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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Iceland

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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 Financial Supervisory Authority – FME (*Fjármálaeftirlitið*) is an independent public regulatory organisation charged with the task of supervising financial enterprises, including insurance undertakings, in Iceland.¹ The FME grants an operating licence to insurance companies that wish to commence business in Iceland.²

On 15 September 2016, the Parliament of Iceland adopted a new Act on Insurance Activities (*Lög um váttryggingastarfsemi*). The Act transposes the provisions of Solvency II into national law.³ In view of that, it uses the same definitions regarding small insurance undertaking as in Article 4 of Solvency II, and exempts these undertakings from the general provisions on solvency requirements, minimum capital and establishment of branches.⁴

The Act on Insurance Activities excludes from its scope pension funds, sickness funds of individual occupational groups, social insurance schemes, unemployment insurance funds and similar schemes operating under special legislation.⁵

Life insurance activities cannot be carried out concurrently with non-life insurance activities. However, a life insurance company can be granted an operating licence for accident and sickness insurance and *vice versa*.⁶ Nevertheless, life insurance activities must be kept separate from non-life insurance activities.⁷

An insurance company in Iceland can be established as:

- a limited company (*hlutafélag*)
- a European Company (*evrópufélag*)

Mutual or cooperative insurance is not legally foreseen.

¹ FME's [website](#).

² Article 17 of the Act on Insurance Activities 100/2016 (*Lög um váttryggingastarfsemi*).

³ Article 173 of the Act on Insurance Activities.

⁴ Article 3 of the Act on Insurance Activities.

⁵ Article 3 of the Act on Insurance Activities.

⁶ Article 72 of the Act on Insurance Activities.

⁷ Article 73 of the Act on Insurance Activities.

Number of licensed insurance undertakings

At year-end 2015, 12 (re)insurance companies had an operating licence from the FME.⁸ This figure comprised five life insurance companies and seven non-life insurance companies.⁹

In 2007, there were 12 insurance companies present in the Icelandic market, of which three were life insurers and eight were non-life (re)insurers.

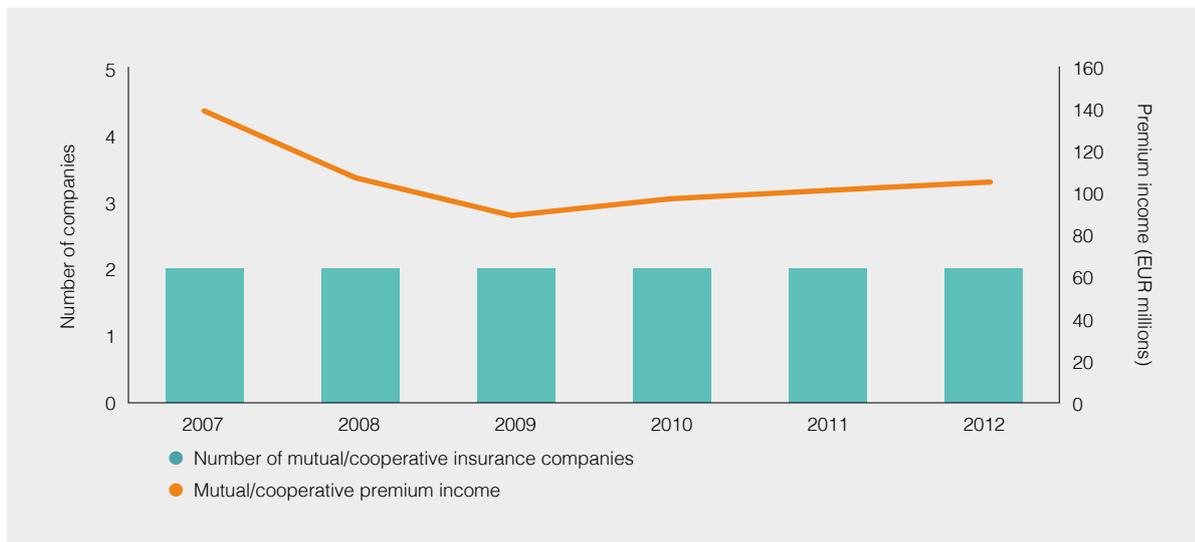
Number of mutual and cooperative insurers

In 2015, there were no mutual and cooperative insurers active in the Icelandic market (see Figure 1).

Previously, Vátryggingafélag Íslands hf. (VÍS Insurance) and its life subsidiary Líftryggingafélag Íslands hf. had been classified as mutual and cooperative-type insurers until 2013, when the company listed on the NASDAQ OMX Iceland stock exchange and was no longer majority-owned by cooperative organisations.

Figure 1

Number of mutual and cooperative insurance companies and total mutual/cooperative premium income (2007-2012)



Size and growth of the mutual/cooperative insurance sector

Total

Insurers in Iceland collectively wrote EUR 369 million in insurance premiums in 2015, representing a 47.1% growth¹⁰ (CAGR of 4.9%) from 2007 premium levels (EUR 419 million).¹¹

In 2012 (the last year of a mutual presence in Iceland), the mutual and cooperative sector wrote EUR 105 million in premium income, of which EUR 5 million was in life insurance and EUR 100 million was in non-life insurance (see Figure 2). Between 2007 and 2012, the mutual and cooperative sector grew at a CAGR of 6.7% (the market average CAGR over this period was 6.1%).

⁸ FME (2016) *Annual Report of the Financial Supervisory Authority 2016*.

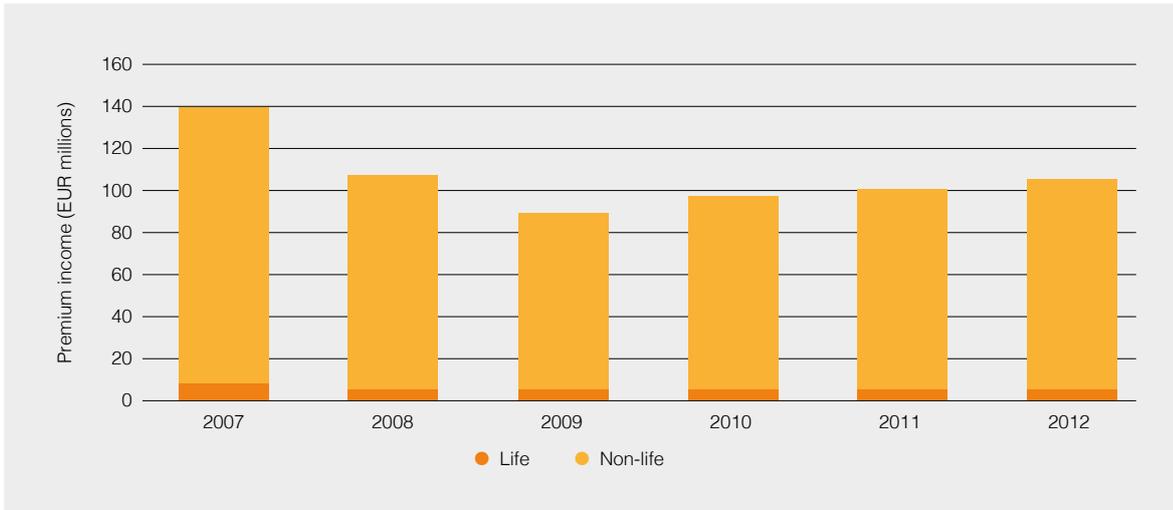
⁹ The number of non-life insurance companies includes two reinsurance companies (Íslensk endurtrygging hf. and Trygging hf.) and Viðlagatrygging Íslands (Iceland's Natural Catastrophe Insurance), which operates in accordance with special legislation.

¹⁰ All growth figures are in local currency (Icelandic króna) terms to avoid any misleading effects of exchange rate fluctuations.

¹¹ Due to the depreciation of the Icelandic króna against the euro since 2007, in euro terms premium volumes were 11.8% lower in 2015 compared to 2007.

Figure 2

Premium income of mutual and cooperative insurance companies (2007-2012)



Life

Premiums of the life insurance sector in Iceland grew by 52.1% between 2007 and 2015, rising to EUR 31 million.

Non-life

Since 2007, non-life business written by Icelandic insurers has increased by 46.6%, up to EUR 338 million in 2015 (decreasing in euro terms by 12.0% from EUR 384 million).

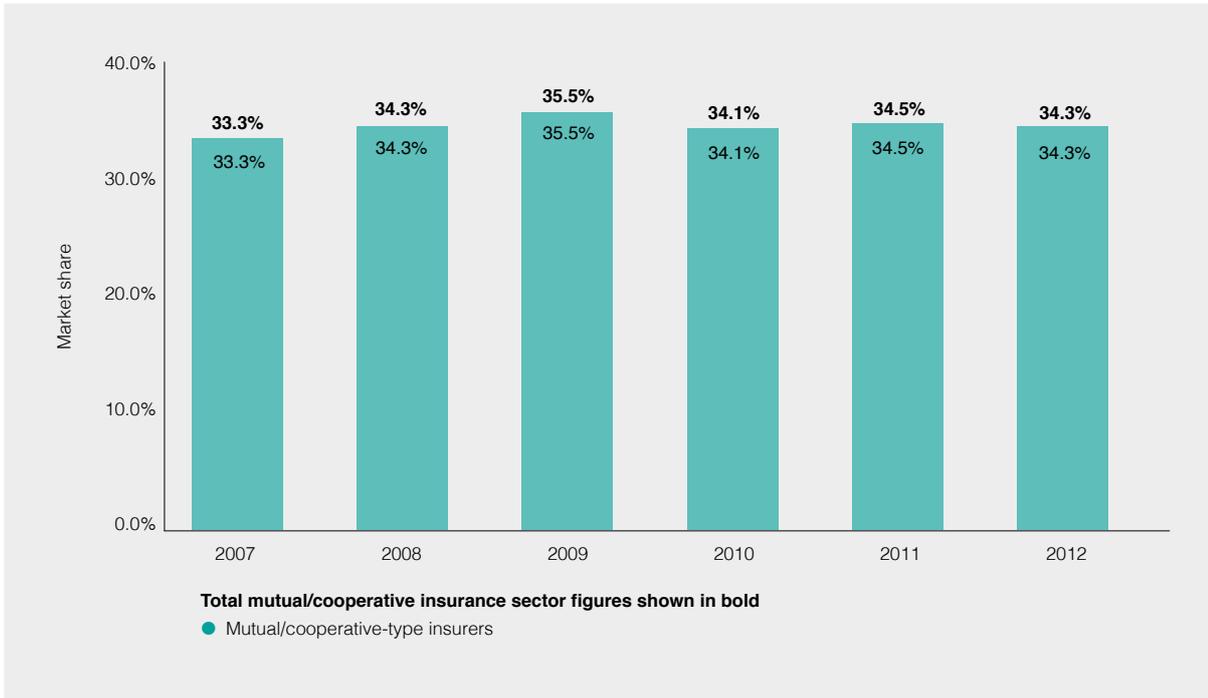
Market share of mutual and cooperative insurance sector

There was no presence of the mutual and cooperative sector on the Icelandic insurance market in 2015.

Before the listing of VíS Insurance, the mutual and cooperative sector accounted for 34.3% of the total insurance market in 2012 (see Figure 3). The market share of the mutual and cooperative sector experienced a small increase between 2007 and 2012, rising from a third. However, market share had fallen from a peak share of 35.5% in 2009.

In 2012, mutual and cooperative insurers held a 23.7% share of the life market and 35.1% of the non-life market.

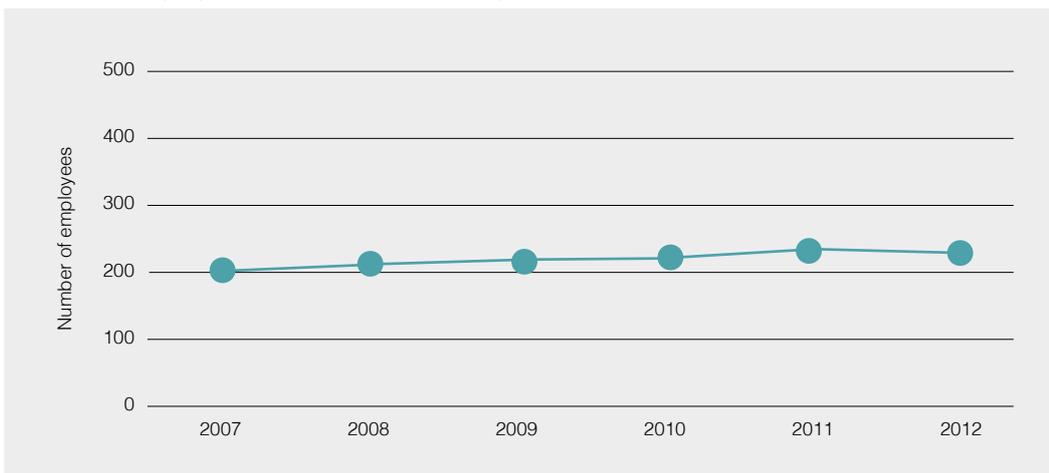
Figure 3
Market share of the mutual and cooperative insurance sector (2007-2012)



Number of employees

In 2015, there were no employees of mutual and cooperative insurers. In 2012, more than 200 (229) people were employed by the mutual and cooperative sector (see Figure 4).

Figure 4
Number of employees of the mutual and cooperative insurance sector (2007-2012)



Number of members/policyholders

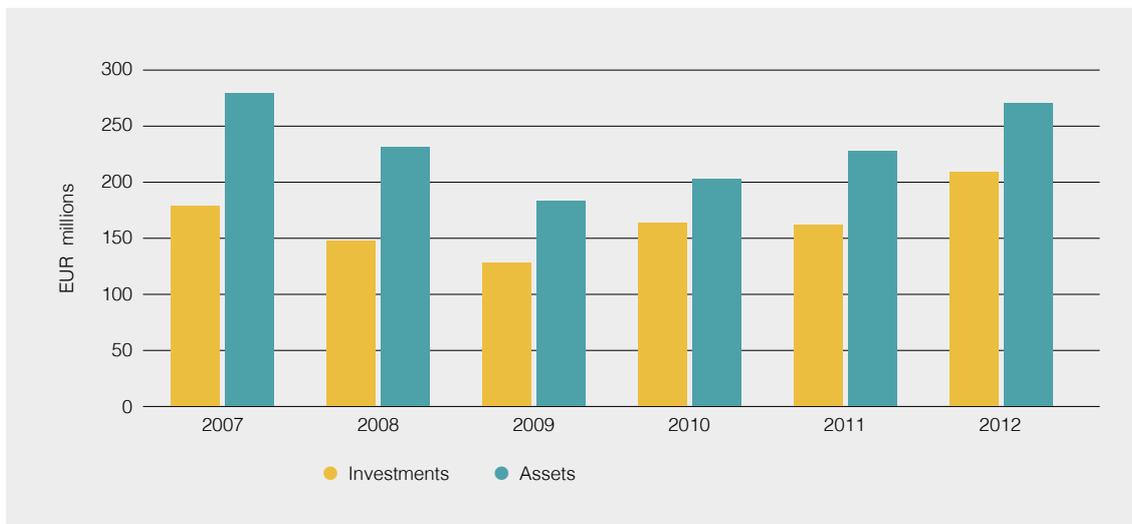
There were no members/policyholders of mutual and cooperative insurers in 2015. No data was available for previous years when there was a mutual/cooperative presence in the Icelandic market.

Assets and investments

In 2012, the total assets held by the mutual and cooperative sector were valued at EUR 270 million (see Figure 5). Total invested assets in this year amounted to EUR 209 million.

Figure 5

Total assets and investment assets of the mutual and cooperative insurance sector (2007-2012)



ICMIF

Denzell House, Dunham Road, Bowdon, Cheshire,
WA14 4QE, UK
Tel: +44 161 929 5090 Fax: +44 161 929 5163

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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International Cooperative and
Mutual Insurance Federation

AMICE aisbl

Rue du Trône 98/14, BE-1050 Brussels, Belgium
Tel: +32 2 503 38 78 Fax: +32 2 503 30 55

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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