain diversity and healthy competition within the insurance sector by better balancing consumer protection with consumer choice”.

AMICE initially welcomed the Solvency II Framework Directive which is designed to protect policyholders and the stability of the financial system by optimally aligning capital requirements with risks and enhancing the supervisory review process for Europe's insurance sector.

“If the principle of proportionality introduced by Solvency II does not work in practice, we are likely to see aggressive market consolidation” notes AMICE President Asmo Kalpala. “Disproportionate governance and reporting requirements pose real challenges for smaller insurers. Similarly, inflated capital requirements will hit mutual and cooperative insurers especially hard.”

The European Commission is currently drafting implementation measures for the Solvency II framework directive after receiving technical advice from CEIOPS, the grouping of European insurance supervisors. The calibrations as currently proposed by CEIOPS do not give consumers the best deal: there is widespread consensus within the European insurance industry that the suggested capital requirements, together with costly obligations in the areas of organisational structure, disclosure and reporting, could see the prices of insurance products rise considerably, at the same time reducing pay-outs, e.g. on pension-type life insurance contracts.

Overly prudent and disproportionate prudential requirements increase the need for capital, eventually making funding more expensive. SME insurers and mono-liners that cannot take

[www.amice-eu.org](http://www.amice-eu.org)

Association of Mutual Insurers and Insurance Cooperatives in Europe aisbl

Rue du Trône 98/14 | B-1050 Brussels | Belgium | T: +32 2 503 38 78 | F: +32 2 503 30 55 | [secretariat@amice-eu.org](mailto:secretariat@amice-eu.org)



advantage of full diversification benefits are in the frontline. Their need for capital could force them to consolidate and give up one of their essential business advantages: the proximity to their customers. Some could even be forced to demutualise or even to close their business. Mutuals and cooperatives have corporate structures that make it more difficult to raise capital than listed joint stock insurers. So the sector would feel the full and disproportionate force of this unnecessary consolidation trend.

In addition to the loss of employment associated with such mergers, the loss of diversity within the insurance market has wider consequences. The mutual and cooperative sector is an important driver of financial literacy and inclusion. Destructive market consolidation will not only diminish the often innovative products offered by mutual and cooperative insurers and lead to product uniformity but it will distance the insurance industry from the society it serves.

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Notes to the editors:

**AMICE** is the Association of Mutual Insurers and Insurance Cooperatives. It was created in January 2008 through the merger of two previous associations, ACME and AISAM. Its prime purpose is to ensure that the voice of the mutual and cooperative insurance sector in Europe is heard and that the interests of its members are taken into account in securing a level playing field for all insurers in Europe regardless of their legal form. With 120 direct members and 1,800 indirect members, representing a third of the insurance companies in Europe and 20% of the premiums, AMICE speaks for a significant part of the insurance sector.

**Asmo Kalpala** is the President of AMICE since its beginning; he is the President and CEO of Tapiola Group, one of the largest Finnish insurance groups.

**Solvency II:** The Solvency II Framework Directive was agreed in spring 2009. The Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) was tasked with preparing technical advice for the European Commission regarding the Directive's implementing measures. The Commission is currently producing its proposals for the implementing measures. The Directive is due to come into force in late 2012.

Contacts: For any further information, please contact

Gregor Pozniak  
Secretary General

Tel +32 2 609 56 41  
Mob +32 476 220 254

[gregor.pozniak@amice-eu.org](mailto:gregor.pozniak@amice-eu.org)  
[www.amice-eu.org](http://www.amice-eu.org)