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FOR MUTUAL BENEFIT

#MutualValues: securing the future

#AMICECongress

Session II

Frank Straube, Matthieu Lietaert, Arnaud Chneiweiss, Matteo Cattaneo, Susanne Sjödin-Svensson & Koen Frenken

The cooperative and mutual model: a source of inspiration for others?

The collaborative economy is today a fashionable model. But is this trend a flash in the pan or, on the contrary, will it have a bright future? As mutual insurers, are we harbingers of a new future? The various speakers at this panel moderated by **Susanne Sjödin-Svensson, Head of Regulatory Affairs for Folksam (SE)** endeavoured to answer these questions.

By way of introduction, **Professor Koen Frenken of the University of Utrecht (NL)** offered his definition of a collaborative economy and detailed some of its aspects. He recalled that the sharing of resources has existed on a small scale since the beginning of time. The advent of the internet gave the collaborative economy a huge boost, enabling it to develop into a genuine alternative economy. The proliferation of offers, the high speed of exchanges and the sharp reduction in costs have all contributed to a real explosion of this market. *And this is only the beginning!* Today the collaborative economy occupies an important place in our society. But its rapid emergence, the dizzying pace of its progress and the difficulty of obtaining data make it complicated to establish a tailored legal framework.

In the opinion of **Matteo Cattaneo from Reale Mutua Group (IT),** the collaborative economy is a major issue for insurers. But it is also a big challenge owing to a lack of objectivity and reliable data. While the mutual insurance model has existed for more than 100 years, the collaborative economy is very recent. Our challenge for the future is to combine them in an optimal fashion by realising that today it is the customer who assesses the situation and therefore he/she is the one to define the rules.

"Our experience as mutual insurers is beyond a doubt a key advantage that enables us to claim our place in the collaborative economy", according to **Arnaud Chneiweiss, Secretary General of GEMA (FR)**, who added that *"our ability to establish long-term perspectives and earn the trust of our members, who have faith in our values of solidarity and proximity, are vital features for taking advantage of our differences with other economic models that are more removed from the cooperative model."* He also underscored that, *"in order to take up this challenge, it is essential that we are given greater freedom to act by the regulatory authorities who, owing to their administrative workload, sometimes put a damper on promising initiatives in an environment that requires a rapid response."*

Matthieu Lietaert (the Belgian author of "Homo Cooperans 2.0") stressed the enormous potential of the digital revolution. In his opinion, the digital and internet revolutions have already begun to transform our societies. The concept of community, which is at the heart of our mutualist movement, is making a big comeback. It is therefore only natural that we have a privileged place on this market, compared to profit-based companies. He emphasised the importance of collaboration between insurers in order to succeed in the digital world. *"Let's not miss the train!",* he concluded.

Alongside the conventional shareholder models we also have public and mutual insurers. But in the forthcoming years we will see new insurers emerge based on the peer-to-peer model that is in full expansion. **Frank Straube, Responsible for Risk Management at the HUK-Coburg Group (DE),** urged the audience to reflect on how to create a peer-to-peer insurance company. He listed the advantages and the areas of this model that require scrutiny and recalled that our mutualist DNA positions us as natural partners of the collaborative economy. According to him, *"The philosophy behind it is beautiful, the market is enormous but the pressure will quickly increase. It's high time we started looking at the sharing economy!"*

Session III

Ville Niiranen, Lise Agerley, Jorge Vázquez & Gerd Leonhard

Mutuals evolving in the digital world

"Past success is the biggest problem for the future."

Gerd Leonhard, futurologist, predicted the end of traditional economic models and the advent of a revolution based on data, the cloud and connected objects.

To prepare for this disruptive (r)evolution, he recommends we pay attention to the evolution of the world, asserting that *"If you want to know what the future has in store, listen to your children."*

This evolution has become an exponential trend. In seven years' time, we will be entering a domain that today is regarded as science fiction.

According to him, this will lead to a new social model. Jobs will be scarcer because they will be replaced by automation. The performance of computers will exceed that of humans. The companies that adapt to the digital world are 26% more profitable than those that don't.

In the insurance sector, digitisation is both heaven and hell. It provides better data bases that are more efficient but it also opens the door to new competitors, the fintechs that reinvent whole swaths of our life and that are quickly accepted by millenials (generation Y).

The mutual movement is close to the collaborative internet philosophy (communities, crowdfunding, etc.). In future, we will have to hand the reins over to the users (like Amazon). Technology is not a threat but an opportunity.

"Data is the new oil and intelligence the new gas."

The reinvention of insurance is not yet upon us. Moreover, the sector is slow to meet the demands of its users. We have seen the proliferation of connected objects but the insurance sector has yet to adapt to them. Ideally, association with a start-up could help survival.

Data are the new economic wealth. In 2016, the data economy earned more money than the oil market and, in this case, confidence is the system's currency.

In conclusion, the speaker offered two examples of insurers who already have one foot in the new world: Trov, which develops insurance products for one object at a time, and Lemonade, the first peer-to-peer insurance company in the world.

Ville Niiranen, Project Director (LähiTapiola, FI), presented the initiative his company has developed.

When they sign up for the Smart life insurance product, policyholders receive an activity bracelet. They fill in a questionnaire on their lifestyle and download an app that tracks their activities, such as sleeping, walking, sports, food, etc.

"If you are not sure, ask the customers."

Feedback from the 7,000 customers who have tried the product has been positive. Eighty percent of them changed their habits, especially if they used the device for more than six months. The customers saw that it is worthwhile to have an insurance policy and be encouraged to live better. The speaker made some suggestions for improving the application and for developing peripheral services such as the creation of users' communities.

Lise Agerley, Director of Communications, ALKA (DK), presented the policy pursued in her company to improve the customer experience thanks to digital transformation.

Tomorrow's customer is not defined by an age group but rather by a state of mind. He/she has many expectations, for example a different customer service making use of social networks. We must reinvent ourselves in order to reach out to our audience, who listen more closely to recommendations from their contacts on social networks than from advertising. The customer also has his own digital habits: he wants to receive an answer 7 days a week, 24 hours a day.

"Traditional insurance works like ready-made clothes. But the insurance of the future will be based on custom-made service."

The challenge is to train company employees in this new approach. We must modernise corporate culture and give more power to the employees. They are also involved in devising digital solutions. The customers are targeted in a more precise way through a study of their personality, using psychographic data.

Session IV

Helena Thorlin, Martin Shaw, Aurélien Dubois & Karel Van Hulle

Securing capital to finance the future

It was with a generous serving of humour that **Professor Karel Van Hulle (KU Leuven and Goethe University in Frankfurt)** introduced the fourth and last session devoted to securing capital. He recalled that the current economic and social climate is a real challenge for all insurers, especially in light of the low rates and the binding Solvency II rules. But, according to Karel Van Hulle, these things should be regarded as opportunities. "*We do not have the choice of opposing change. We must go with the flow! In order to ensure the future of mutuals, we must be flexible and innovative and in addition remember that the quest for profit must not take precedence over our fundamental values to defend the common interest.*" When adapting our model to the new reality, we must consider two basic considerations: good governance and a better understanding of the risk.

Aurélien Dubois, Senior Technical Advisor at QBE Ré (BE), followed with a brilliant presentation of risk mitigation and an analysis of the pros and cons of the various modelling alternatives. He noted that, "*The advantage of Solvency II is to have risk management under the spotlight.*" He pointed out that there is no uniform approach to risk assessment, adding that, "*It is up to each company to choose the one that best suits it, based on its specific features. But in order to ensure relevant decision-making, it is essential to maintain control over its complexity.*" He concluded with a quote by Professor George E.P. Box: "*Essentially, all models are wrong, but some are useful*."

Martin Shaw, Chief Executive of the Association of Financial Mutuals (UK), began his presentation by underscoring that the capital constraints are constant challenges in the United Kingdom. The British mutuals have experienced significant setbacks, "*mainly because of a lack of a proactive attitude*", he noted. While they subsequently regained the confidence of the customers, he added that, "*the prevailing legislation considerably frustrated the development of our activities and jeopardised the survival of our model*", he pointed out. A lot of work was then done with the government to find new sources of capitalisation for the mutuals. This new legislation must still be fine tuned, "*but it gives us real hope that in future we will see a new dawn for mutuals in the United Kingdom*", he concluded.

Helena Thorlin, General Counsel for the Skandia Group and for Skandia Mutual Life Insurance Company (SE), analysed the position of mutual insurers by focusing on the Swedish operational model of Skandia. Faced with the same challenges as their European colleagues, Skandia envisaged the possibility of raising external capital. The constraints inherent in such an operation and the reluctance of the FSA, who considered that it runs counter to the spirit of mutual independence, finally induced Skandia to adapt its bylaws in order to move from a hybrid model to a strictly mutualist one.

Closing Session

The organising committee, the AMICE Secretariat & Hilde Vernaillen

It was with an emotional address that Hilde Vernaillen closed the fifth AMICE Congress, thanking the sponsors (QBE Ré, Guidewire, PwC, OFI Asset Management, Insurance Regulatory Capital and Volkswagen D'Ieteren Finance), the interpreters, the AMICE team and the organising committee, comprising members from UAAM/VVOV. In her farewell address she added, "*Thank you for your trust. It has allowed us to change many things in our Association*."

The new president of AMICE, Grzegorz Buczkowski, then thanked Hilde Vernaillen for her remarkable involvement which was greeted with a spontaneous standing ovation. In his concluding remarks Grzegorz Buczkowski said *"Mutuals are like a rainbow – many colours, many varieties – but we all share values which make us resilient and strong. The world is changing around us, but mutuals will continue to be an important part of it – securing the future of our members, securing our future."*

The AMICE Congress 2018, organised by Folksam and Länsförsäkringar, will take place from 3 to 5 June in Stockholm.

Gala Dinner

The 200 guests at the gala dinner enjoyed the warm and sumptuous atmosphere of the Ghent opera.