Annual Report 2010
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Welcome!

AMICE is the strong and united voice of the European mutual and cooperative insurance industry.

Securing well-being and growth for the mutual and cooperative insurance sector in Europe

Under this title, the General Meeting of 24 May 2010 approved the association’s new medium-term strategy. It includes six core strategic aims:

- Promoting the mutual/cooperative business model in insurance and strengthening the mutual/cooperative brand
- Addressing the barriers for mutual and cooperative insurers
- Enabling SME insurers to achieve business success
- Improving the value of the association for its members and potential members
- Optimising the governance, transparency and efficiency of the association
- Securing the appropriate resourcing of the association
Dear colleagues,

2010 was a pivotal year for AMICE, further establishing the association as a key voice for mutual and cooperative insurers in Europe. Significant strides were made in ensuring a level playing field for our members on regulatory and supervisory issues such as, of course, Solvency II.

Of the many successes achieved, I would like to highlight two: the Omnibus II Directive opens the possibility for meaningful negotiations about transitional measures in key areas of the Solvency II framework. And we have successfully persuaded the European Commission of the need to better understand the role that our members play in the market. A key study to be undertaken over the next two years will describe the role of mutuals in Europe and address their challenges, notably in their cross-border activities.

AMICE is one of the four key interest groups that have an automatic seat at the table in the Commission’s and EIOPA’s deliberations on future regulation. That gives our members a huge opportunity to have influence by supporting the Secretariat and actively participating in the association’s task forces. No single mutual or cooperative insurer could individually achieve the same influence in Brussels, where 80% of the regulation for our business originates.

The results of the QIS5 exercise have shown the solidity of the European insurance industry. It is alarming that the good results may be taken as a justification for tightening the screws of the framework. At the same time, the requirements for governance and reporting remain overwhelming for all participants, notably SMEs. We will need to continue to pursue proportionality according to the size and the risk profile of a company vigorously in all areas and on all levels.

In the macroeconomic context, I can only repeat that a model built on short term profit maximising in capital markets has no future. The needs and responsibilities of businesses cannot be separated from the interests and needs of society at large. We mutual and cooperative insurers are proud to be different: we care deeply for the quality of our services and what we can do for our client-members and we believe in sustainable solutions. Thus, we bring diversity in the provision of financial services to the benefit of society and the economy.

AMICE’s strengths lie in facilitating cooperation between our members and in lobbying on their behalf so that we speak as one voice. Together, we can continue to build a true European identity for mutual and cooperative insurers, with all AMICE members benefiting individually from the success of the whole movement.

Asmo Kaipala, AMICE President
Dear members,

Promoting our business model and strengthening the mutual and cooperative brand as well as improving the value of the association for the members are two of the core objectives of our new medium-term strategy.

The representation of the sector’s interests at the European level remains at the core of our activities: in the Solvency II lobbying process – where despite undisputed successes the challenges seem to constantly increase – as well as in other areas of European legislation and regulation. Promoting and defending our business model means securing a level and barrier-free playing field; but it also means emphasising and demonstrating the manifest advantages of the stakeholder-driven business model in the provision of insurance services.

Barriers for mutual and cooperative insurers exist in many areas. The task force on the question of capital maintenance will present its first report in 2011. The collection of models and ideas for structuring cross-border activities of mutual and cooperative insurers, started in 2010, will also continue with the aim of strengthening our sector and securing and expanding its role in Europe.

The appointment of a second Vice President with special responsibility for small and medium-sized members was a clear sign of our commitment towards this constituency which is so typical of our sector. The special emphasis on proportionality in legislation and our new dedicated seminars reflect the importance that we constantly attach to these smaller members’ well-being.

The success of the association is only possible due to the contribution of all those involved in what we do. I would like to thank the new Board, elected in May 2010 and displaying a good mix of continuity and new blood, for their valuable support. Dozens of members’ staff have assisted the Secretariat through their work in and for the working groups and task forces or as speakers at our events. Broadening the participation in our work remains, however, high on our task sheet for the future. The wider the basis is for our interest representation, the more expert can our advice be and the heavier weighs our voice in the lobbying arena.

Finally, but with particular emphasis, I would like to thank, together with the AMICE President, the small team at the secretariat. Their dedication, their experience, and their openness with our members are the motors for our success: defending, promoting and enabling our members and the whole sector.

For 2011 and 2012, the signs are set on storm. In the spirit of mutual assistance and cooperation, we will do all that we can to weather the challenges – with you and for you.

Gregor Pozniak, AMICE Secretary General
Solvency II

2010 was characterised by a constant tug-of-war between the supervisory community (CEIOPS), the European Commission, and industry. CEIOPS had delivered advice for implementing measures which was extremely prudently calibrated in pillar I and excessively demanding and detailed in pillars II and III. Not least due to intensive lobbying by AMICE and other industry associations, the Commission refrained from accepting CEIOPS’ advice “as is” and drafted level 2 proposals that were, in some areas, more easily acceptable to industry. The final calibration for the QIS5 exercise also came out less stringent and demanding than initially proposed.

The main areas of lobbying for AMICE included proportionality in pillars II and III, e.g. on governance structures and reporting detail and frequency, and in pillar I where easy-to-apply simplifications are of key importance for many AMICE members. Major successes included the redesign of the health module, the recognition of non-proportional reinsurance in the standard formula, and the intense discussions about the appropriate treatment of subordinated and hybrid capital.

The French mutual sector, and shortly after them AMICE, were among the first ones to call publicly for transitional measures in order to allow European insurers to prepare appropriately for the new regime and to avoid market disruptions at its entry into force. In the meantime, a legal basis for such transitional measures has been proposed (the Omnibus II Directive) and meaningful discussions are taking place about the issues and timelines for a reasonable phasing-in. But overall slippage of the timelines will make it very difficult for European and national legislators and regulators to finalise the whole package by 1 January 2013, let alone for insurers to prepare for this implementation date.

Pillars II and III will bring high fixed costs for all insurers, which will be even more burdensome and life-threatening for small and medium-sized enterprises. In line with AMICE’s new medium-term strategy endorsed in 2010, the association has started a series of special seminars for its smaller members; the first two of these were exclusively dedicated to finding ways to cope with the enormous challenges of Solvency II.

Solvency II - timeline

- Level 1 – Framework Directive
  - 22/12/09
- Level 1 – Omnibus 2 Directive
  - 19/11/11
  - Council & EP
- Level 2 – Delegated Acts (RTS*)
  - Pre-consultation since 11/09
  - “Freeze”? Transitional measures
- Level 3 – EIOPA Guidelines
  - 2010
  - 2011
  - 2012
  - 2013

*RTS = Regulatory Technical Standards
Solvent II threatens to miss its objectives

Solvent II started with the right premises, namely to increase policyholder protection and systemic stability, to improve the competitiveness of EU insurers and to ensure a level playing field for all. But the project has embarked on a trail that leads it to missing its objectives. Over time, the standard formula has become so complex that not only small insurers fail to understand it, let alone how to implement it. In pillar I, prudential requirements have been tightened with each cycle of intervention by CEIOPS/EIOPA and are far off reality. Governance and reporting requirements are designed in a way that is certainly not principles-based.

Complexity, granularity and frequency of reporting and disclosure provisions are excessive even for large players.

All this will result in fixed costs that will have to be covered, either by a substantial rise in premiums or by a reduction in benefits and services. Fixed costs as a result of disproportionate regulation are life-threatening for small and medium-sized undertakings (SMEs) which make up the largest share of the mutual and cooperative insurance sector in Europe.

Dr. Werner Görg is the CEO of Gothaer group (DE) and Vice-President of AMICE.

Proportionality

Many European insurance SMEs, especially ROAM members, replied to QIS5. Financial simulations confirmed their solidity but comments made reiterated the difficulties linked to the extreme complexity of the process. This complexity could lead to the disappearance across Europe of many companies considered arbitrarily as either too small or too specialised. We have been expressing deep misgivings about pillar I for many years, particularly regarding the calibration of long and/or specialised lines of business. However, pillars II and III represent the greatest danger for many small players. Mutual insurers are often well capitalised but the introduction of governance systems as proposed today does not seem to match the needs of SMEs, especially mutual ones. We therefore urge action in France and Europe so that the proportionality principle included in the directive be translated into concrete implementing measures at levels 2 and 3 but also in the Member States. Without this, there is a high risk that many players will go out of business, some products will no longer be offered and premiums may sharply increase across Europe.

Marie-Hélène Kennedy is the General Delegate of ROAM (FR).

Severe problems arising for SMEs

It seems that Danish SME insurers will surely experience deterioration in competitiveness and their employees’ working conditions will be affected. SMEs have to compete on large companies’ terms. But they do not have the same need for complex systems to monitor and report on their business. We fear that SMEs will face huge additional costs to upgrade or renew IT systems. Many processes, today manual, will have to be automated. Different data will be used for different reporting scenarios; some figures will have to be converted from the accounts – a process which is new to SMEs.

SMEs don’t have procedures or systems to report quarterly. Their burden will increase overproportionally and many will have to increase their staff. Working conditions will worsen for employees. Frequency and deadlines for reporting conflict with vacation periods. In some companies, organising accountants’ holidays is already a problem which gets worse with the new requirements.

Mogens N. Skov is CEO of Kabstaedernes Forsikring (DK), and member of the AMICE Board.
Capital maintenance

Due to their specific ownership and capital structure, the question of own funds is a vital issue for mutual and cooperative insurers. Timo Laakso chairs AMICE’s dedicated task force that discusses new ideas and local solutions on solvency issues and investigates future options for mutual and cooperative insurers to obtain high-level funding for their capital needs.

Interim report on capital instruments

When mutual and cooperative insurers need to increase their capital base, financial instruments that are innovative or that until now have not been commonly used by mutuals are an important option.

A survey in the first half of 2010 asked members a range of questions about the raising of capital: whether capital had indeed been raised recently or might need to be in future, the nature, purpose and preferred methods of raising capital, and the capital instruments eligible in each country under Solvency I.

According to the nature of capital raised, a broad variety of types could be observed, e.g.:

- **Retained operational profits** – the most important method for mutuals to ensure their capital on a ‘going concern’ basis, but it is not the answer when fresh capital is urgently needed to meet regulatory requirements;

- **Guarantee capital** – offered to mutuals by certain institutions close to their sector; loss-absorbing; but commonly only limited amounts;

- **Subordinated loans** – publicly issued or targeted to specific investors; considerable amounts of such loans are outstanding, their eligibility as tier one capital under Solvency II is therefore a key issue;

- **Supplementary calls** – this “archetype” of mutual funding is probably only relevant today for small mutuals with a limited geographical or customer base;

- **Deferred shares** – available to UK building societies and called Permanent Interest Bearing Shares (PIBS); generally carrying a fixed, non-cumulative coupon (not carried to future periods if not paid).

The three main reasons for raising capital given in the survey were for business growth, to meet political or strategic developments, and/or for solvency purposes.

In its further work, the task force will focus on the following issues:

- identifying new capital instruments that mutual and cooperative insurers could use; improving their marketability (e.g. to institutional investors); offering possibilities to member-policyholders for “investing” in their mutual and receiving returns;

- securing a level playing field between all insurers, regardless of their legal form, in raising capital and its fiscal treatment;

- finding ways to exploit capital opportunities, as far as appropriate, while maintaining the mutual model and adherence to mutuality principles.

Examples of ways forward to ensure capital maintenance

- Alliances such as the SGAM (mutual insurance group) structure in France, whose possibilities for wide use in Europe should be investigated;

- Different kinds of provisioning techniques, such as equalisation reserving which is in use in Europe in many jurisdictions and of great importance to mutual insurers, given its tier 1 classification in Solvency II;

- Mutual financing, i.e. pooled funding models, since traditional hybrid instruments (capital and subordinated loans) will no longer be optimal under Solvency II;

- Kikin funds – Japanese instruments with interesting characteristics, e.g. amortisation restrictions linked to profits acquired.
IASB Exposure Draft (ED) on Insurance Contracts

The ED proposes a comprehensive measurement approach for all types of insurance contracts issued (and reinsurance contracts held) by entities, with a modified approach for some short-duration contracts. The approach is based on the principle that insurance contracts create a bundle of rights and obligations generating a package of cash inflows (premums) and outflows (benefits and claims). An insurer would apply to that package of cash flows a measurement approach based on a current estimate of the future cash flows, and a discount rate that adjusts those cash flows for the time value of money.

After consulting with members, AMICE sent comments to the IASB. With a view to the ongoing complex discussion on contract boundaries in the Solvency II context, our strongest request was that under IFRS the perimeters of the contract should be the same as under Solvency II.

Other important issues raised included:

• The treatment of life and non-life under the same heading is not appropriate because of their intrinsic differences;

• The division between short term and long term contracts is arbitrary as non-life contracts can also have long-term characteristics;

• Insurance contracts should be recognised at the commencement of the contract, except when executor contracts between the date of inception and the date of commencement meet the definition of an onerous contract;

• On the estimation of risk adjustments, we favour the confidence level method for short-term non-life insurance, whereas the cost of capital method should be preferred for life insurance.

IASB is aware of the needs of mutuals

Dr Elke König has served as a senior financial executive in the insurance industry for several years. She was a member of the CFO Forum, where she was actively engaged in the IASB’s project on insurance contracts.

What’s the state of the IASB/FASB insurance contracts project, and will there be a final standard by June 2011?

The IASB and the FASB are focusing on the key projects, which they aim to complete by 30 June 2011. One of these is the project on insurance contracts. We take very seriously the request by the G20 and others that we finalise the major projects if possible by the end of 2011.

What are the high-priority projects for the IASB and FASB?

The Boards are deliberating again on revenue recognition and leases, which are included in their Memorandum of Understanding, as well as financial instruments and insurance contracts. It is very positive that the Boards can find common ground on most topics; this is true even for the most challenging project – financial instruments. Convergence is something on which we are working hard. But having said this, I must also say that convergence cannot come at any price – quality must come first!

Where do mutuals stand?

The IFRS and the IASB focus primarily on participants in capital markets. But the IASB is committed to taking into account the special needs of SMEs and emerging economies, and is also considering the needs of mutuals. The new IFRS 4 Insurance Contracts aims explicitly at being neutral as to the legal form of the insurer.
AMICE’s Legal Affairs task force plays an important role in monitoring developments in European policy that are, or could become, relevant to members and to the mutual and cooperative insurance sector at large. Among various important issues that were monitored and discussed in 2010 were the Packaged Retail Investment Products (PRIPs), Tying, Insurance Guarantee Schemes, and the developments in the European discussions on pensions. Towards the end of 2010, the task force started discussing the Single Market Act consultation by the European Commission.

Policyholder participation in the strategic decision-making processes and the principle of “one member one vote” are key characteristics of the governance model of mutual and cooperative insurers. In the wake of the financial crisis, the governance of financial institutions has come under scrutiny. At the European and the global levels, AMICE participates in the discussions and drives awareness of the specificities and advantages of mutual and cooperative governance.

Packaged Retail Investment Products (PRIPs)

AMICE continues to believe that life insurance should be excluded from the scope of the draft directive, as it is different from other types of financial products. However, given that the Commission’s proposal intends to include unit-linked insurance contracts, AMICE has proposed that all forms of insurance where the customer can decide when to cash-in their investment should be included in the PRIPs initiative, leaving out pure risk contracts and those with no investment return. The association supports the proposal to exclude pensions from the PRIPs work at this time, on the grounds that they are long term products, not redeemable on demand, with mechanisms to reduce investment risk and secure capital as retirement approaches.

Single Market Act

After the traumatic experience of the financial crisis, confidence in the Single Market needs a boost to help stimulate economic growth. The Commission communication “Towards a Single Market Act for a highly competitive social market economy” aims at creating growth and restoring confidence in the benefits of market integration in Europe. The communication sets out 50 proposals for 2011/2012 to improve the functioning of the single market.

In a chapter “New resources for the social market economy”, the Commission accentuates that the market economy is structured around a variety of legal forms – mutual associations, cooperatives, foundations, etc. Their functioning should be optimised and their development facilitated by improving the quality of their legal structures.

One of the concrete measures foreseen is the launch of a study on the situation of mutual associations in all Member States, to examine in particular their cross-border activities.

AMICE welcomes the communication and has offered full support to the Commission in the production of this study. The association is committed to furnishing Commission services and the authors of the study with all relevant information about our sector.

This major study ties in with the enhanced activities by AMICE to better explain and promote mutuality as a valuable alternative business model in providing financial services to citizens.

“Markets need to serve both the economy and our citizens. That is what defines our society. But right now, the EU Single Market is not delivering as well as it could: it needs to offer more.... Europe cannot afford to leave this potential unexploited.”

Internal Market Commissioner Michel Barnier
Tying

AMICE generally welcomed the Commission’s objective of analysing the potential impact of tying and other commercial practices in the financial sector with a view to assessing their fairness. Supporting the comments by the European insurance industry at large, we added that the study on the subject seemed biased as it suppressed or underrated some of the potentially positive effects for consumers. We also argued that the poor and uneven participation in the survey rendered its results unrepresentative and cast doubts on the validity of the recommendations for the entire EU, since the diversity of national circumstances is not reflected.

Green Paper on Pensions

The financial and economic crisis has increased the pressure on existing retirement systems, already under strain from ageing populations. Consequently, the European Commission has launched a public debate on how to ensure adequate, sustainable and safe pensions and how the EU can best support the national efforts. AMICE has participated in this discussion by providing comments summarising the views among membership.

The association endorses the Commission’s decision not to challenge Member States’ unquestionable rights over their pension policy. The overarching objective must be, however, to create a level playing field between all providers across the EU in the field of second and third pillar pensions.

With a view to defined contribution schemes, AMICE emphasised that funding rules are fundamental to the sustainability of pensions; such rules should, however, not lead to unacceptable cost burdens for the beneficiary. An appropriate balance must be found between cost and security.

Improving pension accessibility and availability includes improving the framework for cross-border activities in the area. AMICE believes that the transferability of pensions would enhance cross-border activity, but that common technical standards and solvency indicators are needed to create a level playing field between Member States. An application of the risk-based approach, as currently developed for insurance in the Solvency II framework, would strengthen the single market for pensions. Like the Solvency II structure, the framework for pensions should also consist of three pillars: a quantitative risk-based assessment of exposures, provisions for risk management and governance, and appropriate transparency and disclosure. The inconsistencies in the calculations of technical provisions for IORPs, highlighted in the 2008 CEIOPS Report, should be swiftly addressed and eventually be eliminated.

Insurance Guarantee Schemes (IGS)

Within AMICE, it is evident that members have diverging views on IGS, commonly determined by national experience and market structure. As such, these views do not differ significantly from the views within the national insurance sectors at large. However, there are some specific points of particular importance to our membership that the association has highlighted to the Commission.

AMICE also strongly advocated proportionality and emphasised that minimum harmonisation would be appropriate. Creating national schemes rather than a clumsy pan-European system would make it possible to build on existing successful national models. If eventually guarantee schemes were to be introduced at national level in all Member States, in the view of the association they should be targeted only at life insurance.
Corporate Governance

European Commission: Green Paper on Corporate Governance and Remuneration in Financial Institutions
While certainly primarily addressed at banks, insurers were not excluded from the scope of this Green Paper. AMICE welcomed the fact that Commission had indeed drawn distinctions between the different financial services; we emphasised again how important it is to refrain from systematically applying banking measures to insurance. The forthcoming Solvency II framework already contains extensive provisions on the governance of insurers which should not be overruled nor duplicated by another set of rules.

AMICE reminded the Commission that proportionality must be applied here, too. Besides, mutual and cooperative insurers already have particularly strong and institutionalised relationships with their member-policyholders and their business model inherently has a longer-term horizon.

IAIS: Review of the Insurance Core Principles (ICPs)
As an observer at the International Association of Insurance Supervisors, AMICE is engaged in the work of its Governance and Compliance Sub-Committee. During 2010, the GCS completed its work on the new ICPs 4 (licensing), 5 (suitability) and 7 (governance).

AMICE sees its main role as reminding supervisors of the specificities of mutual and cooperative insurers which require in certain areas appropriate regulation to cater for the needs of the sector. ICP 7 includes a dedicated passage on the particular governance of mutuals, including the acknowledgement that mutual and cooperative structures face reduced divergence and conflicts of interest as they do not have shareholders, but member-policyholders.

The complete set of ICPs with their standards and guidelines is due to be adopted in October 2011.

OECD: Guidelines on Insurer Governance
The consultation process on the revised guidelines – at least as far as observers are involved – ended in the autumn of 2010. However, the final document has not yet been published.

The OECD document will also include a section describing the specificities of mutual insurers. AMICE assisted the OECD in drafting this section in a way that is at the same time accurate and flexible enough to properly describe the variety of detail in the governance of mutual insurers. We also commented that the division of duties between the board and the management seems to be blurred in the paper and in many cases shifted towards the board. Such a shift might not necessarily improve the governance system.

Here, too, AMICE argued that the OECD guidelines should not go beyond the governance requirements of Solvency II.

Solvency II: Pillar II work on levels 2 and 3
The Legal Affairs task force of AMICE is also involved in the association’s work on the Solvency II project, giving advice to the Solvency II task force and the Secretariat.

Work on the draft level 2 implementing measures lasted throughout 2010. The Commission did not fully follow CEIOPS’ extensive advice and proposed somewhat less stringent implementing measures. They also abstained from drafting implementing measures on the ORSA (Own Risk and Solvency Assessment). Following AMICE comments, the text of the four-eyes principle was amended and the clarification that key functions, except the internal audit function, could be combined, was made. Serious concerns persist about the still very vague references to the proportionality principle and the overly complex and burdensome requirements in the case of outsourcing.

Now, that very detailed and stringent draft level 3 guidance has been issued by EIOPA, AMICE will have to lobby forcefully throughout 2011-2012 to rebuke the supervisors’ exaggerated ideas.
Genoa Congress

"Mutuality today: sustainable values" was the theme for the 2010 AMICE Congress, held in Genoa in northern Italy last May. The programme was a successful mix of presentations and discussions on subjects as diverse as surviving the credit crunch, demographics and solvency, CSR, innovation and global economics. Close to 150 delegates from 19 countries spent two marvellous days on the Ligurian coast.

In a stimulating keynote address, Professor Stephane Garelli from the IMD and the University of Lausanne urged members to consider the fast-changing global economy in all their deliberations. He emphasised the importance of "thinking outside the box" in business in order to find the right way forward, and concluded that mutual and cooperative insurers continue to have a strong proposition, despite (or even helped by) the recent market turmoil.

Innovate to survive

Ann Sommer of Länsförsäkringar (SE) challenged the audience with key questions on how they meet and drive customer expectations through innovation. 38% of delegates believe product development is the most fruitful area for innovation, and 23% found member relations and customer service as key areas. Almost 90% agreed that firms have to be innovative to survive, while 64% said clients also appreciate innovation, if that means they get better value as a result.

Luca Filippone of Congress host Reale Mutua (IT) highlighted the importance of knowing customers through a centralised CRM (Customer Relations Management) database. According to survey results, clients value good claims management, ease of contact, good relationships with agents, and a toll-free helpline. In addition, the innovative use of technology such as SMS messaging and web-based community forums has significantly improved Reale’s communications with “time-poor” customers.

MACSF (FR) has embarked on innovative projects for students. As Anne Clerval explained, MACSF had set up a unique social network called Réso+, just for healthcare students. Following a period of research, the site offers services such as car sharing, work placements, legal advice and accommodation assistance, also allowing MACSF to capture the students’ data when they register for the site.

What the delegates said

Luc Roger of Harmonie Mutuelles:
“The Garelli presentation was brilliant….it’s my first experience of an AMICE Congress and it has been very beneficial.”

Tage Silander of Ålands Mutual Insurance:
“You always take something away with you, lots of thoughts about what to do differently.”

Shaun Tarbuck of ICMIF:
“We’ve heard lots of great ideas, challenging the sector to change but also to keep things simple and remember the importance of sustainability. As a sector I think we’re in a great position to be able to deliver this.”

Save the date....

The next AMICE Congress will take place from 6-8 June 2012 in Gdansk, Poland, the birthplace of the solidarity movement.
Communications

Communications plays a key role in promoting the work of AMICE, both towards members and also to the various external stakeholders who are central to the future of mutual and cooperative insurance in Europe. AMICE’s communications strategy, regularly updated, guides these activities, and they are supervised and shaped by the Communications working group.

Interest representation vis-à-vis legislative and regulatory bodies, promoting issues and ideas to the media, improving the AMICE website, and organising various member events, are some of the regular activities of the group.

Sharing best practice is another key strand of communications work. Therefore, the continued participation of member representatives and the good feedback received are encouraging signs of cooperation and commitment. Further improving communications will remain a vital part of AMICE’s work going forward. With continued members’ help, the communications successes will go from strength to strength.

Communications strategy successes

- **Press releases** on Solvency II and SMEs, the Genoa Congress (x2), the re-election of Asmo Kalpala as President, and mutuals’ market share.
- **Media coverage**: more than 30 press articles on AMICE activities identified.
- **Website usage**: The website receives approximately 2,000 visitors each month, quadrupled since January 2009. More than 20 members plus several international bodies (EC, EIOPA, CROF, IAIS and others) link from their website to ours.
- **Member attendance**: 148 delegates from 19 countries and 51 member organisations at the Genoa Congress.
- **Member participation**: 389 person-days were spent in AMICE task force meetings, and 121 person-days in statutory bodies. A secondee from Finland’s Tapiola joined the AMICE Secretariat for two months in 2010.
- **Member feedback**: 53% response rate on member survey, 50% response rate on evaluations of the Genoa Congress and other events.

Grzegorz Buczkowski, Chair of the Communications working group, outlines key recent achievements in “spreading the word” and points to the priorities.

What are the main successes of your working group over the past year or so?

Clearly the Congress in Genoa was one of our main achievements. It was great to see such a diverse mixture of people – to have representation from so many different types of organisations was very encouraging.

We’ve also been working hard on implementing the agreed communications strategy. This work focuses mainly on improving all aspects of communication and dialogue between AMICE and its stakeholders, promoting a steady flow of information to get our important messages across.

Who are the key stakeholders for your work?

The members of AMICE come first and always will do, but there are other important stakeholders such as the targets of our interest representation activities: the European Commission, CEIOPS/EIOPA, MEPs, and the media. We have to improve the understanding and appreciation that these powerful external audiences have of our sector.

Mutuality, solidarity, and good communications
What can members do to help you build on the successes of your working group?
Members can help with all working groups by coming forward with ideas, experiences and best practice that we can then share within the association, giving all members the opportunity to create their own similar successes.

What do you have in store for us with the Congress in Gdansk in 2012?
I don't want to give too much away but overall we plan to ensure a memorable experience for everyone who attends, using the platform of the Congress to promote the themes of mutuality and solidarity in the contemporary world. These two principles are both founded on people working together and helping others. That is a strong message for members and outside stakeholders. We will need those to shape the rightful place of mutual and cooperative insurance in Europe. It won't all be about work though, we will take in some historic experiences locally and visitors will of course receive the best of Polish hospitality.

What does the “solidarity” theme mean to you?
Well, naturally it's a very historic word and movement. But in the context of our Congress theme, solidarity is a powerful idea around people standing together in times of need, working together to help each other to achieve a common goal. So for me, mutuality is in essence the same as solidarity – the same premise, the same promise.

Social agenda
Mutual and cooperative insurers have a strong commitment to the wider social economy. Social economy enterprises share common values, they are democratic, and in their operations they commonly endeavour to balance economic performance with the interests of society at large. AMICE engages in the important debates at the highest level and is an active player in activities in Europe aiming to produce a more equal balance between economic and human interests. Thus, we ensure that the engagement of our sector in this field is seen and understood.

The demographic challenge in European insurance
A joint statement by the social partners in the insurance sector considers the demographic challenges, as the number of younger people entering the labour market is shrinking and will not compensate for the growing portion of the workforce in retirement.

Insurers recognise the need to allow older workers to work longer, whilst also attracting the new talent necessary for a skilled and diverse workforce. Three key areas were identified:

Work/life balance: Flexibility needs to be offered via a wide range of work patterns, particularly for women. This includes enabling employees to return to work after an absence, flexible hours, part-time work, home-working, and using technology to enable telecommuting and teleworking.

Qualifications & lifelong learning: Lifelong learning contributes to long-term employability and creates added value for employer, employee, and for the state. Investment in learning is therefore the joint responsibility of all these parties.

Health and safety: Employers can create environments and policies that support a safe and healthy workplace, but employees share responsibility for developing a sound working environment. Tackling stress improves efficiency and occupational health, providing economic and social benefits for companies, workers and society as a whole.

Many of these issues are already addressed pro-actively by AMICE members as employers. We will continue to be engaged on their behalf at European level, to help them in addressing the demographic challenges of the future.
AMICE’s member-to-member (M2M) work focuses on the core business of insurance and provides a platform for members to share best practice, compare notes on issues, and form combined views on market developments. Seminars and workshops make up the lion’s share of M2M activities. In a Congress year like 2010, much networking is done at the Congress, but all task forces met regularly and the CSR task force held a series of workshops, valuable for both large and small members.

Moreover, AMICE held two very successful events for small and medium-sized entities (SMEs). They focussed on the particular challenges created by Solvency II for such undertakings, and feedback was positive throughout.

How would you describe the main advantages of M2M activities for AMICE members?
M2M helps members to learn from each other so we don’t have to reinvent the wheel every time. We have representatives from many different member companies, so we don’t depend only on one senior speaker from a company to learn about their activities. Thus we can access a wider range of expertise and bind in members’ staff from all levels. This also provides continuity in the relationship between AMICE and its member firms.

What are the key objectives moving forward, how do you want to develop the M2M work?
It’s very important that we keep learning from each other and being open. We are also trying to add a ‘mutualistic’ dimension to the activities of our task forces, but we haven’t finally concluded on how to always achieve this.

What about SMEs and how they can benefit from M2M activities?
The usual attitude is that SMEs can learn from bigger firms. Of course they can, but I think large mutuals can learn at least as much from smaller companies. SMEs are sometimes closer to their mutual origins and their relationships with their customers are often stronger. Therefore, larger firms can learn from smaller ones about how to attract more customers and involve them in their activities. So, cooperating in AMICE’s M2M work can truly be “for mutual benefit”.

How do you see the role of CSR for AMICE members?
On the one hand, CSR has a “luxury” feel about it – it’s separate from your main business, you do it if you can afford it and it’s a modern thing to do. But it is also traditional because it links back to the very origins of our companies and how they came about, essentially to help other people in society. So, doing CSR well is a powerful combination of traditional and modern elements, and mutuals are well-placed to succeed in this area.

What do you need from AMICE members to help you with M2M activities?
The success of AMICE depends on what benefits members can gain from the association’s work, and what members themselves can contribute. So it’s not only what you get out, but also what you can put in. If you put in the effort, you will get a lot back in terms of benefits. This is at the start and the heart of mutual and cooperative thinking.

It’s not just what you take out, but what you can put in
Cor Ensing, Chair of the Member-to-Member working group, talks about his experiences in his first six months in office.
SMEs want more dialogue with supervisors

AMICE’s new medium-term strategy includes improving the value of the association for its members and helping small and medium-sized mutual and cooperative insurers to achieve business success. Therefore, we’ve embarked on a series of seminars targeted at this group, who make up the larger part of our membership. Unsurprisingly, Solvency II is at the core of SME concerns – if proportionality fails, they believe their existence is endangered.

Over 60 members from 14 countries came to Paris in February 2010 to discuss Solvency II issues like proportionality, exemption, governance and reporting rules. Participants agreed there is a lack of practical proposals for defining and implementing proportionality. This is worrying, given its vital importance for smaller companies. Similarly disturbing are developments around the optional exemption regime, granting the opportunity for lighter national supervision, or none at all, for firms with less than €5 million in GWP. In some countries where it previously existed, this exemption – for which AMICE forcefully and successfully lobbied – is under threat.

Presentations also covered some pillar I issues, e.g. the use of reinsurance, as well as governance and reporting issues (pillars II and III). Participants were concerned over the complex requirements for governance, namely the need to have the four key functions: risk management, actuarial function, internal audit and compliance. Small Swiss member Emmental Versicherung explained how they had coped successfully with their country’s solvency test, both in prudential and organisational requirements – an example of sharing of experience and a source of encouragement for other members.

The Paris meeting concluded with unequivocal support for more dialogue with national supervisors, and the call for further AMICE meetings for members, especially SMEs, to be able to share views and experiences.

The Hamburg meeting in December again focussed on the three pillars of Solvency II and included discussions on proposals for level 2 implementing measures. Also, following the completion of the fifth Quantitative Impact Study (QIS5), participants exchanged experience and first results of this exercise.

Views on QIS5 were varied but the conclusions were unanimous: participants said the current model is too volatile, puts a strain on internal resources and includes unworkable proposals for counterparty, health and CAT risks, for future premiums and the discount rate.

Presentations also included an encouraging message from Swiss Re that the proposed risk-based assessment of assets and liabilities is in line with reinsurers’ integrated risk management. This will give insurers state-of-the art risk management, and risk profiles will become much more transparent.

The association will continue with seminars like these two, focussing on current developments, with the opportunity for the exchange of experience and best practice – a good way for all members to identify solutions to their problems.

“The board of an insurance undertaking should know three to five years ahead that their company can ‘afford’ their strategic plan, how to implement it, and also how to cope with any problems or changes along the way.”

Jan Parner, Deputy Director General of the Danish FSA and Chair of EIOPA’s pillar II & III work
Corporate social responsibility – high on AMICE’s agenda

Given their heritage and membership-based ethos, mutual and cooperative insurers believe they have a particular long-term responsibility to their member-policyholders and very often also to the communities in which they are based. However, they do not necessarily translate this responsibility into the more recent notion of “Corporate social responsibility”. An AMICE internal survey shows that more than 50% of members have a more or less defined CSR/sustainability policy (see also below). Many more are certainly implementing elements of social and environmental responsibility and specific community-oriented actions without expressly calling them “CSR” – and often without making them widely known.

CSR task force steams ahead

In addition to a session at Genoa, the CSR task force organised a number of workshops. External experts were invited and participants received valuable input from them as well as from each other on CSR in the financial sector.

In Turin in September, Italian members Reale Mutua and UGF-Unipol described how they organise their CSR activities. A guest speaker from Italian NGO Sodalitas spoke about the importance of non-financial performance in communicating a company’s value, covering such issues as human capital and customer relations. In November, McKinsey shared the results of their study on how companies create financial value from CSR, but do not necessarily measure or communicate it.

Earlier in the year, the task force had received a presentation from A.M. Best, the rating agency with particular experience in the mutual sector. From their angle, CSR has a broad potential impact for an insurer:

- CSR can increase the satisfaction of external and internal stakeholders, attracting and binding clients and staff;
- The more CSR is strategic and change-oriented, the greater the potential impact on corporate performance. Tactical CSR risks being just an expensive add-on;
- CSR can influence operational cost positively or negatively; in the longer term, cost disadvantages can be compensated through higher client and staff satisfaction;
- Where CSR forms part of the corporate ethos it will have the most benefit in the evaluation of the enterprise risk management of an organisation;
- In the rating process, CSR can impact the evaluation of a business by creating a unique differentiator, and creating barriers to competitor entry in specific segments.

The message was clear: CSR can impact the financial rating of a company. The maximum impact comes when CSR is strategic, is embedded in the organisation, and helps to create a tangible competitive advantage.

CSR Survey

The member survey 2009/2010 had included a specific section on CSR activities among AMICE members. The interesting results were presented at the Geneva Congress (63 members, i.e. more than 50% of members at that time, had responded):

- More than 50% of AMICE members have a specific CSR/sustainability policy;
- Many feel CSR is inherent to a mutual, with the staff and management as “guarantors” of CSR;
- Where a CSR/sustainability policy exists, it tends to be part of overall company strategy;
- Responsibility for CSR lies with top management in half of those who have a CSR policy;
- A third have a dedicated CSR person or team, not necessarily related to company size;
- Different stakeholder groups drive members’ approaches to CSR and sustainability, with customers and/or employees having the most influence;
- More than two-thirds of those who have a CSR policy link it to their daily business, in branding and marketing activities but sometimes also in products, services and stakeholder relations;
- Half of those who have a CSR policy report on it, usually through their annual report.
AMICE governance and finance

AMICE is an international non-profit making association under Belgian law (aisbl/ivzw), founded on 6 December 2007. Its budget is almost exclusively funded by contributions from members. AMICE does not receive funding from national or international public institutions.

AMICE's supreme governing body is the General Meeting. In 2010, the General Meeting was held on 24 May in Genoa, Italy.

Financial performance

The association’s financial year 2010 ended with an ordinary result of EUR 32,961. The extraordinary result, originating from the liquidation of AMICE’s predecessor organisations AISAM and ACME, and from the surplus of the 2008 Congress in Finland, amounted to EUR 137,191.

The Board proposes to the General Assembly to carry the total surplus of EUR 170,152 forward into the year 2011. At the end of 2010, the total reserves stood at EUR 494,522.

AMICE’s auditors, Ernst & Young, have delivered a clean opinion on the accounts for 2010. A full version of the annual accounts and the auditor's report are made available separately to AMICE members.

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 Variable costs  Fixed costs

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<td>External relations</td>
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About AMICE

AMICE Board at 5 April 2011

President
Asmo Kalpala, Tapiola, FI

Vice-Presidents
Michel Dupuydauby, ROAM, FR
Werner Görg, Gothaer, DE

Treasurer
Jacques Forest, P&V, BE

Members
Gunnar Andersson, Folksam, SE
Urs Berger, Swiss Mobiliar, CH
Patrick Brother, FNMF, FR
Grzegorz Buczkowski, TUW SKOK, PL
Jean-Luc de Boissieu, GEMA, FR
Donato Deganutti, Unipol Gruppo Finanziario, IT
Thierry Derez, Covéa, FR
Cor Ensing, Unive Dichtbij, NL
Luigi Lana, Società Reale Mutua di Assicurazioni, IT
Róbert Lilli, KÖBE, HU
Hans-Christian Marschler, R+V Versicherung AG, DE
Pablo Mongelos, Seguros Lagun Aro, ES
Mike Rogers, LV=, UK
Josef Schmid, Österreichische Hagelversicherung VVaG, AT
Mogens N. Skov, Købstedernes Forsikring, DK
Ann Sommer, Länsförsäkringar, SE
Jerónimo Teixeira, Mutua dos Pescadores, PT
Bernard Thiry, Ethias, BE
Jorge Vázquez Morenés, Mutua Madrileña, ES
Wolfgang Weiler, HUK-Coburg, DE
Georg Zaum, Mecklenburgische Versicherungsgesellschaft a.G., DE
Dimitrios Zormpas, Synterioristikì, GR

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Administrative Assistant
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Joel Karjalainen
on secondment May-July 2010 from Tapiola, FI

“…The Board shall represent the diversity, geographical representation and type of activity of the association’s membership.”

Art. 12.1.4 of the AMICE Articles of Association
Working structure

**Economics & Finance working group**
Chair: Gunnar Andersson (SE)

**Solvency II task force**
Co-chairs: Yanick Bonnet (FR)
Markku Paakkanen (FI)

**Accounting task force**
Co-chairs: Fabrice Guenoun (FR)
Catharina Henkow (SE)

**Capital maintenance task force**
Chair: Timo P. Laakso (FI)

**Legal Affairs working group**
Chair: Jean-Luc de Boissieu (FR)

**European Mutual Statute (EMS) task force**
Co-chairs: Renaud Huard (FR)
Pedro Bleck Silva, AIM (PT)

**Legal Affairs task force**
Chair: Eduardo Greppi (IT)

**Member-to-Member working group**
Chair: Cor Ensing (NL)

**CSR (Corporate social responsibility) task force**
Chair: Anu Pylkkänen (FI)

**Motor claims network task force**
Chair: Gilles Bezençon (CH)

**Reinsurance task force**
Chair: Andrea Carusi (IT)

**Workers’ compensation insurance task force**
Chair: Renaud Rosseel (BE)

**Communications working group**
Chair: Grzegorz Buczkowski (PL)
About AMICE

Austria

Belgium
AMMA Assurances, Emani, Ethias, Fédérale Assurance, Mensura Caisse Commune, P&V Assurances SCRL, SECUREX Vie - UAAM (Union des Associations d’Assurances Mutuelles)

Denmark
ALKA, GF Forsikring, Købstæderne Forsikring, LB Group, Lokal Forsikring GS, Sygeforsikringen “danmark”, Thisted Forsikring, Tryggingarfelagid Føroyar, Ulykkestorsikringsforbundet for Dansk Fiskeri

Finland
Ålands Ömsediga Försäkringsbolag, Fennia Mutual Insurance Company, Local Insurance Mutual Company, Tapiola Insurance Group

France
Caisse d’Assurance Mutuelle du Bâtiment et des Travaux Publics, Caisse Mutuelle Marnaise d’Assurance (Cmma), CGPA, Covéa SGAM (MMA, GMF, MAAF), AG2R-La Mondiale, L’Auxiliaire, L’Etoile, MACIF, M.A.C.S.F Groupe, MAIF, MATMUT, Mutuelle de Poitiers Assurances, Mutuelle des Architectes Français Assurances (MAF), Réunion des Mutuelles d’Assurances Régionales (Rema), SHAM (Société Hospitalière d’Assurances Mutuelles), thélém assurances, Union Mutualiste Retraite (UMR) - FNMF (Fédération nationale de la Mutualité Française), GEMA (Groupement des entreprises mutuelles d’assurances), ROAM (Réunion des Organisations d’Assurance Mutuelle)

Germany

Greece
Syneristiki Insurance Co.

Hungary
KÖBE, TIR Biztosító Egyesület

Italy
ITAS Group, Società Reale Mutua di Assicurazioni, UGF Assicurazioni (Unipol)

Netherlands
efm Onderling Schepenverzekering, NOFF, OOM Holding NV, OVM Unive de Onderlinge U.A., Onderlinge Unive Dichtbij U.A., Unive Zuid-Holland, Zevenwouden - Federatie van Onderlinge Verzekeringmaatschappijen in Nederland (FOV)

Poland
TUW TUW, TUW SKOK

Portugal
Mutua dos Pescadores, MACIF Portugal - Companhia de Seguros S.A.

Senegal
Groupe SONAM Assurances

Spain
A.M.I.C. - Asociación Mutualista de la Ingenieria Civil, ASEMAs, MUSAAT Mutua de Seguros a prima fija, MUSSAP Mutua de Seguros y Reaseguros a prima fija, Mutua Madrileña Automovilista SSPF, Mutua de Propietarios Mutua de Seguros y Reaseguros a prima fija, Mutual Medica De Catalunya i Balears, MPS, Mutua MMT Seguros Sociedad Mutua de Seguros a prima fija, MISTRAL, Pelayo Mutua de Seguros, Seguros Lagun Aro S.A.

Sweden
AFA Life, Folksam, Lånsförsäkringar

Switzerland
emmental versicherung, Mutuelle Vaudoise, Swiss Mobiliar Holding Ltd.

United Kingdom
The Co-operative Financial Services, LV=

Observers
Euresa EEIG, SECURA N.V., Swiss Reinsurance Company

New members since May 2010
GF Forsikring (DK)
Mutual Médica de Catalunya i Balears, MPS (ES)
OVM Unive de Onderlinge U.A. (NL)
AMICE membership at 5 April 2011

AMICE represents more than 100 European mutual and cooperative insurers directly and an additional 1,000 indirectly through the membership of six national associations of mutual insurers.

AMICE full membership is open to mutual and cooperative insurers in Europe and their national associations. Associate membership is open to non-European mutual and cooperative insurers. Other interested parties may request observer status.

AMICE’s membership includes insurers of all sizes (some among the largest European players, others very small) and all lines of business (life, motor, health, agricultural, etc).