The building of a new order is about to begin

The global economic order is in crisis. And the question of moral hazard always comes up when there is an economic crisis. Financial markets have collapsed due to the lack of confidence between banks – and the danger is that moral hazard materialises with full force. It is easy to observe that the largest losses have taken place where management has received the highest remuneration.

After acute crisis management, a new architecture will be built for financial markets. Supervision has to be resourced and organised in a market-driven way. Credit rating agencies’ operations will be re-evaluated. Consumers’ financial literacy will have to be improved, and depositors’ and policyholders’ protection systems will be widely discussed.

But improving supervision alone will not suffice. Structures have to be created and fostered that ensure that operations addressing the basic needs of citizens, such as insurance and pensions, cannot be exposed to excessive risk-taking.

The main goal of mutual insurance companies is to deliver high-quality services to customers in an economically sustainable way – not to maximise profit. This enables us to respond to the new demands for the financial sector. Achieving stable development requires high-quality risk management, for which Solvency II creates a sound basis. All players are called upon to apply risk management methods in line with Solvency II, regardless of when the directive comes into force.

Companies’ administrative structures must be developed in a way that responds to the needs for experience and skills in management. Mere “independence” as a selection criterion is not enough.

No system works without responsible actors and individual actors will not act responsibly without a responsible system. That companies do not have ethics is a myth. If a company is not ethical, neither are its employees. Mutual companies must invest heavily in ethical thinking and in improving related operating methods.

The possibilities of mutual companies to acquire risk capital without weakening their clients’ position as owners are limited. We should actively search for solutions for this.

I wish all our readers Merry Christmas and Happy New Year and thank all our members for their support during AMICE’s first year.

Asmo Kalpala

In this issue

- Editorial by the President ........................................ Page 1
- AMICE’s first anniversary ........................................... Page 2
- New staff at AMICE ................................................ Page 2
- Hungarian mutuals under threat ................................ Page 2
- IAIS and governance .................................................. Page 2
- CSR seminar ........................................................... Page 3
- Social Economy Europe .............................................. Page 3
- Solvency II ............................................................... Page 4
- Member to Member networking ................................... Page 4
- Events calendar ......................................................... Page 4
AMICE is one year old

On 24 November, more than 60 members and European guests gathered at the Sofitel Europa hotel in Brussels to celebrate AMICE’s first anniversary and to raise a glass to the association’s foundation and its future. “Our task is to see to it that we can add value to the debate on the development of European and global insurance markets. We must also ensure that we ourselves understand sufficiently well the challenges faced by mutual and co-operative insurance companies”, AMICE President Asmo Kalpala reminded members on this occasion.

Imfried Schwimann, Head of DG Competition’s Financial Services Anti-Trust Unit at the European Commission, was guest speaker at the event. In her comments on the current state aid programmes for the financial sector, she referred to the challenge in making sure such programmes do not create an unlevel playing field between different types of financial service providers – an issue of serious concern to AMICE and its members.

The following day, AMICE’s Board welcomed 7 new members to the association: AREAS, CGPA, Mutuelle St Christophe and Thélém from France; Debeka from Germany; TIR Biztosító Egyesület from Hungary and Univé Zuid-Holland from the Netherlands. This brings the association’s membership to 123 full members, two associate members and one observer. The Board also held a first discussion on AMICE’s long-term strategy which will be presented to the full membership at next year’s General Meeting.

Hungarian mutuals face difficult challenge

KÖBE and TIR, our two Hungarian mutual members, are facing a potentially life-threatening challenge from their national legislator: a legislative proposal has been brought before the Hungarian Parliament that would make it impossible for mutual insurers to offer third-party liability (TPL) insurance. Both are almost exclusively engaged in MTPL (motor TPL) insurance. The step by the Hungarian government must be seen as a complete overreaction to the insolvency of a third mutual MTPL insurer last summer.

The two AMICE members have turned to the European Commission for help as they see at least one of the principles of the European Treaties infringed by this legislative project. AMICE supports their efforts and has, in a letter to key Hungarian Parliamentarians, criticised this blatant overreaction, underlined the important role of these two mutuals as the last domestic motor insurers in Hungary, and has provided examples for appropriate and proportionate reactions to the recent insolvency in the industry.

In AMICE’s recent Board meeting, the President and Board members pledged their support to KÖBE and TIR. The Secretariat will follow up on developments, both at the national and the European levels.

IAIS and governance

At the beginning of the year, AMICE took over the AISM observer status in IAIS, the International Association of Insurance Supervisors, and in September, the Secretary General participated for the first time in one of IAIS’ triannual meetings. During the dedicated hearing session with observers, he had the opportunity to comment on the potential impact of differences in capital and solvency regimes on competition. Gregor Pozniak emphasised the necessity of a level playing field on the one hand between mutual, cooperative and plc-type insurers and on the other hand between insurers and pension funds when providing essentially the same service to customers.

AMICE contributes regularly to the work of the Governance and Compliance Subcommittee of IAIS. During the summer, 22 AMICE members had responded to a questionnaire sent out by IAIS and the OECD on the governance of insurers – this is more than 15 % of all answers that IAIS received from industry. On the basis of the responses received, the subcommittee expects to publish an issues paper in spring 2009 and the Secretariat will have to see to it that the specific features of corporate governance in mutuals – of which AMICE’s members have good reason to be proud - will be duly addressed in this document. Further information on AMICE’s work in and with IAIS is available from the Secretariat.

Welcome to AMICE’s new expert!

Silvia Herms joined the AMICE Secretariat at the beginning of November as a Senior Advisor. She brings a considerable amount of insurance experience to the team, having worked on Solvency II issues at CEA (the European Insurance Federation) in her last position and in the insurance auditing and advisory units of KPMG in Barcelona for 9 years before this. She holds degrees in Economics and in Actuarial Studies from Barcelona University.

Within AMICE, Silvia will focus on the work within the Economics & Finance Working Group, notably on Solvency II, accounting, and mutual financing issues. Together with fellow Spaniard Marlen Freire, who joined us in July 2008 as an office assistant, and with Gregor Pozniak, Catherine Hock and Helen Sheppard, the Secretariat team now counts five dedicated individuals at the service of AMICE members.

AMICE’s new address

• Rue du Trône 98/14
  BE – 1050 Brussels
  Phone, fax and e-mail are unchanged
Corporate Social Responsibility seminar was a big success

Some sixty participants enjoyed AMICE’s CSR seminar on 23-24 October with stimulating speakers and workshops discussing the different aspects of measuring and managing CSR, how to make CSR part of the company’s strategy and what and how to report. The seminar was hosted by MACIF in Paris which created a perfect venue for the event.

Among the speakers were Asmo Kalpala, CEO of Tapiola, Finland and President of Amice and Kathy Bardswick, President and CEO of The Cooperators, Canada. Kathy Bardswick is also the current Chair of ICMIF and she brought an interesting aspect to the otherwise European discussions. Responsibility is a truly global issue.

The overall satisfaction rating given by the participants was a remarkable 88%! The enthusiasm amongst the participants was very tangible and I believe most people found the seminar really inspiring and useful for their daily work at home. In the feedback forms we received many good proposals for future work around CSR which AMICE’s task force intends to look at as soon as possible. The plan is to arrange the next bigger seminar in 2010, but in the meantime we hope that AMICE’s new offices at Rue de Trône 98 with their large meeting room will enable us to arrange smaller workshops on specific issues concerning CSR.

The great success of the seminar further confirmed my belief that corporate social responsibility can be a vital and natural part of a mutual and cooperative company’s values and can create a competitive advantage on the market. This however requires a true commitment and a strategy that puts responsibility at the heart of company operations. Only genuine commitment will take you to the goal.

The full presentation materials are available on AMICE’s website www.amice-eu.org

Anu Pylkkänen, Chair of AMICE’s CSR task force, Director of External relations and Corporate Social Responsibility, Tapiola Group, Finland
Solvency II: The ball is with the Member States

In October, the European Parliament’s ECON Committee passed its report on the Framework Directive – with which AMICE as a whole could be relatively satisfied although not all of our requests for changes in the Commission text were accepted. The following discussions in Council led by the French EU Presidency became rather difficult and focussed on two main issues: groups (group definition, group diversification benefits, group supervision, group support) and the valuation of equities. A compromise reached in November deletes the directive’s group support section, but includes the duration approach in the treatment of equity risk which had not been accepted by the EP. The fear of some Member States that group support would reduce their supervisory powers over cross-border groups had prevailed – certainly increased by the current financial crisis. Alas, the current Council compromise is relatively far away from the position of the European Parliament. At a recent CEIOPS conference in Frankfurt, MEP Sharon Bowles stated clearly: “Killing group support is a major let down to consumers”.

Following the meeting of Finance Ministers (ECOFIN) on 2 December, more reconciliation work will have to take place between Council and Parliament, probably early next year. If an informal agreement is reached, the text could still be voted by the EP in first reading. With this moderate delay, the planned implementation date of October 2012 could shift to January 2013, Karel Van Hulle indicated at the same conference.

Internally, AMICE has held two meetings, discussing the results of QIS 4. The task force received comments from Pauline de Châtillon, Chair of the CEIOPS Financial Requirements Expert Group. She encouraged mutual insurers to further analyse questions brought to light by QIS 4 and to discuss within their jurisdictions problematic issues such as the treatment of health risks and long-term liability risks in the standard formula. In 2009, the task force’s focus will shift to the work on the implementation measures (level 2).

Member to Member networking

Solvency II, pandemics, catastrophe modelling and ratings are the four topics chosen for next year’s Meeting of European Mutual & Cooperative Reinsurance Managers hosted by AMICE member Syneteristiki in Athens on 23-24 April. This second event provides the opportunity for reinsurance managers to discuss topics relevant to their profession in a stimulating atmosphere.

Lisbon is the venue for the next seminar organised by AMICE’s workers’ compensation task force on 11-12 May 2009. “Accidents and illness at work: improving results for employment-related risks” is the overarching theme of this seminar which is aimed at all those involved in personal accident and health insurance.

Efficient motor claims management is primordial to many of AMICE’s members. The next seminar on this topic will take place in Niort on 23-24 September 2009 around the themes of European motor insurance policies, prevention, fraud and rehabilitation.

More information on all these events can be found on AMICE’s website.

→ AMICE meetings and events

- 2 December ..... Brussels ..... Communications working group
- 10 December ..... Zurich ..... Solvency II task force
- 8 January ..... Brussels ..... Solvency II task force
- 29 January ..... Brussels ..... Legal Affairs task force
- 29 January ..... Brussels ..... EMS task force
- 17 March ..... Brussels ..... Executive Committee
- 21 April ..... Brussels ..... Board
- 23-24 April ..... Athens ..... AMICE Meeting of European Mutual & Cooperative Reinsurance Managers
- 11-12 May ..... Lisbon ..... AMICE seminar “Accidents and illness at work: improving results for employment-related risks”
- 26 May ..... Paris ..... Member to Member working group
- 2 June ..... Brussels ..... Board
- 2 June ..... Brussels ..... AMICE Reception
- 3 June ..... Brussels ..... Annual General Meeting