

News

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Secretary General

Only two years to go – and the whole industry is increasingly aware of the enormous amount of work and costs of the new prudential framework. The situation is becoming critical. This is why AMICE, too, has to express its and its members' criticisms more clearly. There are more numerous and louder calls for a "phasing in", far beyond one or the other detailed transitional measure. But there are also positive developments on the European front.

Many European economies seem, at least statistically, to be slowly recovering after the crisis of the past years. But this process is shaky and, most importantly, the question is whether the headline statistics really reflect the personal experience of European citizens. For them, the shock is particularly deep and their scepticism vis-à-vis the "sunrise prophets" is understandable; but this offers a chance for our sector. Over the past weeks, there have been encouraging signs that EU politicians are realising that mutuality offers positive alternatives.

The Commission's Single Market Act (SMA) announces the launch of a study "on the situation of mutual associations in all Member States to examine in particular their cross-border activities" as part of its stated aim to support the development of the social economy. The draft Council conclusions on the SMA refer to the necessary strengthening of the confidence of European citizens in the Single Market, including in the area of solidarity and the social economy.

In the European Parliament, German MEP Giegold is preparing a report on the role of the social economy in Europe, and in his report about the work on the Basel framework for banks, MEP Karas writes that a level playing field must be guaranteed for the business models of non-joint-stock banks "in particular cooperatives, mutuals and savings banks".

Together with our focussed work on Solvency II, the promotion of mutuality and the discussion of possibilities to strengthen the position and the cooperation between mutual and cooperative insurers will be at the core of AMICE's activities in 2011.

On behalf of the President and in my own name, I wish you joyful festive days and a chance for some relaxation before the challenging year ahead of us.

Gregor Pozniak

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Interview with Pervenche Berès

We met Ms Berès, MEP and current chairman of the Employment and Social Affairs Committee.

1) *The architecture of European financial supervision was recently strengthened, in particular concerning large groups. Do you think we can control transnational groups with the current prudential powers?*

The EU's decision to set up a financial supervision architecture, which will come into force on 1 January 2011, is a major step forward on its reform agenda. This new architecture will be crowned by the European Systemic Risk Board (ESRB) whose tasks are to detect risks that threaten the stability of the financial system as a whole and to issue recommendations to the competent authorities on how to overcome such



Pervenche Berès

risks. In addition, three European financial supervision authorities will replace the European committees of supervisors in banking, insurance and securities. Their main tasks will be to ensure uniform application of legislation and to further the convergence of prudential control practices. They will also play the essential role of coordinating pan-European supervisors' boards that oversee the activities of trans-European financial institutions. While the

national regulatory authorities will continue to supervise the day-to-day activities of financial institutions set up on their territory, we need to weigh up the progress that MEPs have wrested from the Council, which means that the European supervisory authorities will have real powers and will be in a position to take decisions requiring the national authorities to act whenever disagreements between national supervisors arise.

But this reform is only one step along the way, in part because there are proposals and avenues for reflection in the Larosière Report that have not been taken up. They concern how to deal with transnational groups when a crisis occurs, a regime for sanctions and bankruptcies.

2) *Since the onset of the crisis, all the Commission's documents dealing with financial services have included the insurance sector. Is this a good trend?*

It is not a matter of knowing whether this trend is good but rather how to set in motion the commitment that all actors and financial products must be regulated and supervised. In that spirit, the new EU legislation aims to prevent systemic risks that may threaten financial stability. The insurance sector is convinced that it has weathered the crisis better and consequently should be excluded from what it perceives as a wave of regulation in response to financial sector excesses. However, the insurance sector, as a pillar of the financial sector, has an interest in developing EU regulations and supervision that make markets more stable, limit the risk of contagion, facilitate conflict resolution and improve governance. That is particularly important because the line between the various sectors is increasingly crossed by many players on the market.

In addition, EU lawmakers are also aware of the specific nature of the insurance market since they have passed specific laws for this sector. The same goes for supervision. The task of the European Insurance and Occupational Pensions Authority (EIOPA) will be to promote converged surveillance of European insurance institutions by introducing harmonised rules for insurance regulation, reinsurance and occupational pensions. By means of regular exchanges that it will hold with national supervisors, the new EU authority will draw up technical standards adapted to the specific needs of the sector's members.

3) *Your report on the economic, social and financial crisis proposes to pay particular attention to cooperatives and mutuals in order to overcome the crisis. Could you explain that idea?*

I am convinced that cooperatives and mutuals are an essential link, particularly in the social economy, but I believe that these particular companies must absolutely organise at the level of Europe. That is why it is essential that these companies take their rightful place today and are heard in Brussels alongside other market players by defending their specific needs to the EU institutions. I am absolutely convinced that we must find explanations for the origin of the current crisis in the governance and short-term actions of certain practices. Thus, one of the lessons of this crisis should be to support the cooperative and mutual models. But all too often EU regulations have first considered the big players and have ignored, or pretended to ignore, the impact of these regulations on the sector's overall architecture.

4) *The European Commission is proposing to examine the corporate governance rules and practices of financial institutions, especially the banks, and, where necessary, draft recommendations and even regulatory measures. Do you think that insurance mutuals and cooperatives must take part in that process and, where relevant, apply these new regulations?*

I think it's important for all the players concerned to take part in the debate on corporate governance and in public consultations held by the Commission on this subject. The insurance cooperatives and mutuals are specific players who benefit from specific corporate governance. Today we must move beyond simple good governance principles that have too often left some to regulate themselves and which depends on the goodwill of the players. Cooperatives and mutuals already attach a great deal of importance to participatory democracy and to the idea that every insured party should have a say in the company's strategic decisions. The debate started by the Commission must henceforth take account of the insurance sector's specific needs and include the expectations of the members of cooperatives and mutuals who play the double role of company owner and customer. There are two good reasons why insurance cooperatives and mutuals should be part of this exercise: not participating is tantamount to renouncing any influence over the process and, secondly, since the strength of the cooperative and mutual sector is founded broadly on its governance, it ought to find the means from within to maintain its excellence.

5) *Are you a member of a mutual or a cooperative?*

I used to be a member of a mutual when I was a civil servant at the French *Assemblée nationale*, but perhaps now I should change my bank and join a co-op!

Polish mutuals seminar

“Twilight and new opportunities” was the title of a seminar that the mutuals working group of the Polish Insurance Association (PIU) held in Warsaw on 22 November.

Speakers from the Ministry of Finance and the supervisor joined representatives from almost all Polish mutuals and from academia for a day of discussion and information. A forceful plea was made by the industry to appropriately acknowledge the specificities and the role of mutual insurers and to recognise the importance of social economy approaches for Polish society.

“Despite the long-term tradition of mutuality in Poland, the main obstacle for its further development is the still low public awareness of the merits and significance of mutual insurance as an alternative to the plc model,” said Ewa Stachura-Kruszewska, the President of TUW TUW, the largest Polish mutual insurer. *“However, what is interesting is that mutual insurers are the ones that actually educate consumers, not only in terms of insurance, but in terms of financial knowledge as such. Unfortunately, Polish law does not reflect the specifics of mutual insurers. The lack of corresponding and coherent regulations might significantly affect mutual insurance companies once the Solvency II directive is implemented in Poland.”*

The AMICE Secretary General had the opportunity to inform participants about AMICE and its current activities on behalf of mutual insurers and small and medium-sized undertakings in the areas of Solvency II and beyond.

→ Marketing seminar, Paris, 14-15 February 2011

This two half-day seminar addresses four topics through practical case studies:

- Internet based marketing tools
- Customer relations management (CRM)
- Innovative ways to market products
- Mutual/cooperative branding

Free for AMICE members, more information and registration form on the homepage of the AMICE website.

Solvency II

The intensity of the debate about Solvency II increases. Top managers of large insurance groups are joining the call of smaller players in the sector – many of them AMICE members – for a **significantly staggered introduction** of the full requirements. At its recent Solvency II seminar in Hamburg, focussing on small and medium-sized insurers, AMICE received very clear first-hand messages about the impossibility, notably for smaller and specialised insurers, to cope with the demands by the end of 2012.

In the meanwhile, **QIS5 spreadsheets and qualitative questionnaires** are arriving at the Secretariat, following the call by the President and the Vice-President. Thanks to all who shared their data – the analysis of the materials received has only just begun but it allows AMICE to make more specific and more constructive comments in the permanent discussion and negotiation process. In a first **encounter with MEPs** on the Level 2 measures, AMICE found an open ear for its key warnings: the impossible time pressure, the cost burden due to too much detail, and the threat of a “hidden” restructuring of the industry by the “incidental” elimination of smaller and/or specialised and/or mutual insurers.

The work on the details of the framework is also becoming more and more intense. The Commission has produced a first consolidated version of its **Level 2 Implementing Measures** for discussion with industry and Member States – some 350 pages. Only some of AMICE’s and the industry’s requests have been taken up – among them a redefinition of the four-eyes principle. Some issues, like credibility scales for undertaking-specific parameters are being left to Level 3, which at least takes some pressure out of the negotiations.

Work on Level 3 has begun and the first draft proposals by CEIOPS are out, among them three papers on ancillary own funds – a topic of high importance for our sector. The field testing exercise for CEIOPS’ proposals for reporting templates ended in October, but without tangible result. The “death by 1,000 spreadsheets” remains a serious threat. Industry is united in its rejection of the number, detail and frequency of the reporting spreadsheets. That the new draft Level 2 measures include a recital on reducing quarterly reporting obligations for small insurers can hardly offer any consolation.

Legal affairs task force

The work in progress within the legal affairs task force currently includes the drafting of a **common definition** of a mutual society. The task is somewhat arduous given that definitions differ widely across EU jurisdictions, sometimes assimilated to non-profit associations (as for example in Spain or Hungary) or confused with state-owned companies. Specific regulation is often restricted to some core governance provisions while extensive reference is made to the law governing PLCs regarding insurance, accounting and company law. In parallel, the taskforce will also look into the level of acceptance of the mutual concept throughout Member States (this aspect will undoubtedly be complemented by the study which will be launched by the European Commission in spring 2011).

The task force is also looking at tools for **cross-border cooperation between mutual and cooperative insurers**, in particular exploring the opportunities for mutuals/cooperatives to form group structures along the model of the French SGAM. On 20 October, at a seminar hosted by MACIF and GEMA, members heard about the following aspects of this innovative legal instrument: governance and autonomy of the entities within the group; accounting and tax; Solvency II; financial solidarity and competition.

The presentations are available in English and French at http://www.amice-eu.org/members_meetings.aspx?fid=20618&am=0.

CSR task force has a full agenda

AMICE's CSR task force held two workshops in the last few months and is planning several for next year as well as a seminar in Madrid in autumn 2011.

In Turin in September, the dozen participants learnt how Italian members, host Reale Mutua and UGF-Unipol, organise their CSR activities and heard from the Italian NGO, Sodalitas, about the importance of non-financial performance, such as human capital, customer relations, role in society or corporate governance, in communicating a company's value.

At the November workshop, McKinsey shared the results of a study on how companies create financial value from CSR but do not necessarily measure or communicate it, and compared the results with those of task force participants.

Presentations from these workshops can be found at http://www.amice-eu.org/members_meetings.aspx?fid=17282&am=0.

Next year's work programme will start with a meeting with the European Commission in February to discuss the EU's plans in the area of CSR which are likely to include an initiative in the area of non-financial reporting following the current consultation so members are invited to remain vigilant.

In April, the taskforce will be hosted by Folksam and Länsförsäkringar in Stockholm to experience their CSR activities firsthand and in June, members will head to the UK at the invitation of LV=.

Mutuality in Hungary

AMICE members will probably recall that a while ago our Hungarian members KÖBE and TIR asked the association for assistance in their local lobbying against the project of an unfavourable change in their national insurance legislation (Newsletters Dec 08 and Mar 09). While that project was fortunately abandoned, the Hungarian supervisor recently launched a consultation into the need for an overhaul of the regulation of insurance associations. The consultation paper included the suggestions that mutual insurers should be barred from underwriting liability insurance or should even be reduced to small-scale operations below certain thresholds.

AMICE got involved and submitted an extensive response to the consultation, dismissing most of the arguments used against mutual insurance and underlining the importance of a strong domestic mutual sector for the Hungarian insurance market and its customers. AMICE President Kalpala had the opportunity of a personal discussion with the new President of the Supervisory Agency and with the author of the consultative document. We understand that the consultation document is being reconsidered and that meaningful discussions are going on between the sector and the supervisor.

The AMICE submission is available on http://www.amice-eu.org/publications/position_papers.aspx.

→ AMICE General Meeting 2011

The 2011 General Meeting will take place in Brussels on the afternoon of 8 June 2011 and will be preceded by a panel discussion on cooperation between mutual and cooperative insurers, notably cross-border alliances, in the morning.

Dinner for all participants will be held the evening before.

→ Events calendar

- 12 January telephone Reinsurance task force
- 18 January Brussels Communications working group
- 19 January Brussels Capital maintenance task force
- 1 February Brussels Solvency II task force
- 8 February Brussels Legal Affairs & EMS task force
- 9 February Brussels CSR workshop & task force
- 14/15 February Paris Marketing seminar
- 17 February telephone Taskforce MCN/WCI
- 1 March Brussels Executive Committee
- 5 April Brussels Board
- 6 April Brussels Member to Member working group & task forces
- 18/19 April Gdansk Communications working group
- 19/20 April Stockholm CSR workshop & task force
- 3 May Brussels Executive Committee
- 12/13 May Budapest Meeting of European mutual & cooperative reinsurance managers
- 7 June Brussels Board
- 8 June Brussels General Meeting