

Capital maintenance - Sustainable finance

Mutual and cooperative insurers pursue a fundamentally different approach when it comes to financing their business. By definition, they do not have shareholders and do therefore not cover their capital needs on the equity market. Most of them are also generally hesitant to raise capital through the issuance of bonds – they just do not want to use their surpluses to pay for external capital. Moreover, many mutual insurers are small to medium-size undertakings for whom the capital markets are commonly not or not easily accessible.

In a nutshell, mutual and cooperative insurers have restricted opportunities to finance their activities and their growth: they can retain their surpluses and some may, in extremis, raise supplementary capital from their members. Ploughing back surpluses into reserves, however, is not always and everywhere treated on a level playing field with the distribution of profits by joint-stock companies.

AMICE has set up a task force to work on collating, comparing and developing sustainable capital solutions which respect mutual and cooperative values for the benefit of mutual/cooperative insurers' member-policyholders.

In the first phase of its work in 2010/2011, this means looking at existing capital (including hybrid) instruments currently in use by our members in the EU and EFTA, exploring promising capital instruments that are in use or under development in the banking sector and deciding which of these capital instruments merit follow-up by AMICE.

The 'organic' link with the work of the Solvency II taskforce consists of the examination of the quality and eligibility of own funds, as defined in the EU Framework Directive on Solvency II and the respective Level 2 Implementing Measures.