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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Liechtenstein

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Published May 2018

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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.



Liechtenstein

Mutual/cooperative insurance companies

Landscape

The Financial Market Authority Liechtenstein – FMA (*Finanzmarktaufsicht Liechtenstein*)¹ is an integrated independent public institution responsible for the supervision and regulation of the insurance sector and the financial market in general, in Liechtenstein. Insurance undertakings subject to supervision must require a licence by the FMA for the taking-up of business activity.²

The Law of 12 June 2015 on the Supervision of Insurance Undertakings – Insurance Supervision Act (*Versicherungsaufsichtsgesetz – VersAG*) and the Ordinance of 25 August 2015 on the Supervision of Insurance Undertakings – Insurance Supervision Ordinance (*Versicherungsaufsichtsverordnung – VersAV*) set out the legal preconditions of insurance supervision for assuming business activities in Liechtenstein. Both acts transpose the provisions of Solvency II into domestic law.³

Following Article 4 of Solvency II, the Insurance Supervision Act introduces special provisions in relation to small insurance companies (premium income does not exceed EUR 5 million, total of technical provisions does not exceed EUR 25 million, etc).⁴ However, unlike Solvency II, the Insurance Supervision Act does not exempt small insurance undertakings from supervision, but rather it gives the FMA the possibility to simplify rules for such small companies with regard to governance and risk management, as well as the extent and complexity of the company's operations.⁵

The Insurance Supervision Act does not apply to:

- any of the statutory social security systems.⁶
- provident and mutual benefit institutions whose benefits vary according to the resources available, and in which the contributions of the members are determined on a flat rate basis.⁷
- activities performed by non-legal entities with the aim of providing mutual coverage to their members without paying premiums or creating technical reserves (for non-life).⁸
- mutual insurance undertakings which pursue non-life insurance activities and which are completely reinsured by another mutual undertaking.⁹

¹ FMA's website.

² Article 12(1) of the Insurance Supervision Act 2015.

³ Article 1(3)(a) of the Insurance Supervision Act 2015 and Article 1(2)(a) of the Insurance Supervision Ordinance 2015.

⁴ Article 3 of the Insurance Supervision Act 2015.

⁵ Article 4(1) of the Insurance Supervision Act 2015.

⁶ Article 5 of the Insurance Supervision Act 2015.

⁷ Article 6(b) of the Insurance Supervision Act 2015.

⁸ Article 6(c) of the Insurance Supervision Act 2015.

⁹ Article 6(2) of the Insurance Supervision Act 2015.

Insurance undertakings cannot operate in life and non-life insurance simultaneously,¹⁰ with the exception of life insurance undertakings that want to underwrite accident and sickness insurance, and *vice versa*.¹¹

Insurance undertakings in Liechtenstein can have the legal form of:¹²

- a company limited by shares (*Aktiengesellschaft*)
- a European Company (*Europäischen Gesellschaft*)
- a cooperative society (*Genossenschaft*)
- a European Cooperative Society (*Europäischen Genossenschaft*)
- a special purpose entity (SPE) in the form of a trust company (*Zweckgesellschaft*)

Liechtenstein's Persons and Companies Act (*Personen- und Gesellschaftsrecht*) contained provisions for mutual insurance companies (*Versicherungsverein auf Gegenseitigkeit*), which were defined as legal entities whose purpose was primarily to meet the needs of their members, and possibly other persons according to the principles of mutuality.¹³ However, these provisions have been abolished and there is no reference to mutual insurers in the Insurance Supervision Act of 2015, thus the possibility of establishing a mutual insurance undertaking is not legally foreseen.¹⁴

Cooperative societies are defined as associations of persons or companies whose principal purpose is to promote or safeguard the economic interest of their members.¹⁵ They are governed by Part 6 of the Persons and Companies Act and they can be active in both life and non-life insurance.

Number of licensed insurance undertakings

At the end of 2015, there were 38 direct insurance companies operating in Liechtenstein.¹⁶ Of these, 21 were life insurance companies and 17 were non-life insurance companies. In comparison, there were 32 direct insurers active in 2007: 19 engaged in life insurance business and 13 in non-life business.¹⁷

Number of mutual/cooperative insurers

In 2015, there were three mutual/cooperative insurers in the Liechtenstein market (see Figure 1). One of these was a subsidiary of a German mutual insurer¹⁸ and two were subsidiaries of foreign-owned mutual/cooperative-type insurers.¹⁹

There were no cooperative insurance companies in the legal form operating in the Liechtenstein market.

¹⁰ Article 25(1) of the Insurance Supervision Act 2015.

¹¹ Article 25(2) of the Insurance Supervision Act 2015.

¹² Article 14 of the Insurance Supervision Act 2015.

¹³ Article 496 of the Persons and Companies Act.

¹⁴ European Commission (2012) *Study on the current situation and prospects of mutuals in Europe*.

¹⁵ Article 428 of the Persons and Companies Act.

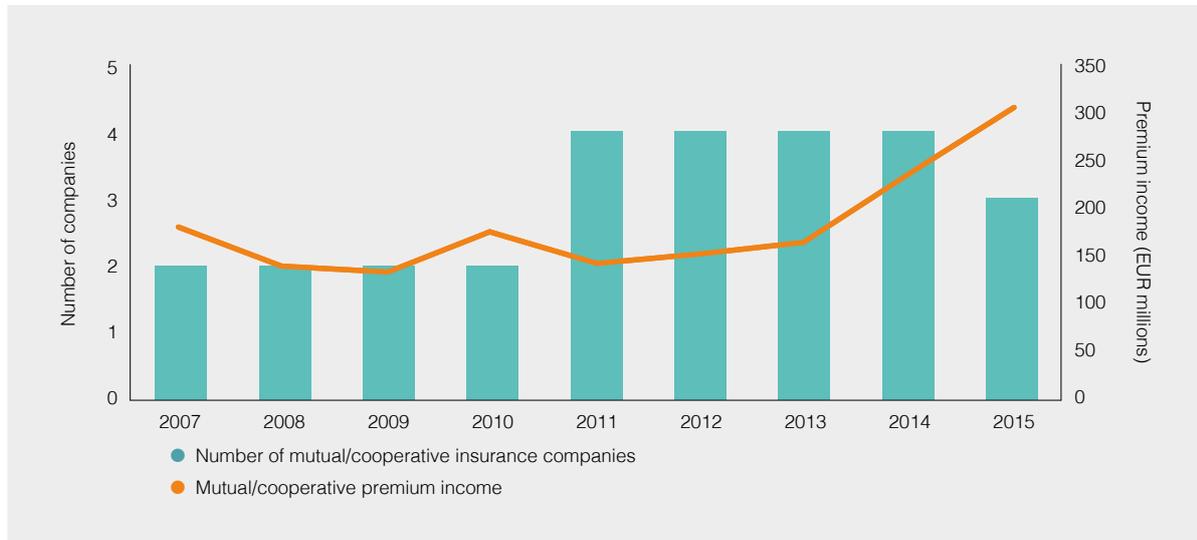
¹⁶ FMA (2016) *Liechtenstein Financial Market: Facts and figures on the financial intermediaries supervised by the FMA*.

¹⁷ FMA (2012) *Liechtenstein Financial Market: Facts and figures on the financial intermediaries supervised by the FMA*.

¹⁸ LV 1871 Private Assurance AG is a subsidiary of German mutual insurer Lebensversicherung von 1871.

¹⁹ UNIQA and Vienna Insurance Group (VIG) in Austria.

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



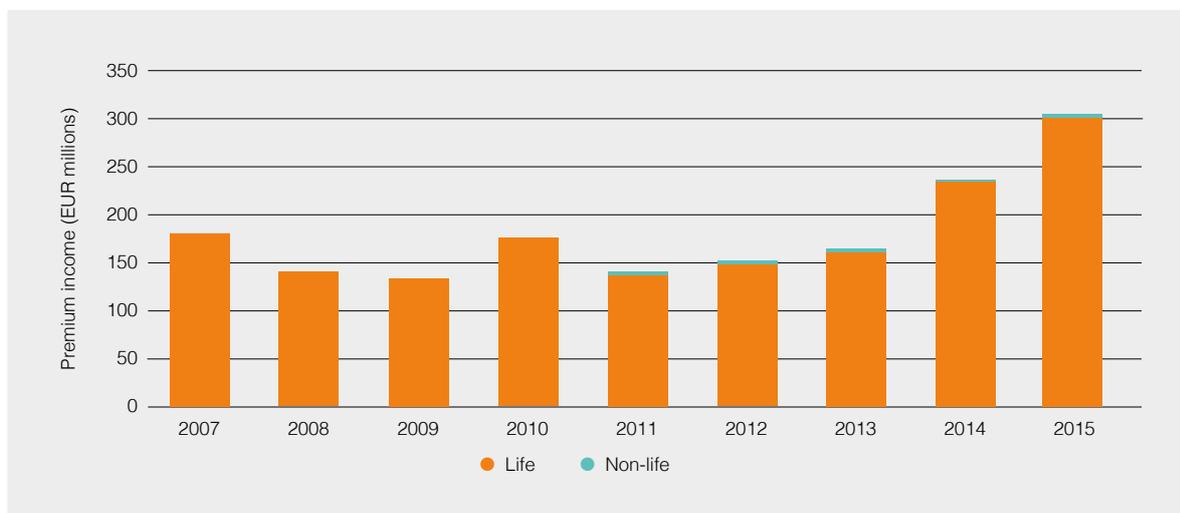
Size and growth of the mutual/cooperative insurance sector

Total

Insurers in Liechtenstein wrote an aggregate of EUR 3.1 billion in insurance premiums in 2015, of which EUR 2.1 billion was written in the life sector and just under EUR 1.0 billion in the non-life sector. Total premium volumes have declined by 52%²⁰ since 2007 (EUR 4.2 billion), equivalent to a CAGR of -8.8% over the eight-year period.

The mutual/cooperative sector experienced a positive premium growth of 9.6%²¹ in the same period. Premium levels reached EUR 305 million in 2015, growing by a CAGR of 1.1% since 2007 (EUR 181 million). Virtually all of the mutual/cooperative sector's premium income in 2015 was derived from the life sector in 2015 (see Figure 2).

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



²⁰ All growth figures are in local currency (Swiss franc) terms to avoid any misleading effects of exchange rate fluctuations.

²¹ In euro terms, this growth was 68.9% due to the appreciation of the Swiss franc.

Life

The overall decline in total premium volumes in Liechtenstein can be attributed to the life insurance market, which shrank by two-thirds from EUR 4.0 billion in 2007 to EUR 2.1 billion in 2015.

Life premiums of the mutual/cooperative insurance sector totalled over EUR 300 million (EUR 301 million) for the first time in 2015. Premium levels were 8.0% greater in 2015 compared to 2007 (EUR 181 million), resulting in a CAGR of 1.0% (compared to a market average of -12.5%).

Non-life

In contrast to the life market, non-life premiums in Liechtenstein in 2015 (EUR 943 million) had experienced a significant development since 2007 (EUR 141 million), albeit from a lower level. The CAGR during this eight-year period was over 20%.

In the mutual/cooperative sector, only EUR 4 million of premium income was written in non-life insurance in 2015. There was no non-life business written by mutual/cooperative insurers in 2007.

Market share of mutual/cooperative insurance sector

The mutual/cooperative sector in Liechtenstein held a market share of 9.9% in 2015 (see Figure 3). As there were no mutual/cooperative insurers in the legal form in Liechtenstein, this was made up of subsidiaries of mutual/cooperative insurers and mutual/cooperative-type insurers. Subsidiaries of mutual/cooperative insurers represented 2% of the total market (and 2.9% in the life market) and (subsidiaries of) mutual/cooperative-type insurers held the remaining 7.9% share (11.2% in the life market) in 2015.

The market share of mutual/cooperative insurers more than doubled from 4.3% in 2007 (see Figure 4). The mutual/cooperative sector had seen year-on-year growth in market share in the previous six years, growing from a 2.3% market share in 2009.

In the life market, mutual/cooperative insurers' market share was 14.1%, a substantial increase from 4.5% in 2007. By contrast, in the non-life segment, there was a very low penetration of mutual/cooperative insurance, with a market share of just 0.5%.

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

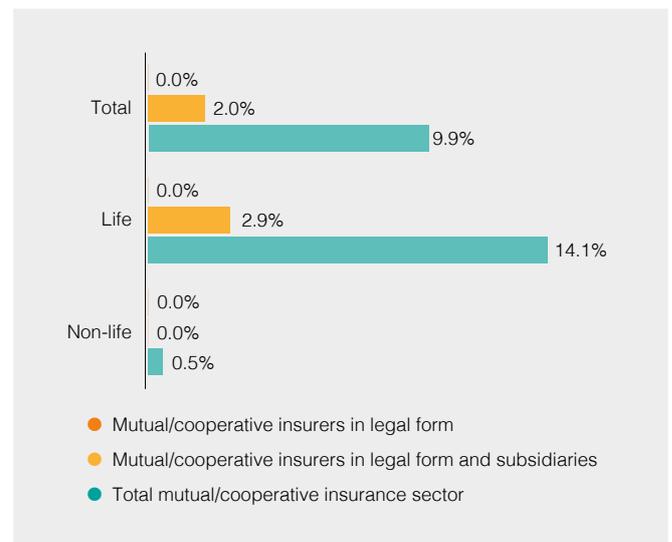
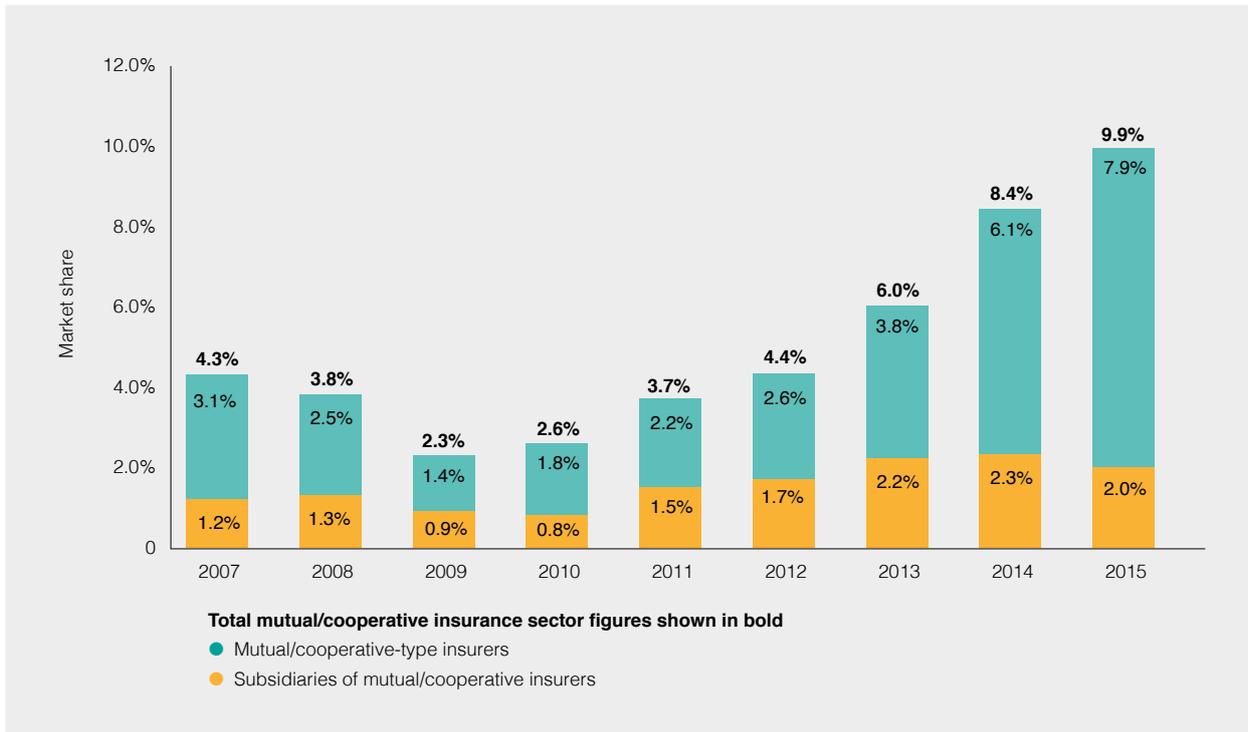


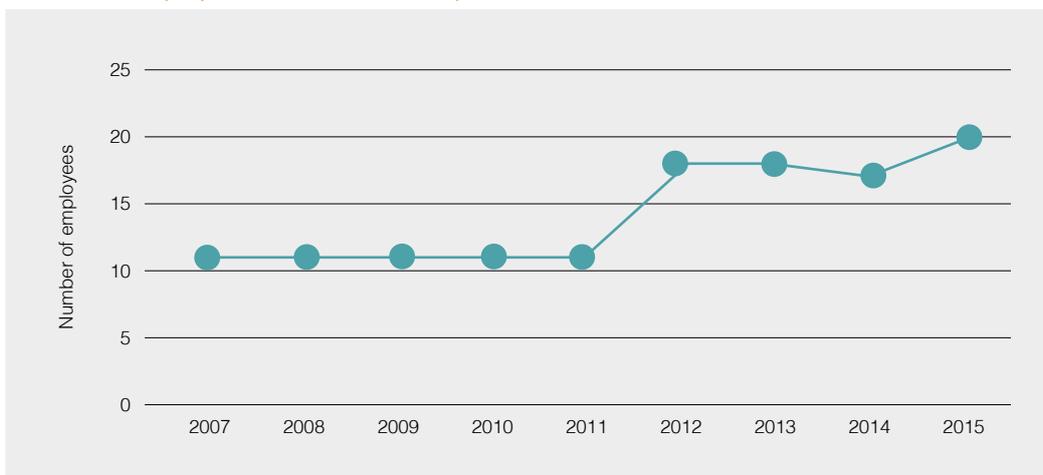
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

Data on the number of employees of was only available for two of three mutual/cooperative insurance undertakings in Liechtenstein. These two companies employed a total of 20 people in 2015, an increase from 11 employees in 2007 (see Figure 5).

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



Number of members/policyholders

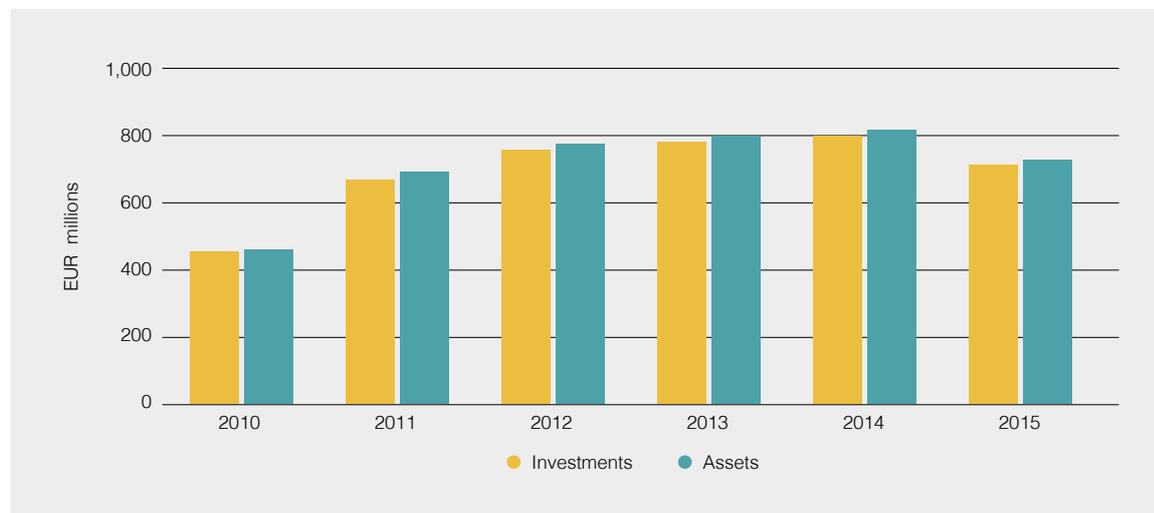
There was no data available on the number of members/policyholders of mutual/cooperative insurers in Liechtenstein.

Assets and investments

Data on the total assets and investments held by the Liechtenstein mutual/cooperative sector was only available as far back as 2010 (see Figure 6). However, during this five-year period there was just under a 60% growth in asset values (from EUR 459 million in 2010 to EUR 724 million in 2015) and investment values (EUR 451 million in 2010 to EUR 711 million in 2015).

Figure 6

Total assets and investment assets of the mutual/cooperative insurance sector (2010-2015)



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The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organisation committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organisations by sharing strategies and the latest market intelligence.

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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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