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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Luxembourg

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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 Insurance Commission – CAA (*Commissariat aux Assurances*) is the official Luxembourg regulatory authority responsible for the prudential supervision of the insurance sector.¹ The CAA is a public institution under the authority of the Ministry of Finance. It has distinct legal personality and enjoys financial autonomy. Insurance undertakings in Luxembourg must obtain an authorisation from the CAA in order to commence their operation.²

The Law of December 2015 on the insurance sector – Insurance Law (*Loi sur le secteur des assurances*), as amended, is the primary legal instrument governing the insurance industry in Luxembourg. It also transposes the provisions of Solvency II into national law. The Insurance Law does not contain any excluding provisions in relation to small insurance undertakings, and therefore does not bring into effect Article 4 provisions of Solvency II.

The following operations are excluded from the scope of the Insurance Law:³

- insurances that are part of statutory social security schemes, except certain types of pension funds.
- operations of provident and mutual benefit institutions whose benefits vary according to the resources available and in which the contribution of the members are determined on a flat-rate basis.
- operations carried out by an organisation not having legal personality with the purpose of providing mutual cover for their members without there being any payment of premiums or constitution of technical reserves (for non-life).
- mutual undertakings which pursue non-life activities and which have concluded with other mutual undertakings an agreement which provides for the full reinsurance of the insurance policies issued by them or under which the accepting undertaking is to meet the liabilities arising under such policies in the place of the ceding undertaking.

Simultaneous performance of life and non-life insurance is not allowed under the Insurance Law, except for the cases where life insurance undertakings pursue accident and sickness insurance.⁴ Nevertheless, even in the latter scenario, the two classes of insurance activity need to be managed separately.⁵

¹ CAA's [website](#).

² Article 2(1)(a) of Law of 7 December 2015 on the insurance sector – Insurance Law.

³ Article 37-42 of the Insurance Law.

⁴ Article 96 of the Insurance Law.

⁵ Article 97 of the Insurance Law.

Luxembourg insurance undertakings can have the legal form of:⁶

- a European Company (*société européenne*)
- a limited company (*société anonyme*)
- a corporate partnership limited by shares (*société en commandite par actions*)
- a cooperative society or a cooperative society organised as limited company (*société coopérative ou société coopérative organisée comme une société anonyme*)
- a mutual insurance association (*association d'assurances mutuelles*)
- a European Cooperative Society (*société coopérative européenne*)

There is no specific legislation in relation to mutual insurance associations.⁷ They are covered by the Insurance Law, which includes special provisions regarding their establishment and organisation.⁸ There is no *de minimis* regime for small mutual insurance associations in Luxembourg.

Mutual insurance associations and cooperative insurance undertakings can be active in both life and non-life operations.

Number of licensed insurance undertakings

There were a total of 75 insurance undertakings and pension funds governed by Luxembourg law and authorised by the CAA in 2015,⁹ of which 43 were life insurers (including 3 pension funds) and 32 were non-life insurers.¹⁰

More than 90% of these undertakings (69) were joint stock companies, three were mutual insurance associations and three were pension funds.

In 2007, there were 79 active insurance companies, comprising 52 life insurers (4 pension funds) and 27 non-life insurers.

Number of mutual/cooperative insurers

In 2015, there were 14 active mutual/cooperative insurance companies. Nine of these were engaged in life insurance activities and five were engaged in the non-life sector. There was one fewer mutual/cooperative insurer active in 2015 compared to 2007 (see Figure 1).

The three (legal form) mutual insurance associations in 2015 were all non-life insurers and were Protection and Indemnity (P&I) Clubs.¹¹ The number of mutual insurance associations was also one fewer than the four operating in 2007.

There were no insurers with a cooperative legal form in Luxembourg in 2015.

⁶ Article 47 of the Insurance Law.

⁷ At the time of drafting this report (March 2018), a new draft law is in elaboration, covering non-CAA supervised mutuals (*Projet de loi 7058 concernant les mutuelles*). These are entities which fall outside the scope of Solvency II.

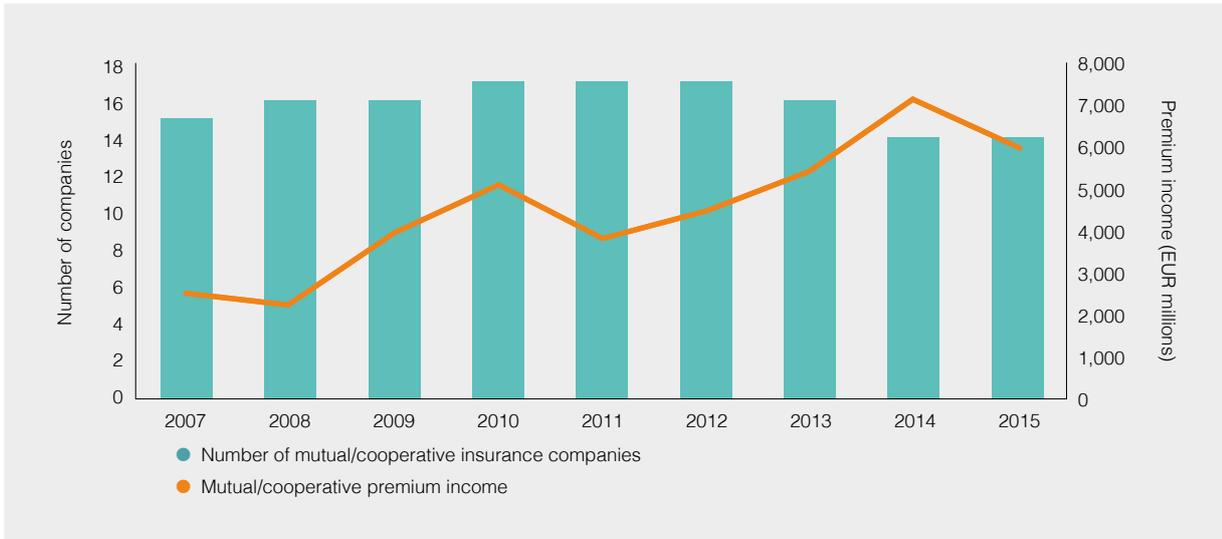
⁸ Article 48 of the Insurance Law.

⁹ In addition, there were also branches of 16 foreign insurance companies and 216 reinsurance undertakings governed by Luxembourg law active in 2015.

¹⁰ CAA (2016) *Rapport annuel 2015/2016 and Annexe au Rapport annuel 2015/2016*.

¹¹ Due to the international nature of P&I Clubs, only figures for national insurance business (written in Luxembourg) were used.

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



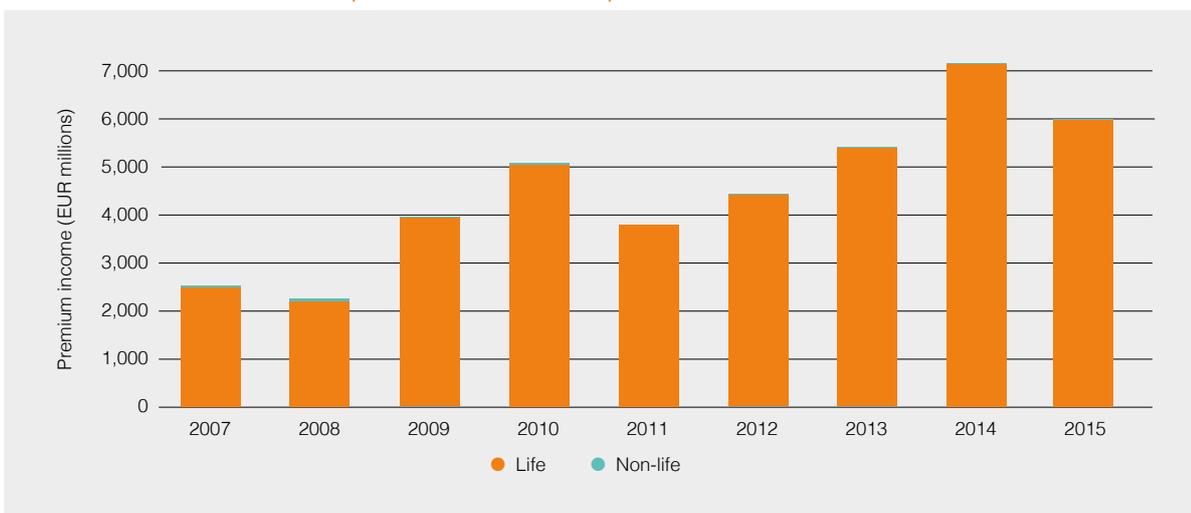
Size and growth of the mutual/cooperative insurance sector

Total

The total insurance market in Luxembourg wrote EUR 24.2 billion in premium income in 2015, of which EUR 21.0 billion was in life premiums and EUR 3.2 billion in non-life business. Total premium volumes in 2015 were more than 90% greater than 2007 levels (EUR 12.4 billion), equating to an 8.7% CAGR.

The premium income of the mutual/cooperative insurance sector amounted to just under EUR 6 billion in 2015 (see Figure 1). Collectively, mutual/cooperative insurers reported positive premium growth in five of the previous eight years (since 2007), accumulating to a total growth of 137% (CAGR of 11.4%).

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



Life

The total life market in Luxembourg (which contributed 87% of total premiums) experienced a similar growth to the total market, as premium levels surged from EUR 11.0 billion in 2007 to EUR 21.0 billion in 2015 (an increase of 91%). Premium volumes in the mutual/cooperative sector more than doubled in the same period, increasing from EUR 2.5 billion to EUR 6.0 billion in 2015. The CAGR of the mutual/cooperative sector since 2007 was 11.6%, more than three percentage points greater than the total market CAGR (8.4%).

Non-life

Non-life business in the total Luxembourg market also recorded a sizeable growth between 2007 (EUR 1.4 billion) and 2015 (EUR 3.2 billion). For mutual/cooperative insurers, the amount of non-life business written fell sharply over this period, decreasing from EUR 41 million in 2007 to just under EUR 3 million in 2015. This drop was due to the largest non-life mutual/cooperative insurer¹² being acquired by a joint-stock company in 2014.

A very small amount (EUR 200,000) of non-life insurance was written by mutual/cooperative insurers in the legal form in 2015, with the majority of business coming from mutual/cooperative-type insurers.

Market share of mutual/cooperative insurance sector

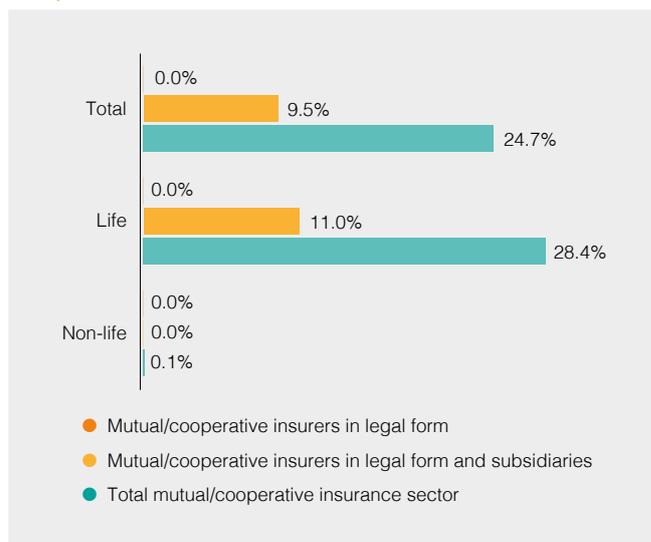
The mutual/cooperative insurance sector in Luxembourg held just under a quarter (24.7%) of the national market in 2015 (see Figure 3). In the life sector, market share was 28.4%, although market share was only 0.1% in the non-life sector.

Due to the very small amount of premiums written by mutual/cooperative insurers in the legal form, market share was negligible. Subsidiaries of mutual/cooperative insurers accounted for 9.5% of the total insurance market in 2015 (and 11.0% of the life market).

The market share of the mutual/cooperative insurance sector experienced a gain of four percentage points since 2007, rising from 20.2% (see Figure 4). Subsidiaries of mutual/cooperative insurers recorded a small increase in their market share over this period (2007: 8.1%), although it was mutual/cooperative-type insurers who posted the strongest growth in market share, up from 12.2% in 2007 to 15.2% in 2015.

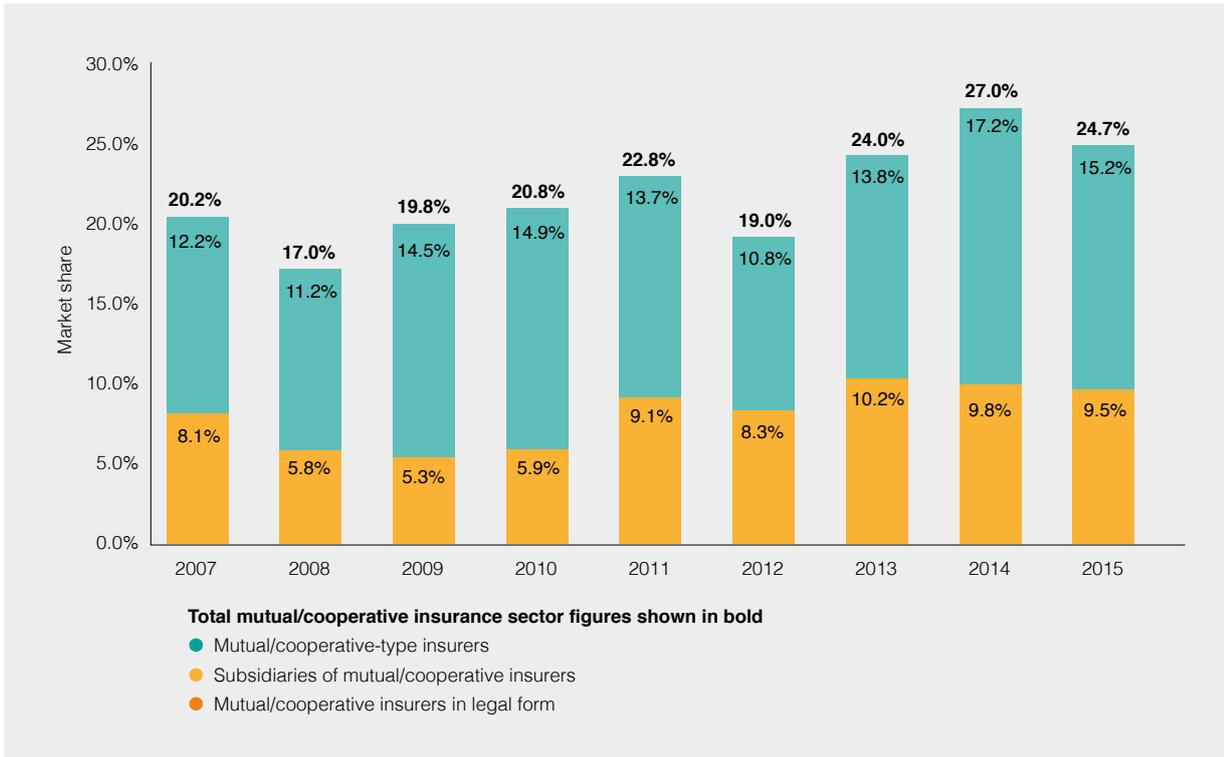
In the life market, the mutual/cooperative insurance sector's market share grew from 22.5% in 2007 to 28.4% in 2015, a proportional increase of more than a quarter. In the non-life sector, due to the sale of P&V Assurances S.A., mutual/cooperative market share fell from 2.8% in 2007 to just 0.1%.

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



¹² Swiss insurer Balaise completed the acquisition of the P&V Assurances S.A., the Luxembourg business of Belgian cooperative insurer P&V Assurances in May 2014 (the deal was first announced in December 2013).

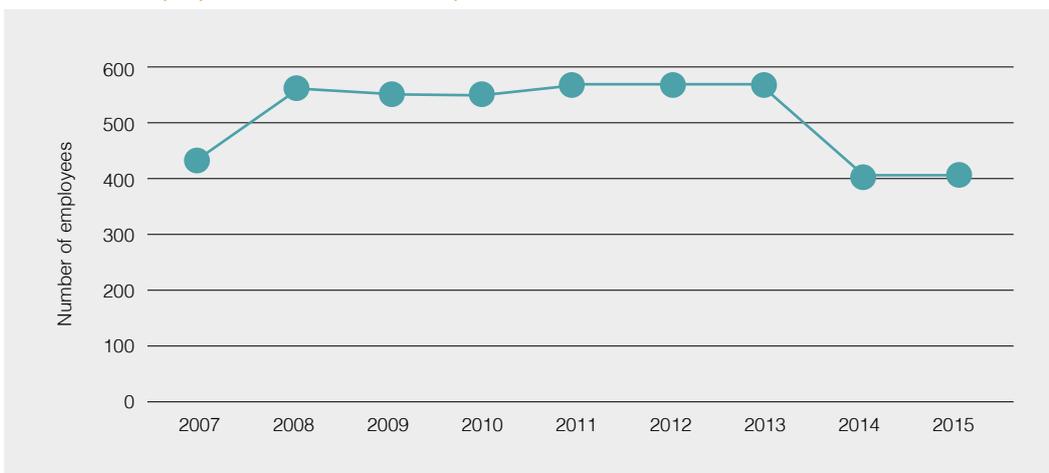
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

There were just over 400 people employed by mutual/cooperative insurance companies in Luxembourg in 2015. The number of employees of the mutual/cooperative sector had declined since 2007 (432 employees), with the sharpest drop in 2014 (from 569 employees in 2013) after the sale of P&V Assurances S.A. was completed.

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



Number of members/policyholders

There was very limited data on the number of members/policyholders of mutual/cooperative insurance companies in Luxembourg. Approximate data from only one insurer was available, which had 20,000 members/policyholders in 2015.

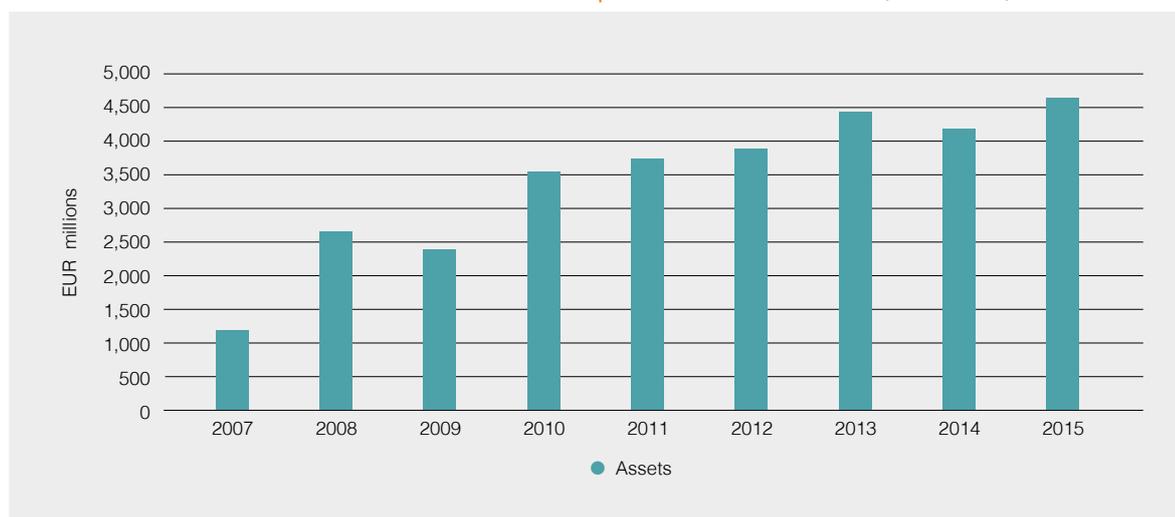
Assets and investments

The mutual/cooperative insurance sector in Luxembourg held total assets of EUR 4.7 billion in 2015 (see Figure 6). This represented a significant increase of almost 300% from asset levels in 2007 (EUR 1.2 billion), equivalent to a CAGR of 18.7% during this eight-year period.

No data on investment assets of mutual/cooperative insurers in Luxembourg was available.

Figure 6

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



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The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) represents the interests of mutual and cooperative insurers in Europe with one united voice and ensures the interests of its members are taken into account in securing a level playing field for all insurers in Europe regardless of their legal form.



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