

News

sept 12



Asmo Kalpala
President

As on previous occasions, AMICE had the opportunity to welcome to its Gdansk Congress high-level representatives from our US sister organisation. This time, NAMIC's CEO Chuck Chamness – a regular attendant at our Congress – accompanied his outgoing Chair, Sandra G. Parillo, CEO of The Providence Mutual. This gave AMICE the opportunity for an exchange of views which again showed that at AMICE and at NAMIC, we share a lot: our commitment to defend our alternative business model in financial services and our members, and the challenges resulting from undifferentiated regulatory initiatives.

Recently, NAMIC's Chuck Chamness testified in the US Congress. I was struck by the similarities of the issues on both sides of the Atlantic.

Of the 2,700 property & casualty insurers in the US, 1,400 are mutuals and members of NAMIC. They serve 135 million policyholders and have a market share of 50% in car and home owners' insurance and of 31% in business insurance. More than 200,000 people are employed by NAMIC members.

Chuck Chamness welcomed the fact that the new financial sector regulations recognise that insurance was not at the heart of the financial crisis. Still, as we do permanently in the EU, too, he had to urge the US Congress to rectify several unintended consequences.

The main worries sounded very familiar:

- The creation of new federal offices and agencies with the purpose and power to collect information may lead to duplication and to added complexity in the areas of standardisation and confidentiality.
- In the US, where insurance supervision is still mainly done by the States, it is particularly important to educate and lobby federal politicians that *Insurance is not banking* and that therefore the respective regulatory structures must not be brought to full congruence.
- Mutual insurers are by nature cautious and responsible investors of their members' assets. Regulation intended to curb high-risk investments by retail banks should however not disallow insurers from appropriately engaging in effective investment strategies, including matching investment portfolios to anticipated liabilities (and their duration).
- State regulators accept "Statutory Accounting Principles". NAMIC rejects the idea that federally supervised mutual holding companies are obliged to switch to US GAAP.

Two sides of the Atlantic – and very similar issues, indeed. At AMICE, we will continue to lobby for the interest of our sector in Europe – on Solvency II and on other issues. For inspiration, I suggest you have a look at the statement by the CEO of NAMIC which you can find on http://www.namic.org/pdf/testimony/120724_doddFrank.pdf.

Asmo Kalpala

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Marketing: we talked with Nigel Waite* on the occasion of the publication of the 2nd Edition of his book *Financial Services Marketing: An International Guide to Principles and Practice*

'What is marketing?'

Quite simply, the answer is – 'It's all about getting and keeping customers'. If we consider great companies and brands that are respected and admired they all have one thing in common - everything they do revolves around the customer. In short, they are trusted to deliver benefits to customers at a fair price.

Is marketing of financial services any different?

Financial services products, in general, are far more complex than their packaged goods counterparts. The issues associated with product transparency serve to further weaken consumer power, resulting in a less vigorous form of competition. It is also fair to say that the drive for economies of scale has been far less of a feature of financial services, and this too has lessened the need to be at the leading edge of marketing.



Nigel Waite

Two further factors of note which have played a part in lessening the need for state-of-the-art marketing are the influence of government, and consumers' attitudes towards financial products.

In many respects, governments have played a crucial role in the development of new products and the associated promotion of those products, for instance, the introduction of personal pensions and tax advantaged savings schemes have presented the industry with major new business opportunities.

Turning to consumer attitudes, many financial services products involve the reduction in current consumption pleasure because money is diverted from such consumption as a contingency for some future event. The absence of consumption-associated pleasure, and general level of consumer disinterest have, therefore, served to reduce the importance of marketing within the financial services industry.

How do you think financial services marketing should be addressed?

By ensuring that everything the company does is geared around giving customers real benefits that will improve their financial well-being, delivered through positive service encounters, at a price that is transparent and fair to all parties. This means creating a culture that is truly customer-focussed and marketing oriented. All too often, marketing is a term that applies to a department that produces promotional material. I believe financial services marketing should be seen as an overarching set of processes that aims to achieve a balance between the key components of the wider environment, in other words it's a cultural issue.

And what sort of process does this involve?

The first part of the process is strategy and planning. This includes addressing the complex inter-relationships that exist between the financial services industry, the State, and the citizen. All three parties should be mutually advantaged through their interactions. Regulation and new approaches can be expected to impact upon the policies and practices of product providers.

Being aware of the participants that comprise the financial services marketplace gives the context necessary for a full understanding of how the marketplace operates in serving the needs of customers.

The second part of the process should focus upon the principles and practices that are associated with becoming a customer of a financial services provider. This comprises the proper use of the marketing mix in areas such as product design, pricing policy, promotional practices and distribution methods.

The third part of the process should be dedicated to the principles and practices that concern the development of customer relationships over time. This is of particular importance in the context of financial services. The incidence of short-term organisational gain, to the long-term detriment of the consumer, has been far too prevalent in the past.

Your book addresses all these issues and more: a final word on what your book delivers ?

This second edition highlights the importance attached to Corporate Social Responsibility and its role in marketing and business strategy. This is explicitly aimed at helping the sector to improve its contribution to the wider economy and to better serve the public interest. The second edition has lots of new material about how to make best use of digital marketing in order to improve customer satisfaction and make a business more efficient. Importantly, we have included a great many new examples of best practice from product providers around the world, many of whom are mutuals and cooperatives.

This book will help students, practitioners, policymakers and others to develop a firm grounding in the fundamentals of financial services strategy, customer acquisition, and customer development. It draws upon both relevant conceptual and theoretical models as well as relevant practical applications. We hope it will make a material contribution to improving standards of marketing practice in the financial services industry across the globe and, thereby, advance the cause of consumer financial well-being.

* Nigel Waite is Honorary Professor in Marketing at Nottingham Business School and Director of the Canford Centre for Customer Development, UK

Update on the Data Protection Regulation

At the beginning of this year the Commission published its proposals for a reform of **data protection**, comprising of a Regulation for the general framework (applicable directly in all MS) and a Directive, mainly for the coordination of national police forces. See <http://ec.europa.eu/justice/data-protection/>.

With this Regulation, the Commission aims to strengthen online privacy rights and boost Europe's digital economy. This initiative is taken in response to the 71% of EU citizens who admit to being worried about their data being used in the digital economy and to level the playing field between the 27 different existing data protection authorities in the EU.

The European Parliament, LIBE Committee in the lead, is currently examining the draft package and will endeavor to adopt a report by the end of its term (in 2014).

In early September, [Insurance Europe](#) voiced its concern to the EU institutions that this draft Regulation will restrict insurers' ability to process and use data to properly assess risk. It reminded the EU institutions that data compilation and processing are an essential part of insurance business, in particular as it allows insurers to check the accuracy of information received and prevent fraud and related financial crime.

Other areas of concern as identified by Insurance Europe include the definition of consent and the right to withdraw consent, the "*right to be forgotten*", the definition and processing of health data, profiling, and data portability.

We will keep you informed about the state of play of this sensitive topic.

Complaints handling: EIOPA Guidelines aim to promote a more convergent approach

Following a public consultation in which AMICE as well as several of its member organisations took part, EIOPA has issued high level principles addressed to supervisory authorities on the handling of complaints by insurers. Proposing guidance on the undertakings' internal systems and control for complaints handling so as to make them more effective, and providing guidance on the delivery of information and procedures for responding to complaints, these guidelines concentrate on two areas of concern:

- information asymmetry: insurers may not handle complaints in the best interests of policyholders, or policyholders may not know the standards prescribed to insurers and may not be aware of the possibility to submit a complaint;
- an existing regulatory gap as a consequence of the current lack of EU rules on complaints handling which leads to diverse national approaches.

These Guidelines have been published together with a detailed Best Practices Report, which seeks to promote common supervisory approaches. Additionally, in a follow-up initiative, EIOPA plans to address proportionality in applying these Guidelines to different-sized insurance undertakings.

The guidelines and best practices report as well as the results of the consultation can be found at: <https://eiopa.europa.eu/consultations/consultation-papers/2011-closed-consultations/november-2011/guidelines-on-complaints-handling-by-insurance-undertakings/index.html>.

AMICE's submission can be found in the Position Papers section of the website http://www.amice-eu.org/publications/position_papers.aspx.

Solvency II update

Just at the time of finishing this newsletter, the three institutions are resuming their trilogue work on Solvency II after the summer. The meeting as such is important as the details and specifications of the impact assessment should be further discussed. This impact assessment will be carried out at the explicit request of the European Parliament and will focus on three main areas: discount rates (including questions around extrapolation), matching adjustment, and countercyclical measures. In parallel to the quantitative part, there will be a sizeable qualitative part in which insurers and supervisors will have to address wider economic effects – including questions of distortion of competition within and between Member States – as well as macroeconomic stability effects and effects on policyholders.

EP representatives insist that they can finalise their Omnibus II discussions only after the production and analysis of the impact assessment report which is not due before March 2013. If this request really determines the further timeline, nobody can realistically expect Solvency II to enter into effect at the beginning of 2014 – even Commissioner Barnier seems to have realised this.

AMICE members will hear from their national supervisors about participation in the impact assessment. AMICE has received a message from the Commission and EIOPA that again the active participation of mutual insurers of all sizes, including small ones, is necessary to allow a truly representative assessment of the issues at stake.



AMICE's fourth seminar for the benefit of its SME members will take place in Amsterdam on 12 November next

This seminar will predominantly look at Pillar II and III issues with presentations, sharing of knowledge and demonstrations proposed by specialists.

EIOPA as well as supervisors from at least two European jurisdictions will inform delegates about the latest Solvency II developments and answer your questions.

AMICE observer member Risk Dynamics will devote a full session to the topic of management processes and will moderate a session composed of CROs on the overall preparedness of their companies vis-à-vis Pillar II.

Consultancy firm Milliman will walk participants through the stages of their newly designed software which not only collects the data required for reporting but makes the link with Pillar I computations, providing an advantage for your business management.

We hope we can count on your active participation for what promises to be a thought provoking event!

For further information, please contact Catherine.hock@amice-eu.org or see AMICE's homepage.

"Brand-building" workshop, Brussels, 10 October 2012

Organised by AMICE's Communications working group, this one-day event is aimed at marketing and communications specialists who wish to exchange with their colleagues from other AMICE members but also at anyone wishing to learn how other mutuals and cooperatives are raising their brand profile.

Following an introduction by an expert in brand communication, four AMICE members will present practical case studies on the brand building process, a brand positioning strategy, branding in a merger and the use of advertising techniques such as ATL (Above-the line) and BTL (Below-the-line) communications to build brand awareness.

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



→ AMICE meetings and events

- 1 October Brussels Nomination Committee
- 2 October Brussels Board
- 3 October Brussels Member to Member working group & taskforces
- 10 October Brussels "Brand-building" marketing workshop
- 15 October Paris Solvency II taskforce
- 6 November Brussels Executive Committee
- 7 November Brussels Communications working group
- 12 November Amsterdam SME seminar
- 16 November Brussels Solvency II taskforce
- 27 November Brussels Board