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Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Portugal

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Methodology

Business scope

The study focuses on the direct insurance sector and does not in principle include reinsurance. Therefore, the report is based on direct (gross) premiums written by insurance companies (in both the total market and mutual/cooperative market) and reinsurance premiums have, where possible, been eliminated.

Types of insurers included

The main purpose of the study is to describe the mutual and cooperative insurance sector by highlighting the size, relevance and socio-economic importance of mutual and cooperative insurers in the region.

The definition of the “total mutual/cooperative insurance sector” in this report¹ includes insurance undertakings whose legal status is classified as “mutual” or “cooperative” in their national law, as well as insurers whose structure and values reflect the mutual/cooperative form (see definition 3 below).

Extending the definition in this way has enabled the study to include all organisations which operate on mutual/cooperative principles, in line with the report’s research objectives, without being restricted by legal definitions, of which there is a wide variety across Europe.

Insurance companies included in this study have been categorised by three definitions relating to their legal structure and ownership.

1. Mutual/cooperative insurers in the legal form (definition 1)

Mutual and cooperative insurers in a legal form of a (insurance) mutual or cooperative.

In addition, insurance undertakings whose legal structure corresponds to or is in some way aligned with the mutual/cooperative model and whose legal structure is different to a joint-stock (limited) company. These include friendly societies, community benefit societies² and protection and indemnity (P&I) clubs.^{3,4}

2. Subsidiaries of mutual/cooperative insurers in the legal form (definition 2)

Subsidiaries of a (definition 1) mutual or cooperative insurer in the legal form.⁵ These are commonly operated in the legal form of a joint stock or limited company. In any given market, insurance companies within this definition include subsidiaries of both domestic and foreign-based (including non-European markets) mutual/cooperative insurers in the legal form.

3. Mutual/cooperative-type insurers (definition 3)

This encompasses the remaining mutual/cooperative insurance companies not classified by definition 1 or definition 2. It includes companies that:

¹ Note that while this definition is the same as the definition used by ICMIF in its *Global Mutual Market Share* reports, there are a number of instances where various companies’ data included in the ICMIF research have been excluded (or classified differently) in this study. These differences will be noted.

² See chapter on the UK.

³ A P&I club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically ship owners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

⁴ Due to the international nature of P&I Clubs, premium data on domestic risks only (if known) are included in each chapter’s figures. For this reason, P&I Clubs in Europe (either registered in or operating within) have been excluded from the ranking of the largest mutual/cooperative insurers (see Top 100 chapter).

⁵ The main condition for inclusion in this category is that the ultimate parent company is itself actively engaged in insurance activities, even if only to a limited extent.

- are owned by, governed by and operated in the interests of their members or policyholders;
- are inspired by mutualist and/or cooperative ideas; and/or
- are structured in such a way that they are not (majority) controlled by outside capital interests.

It features a range of different company structures, often in the legal form of a limited insurance company,⁶ which is majority-owned by a non-insurance mutual or cooperative organisation or group (including banks). It also includes insurance undertakings that are owned by or governed by a membership or community organisation, charitable trust, foundation, union or other non-profit organisation.

Note that when reference is made throughout the report to the “total mutual/cooperative insurance sector (or market)” or the “total number of mutual/cooperative insurance companies”, this refers to all definitions (1-3) of insurers categorised above.

Legal research

Desk research was carried out to produce the legal sections of the report. When information was not readily available, national supervisors, national insurance associations and trade bodies have been consulted where possible.

The ECB annual average exchange rates have been used in the legal part of the report where necessary.

Total insurance market figures

In each chapter, the total number of licensed insurance undertakings has been taken from the national insurance regulator or supervisory body where available. In certain instances, the totals have been adjusted to include insurance undertakings that are licenced and operating within the market, but were not included in the figures produced by the supervisor. Where data was not available from the national supervisor, national insurance associations and trade bodies have been consulted where possible.

To ensure consistency across all markets in this study, figures on the total insurance market in each country have been taken from Swiss Re’s *sigma* data.⁷ These have also been compared against additional data obtained from national supervisors/regulators, although some differences between Swiss Re’s data and supervisory data may be noted. In certain instances, figures produced by Swiss Re have also been adjusted to ensure reporting year consistencies and to include insurance business that is not covered in their data.

Life and non-life business in this study are categorised according to standard EU conventions, which is the same categorisation as in Swiss Re’s data. In relation to health insurance, this is classified as non-life insurance throughout the study, even where it is classified differently in individual markets.⁸

For the statistical part of the report, variable currency exchange rates have been used for the different years, with all figures converted into euros (EUR). To allow for more accurate market share calculations, exchange rates used for the mutual/cooperative insurance sector are the same as those used by Swiss Re in order to be consistent with the euro conversion of the total market figures.

Growth figures of individual markets have been calculated in local currency terms throughout the report unless otherwise stated in order to eliminate misleading effects of exchange rate fluctuations and thus ensure accurate year-on-year comparisons.

Number of members/policyholders

The definition of “members/policyholders” in this instance may refer to the number of customers, clients or people insured by mutual/cooperative insurers, as there is no consistency between markets or companies regarding which figure (if any) is reported.

⁶ In certain markets where insurance companies cannot take the legal form of a mutual or cooperative (or have restrictions on the line of business which they can offer), figures may nevertheless be indicated for the mutual/cooperative insurance market due to the presence of definition 2 and definition 3 insurers.

⁷ Data has been taken from updated statistics, originally published in Swiss Re Institute’s *sigma World Insurance* reports. The most recent report was Swiss Re Institute, *Q3/2016 World insurance in 2015: steady growth amid regional disparities*.

⁸ The major example of this is in Germany, where health insurance is classed as a life insurance product.

However, it should be noted that each policy issued by a mutual/cooperative insurer equates to a single member/policyholder. If an individual person or entity purchases more than one insurance product from mutual/cooperative insurers, that multiplicity of policies will be recognised in the overall member/policyholder figures for each country.



Mutual/cooperative insurance companies

Landscape

The Portuguese Insurance and Pension Funds Supervisory Authority – ASF (*Autoridade de Supervisão de Seguros e Fundos de Pensões*) is the national authority responsible for the regulation and supervision of insurance companies, both from a prudential and a market conduct point of view.¹ The ASF is a legal person under public law, acting as an independent administrative entity, and provided with administrative, financial, managerial autonomy and its own assets. Insurance undertakings in Portugal need to obtain an authorisation from the ASF before commencing their operations.²

The insurance market in Portugal is governed by the Law No. 147/2015: Legal regime of access and exercise of the insurance and reinsurance activity – RJASR (*Regime jurídico de acesso e exercício da atividade seguradora e resseguradora, bem como o regime processual aplicável aos crimes especiais do setor segurador e dos fundos de pensões e às contraordenações cujo processamento compete à Autoridade de Supervisão de Seguros e Fundos de Pensões*). The RJASR transposes Solvency II into national law,³ but does not include an exclusion regime in relation to small insurance undertakings akin to Article 4 of Solvency II.

The RJASR excludes the following operations from its scope:⁴

- the operations of pension and assistance entities, whose benefits vary according to the resources available, and in which the contributions of the members are determined on a flat rate basis.
- export credit insurance schemes by order of or under guarantee by the State.
- assistance activities relating to accident or breakdown involving a motor vehicle (subject to certain conditions).
- entities providing benefits solely in the event of death, where the amount of such benefits does not exceed the average funeral costs (subject to certain conditions).

Concurrent exercise of both life and non-life activities can only be allowed for life insurers underwriting accident and sickness insurance.⁵ The provision is subject to the adoption of distinct management for each of these activities.⁶ Moreover, the RJASR states that insurance companies that at the date of the RJASR's publication⁷ were authorised to perform simultaneously both life and non-life insurance activities, can continue doing so.

¹ ASF's website.

² Article 14 of Law No. 147/2015: Legal regime of access and exercise of the insurance and reinsurance activity – RJASR.

³ Article 1 of the RJASR.

⁴ Article 4(1) of the RJASR.

⁵ Article 48(3) of the RJASR.

⁶ Article 89 of Annex I of the RJASR.

⁷ 9 September 2015.

An insurance undertaking in Portugal can be established as:⁸

- a joint-stock company (*sociedade anónima*)
- a mutual insurance company (*mútua de seguros*)
- a mutual association (*associação mutualista*)⁹
- a European Company (*sociedade europeia*)
- a public insurance or public capital company incorporated under Portuguese law
- a branch of an insurance undertaking having its head office in another Member State
- a branch of a third-country insurance undertaking authorised under the RJASR

Mutual insurance companies take the form of a limited liability cooperative. They are governed by the provisions of the RJASR, and subsidiarily, by the provisions of the Cooperative Code and other complementary legislation, as long as it does not contradict the RJASR or other specific provisions on insurance activity.¹⁰ Mutual insurance companies can be converted into joint-stock companies, subject to authorisation by the ASF.¹¹ They can carry out activities in both life and non-life classes.

Although the legal form of a cooperative exists in Portugal and it is governed by the Cooperative Code – Law no. 119/2015 of 31 August (*Código Cooperativo – Lei n.º 119/2015, de 31 de Agosto*) mentioned above, it does not specifically include insurance as one of the activities.

Number of licensed insurance undertakings

In 2015, there were 45 insurance companies supervised by the ASF present in the Portuguese market.¹² This comprised 44 joint stock companies (engaged in direct insurance¹³) and one mutual association. Of the 45 insurance undertakings, 16 were active in the life sector, 23 in the non-life sector and five were composite insurance companies.

There was little change in the number of insurance companies compared to 2007: 48 in total, of which 46 were joint stock companies and 2 were mutual associations.

Number of mutual/cooperative insurers

There were 12 mutual/cooperative insurance undertakings conducting business in 2015, two fewer than in 2007 (see Figure 1). There was only one mutual association (Mútua dos Pescadores) classed as a legal form mutual insurer active in 2015.¹⁴ The majority of mutual/cooperative companies in Portugal were mutual/cooperative-type insurers.

There is also a number of small livestock mutual insurers¹⁵ active in Portugal. These mutuals are not supervised by the ASF and do not abide by the Insurance Legislation, but are instead under the supervision of the Portuguese Ministry of Agriculture, Forestry and Rural Development (*Ministério da Agricultura, Florestas e Desenvolvimento Rural*). Due to the lack of available data, these mutuals are not included in this study.

⁸ Article 3 of Annex I to RJASR.

⁹ Mutual associations are regulated by the Mutual Association Code – Law No. 72/90 of 3 March 1990 (*Código das Associações Mutualistas - Decreto-Lei n.º 72/90 de 3 de Março*). They are private entities with an unlimited number of members that are based on social solidarity. They aim at activities in the field of complementary social security and health and operate with an undetermined capital focused on the needs of their members and their families.

¹⁰ Article 58 of Annex I of the RJASR.

¹¹ Article 59(3) of Annex I of the RJASR.

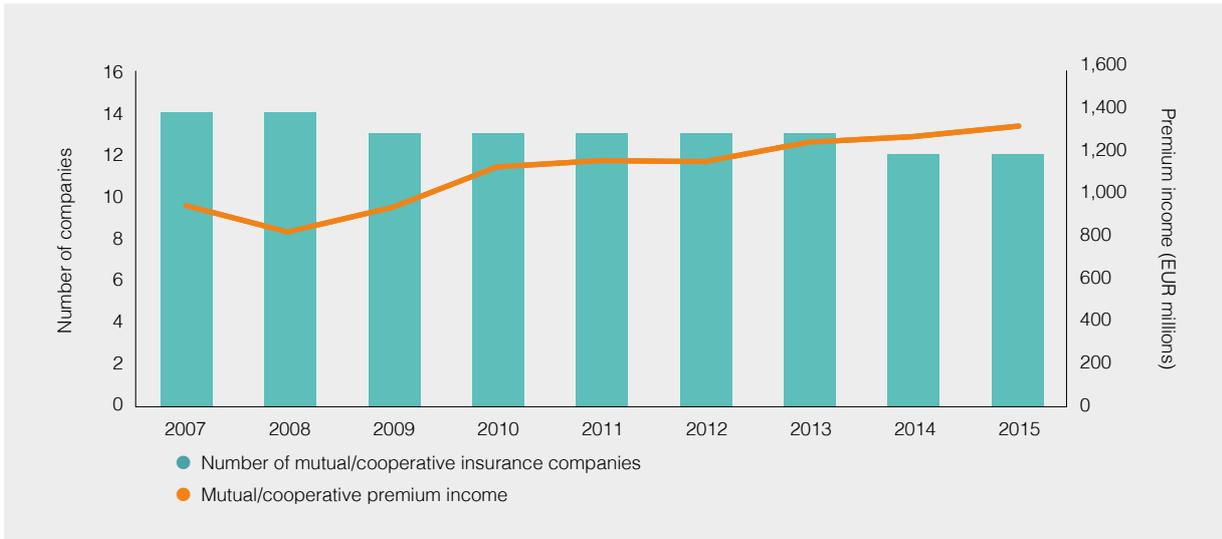
¹² ASF (2016) *Estatísticas de Seguros 2015*.

¹³ There was also one reinsurance company supervised by ASF in 2015.

¹⁴ Spanish mutual non-life insurer Mutua de Riesgo Marítimo, Sociedad de Seguros a Prima Fija (Murimar) entered the Portuguese market in 2008 as an EU undertaking operating under a branch. It is also classified as a definition 1 mutual insurer in this study.

¹⁵ Two identified were Associação Mútua de Seguros de Gado do Vale Besteiros and Mútua de Seguros de Gado MÚTUA DE BASTO/NORTE.

Figure 1
 Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



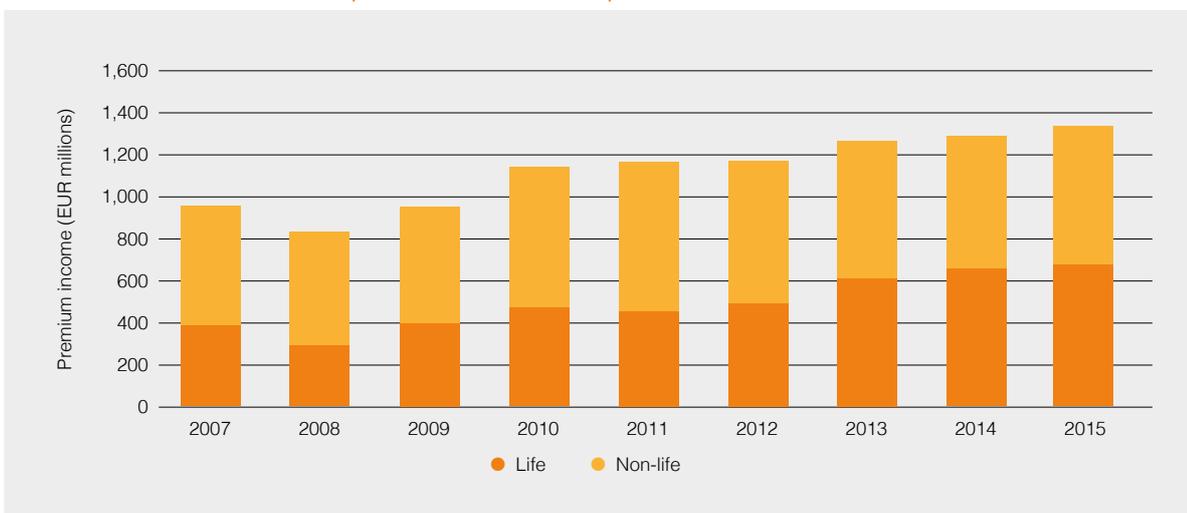
Size and growth of the mutual/cooperative insurance sector

Total

The development of the Portuguese insurance market was hampered in recent years by the Eurozone crisis. Premium volumes were 7.3% lower in 2015 (EUR 12.9 billion) compared to 2007 levels¹⁶ (EUR 13.9 billion). This aggregate decline can be largely attributed to the large premium decrease in 2010 (-29%) after the onset of Portugal's sovereign debt crisis.

In contrast, the mutual/cooperative insurance sector has shown resilience to the worsening economic conditions in Portugal, reporting a 39.7% increase in premium volumes since 2007. Premium revenues reached a record EUR 1.3 billion in 2015, growing from EUR 956 million in 2007 (a CAGR of 4.3% compared to the market average CAGR of -0.9%). In 2015, premium income of mutual/cooperative insurers was split equally between the life and non-life sectors (see Figure 2).

Figure 2
 Premium income of mutual/cooperative insurance companies (2007-2015)



¹⁶ For comparison, Portugal's Gross Domestic Product (GDP) fell by 17.2% (in USD terms) between 2007 and 2015.

Life

Aggregate life premiums of Portuguese insurers fell to EUR 8.6 billion in 2015, down from EUR 9.5 billion in 2007 (a decline of 8.7%). Mutual/cooperative life insurers registered a positive growth of 75% in premium terms, rising to EUR 673 million in 2015 from EUR 384 million in 2007. The CAGR of the mutual/cooperative sector (7.3%) was more than eight percentage points stronger than the market average (-1.1%).

Non-life

The total non-life market in Portugal also suffered a contraction in business volumes between 2007 and 2015, although at a slower pace. Premium levels fell by 4.4% from EUR 4.4 billion to EUR 4.2 billion in 2015, representing a CAGR of -0.6%. The mutual/cooperative sector experienced robust growth over this period, increasing from EUR 572 million in 2007 to EUR 663 million in 2015. This represented an aggregate growth of 15.8% (equivalent to a CAGR of 1.9%).

Market share of mutual/cooperative insurance sector

The total market share of mutual/cooperative insurers in Portugal rose to a record level of 10.4% in 2015 (see Figure 3). There was a minimal market share held by mutual insurers in the legal form (0.1%) in the total market, as well as in the non-life sector (0.2%). Subsidiaries of mutual/cooperative insurers held a higher proportion of the non-life market (6.7%) compared to the life market (1.5%).

The total Portuguese mutual/cooperative insurance sector saw a significant increase in market share from 6.9% in 2007, a proportional growth of more than 50% (see Figure 4). Mutual/cooperative insurers recorded an increase in their market share in five of the previous eight years, experiencing the largest upturn in 2011 (as market share rose to 10.0% from 6.9% in 2010). Premium growth by mutual/cooperative-type insurers contributed most to the overall increase in market share between 2007 and 2015 (growing from 4.5% to 7.2%), as there was little change in the market share of legal form mutual insurers and subsidiaries of mutuals over this period.

In the life sector, mutual/cooperative insurers' collective market share almost doubled to 7.8% in 2015 from 4.1% in 2007. The mutual/cooperative sector held a higher proportion of the total non-life in 2015 (15.7%), which was also greater compared with 2007 market share (13.0%).

Figure 3
Market share of mutual/cooperative insurance companies (2015)

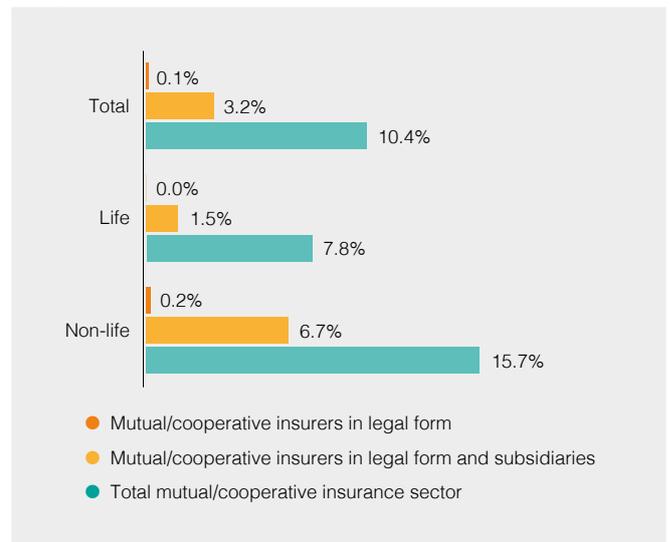
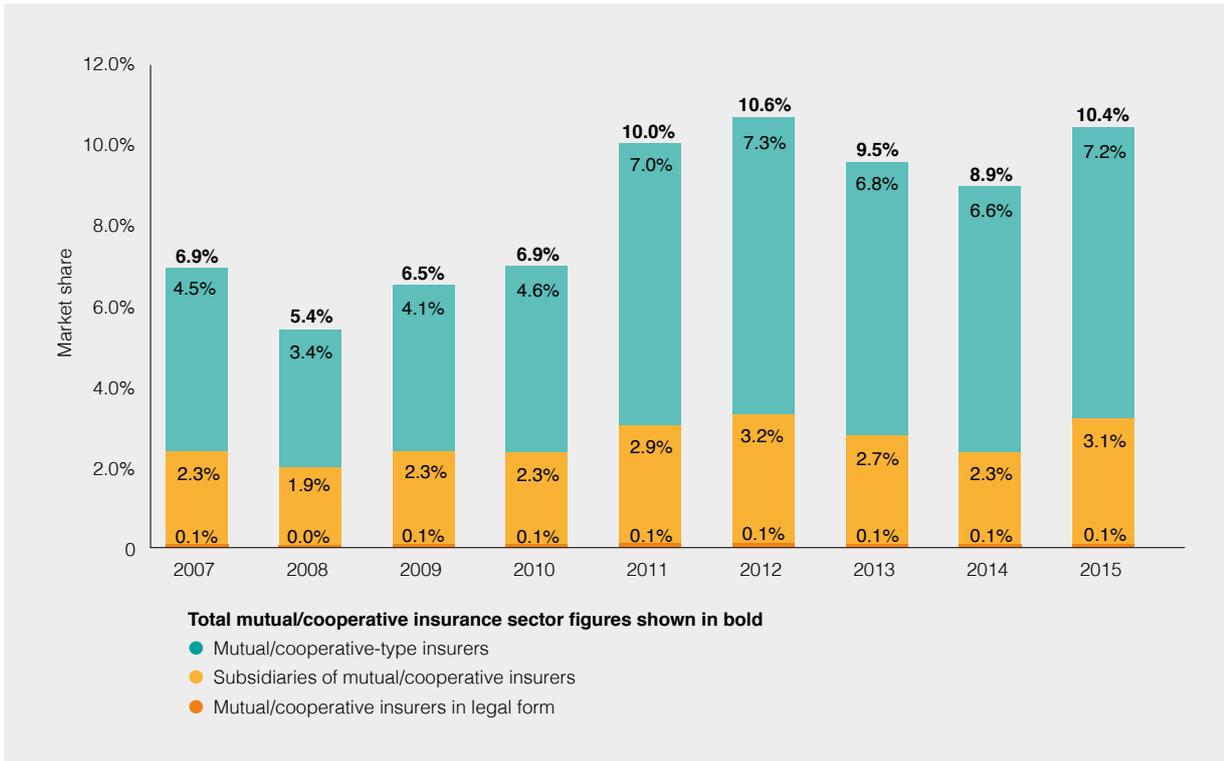


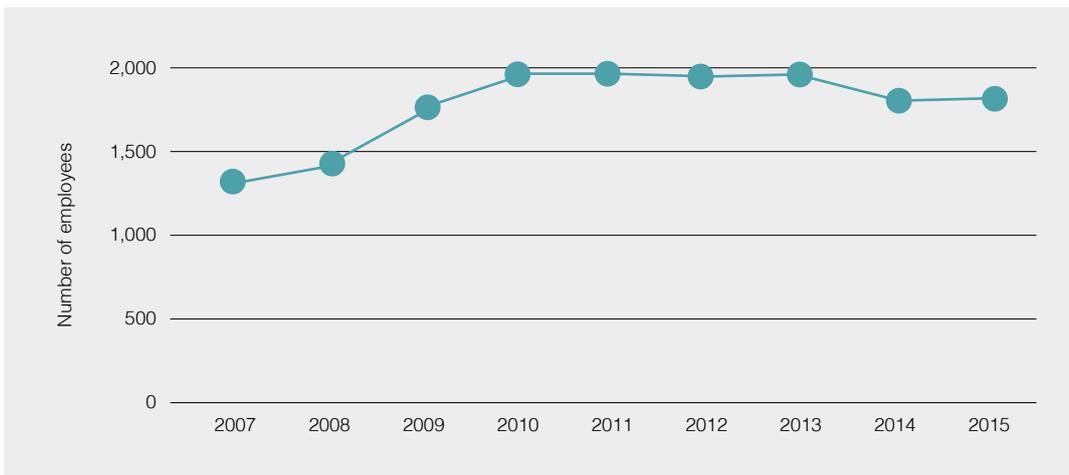
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

In 2015, there were 1,819 employees of mutual/cooperative insurance undertakings in Portugal (see Figure 5). Employment levels have been relatively consistent since 2010 (1,965), although 2015 levels represented an aggregate growth of 39% from the number of employees in 2007 (1,308).

Figure 5
Number of employees of the mutual/cooperative insurance sector (2007-2015)



Number of members/policyholders

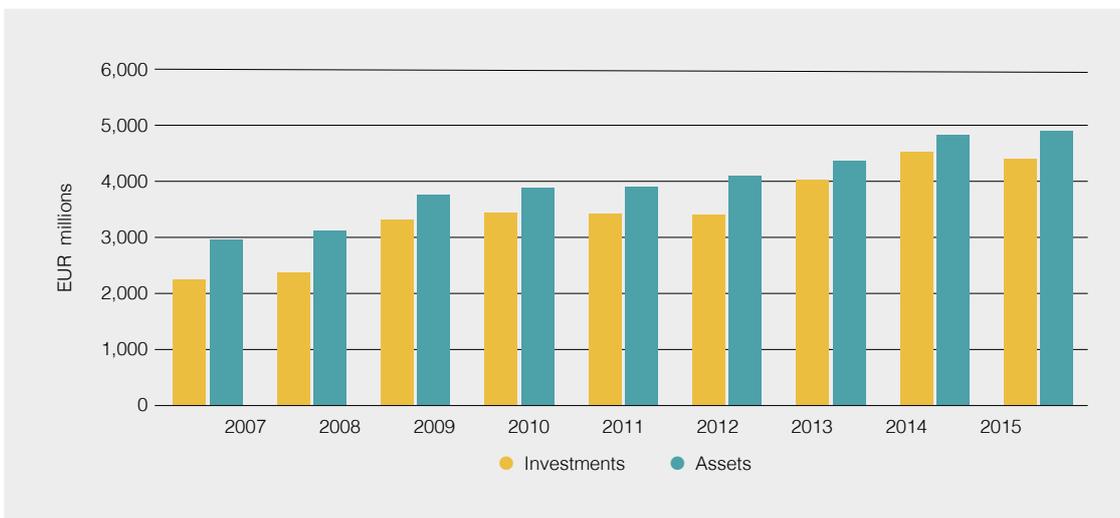
There was very sparse data available on the number of members/policyholders of Portuguese mutual/cooperative insurers. Data was only available for one entity, which had just over 100,000 members/policyholders.

Assets and investments

Portuguese mutual/cooperative insurers held just under EUR 5 billion in total assets in 2015 (see Figure 6). This represented an increase of two-thirds from asset values in 2007 (EUR 2.9 billion). Invested assets have doubled during the same eight-year period, climbing to EUR 4.4 billion in 2015 from EUR 2.2 billion in 2007.

Figure 6

Total assets and investment assets of the mutual/cooperative insurance sector (2007-2015)



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