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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Finland

Facts and figures: Mutual and cooperative insurance in Europe Vol 2

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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 – FIN-FSA (*Finanssivalvonta*) is both the authority for supervision of financial and insurance sectors and the macroprudential authority in Finland.¹

The Insurance Companies Act 521/2008 (*Vakuutusyhtiölaki*) is the law governing the insurance market in Finland,² amended in order to transpose the Solvency II Directive into national law.³ The amendments entered into force on 1 January 2016.

A new definition, which corresponds to the definition of undertakings excluded from the scope of Solvency II due to their size, has been introduced in relation to small insurance undertakings in Finland (premium income does not exceed EUR 5 million, total of technical provisions does not exceed EUR 25 million, etc.).⁴ All provisions of the Insurance Companies Act apply to small insurance undertakings. Nevertheless, small insurance undertakings in Finland maintain the right not to observe the detailed provisions in the Commission Delegated Regulation 2015/35 supplementing Solvency II, and the technical standards, to the extent that they concern the provisions on the governance system or the disclosure of information, laid down in the Insurance Companies Act.⁵

An insurance undertaking in Finland can have the legal form of:

- a joint stock company (*Vakuutusosakeyhtiö*)
- a mutual company (*Keskinäinen Vakuutusyhtiö*)
- a mutual insurance association (*Vakuutusyhdistys*)
- a European Company (*Eurooppayhtiö*)

Insurers with a cooperative legal form are not foreseen in Finland and thus there are no cooperative insurance companies. However, there are subsidiaries of cooperative banks or cooperative-controlled groups active in the Finnish market, which are classified in this report as definition 3 insurers.

A life insurance undertaking can also carry out the non-life classes of accident and health insurance.⁶ Similarly, non-life undertakings that carry out only accident and health insurance can provide life insurance.⁷

Mutual insurance companies can be active in life insurance, non-life insurance and reinsurance. The Insurance Companies Act includes special regulations for mutual insurance companies with regard to establishment, organisation, financing, mergers, demutualisation and winding up.

¹ FIN-FSA's [website](#).

² Insurance Companies Act 521/2008 (as amended by the Statutes of Finland 303-314/2015).

³ Chapter 1 Section 2(a) of the Insurance Companies Act 521/2008.

⁴ Chapter 1 Section 3(b) of the Insurance Companies Act 521/2008.

⁵ Chapter 1 Section 2(a) of the Insurance Companies Act 521/2008.

⁶ Chapter 1 Section 15 of the Insurance Companies Act 521/2008.

⁷ Chapter 1 Section 15 of the Insurance Companies Act 521/2008.

Insurance associations are companies based on mutual accountability and are governed by the Law on Insurance Associations.⁸ They operate in no more than 40 municipalities within a single area or are exclusively engaged in the insurance of fishing equipment. Moreover, they can only underwrite voluntary non-life insurance. The Insurance Association Act follows the exclusion regime of Solvency II in the sense that if an insurance association exceeds the amounts stipulated in Article 4(1) of Solvency II then the association meeting shall take a decision to change the insurance association to a mutual insurance company.

Number of licensed insurance undertakings

In total, there were 55 licensed insurance undertakings present on the Finnish market in 2015.⁹ This figure was composed of 11 life insurance companies and 38 non-life insurance companies.¹⁰ There were also six statutory pension insurance companies active in the Finnish market in 2015.¹¹

The total number of insurance undertakings in the Finnish market has declined by almost 60% since 2007. There was a total of 135 insurance undertakings active in 2007, of which 12 were life insurers, seven were statutory pension insurers and 116 were non-life insurers (including 94 local mutual insurance associations).

Number of mutual/cooperative insurers

There were 40 mutual/cooperative insurance companies present in Finland in 2015, of which five were life insurers and 31 were non-life insurers (including 20 regional mutual insurance companies of the LocalTapiola / LähiTapiola group). Four of the six statutory pension companies¹² in Finland were also mutuals¹³ (in the legal form). There were further 30 mutual/cooperative insurers in the legal form operating in 2015. Three of these were engaged in life insurance activities and 27 were engaged in non-life insurance.

Since 2007, there has been a loss of 77 companies, equivalent to decrease of almost two-thirds in the number of mutual/cooperative insurers (see Figure 1). In 2007, there were 117 mutual/cooperative companies active, of which six were life insurance companies, six were statutory pension companies and 105 were non-life insurance companies.

The main contributor to the decline in the number of mutual/cooperative insurance companies was consolidation in the number of local mutual insurance associations since 2007. This figure fell from 94 in 2007 to 57 in 2012. Then, following the completion of the merger of Tapiola and Localinsurance (Lähivakuutus) on 1 January 2013, these mutual associations were consolidated into 19 regional mutual insurance companies of the newly-formed merged group, LocalTapiola.

Overall, the number of mutual/cooperative insurers in the legal form has declined by 79 companies since 2007 (from 113 insurers). However, excluding the drop in the number of local/regional mutual insurance companies (-74), there were only five fewer mutual/cooperative insurers in the legal form in 2015 compared to 2007.

⁸ Law on Insurance Associations of 31 December 1987/1250.

⁹ Federation of Finnish Financial Services – FFI (2016) *Finnish Insurance in 2015: Financial overview of Finnish insurance companies*.

¹⁰ In addition, there were 14 branches of foreign insurance companies operating in Finland.

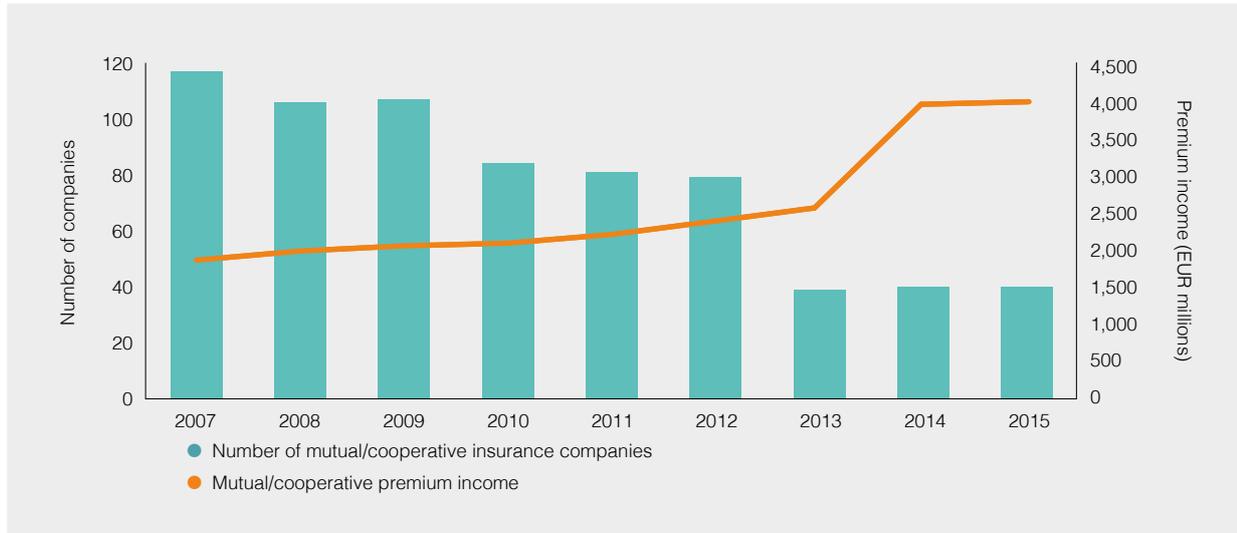
¹¹ Statutory earnings-related pension insurance companies are subject to the Act on Pension Insurance Companies (354/1997) and the Insurance Companies Act (521/2008). They are able to take the form of a joint stock company or mutual insurance company. Pension insurance companies may not handle any type of insurance activities other than insurance under the Employees Pensions Act and the Self-Employed Persons' Act and related reinsurance. Their business is therefore not classified as life insurance according to Finnish insurance law (see the Finnish Centre for Pensions – ETK (*Eläketurvakeskus*) [website](#)).

¹² Mutual statutory pension companies wrote EUR 12.7 billion in premiums in 2015 and represented 96% of the total Finnish statutory pension market (EUR 13.2 billion).

¹³ Although statutory pension insurance companies have been included in the number of insurance companies (in the total market and mutual/cooperative market), their business is not included in the premium or market share data in this report. Note that this business is included in Swiss Re's figures, and so these have been adjusted. In ICMIF's *Global Mutual Market Share* report, statutory pension insurance premiums are also not included in the market share figures for Finland, but are included in aggregate figures on premiums and assets, and so some differences may be noted.

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

The total insurance market in Finland totalled EUR 11.3 billion in insurance premiums in 2015.¹⁴ This represented an overall growth of 91% since 2007 (EUR 5.9 billion). Total Finnish premiums in 2015 were split 60% in life insurance business and 40% in non-life insurance business.¹⁵

Mutual/cooperative insurers collectively wrote EUR 4.0 billion in insurance premiums¹⁶ in 2015, the majority of which (79%) was written in non-life business¹⁷ (see Figure 2). Total premiums written by the mutual/cooperative insurance sector have grown year-on-year since 2007, resulting in premium levels in 2015 that were more than double in comparison with 2007 premium volumes (EUR 1.8 billion). Between 2007 and 2015, the mutual/cooperative market registered a CAGR of 10.0%, compared to a market average CAGR of 8.4%.

2014 saw a surge in mutual/cooperative premium levels, increasing by 54.5% to EUR 3.9 billion (from EUR 2.6 billion in 2013). This growth was driven by the re-entrance of OP into the mutual/cooperative sector's figures.¹⁸

¹⁴ This figure is adjusted from the figures quoted in Swiss Re's *sigma* data, to exclude the premiums from statutory pension insurance companies. If this business was included, the total Finnish market would be EUR 24.0 billion in 2015.

¹⁵ If statutory pension insurance was included, the business split in the total market would be: 26% in life insurance, 19% in non-life insurance, and 55% in statutory pension insurance.

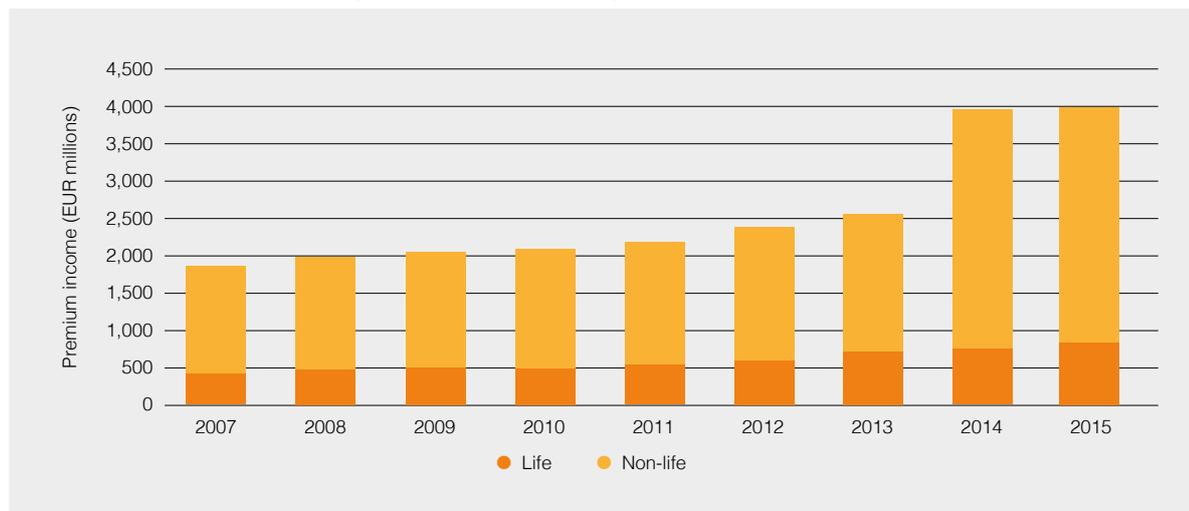
¹⁶ If premiums from mutual statutory pension insurers were included, the total mutual/cooperative market would have amounted to EUR 16.6 billion in premiums in 2015.

¹⁷ If statutory pension insurance was included, the business split for the mutual/cooperative market would be: 5% in life insurance, 19% in non-life insurance, and 76% in statutory pension insurance.

¹⁸ During 2014, cooperative banking group OP-Pohjola Group completed the acquisition of the remaining shares it did not own in Pohjola Bank, a banking, asset management and insurance company. Pohjola was subsequently delisted from the Helsinki Stock Exchange on 30 September 2014 and rebranded under the name OP, restoring it to a customer-owned financial group. The insurance business of subsidiaries of OP-Pohjola – OP Insurance Ltd (non-life), A-Insurance Ltd (non-life) and OP Life Assurance Company Ltd (life) – were included in the mutual/cooperative market figures from 2014, classified as mutual/cooperative-type insurers.

Figure 2

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



Life

Finnish life insurance premiums amounted to EUR 6.8 billion in 2015, more than double compared to 2007 (EUR 2.8 billion).

The mutual/cooperative industry recorded a similar expansion in life business over the same period, as premium levels rose to EUR 830 million in 2015 (from EUR 413 million in 2007). However, the CAGR of the mutual/cooperative market since 2007 (9.1%) was slightly weaker than the total market average (11.8%).

Non-life

Aggregate premiums of the Finnish non-life insurance sector reached EUR 4.5 billion in 2015. Business levels have increased annually since 2007 (EUR 3.1 billion), accumulating to an overall growth of 43.7%.

The mutual/cooperative non-life market wrote EUR 3.1 billion in premium revenues in 2015, significantly greater compared to 2007 premium income (EUR 1.4 billion). The majority of this growth was concentrated in 2014, as the inclusion of OP in the mutual/cooperative figures enlarged non-life premium volumes by EUR 1.4 billion. As a result, the overall CAGR of the mutual/cooperative sector between 2007 and 2015 (10.3%), was more than double the total market CAGR of 4.6%.

Market share of mutual/cooperative insurance sector

The mutual/cooperative sector accounted for more than a third (35.1%) of the total Finnish insurance market¹⁹ in 2015 (see Figure 3). Mutual/cooperative insurers in the legal form represented 20.9% of the total market in 2015. Market share rose to 23.4% with the addition of subsidiaries of mutual/cooperative insurers in the legal form.

Finland had the highest total market share in non-life business in Europe in 2015 (69.7%). In the life sector, total mutual/cooperative market share was lower at 12.2% in 2015. In the legal form, the mutual/cooperative sector accounted for 7.5% of the life market and 41.0% of the non-life market (also the highest legal form non-life market share in Europe). Including subsidiaries, market share increased in both segments to 10.5% and 42.8% respectively.

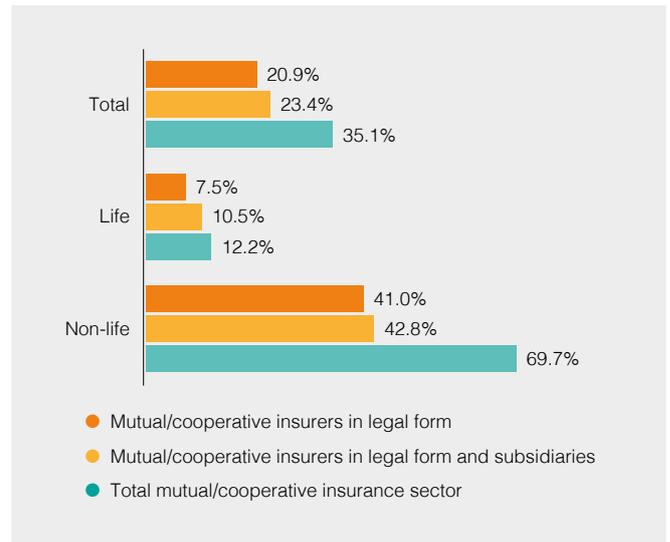
The total mutual/cooperative sector gained four percentage points of the Finnish market since 2007, when it held a 31.1% share (see Figure 4). Market share levels were somewhat erratic between 2007 and 2013, before a sizeable upturn in 2014 which increased the sector's market presence to a peak share of 38.1% (from 26.8% in 2013). The market share of mutual/cooperative-type insurers grew also grew in 2014, rising to 13.2% from 1.0% in the previous year.

The market share of mutual/cooperative insurers in the legal form has dropped compared to 2007 (28.6%), and also from a peak market share of 29.3% in 2011.

In terms of life business, mutual/cooperative insurers have lost market share since 2007, declining from a 14.8% share. In the legal form, market share has also fallen in this period, from 9.8% to 7.5% in 2015.

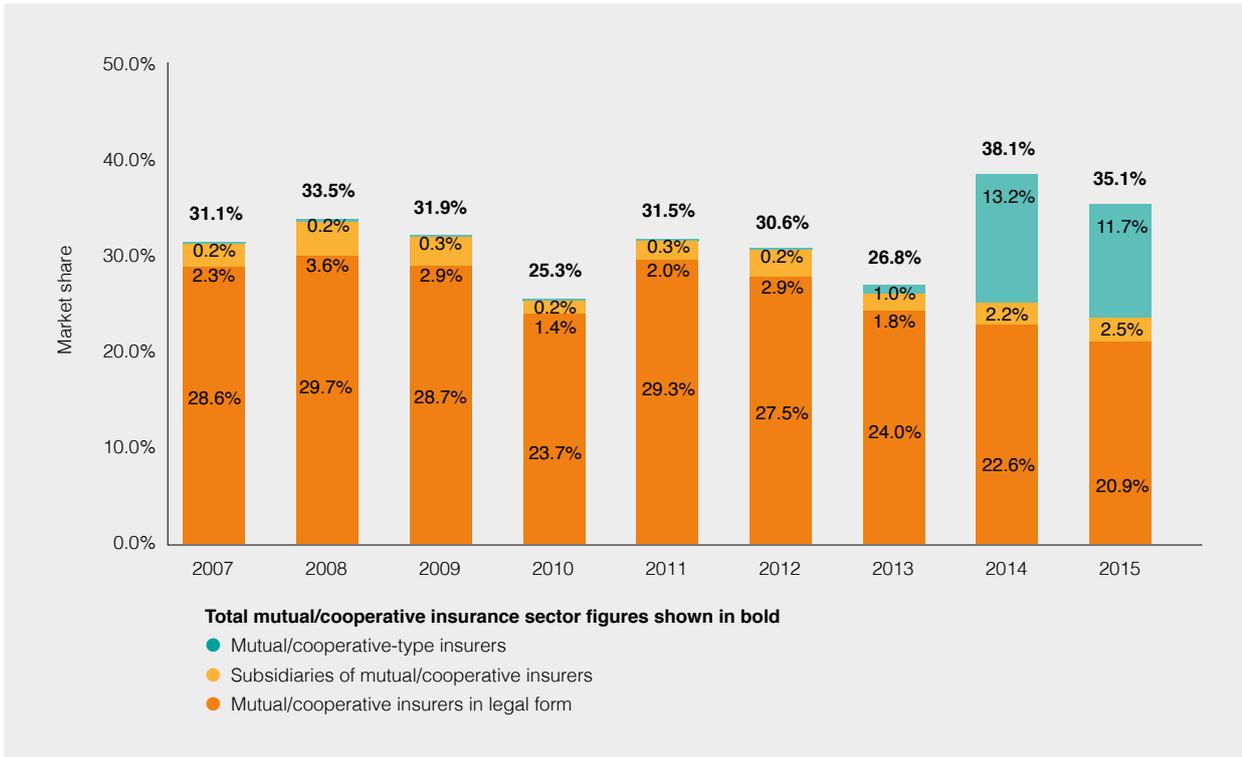
In contrast, total mutual/cooperative market share in non-life business grew from 45.7% in 2007. However, non-life market share of legal form mutual/cooperative insurers had declined from 45.3% in 2007.

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



¹⁹ If statutory pension business was included in the mutual/cooperative market figures, the mutual/cooperative market share would have been 67.7% of the total market and 67.3% of the life insurance market in 2015.

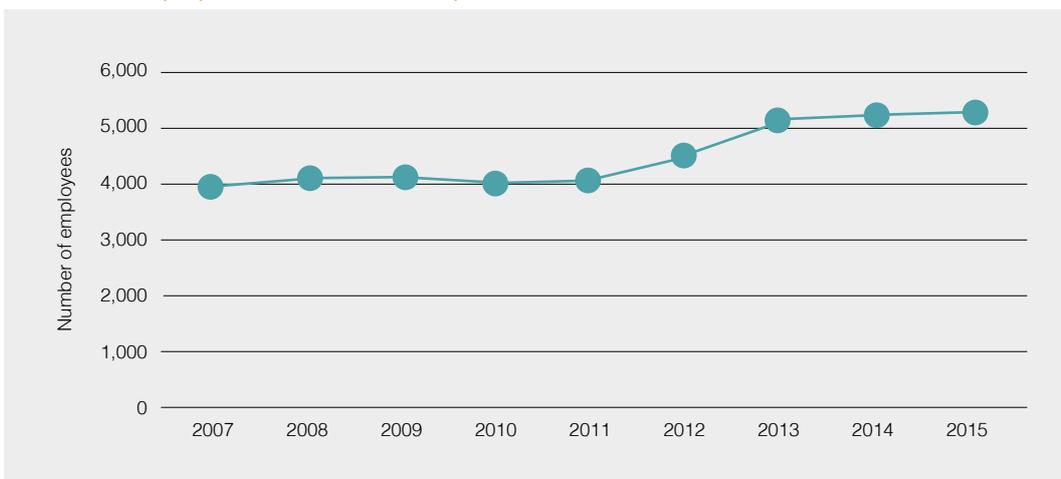
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

There were just under 5,300 people employed by Finnish mutual/cooperative insurers²⁰ in 2015 (see Figure 5). This represented an overall increase of just over one-third (equivalent to more than 1,300 employees) compared to employment levels in 2007, when the sector employed just under 4,000 people.

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



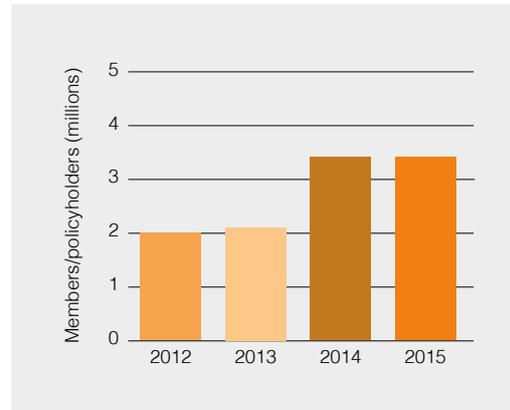
²⁰ Note that for the number of employees, number of members/policyholders and total assets and investments, data from mutual statutory pension companies has been excluded. Differences will be noted from figures quoted in ICMIF's *Global Mutual Market Share* data.

Number of members/policyholders

In 2015, there were 3.4 million members/policyholders of mutual/cooperative insurers in Finland (see Figure 6).

This represented a total growth of 70% from membership numbers in 2012 (2.0 million).

Figure 6
Number of members/policyholders of the mutual/cooperative insurance sector (2012-2015)

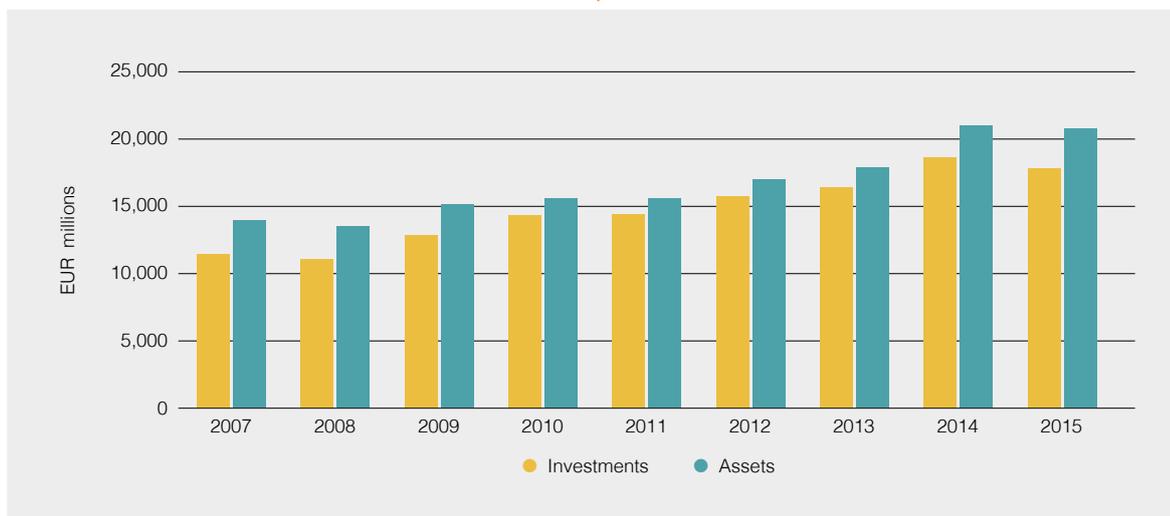


Assets and investments

The Finnish mutual/cooperative sector held total assets valued at just over EUR 20.7 billion in 2015 (see Figure 7). Total assets values increased by 48.8% since 2007 (EUR 13.9 billion).

Aggregate investment assets held by mutual/cooperative insurers reported a similar increase (55.6%) between 2007 and 2015, growing from EUR 11.4 billion to EUR 17.8 billion.

Figure 7
Total assets and investment assets of the mutual/cooperative insurance sector (2007-2015)



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

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