

News

dec 09



Asmo Kalpala
President

AMICE includes in its membership some large insurers of at least European dimension and several national market leaders in their field. But it is characteristic of the mutual and cooperative insurance sector that many players are small or medium-sized. Our association has to intensify its focus on support for its SME members.

The idea that “*small is beautiful*” has not been prioritised in the process of creating a Single Market in the EU: just the opposite, in fact. The EU financial services action plan includes the idea that more consolidation is needed in the EU insurance market.

It is evident that the new European Solvency II framework fosters larger units and will therefore lead to market concentration. Small and medium-sized members of our association, clearly the majority as the median GPW 2008 amounts to less than EUR 200 million, feel particularly threatened by the new prudential framework: they face tough new quality criteria for their own funds; if they are specialised in their insurance field, they find it difficult to achieve diversification benefits; the governance and reporting requirements may turn out to be too burdensome for them.

Over the coming years, AMICE will place a particular focus on the needs of its small and medium-sized members, including those indirectly represented in AMICE through their associations. Finding ways to assist them through advice and mutual support, the exchange of experience and through forceful lobbying for diversity and proportionality will be at the heart of this strategy.

One important lesson to be learnt from the financial crisis with regard to stability in the EU insurance market, is that the problem is not the high number of small players, providing high quality customer services. Instead, the real challenge is how to avoid hazardous behaviour in the insurance industry. Consolidation of the market will not be the solution to that problem.

With these thoughts I would like to wish all readers a Merry Christmas and a Happy New Year – if we uphold AMICE’s principle of mutual support, I am confident that it will be a good one.

Asmo Kalpala

→ In this issue

- Editorial by the President Page 1
- Folksam, Tale of an ombudsman Page 2
- New European supervisory structure. Page 2
- Two months in Brussels as a secondee. Page 3
- CSR workshops for practitioners Page 3
- Solvency II Update Page 3
- Diversity in the financial sector Page 4
- AMICE Board meeting and reception Page 4
- Events calendar. Page 4

Folksam, Tale of an ombudsman

In this edition we are pleased to present to you Anna-Karin Baltzari Danfors who has been heading Folksam's 'Customer Ombudsman' service since 2007.



Anna-Karin Baltzari Danfors

What is the position of the Ombudsman in Folksam's organigramme and how would you define its purpose?

A-K: The Customer Ombudsman is an independent body which reports only to the Annual General Meeting. It was created in 1968 with the aim of contributing to making customers of the Folksam Group the most satisfied within the industry.

How would you describe your job?

A-K: I often compare complaints with gifts wrapped in gold paper! Thanks to them we are able to focus on improving

certain aspects which we could have missed otherwise and which greatly contribute to the development of the company.

Could you define the nature of the Ombudsman's daily work?

A-K: I'd say the work of the Customer Ombudsman has three distinct aspects:

- **Consultations:** the majority of the roughly 8,000 customers who contact our office yearly only need a more thorough explanation of the information given by the company. Being an independent body gives us a sort of trustworthiness which is key. I would therefore say this part is essential.
- **Reappraisals:** from the approximately 1,000 cases per year which will be subject to review (reappraisal), 25 % will be modified in favour of the customer. This figure alone is proof of our independence. For the customer it is easy to request a review of their case. All that is needed is a simple letter, no lawyer is required and our services are free of charge. The handling procedure is also quicker than through the courts.
- **Preventive work:** we try to avoid recurrent complaints through prevention, e.g. through training and informing Folksam's staff. We also work with product development as well as on improving general terms and conditions of insurance contracts.

Listening to you, the Customer Ombudsman seems to be a 'win-win' opportunity both for the company and the customer?

A-K: True. Since we are an added value for the customers we contribute to the business by strengthening the Folksam brand. I also want to say that it is a privilege to be the Customer Ombudsman. It is really stimulating to be in a position to help the customers and at the same time support the insurance company in developing the business.

In your opinion, what is the mutual angle to this job?

A-K: Folksam is a mutual insurance company and the Customer Ombudsman gives the customers influence and transparency both of which are essential values of mutuality.

New European supervisory structure

Based on the recommendations of the de Larosière group, the European Commission has presented its proposals for the establishment of three European supervisory agencies, among them the European Insurance and Occupational Pensions Authority EIOPA. According to these proposals, EIOPA:

- will adopt technical standards (until now "level 3"), with qualified majority, which will be made binding by the Commission through an endorsement process;
- will facilitate agreements between national supervisors, including settling disagreements;
- will not take over the supervision of domestic insurers and it will not replace supervisory colleges for cross-border groups;
- will have certain powers in narrowly defined emergency situations;
- will be financed to 40 % by the Community budget and to 60 % by Member States.

For the supervision of macro-economic stability, a European Systemic Risk Board (ESRB) will be established, located at the ECB, but comprising the governors of all EU Central Banks (euro and non-euro areas). It will monitor the soundness of the whole financial system and issue recommendations to countries (or groups of countries or the Council of ministers) when identifying stability risks.

While the proposals for the supervisory agencies foresee three sectoral institutions (including EIOPA for insurance), the ESRB will be totally dominated by central bankers (29 from national central banks and the ECB vis-à-vis one single insurance voice, the Chair of the EIOPA). The insurance industry is very concerned by this imbalance and has requested at least the setting-up of a dedicated sub-Committee of the ESRB for the specific supervision of systemic risks in the insurance industry. The fear is further spill-over of measures targeted at banks to our sector.

The sector will also remain vigilant given that there seems to be consensus across political groups in the European Parliament that an integrated European supervisory agency for the financial industry should be created as soon as possible.

The proposed legislative texts and further information can be obtained from

http://ec.europa.eu/internal_market/finances/committees/index_en.htm

Solvency II Update

CEIOPS published its third wave of draft advice for Level 2 measures with a focus on calibrations – these were set at an extremely conservative level following the document “Lessons learned from the Crisis”. CEIOPS itself estimates that for life insurers the capital requirements will – at an average – go up by 24 % compared to QIS4 and for non-life insurers by 13 %. Non-life underwriting risk alone is estimated to increase by 35 %.

First feedback by AMICE members sounds even more alarming: The increase in SCR due to the new calibrations may reach 30-60 % for non-life insurers and requirements may indeed **double** (+50-100 %) for life insurers. It is clear for AMICE and its Board that this is completely outside the consensus reached about Solvency II at the political level after QIS4.

The eligibility of own funds and their classification into tiers is of vital importance to the sector – the AMICE Board has emphasised this again – and AMICE remains vocal on this issue.

Also in November, CEIOPS released its final advice on the wave 1 and 2 issues. AMICE sees some of its comments taken into account; overall, however, CEIOPS remained quite steadfast in its work and industry’s discussions will now have to be held with the Commission with the aim of ensuring that the level 2 instruments remain within the spirit of the level 1 text. This includes notably an increased vigilance that the principle of proportionality is appropriately addressed.

“Comments presented by federations like AMICE will be listened to more than those presented by individuals”, said Pauline de Chatillon, from French supervisory body ACAM and Head of CEIOPS’ Pillar 1 work, at the conference organised by ROAM, the French mutual insurers’ association, in Paris on 26 November.

The task force chairs repeat their urgent appeal to members that AMICE’s work on Solvency II requires a broader participation from more countries. Only then can and will AMICE’s interventions be truly representative and therefore given the appropriate and necessary weight.

CSR workshops for practitioners

The CSR task force has organized two workshops this autumn for AMICE members to exchange practical experience on specific areas of CSR. The aim is for all participants – whether from members with an advanced CSR strategy or total beginners – to take away useful knowledge which they can apply back in their company.

On 14 October, Ruth Woodall, Sustainability Reporting and Communications Manager for Co-operative Financial Services, UK, explained in detail how the Co-operative Group goes about writing its highly acclaimed CSR report, giving participants plenty of occasions to ask many practical questions about the process.

On 12 November, Pia Blom-Johansson, Contact Director for Sustainability and Interest Groups at Tapiola Group, Finland, described the project currently underway within Tapiola to embed CSR within the organisation, as it had realised that CSR policy was not well known enough in-house.

P&V, Belgium, took part in both workshops: “they provide a great opportunity for us to share our vision with others and also to learn about other companies’ projects which helps us in our reflections on CSR.” Members will find the presentations in the Member Area.

The task force has also been gathering and sharing information sources on CSR. The most interesting documents can be found in the Reference library of the AMICE website, for example the results of a recent McKinsey global survey of 20 companies on valuing corporate responsibility. The research focuses on the link between CSR activities and actual financial value creation and in particular the measurement and communication of CSR to staff and outside stakeholders. It proposes 10 “best practices” for creating and maximising value from CSR.

Two months in Brussels as a secondee



I have never worked for a long period abroad so when I received the proposal to spend two months of my work time on secondment with AMICE I immediately accepted, thinking that it would be a great opportunity for me. And it has been, indeed!

Working in Brussels is very exciting and lively, there are so many things happening that you never can follow all of them: meetings with people from all over Europe, conferences, activities at the Parliament!

I have worked on the 2010 congress, and the task forces in which Reale Mutua is involved; I have read many interesting reports, met MEPs and attended conferences at the European Parliament on topics which were new to me.

I heartily recommend to each of you, dear members, such an interesting personal and professional experience, and I really thank Mr Lana, Reale Mutua’s CEO and all the AMICE colleagues, who have made me feel so at home, for giving me this unforgettable experience!

Elisabetta Ruà, Reale Mutua, Italy



Diversity in the financial sector

CEPS, the Brussels-based think tank of which AMICE is a member, has published a 200-page study on diversity in the financial sector in Europe, focussing on the contribution that the savings banks sector makes to the sector.

In his preface, Prof. David T. Llewellyn, Professor of Banking and Finance at Loughborough University, writes:

“A general theme of the study is that, most especially with regard to stability characteristics, it is advantageous to create a mixed system incorporating both shareholder value (SHV) and stakeholder value (STV) models.” Savings banks, like mutual insurers are for him archetypes of stakeholder-value driven entities.

“Since external suppliers of capital to SHV organisations need to be remunerated (in the form of a required rate of return on equity), the absence of external shareholders in the STV model can be deemed to be an inherent ‘efficiency advantage’ of financial mutuals in the sense that, other things being equal, they should be able to operate on lower margins.

“Given the potential inherent ‘margin advantage’ of mutual financial institutions and the systemic advantages of a mixed financial structure, there are economic and welfare benefits to be derived from a viable and successful [savings banks] sector in the financial system. The study finds that savings banks enhance competition in the financial sector, enhance stability characteristics, contribute to alleviating social exclusion and contribute to regional development.

“More generally, there is a powerful systemic interest in sustaining a strong stakeholder value sector, and therefore it is a legitimate public policy issue.”

The book can be obtained for EUR 25.00 in printed form or free of charge in pdf format from CEPS or from the AMICE Secretariat (gregor.pozniak@amice-eu.org).

<http://www.ceps.eu/book/investigating-diversity-banking-sector-europe-performance-and-role-savings-banks>

AMICE Board meeting and reception

“It is certainly not the intention of the Commission to shape market structures,” said David Wright, Deputy Director General at DG MARKT, at the AMICE Reception in Brussels to some 50 representatives from AMICE members and the Brussels financial sector scene. *“If mutuals or cooperative insurers feel threatened by Solvency II, I invite AMICE to come to me and talk about it”*, he added.

The following day, AMICE’s Board discussed the preliminary results of the Member Survey conducted recently (please return your questionnaire if you have not yet done so) and how to address the comments made, in the mid-term strategy currently under preparation in view of the General Meeting on 24 May 2010. The Board also examined the draft programme for the 2010 congress and approved three new members – FOV, the Dutch mutual insurers’ association, and two Austrian mutual insurers, Vorarlberger Landes-Versicherung and Tiroler Versicherung. One new Board member was co-opted – Patrick Brothier, FNMF, France – and Jean-Luc de Boissieu, GEMA, France, was nominated to the Executive Committee.

→ AMICE meetings and events

- 7 December Brussels Solvency II task force
- 17 December Brussels Legal affairs task force
- 17 December Brussels EMS task force
- 18 January Brussels Solvency II task force
- 21 January Brussels Nomination Committee
- 3 February Brussels Workers’ Compensation task force
- 5 February Paris Communications working group
- 12 February Paris Small and medium-sized members platform
- 17 February Brussels Solvency II task force
- 17-18 February Brussels Executive Committee
- 16 March Brussels Board
- 24 March Brussels Solvency II task force
- 16 April Paris Member to Member task forces & working group
- 20 April Brussels Executive Committee
- 24 May Genoa Board
- 24 May Genoa General Meeting
- 25-26 May Genoa Congress