

# News

## sept 09



Asmo Kalpala  
President

**The sharing of experiences and the discussion on industry developments is among the key values of our association. The next big occasion for all AMICE members to do this will be the General Assembly 2010, embedded in the AMICE Congress 2010 in Genoa in Italy.**

*"There is much to learn from networking with our European colleagues"*

(Feedback received after the 2008 AMICE Congress)

"For Mutual Benefit" reads the tagline of the AMICE logo. I believe that no aspect of our association reflects this motto as clearly as the getting together of representatives from our membership for the purpose of sharing experiences and discussing developments. And as you know, AMICE provides several opportunities to do exactly this: participation in the various task forces, the specialised networks of the Member-to-Member working group, the regular AMICE seminars organised by the networks, the annual AMICE reception, and – last, but not least – the Annual General Meeting and the AMICE Congress.

And we will have a lot to discuss in Genoa under our general motto "Mutuality today: sustainable values".... In response to the financial crisis, mutual and cooperative insurers have the chance and the ability to gain a higher profile. Social values are urgently needed to rebuild stability and sustainability in the financial markets. Regulation and supervision cannot solve the problem alone. What is needed is a change of attitude among the industry players. To ensure that this form of self-regulation really starts to work in the financial sector, the mutuals and cooperatives must emphasise (or even find) their clear identity in Europe and internationally.

Key projects for the next months include a high-level discussion about the strategy for our association and our sector for the next years. Defining our mutuality will be a core element of this strategy. The year will culminate in the 2010 AMICE Congress where we will have presentations, discussions, break-out sessions, and social events ... still leaving plenty of time for networking – "for mutual benefit".

*Asmo Kalpala*

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## LV=, success in the crisis

UK-based mutual insurance, investment and pensions group LV= has been undergoing a transformation programme over the last three years, with the aim of becoming a more efficient, top performing organisation with an increasingly strong market presence. The launch of the new LV= brand in 2007 and a series of organisational fitness changes have underpinned this improvement programme.



Mike Rogers

The latest trading results for the first half of 2009 show that LV='s transformation is well on track. Group Chief Executive Mike Rogers said: *"Despite a difficult environment, our focus on attractive markets and helping customers to look after what they love has served us well. Trading in the first half of 2009 was strong, with both sales and operating profits well up on the previous year."*

In the first half of 2009 the LV= life and pensions business saw APE (Annual Premium Equivalent) rise 14% to over £45m, while in the property and casualty business GWP (Gross Written Premium)

leapt 92% to £397.5m. The investment management division returned a robust investment performance with net new fund inflows of £213m while also holding assets under management steady at £7bn. The firm recognises that being a mutual, with considerable capital strength and financial stability, has been an advantage in the current economic climate.

Rogers continued: *"Market conditions in the second half of 2009 will remain challenging, but with our momentum and competitive positioning we expect sales to trend higher and costs to remain well contained."*

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## "Revenge of the mutuals", is the title of an inquiry by Moody's into the US Life mutual insurers.

**Moody's investigation notes that if mutual companies have weathered the storm better than their stockholder-owned competitors it is because they managed to maintain their creditworthiness thanks to their business model.**

Compared to their PLC peers, mutual insurers are better capitalized ("they have more and better capital to absorb unexpected shocks- a vital distinguishing factor in today's challenging economy"), focus on lower risk products (such as participating insurance products which offer relatively low returns on equity but bear little risk), are less exposed to public disclosure (reporting with a high level of frequency and detail can be seen as positive but can also bear adverse side effects), rely less on capital markets and thus have constrained financial flexibility and, last but not least, can show a greater alignment between their owners and creditors, who are generally more attentive to the company's financial strength and stability.

Moody's notes also that the somewhat conservative ways which generally characterize the running of mutual institutions is proving to be advantageous in difficult times.

Contact the secretariat, [catherine.hock@amice-eu.org](mailto:catherine.hock@amice-eu.org), for more information.

## Solvency II Update

After responding to CEIOPS' first wave on consultations on level 2 implementing measures in June, AMICE sent comments on a further 13 CPs to CEIOPS on 11 September. All detailed responses (in template form) and summaries of the high-level messages are available from the "Positions/Press" area of the public part of AMICE's website.

Proportionality was again at the core of our response in several contexts, notably on simplifications, operational risk and MCR calculations.

Naturally, CEIOPS' paper on Own Funds received particular attention from the side of mutual insurers. AMICE reiterated its request that facilities for supplementary calls from members within the following 12 months should be fully regarded as tier 2 capital (if all other conditions for tier 2 are fulfilled). For the treatment of equalisation reserves, AMICE requested their consideration as part of eligible own funds and their classification as tier 1 to the extent that they belong to surplus assets over liabilities.

With regard to the overall calibration, AMICE joins the industry at the national and European levels in criticising CEIOPS' extremely prudent and complex approach that results in potential capital requirements that go far beyond those indicated by the QIS4 exercise. AMICE will follow with a high-level political letter, echoing the criticism expressed by the CEA and by national associations in France, Germany, Denmark and the UK, but will underline the particular challenges for mutual and cooperative insurers as well as for small and medium-sized insurers in general.

CEIOPS' proposals for public disclosure and supervisory reporting (CP 58) are the subject of an ongoing critical dialogue between industry, CEIOPS and the Commission. Not only do the proposals by the supervisors lack any sign of proportionality – even the CRO Forum and the CFO Forum are calling them unacceptably onerous. The dividing line between (confidential) supervisory reporting and public disclosure is completely misplaced, requiring insurers to publicly disclose business information that can be highly sensitive on the one hand and too voluminous and too detailed to be of any interest to the general public on the other.

The next meeting of the Solvency II task force is scheduled for 15 October. All AMICE members are invited to have a look at the meeting materials which will in future be available to all members in the password-protected area of the website.

## Governance issues tackled by international organisations: IAIS OECD

Following the completion of their joint “Issues Paper on Corporate Governance” (on the governance of insurers), the IAIS (the International Association of Insurance Supervisors,) and the OECD have resumed, now in separate work streams, their work in this area.

The IAIS has started a major revision of their Insurance Core Principles (ICPs) which date from 2003. ICPs prescribe the essential elements that must be present in the supervisory regime and should be adhered to by all insurance supervisors, regardless of the level of development of their insurance markets, and the type of insurance products or services being supervised.

The project has been presented to AMICE’s Legal Affairs task force and the Secretariat will coordinate and finalise comments on the planned changes to the ICP6 on licensing in the next weeks. The work on this ICP is scheduled to be completed in February 2010; the other ICPs and their accompanying standards and guidance notes shall be finished later in 2010.

The changes to ICP 6 proposed so far are in line with the adaptations of the licensing requirements in the EU in the course of the Solvency II project, but should – AMICE insists - in no case go beyond these future European standards.

The discussion about ICP 7 on the suitability of persons (also known as fit & proper) requires a higher degree of attention from AMICE and its members. The governance of mutuals with the presence of members and/or their representatives on the board requires a specific approach to the fitness criterion for board members. Moreover, the expectations in the expertise of key personnel is an area where proportionality is absolutely essential.

Parallel to the IAIS initiative, the OECD is revising their 2005 Guidelines for Insurance governance. Draft proposals on key elements were presented in July, and a more comprehensive set of proposals will be presented this December with a goal to publish revised Guidelines in 2010.

## New European financial supervisory structure

Just before this newsletter went to print, the European Commission presented its new proposals for the financial supervisory structure in Europe. We will present the issue in our next newsletter. For information, please see [http://ec.europa.eu/internal\\_market/finances/committees/index\\_en.htm](http://ec.europa.eu/internal_market/finances/committees/index_en.htm)



## Motor Claims Network: “Reducing claims to improve results”

The latest seminar to be organised by the Member to Member working group was hosted by IMA, Inter Mutuelles Assistance, in the French town of Niort, birth place of a number of insurance mutuals active since the early 1900s.

The first day provided an update of the regulatory and legislative framework of the European motor insurance market: the current motor directives, the recently adopted law applicable to non-contractual obligations, the so-called “Rome II” but also presented some concrete perspectives for the near future with the emergence of extremely technological, intelligent cars and their geosecurisation systems.

The day closed with a visit of IMA’s remarkably modern facilities.

The second day introduced more interactive sessions with specialists in their fields evaluating the practical issues from different angles and exchanging their points of views.

This year’s theme was reducing claims through a number of approaches such as prevention, a shared burden of compensation with the public social insurers (public hand), fraud detection and rehabilitation.

Gilles Bezençon, the chair of the task force, welcomed the presence of almost 30 participants from 8 countries, saying “*the networking in these seminars and task forces is very valuable – we all take something home with us!*”.



## AMICE website Member area

The launch of the AMICE website [www.amice-eu.org](http://www.amice-eu.org) in early 2009 has been met with great interest by AMICE members. The website, which currently draws some 3 000 visits per month, brings members an array of information ranging from AMICE membership data to matters of governance and, last but not least in these times of rapid market and regulatory change, AMICE position papers on issues of importance to its membership. The website also provides information on meetings and events, both AMICE's and external.

It is a pleasure to inform all AMICE members that the second part of the project – the Member Area of the website – has been completed and tested, and is now available. The Member Area may be accessed through a separate menu bar located on the far right of the interface. It contains the following three sections:

- **Find a member:** this section contains information on each AMICE member, including address details, insurance classes written and premium income figures. Names of dedicated AMICE contacts are also available should you wish to contact another member.
- **Members meetings:** this section contains all the material for the task force and working group meetings which are available to all members. In addition, there is an online registration facility for meetings. Access to the material for statutory meetings (Board, Executive Committee, Nomination Committee) is limited and depends on membership of the body.
- **Reference library:** this section contains reference material which the secretariat or other members believe may be of interest to members.

The Member Area is password protected to ensure confidentiality of information; a member-unique login and a password are required and available from the Secretariat ([helen.sheppard@amice-eu.org](mailto:helen.sheppard@amice-eu.org)).

We have every reason to believe the website will become an increasingly important tool and source of information to all AMICE members; any comments or suggestions for improvements should be directed to the Secretariat; all will be greatly appreciated.

*Grzegorz Buczkowski, Chair, Communications working group*

## CSR reporting workshop

AMICE's CSR task force is organising a workshop dedicated to sustainability reporting on 14 October.

The aim is to provide a forum for constructive exchange between practitioners: whether you already produce a CSR report and wish to benchmark against colleagues or whether you are thinking of producing one for the first time, this workshop is for you!

AMICE UK member Co-operative Financial Services (part of the Cooperative Group) is acclaimed for its CSR reporting. Ruth Woodall, Sustainability Reporting and Communications Manager, will give a practical presentation on how the Cooperative draw up their report.

Contact the secretariat, [helen.sheppard@amice-eu.org](mailto:helen.sheppard@amice-eu.org), for more information.



## → AMICE meetings and events

- 8-9 October . . . . . Genoa . . . . . Communications working group
- 14 October . . . . . Brussels . . . . . CSR workshop & task force
- 15 October . . . . . Brussels . . . . . Solvency II task force
- 20 October . . . . . Brussels . . . . . Executive Committee
- 13 November . . . . . Paris . . . . . Member to Member task forces & working group
- 16 November . . . . . Paris . . . . . Solvency II task force
- 23 November . . . . . Brussels . . . . . AMICE reception
- 24 November . . . . . Brussels . . . . . Board
- 7 December . . . . . Brussels . . . . . Solvency II task force
- 17 December . . . . . Brussels . . . . . Legal affairs task force
- 17 December . . . . . Brussels . . . . . EMS task force