

News

march 12



Asmo Kalpala
President

“Diversity of motives for the owners of companies is necessary. Stability is not strengthened if capital interests dominate the financial sector and dictate the direction of regulatory reforms. It is most important to ensure a balance between company forms and good and free competition between different motives for ownership. In the insurance business, mutuality is the most natural company form. The more the insurance providers set out to cover those risks that the citizens perceive as traditional social security risks, the stronger is the case for a company form which ensures that there is no third party between the customer and the company.”

This was the message I put forward at a recent conference where I was invited to speak about how to tackle the moral hazard. And the message we should underline wherever and whenever possible.

As we look forward to the Congress in June, I find myself looking back over the two years since the last one and thinking how challenging this period has been for our sector. But slowly, the message seems to strike home – and the position of our sector is getting stronger, in Europe and globally.

At the European level, we have gained more recognition at the Parliament, most visibly documented by the very positive report on the role of mutual societies in the 21st century. And now the Commission has launched its own study on the current situation and prospects of mutuals in Europe which can only benefit our sector by placing us in the spotlight.

At the global level, 2012 is the International Year of Cooperatives which gives our Congress in Gdansk a particular poignancy. With solidarity – or Solidarność – as part of our theme, it seems only natural to be able to welcome Lech Wałęsa as our special guest for the gala dinner.

The highlights of our Congress programme include the chance to listen to one of the UK’s leading financial journalists during the opening session followed by the opportunity to question the European institutions about their plans for the financial sector. There will be a session dedicated to mutuals’ role in the provision of health services which I see as a perfect example of where we can step in to provide an efficient and innovative replacement for the public sector. And of course we’ll be looking forward and trying to imagine how we can evolve our industry in the coming years.

Having already had the chance to visit Gdansk, I can invite you to join me there from 6 to 8 June in the full knowledge that you will all find something to take home, whether it be a physical souvenir or the memory of wandering the town’s historic streets. I look forward to seeing you all in Poland!

Asmo Kalpala

→ In this issue

- Editorial by the President Page 1
- News from members: Tapiola-Local merger Page 2
- Occupational pensions review Page 2
- CEA becomes Insurance Europe Page 3
- Solvency II update Page 3
- Alternative Dispute Resolution. Page 3
- News from members: Folksam & AMICE. Page 4
- Meeting Of Reinsurance Officials. Page 4
- Events calendar. Page 5

Local Insurance and Tapiola to merge, strengthening mutuality in Finland

Both mutual and Finnish, the two companies have decided to strengthen their operation model based on regional companies emphasising local presence and customer-orientation.

The new company group will be established by merging the Local Insurance Mutual Company and the Tapiola General Mutual Insurance Company to form the company group's central company. Local Insurance-Tapiola Group will become Finland's largest and most solvent non-life insurer. The company's figures are estimated as follows: 30% market share in non life insurance, over €1 billion in premiums written and 1.5 million customers.

In addition to the central company, 19 regional mutual companies will be incorporated, offering comprehensive insurance, banking and investment services in their respective regions. The central company provides the overall services for the Helsinki capital area.



Erkki Moisander

In addition to the central and regional companies, the company group composed of Tapiola and Local Insurance will include Tapiola's banking and asset management companies, Tapiola Life and Tapiola Real Estate. Tapiola Pension will act as the statutory employee pension insurance partner of Local Insurance-Tapiola. The company group will employ approximately 4,000 people and has about 360 tied agents and 180 agents through franchising offices.

"The incorporation of regional mutual insurance companies

means that we are bringing banking and insurance services as close to the owner-customers as possible. Strong resources enable us to provide financial services in the manner expected by the customer, in person or online. The owner-customers who concentrate their business with us will also benefit from the bonus programme," says **Erkki Moisander**, Managing Director of Local Insurance and future President of the new Group. *"This is good for the mutual insurance sector and for the consumers and clients as it brings the full spread of insurance and banking services close to the clients."*

The merger process will take approximately two years, with no effect on customers. It includes the setting up and organisation of the central company, setting up of the regional companies, and transfer of insurance portfolios to the regional companies.

The 19 regional companies will be set up by selecting one so-called spearhead association per new region from among more than 50 local insurance associations currently operating; the other local insurance associations in the region will merge into that regional champion. The spearhead association will then take the decision of changing its company form into a mutual insurance company.

The new organisation will be set up to take effect gradually during 2013-2014

AMICE's comments to EIOPA on the review of the Occupational Pensions consultation

Adopted in 2003, the IORP Directive (Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision) aims to create an internal market for occupational retirement provision and also provides a prudential framework based on minimum harmonisation and mutual recognition. In 2011, the European Commission initiated a review process and sought the assistance of EIOPA who consulted the public at the end of last year.

In its comments, AMICE stressed that members and beneficiaries of all types of pension schemes should benefit from the same level of protection and hence, that occupational pension providers should be regulated according to the risks borne by the products they sell, regardless of the legal form of the institution.

As to the aforementioned level of protection, AMICE believes that the provisions of the Solvency II framework should serve as a blueprint, with the necessary changes to suit pension products' long-term guarantees. Admittedly, it is pillar 1 of Solvency II which requires most adaptations; in contrast, AMICE believes Solvency II's pillars 2 and 3 provide a good basis for providers of occupational pensions.

Finally, AMICE strongly emphasised the paramount importance of a consistent application of the principle of proportionality: mistakes made in the implementation of the Solvency II framework for insurers must not be repeated in the supervision of occupational pension providers.

Further information:

On 16 February the European Commission released its White Paper on Pensions Q&A <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/108>

On 1 March the EC organised a Public Hearing on the Revision of the Directive on Institutions for Occupational Retirement Provision (IORP II proposal) http://ec.europa.eu/internal_market/pensions/commission-docs_en.htm

→ CEA becomes Insurance Europe

The European (re)insurance federation has changed its name from CEA to Insurance Europe and has moved to new offices at Rue Montoyer 51, B-1000 Brussels.
www.insuranceeurope.eu

Omnibus II and Solvency II at a critical crossroads

At the moment of writing this article, the ECON Committee of the European Parliament is engaged in stormy discussions about Omnibus II. If the Committee does not find compromises enabling it to vote on 21 March, the danger of a further slippage of the time line becomes even more acute and the danger of an unacceptable time squeeze increases further.

AMICE has addressed a letter to the rapporteur and key members of ECON, expressing concerns about developments, both in the process and in substance. While emphasising that the objectives of Solvency II, better management of risk for a better protection of the consumer and a level playing field for all insurers in Europe, receive our continuing support, we deplored the lack – at this late stage of the path towards implementation – of clear, complete and final rules. We argued that the ongoing financial and economic crisis requires the full attention of managements and boards while the dragging Solvency II process generates uncertainty, hampers strategic decisions, and distracts the attention of management and boards from dealing with the current challenges.

At the same time, we emphasised the absolute necessity of appropriate transitory measures in the areas of recovery towards full SCR (for insurers finding themselves initially below the SCR), of equity investments and of hybrid financing instruments.

In an annex, AMICE reiterated its support for the introduction of a countercyclical premium, commented that a matching premium would in our view also be a useful tool, and requested appropriate proportionality in the field of sub-annual reporting.

The full letter can be found on the AMICE website.

Latest information indicates a compromise in ECON including on a countercyclical premium and a “*matching symmetrical adjuster*”.

A new Commission legislative package on Alternative Dispute Resolution (ADR) to be adopted by the end of 2012

This package, consisting of a draft Directive on ADR and a proposed Regulation on online dispute resolution (ODR), whose objective is to facilitate low-cost and fast redress for consumers has already gained the support of the Parliament and the Council and is likely to give a new impetus to the Single Market.

Flagged by Europe 2020 and the Single Market Act as one of the key actions for re-launching growth and enhancing consumer confidence in the Single Market, the proposed legislation covers contractual disputes between businesses and consumers (B2C) arising from the sale of goods or the provision of services. This includes complaints filed by consumers against traders but also complaints filed by traders against consumers. Internal complaint handling systems are excluded. However, the proposals do not cover business-to-business disputes, as they have other means at their disposal.

As already the case with ‘FIN-NET’, the network for settling cross-border financial disputes out-of-court, national ADR entities should become part of existing sector-specific European networks so as to allow them to function efficiently and provide appropriate ADR coverage for cross-border disputes.

The draft Directive recommends that the ADR procedure should not exceed 90 days (30 days for the ODR procedure), with a possible extension when the dispute is deemed complex.

Finally, the draft Directive on ADR does not impose a mandatory participation of traders in ADR procedures, nor does it impose a binding outcome of the procedure. Such effects may however be foreseen at the national level.

For more information:

- **Communication from the EC:**
http://ec.europa.eu/consumers/redress_cons/docs/communication_adr_en.pdf
- **Draft Directive:**
http://ec.europa.eu/consumers/redress_cons/docs/directive_adr_en.pdf
- **Draft Regulation:**
http://ec.europa.eu/consumers/redress_cons/docs/odr_regulation_en.pdf
- **Insurance Europe Position Paper**
http://www.insuranceeurope.eu/uploads/Modules/Publications/position_on_the_ec_adr.pdf



AMICE and Folksam – Cooperation for mutual benefit

Upon my invitation, Catherine Hock and Gregor Pozniak from the AMICE secretariat came to Folksam on 27 January 2012, to give a seminar for our employees. The seminar covered such topics as the place of mutuals in Europe, the current major areas of work for the European mutual sector, what AMICE does for its members and how with, of course, a special focus on the cooperation between Folksam and AMICE.



Feedback from the approximately 50 attendees was very positive: It has become clear that AMICE has a very special role in the mutual and cooperative insurance community in Europe and that both Folksam and the association can only benefit from constant good links. We are therefore convinced of the importance of our membership in AMICE and will keep on participating in the different working groups.

I would encourage all AMICE members also to take advantage of the availability of the AMICE staff to visit and inform members in all corners of Europe!

Gunnar Anderson, Folksam

AMICE Congress 2012



For more information and to register, see the Congress website www.amicegdansk.eu.

Meeting Of Reinsurance Officials, Paris, 2-4 May 2012

This year's MORO, organised every other year by ICMIF, will take place at the Marriott Rive Gauche hotel in Paris, and will include panel discussions, the Mini Monte Carlo, enhanced interaction with the speakers, breakout sessions and networking opportunities. Subjects tackled, besides the state of today's reinsurance market, will cover insurance regulation from a global perspective, lessons learned from recent high profile catastrophic events and consideration of the potential for catastrophic losses from strikes, riots and civil commotion as well as successful examples of reinsurance collaboration between cooperatives and mutuals.

AMICE's reinsurance taskforce will be contributing to the event through the organisation of a practical session on Solvency II on 2 May in the afternoon.

See <http://www.icmif.org/moro2012> for more information and to register.



AMICE meetings and events

- 20 March Brussels Executive Committee
- 4 April Brussels Solvency II taskforce
- 17 April Brussels Board
- 18 April On-line Legal affairs taskforce
- 24 April Helsinki Motor Claims/Workers' Comp. taskforces
- 4 May Paris Solvency II taskforce
- 10 May Brussels Executive Committee
- 15 May Gdansk Communications working group
- 22 May Paris Legal affairs taskforce
- 6 June Gdansk Board
- 6 June Gdansk General Meeting
- 6/8 June Gdansk Congress
- 18 June Brussels Solvency II taskforce
- 4 September Brussels Executive Committee
- 5 September Brussels Communications working group
- 2 October Brussels Board
- 6 November Brussels Executive Committee
- 7 November Brussels Communications working group
- 27 November Brussels Board

