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Preface

The master thesis on "Legal framework of mutual insurers on international basis" is a part of my degree in International Business Administration at the University of Vienna.

I would like to take the opportunity to thank my supervisors Univ.-Prof. Dr. Johann Brazda and Mrs. Stefanie Zeman, MSc for their excellent guidance and support.
In addition, I want to thank my family and friends for their motivation and kind words during tricky situations.

I hope you enjoy your reading.

Ramona Auer
Vienna, 2018

All personal names are gender-neutral and valid for both sexes.

Abstract – Deutsch

Versicherungsvereine auf Gegenseitigkeit waren vor einigen Jahren noch sehr gut vertreten am Versicherungsmarkt, nach einer Welle der Demutualisierung in den späten 1990er Jahren wurde der Sektor jedoch hauptsächlich von Aktiengesellschaften oder Mischformen bedient. Gegenseitigkeitsgesellschaften spielen jedoch in diesem Wirtschaftszweig immer noch eine Rolle und verzeichneten in den letzten Jahren steigende Marktanteile. Da Versicherungsvereine weltweit auftreten, werden in dieser Arbeit Marktanteile pro Region, Land sowie Branche dargestellt. Man könnte annehmen, dass der Begriff "gegenseitig" in den Ländern, in denen diese Organisationsform existiert, gleich interpretiert wird, jedoch ist eher das Gegenteil der Fall. Das Konzept wird in den meisten Ländern anders definiert. Daher ist es schwierig eine einheitliche Definition zu finden. Aufgrund der ähnlichen Merkmalen von Versicherungsvereinen auf Gegenseitigkeit in den europäischen Ländern, definiert die Europäische Kommission Gegenseitigkeitsgesellschaften als Unternehmen, die Lebens- und Nichtlebensversicherungsdienstleistungen anbieten sowie ergänzende Systeme der sozialen Sicherheit und soziale Dienstleistungen von geringem Wert. Ihr Hauptzweck besteht darin, gemeinsame Bedürfnisse zu befriedigen, ohne dabei Gewinne zu erzielen oder Kapital zu erwirtschaften. Gegenseitigkeitsgesellschaften werden nach den Grundsätzen der Solidarität zwischen Mitgliedern geführt, die an der Unternehmensführung teilnehmen. Sie sollen jenen rechenschaftspflichtig sein, deren Bedürfnisse sie zu dienen geschaffen wurden. Auch wenn Gegenseitigkeitsgesellschaften einen Anstieg der Marktanteile registrieren, stellt sich die Frage, ob es für diesen Organisationstyp noch eine Zukunft gibt. Neue Technologien bieten Gegenseitigkeitsgesellschaften diverse Möglichkeiten weiterhin am Markt zu bestehen und ihre Position zu stärken. Eine neue Zukunftsoption im Versicherungsgeschäft sind Peer-to-Peer-Versicherung sowie Blockchain Technologien.

Schlagwörter: Versicherungsvereine auf Gegenseitigkeit, Lebensversicherung, Demutualisierung, rechtliche Rahmenbedingungen

Abstract - English

The insurance sector was once ruled by mutual-type organisations but after a wave of demutualisation in the late 1990s, the sector was mainly served by either stock companies or hybrid forms. However, mutuals still play a role in this business sector and registered increases in market shares over the past years. As insurance mutuals appear globally, market shares per region, per country as well as per lines of business are presented in this thesis. One could assume that the term “mutual” is interpreted the same way in the countries where this organisation form exists, but this is not the case, it is rather the opposite, the concept is defined differently in almost every country. Therefore, a uniform definition is difficult to make. Due to similarities of mutual characteristics within European countries, mutuals are defined by the EU Commission as follows: “Mutuals are enterprises providing life and non-life insurance services, complementary social security schemes, and small value services of social nature. Their primary purpose is to satisfy common needs while not making profits or providing a return on capital. Mutual societies are managed according to solidarity principles between members who participate in its corporate governance. They are intended to be accountable to those whose needs they were created to serve.” Even if mutuals registered an increase in market shares, the question arises if there is still a future for this organisation type. There are new technologies and opportunities for mutuals to stay in the race and strengthen their position. Furthermore, peer-to-peer insurance and Blockchain technology are future options in the insurance business.

Keywords: mutual insurance, life insurance, non-life insurance, demutualisation, legal framework

Table of Content

1. Research question

This master thesis addresses the legal frameworks of mutual insurers on an international basis. The latest studies on market shares of mutual insurers indicate a rise of direct premium volume of insurance companies. As studies provided by various institutions show different numbers regarding the market share and growth rates, the focus lies on figuring out the reason for this cause and comparing the data of the statistics. In April 2016, the Swiss Re Institute published an article dealing with the revival of mutual insurers and their presence in the 21st century. More precisely, it deals with a possible renaissance in the field of mutual insurance. Due to this publication the question arises whether this really is the case or whether the trend is in another direction or if there is even a new trend in this area. Therefore, another part of this thesis will be the analysis of the supposed trends and a possible renaissance.

2. Data origin

This section will focus on the data provided by the different institutions, who published statistics regarding the growth of mutual insurers on the international market. As there are some discrepancies in the numbers provided, each study will be taken separately into account. As a matter of fact all studies use data from the same source but with different numbers. Therefore, first, data from Swiss Re will be analysed as they are the source of origin for every statistic conducted and analysed in this thesis. Second, the data provided by ICMIF (International cooperative and mutual insurance federation) will be taken into consideration, as this is a further source for the studies conducted by Panteia[1] and the European Parliament. Thirdly, those two studies will be analysed.

2.1. Sigma

Sigma is a journal published by the Swiss Re Institute, which is part of the Swiss Re Group, the leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. It works with brokers and has a global client base including insurance companies.[2]

[1] Panteia is an independent research institute for economic and social policy research, transport research and market research, who conducted the study requested and financed by the European Commission
[2] Swiss Re (2018): *About the Swiss Re Group*. http://www.swissre.com/about_us/ [18.01.2018].

The Swiss Re Institute delivers insights on current and future issues affecting the insurance industry. Therefore, it combines high-quality research and outreach capabilities in order to publish a trusted journal on market information for managers and specialists, including analysis of trends in the global insurance markets.[3]

The Institute offers a web based application, sigma-explorer, supplying access and visualizing historical data gathered by sigma on catastrophes and world insurance premiums. However, the direct premium volumes of insurance companies are considered, without distinguishing if those companies are privately or state owned. Referring to Swiss Re, the data and estimations gathered for studies on the world insurance market originate from national supervisory authorities and from insurance associations. Further the International Financial Statistics from the IMF, the International Monetary Fund, Oxford Economies and IHS-Markit[4] are employed for the data. Data basis for this web application is information regarding the premiums authored by registered insurers. Therefore, the following data is considered for the application[5]:

1. Direct insurance premiums, including commissions and other charges,
2. Domestically located business units (referred to as domestic insurers and domestic branches of foreign insurers),
3. Premiums of cross-border businesses

In February 2010 Sigma published a report on world insurance in 2009, stating that the insurance sector, in the majority of countries included in the study, grew faster than their GDP and therefore indicating the robustness of this sector. Further, a positive growth regarding premiums in the industry was estimated for 2010, leading to a higher profitability. The study demonstrates the market data available at the time the study was conducted and includes estimations and provisional data, as for most insurance markets final figures from 2009 were not available. Estimations were calculated by Swiss Re Economic Research & Consulting. Provisional data on the other hand was provided by supervisory authorities and insurance associations. Macroeconomic data from this study comes from the same institutions as the data used for sigma explorer, namely from the International Financial Statistics from the IMF, the

[3] Swiss Re (2018): *Swiss Re Institute*. http://www.swissre.com/swissre_institute/home_institute.html [18.01.2018].
[4] An institution providing information and insight in critical areas; IHS Markit (2018): *About us*. https://ihsmarkit.com/about/index.html [18.01.2018].
[5] Swiss Re Institute (2018): *Sigma explorer*. www.sigma-explorer.com [18.01.2018].

International Monetary Fund, Oxford Economies and IHS-Markit[6]. Furthermore, data was forwarded by the WIIW, the Wiener Institut für internationale Wirtschaftsvergleiche. In order to report accurate data the above-mentioned definition concerning premiums was used. Regarding Swiss Re, the study shows that life premiums continue to decline in most markets, except for those in emerging countries. While global life premiums decreased by 5.8% in 2008, it only shrank by 2% in 2009, which indicates a slight rise in global life premiums for 2010. In nearly all industrialised countries life premiums decreased due to the financial crisis. However, in emerging markets, a rise of 4.2% for life premiums in 2009 was recorded. These differences in life premium growth are shown in Figure 1.[7]

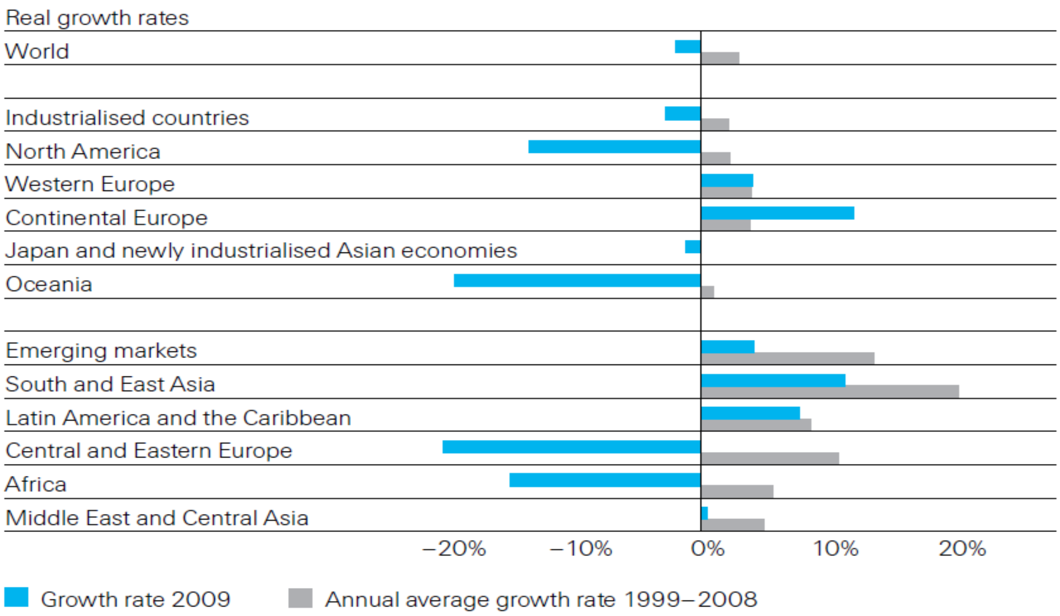

Figure 1: Real growth rates of life premiums in 2009

Source: Bevere, L., Staib, D. (2010). World insurance in 2009: Premiums dipped, but industry capital improved, SIGMA, 2, p.6.

On the other hand non-life premiums languished in almost all markets, expect for markets in newly industrialised countries and in emerging markets, where positive developments were recorded. Figure 2 shows the global non-life premium growth in 2009.[8]

[6] Bevere, L., Staib, D. (2010). *World insurance in 2009: Premiums dipped, but industry capital improved*, SIGMA, 2, pp. 25-26.
[7] Ibidem, pp. 5-7.
[8] Ibidem, pp. 8-9.

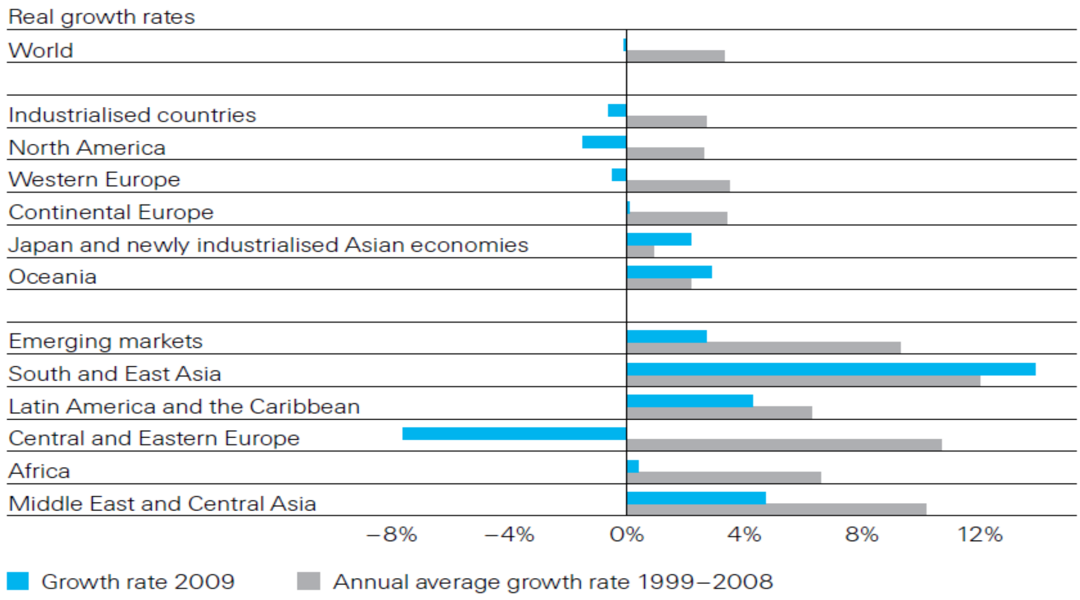

Figure 2: Real growth rates in non-life in 2009

Source: Bevere, L., Staib, D. (2010). World insurance in 2009: Premiums dipped, but industry capital improved, SIGMA, 2, p.8.

Since an increase in premiums was expected, the study was carried out again in 2010, with the same methodology and data sources. As anticipated, Swiss Re Institute reveal a positive growth in 2010, highlighting that world premium volume rose by 2.7%.[9]

As far as it is comprehensible, all studies regarding the insurance market carried out by the Swiss Re Institute followed the same principle or originate from the data sources already mentioned above (see data sources for sigma-explorer). Despite trustworthy sources, Swiss Re Institute makes it clear that it does not take responsibility for the accuracy of the data forwarded.

2.2. ICMIF

The International Cooperative and Mutual Insurance Federation (ICMIF) is an organisation representing the cooperative and mutual insurance sector. Its members own, govern and guide the organisation actively, therefore they can respond to their members' needs and expectations. Their purpose is promoting and working with the cooperative and mutual insurance sector in order to provide unique, valuable and up-to-date market information to their members. Furthermore, interests of global cooperative and mutual insurers are depicted. So as to update

[9] Bevere, L., Staib, D. (2011). *World insurance in 2010: Premiums dipped, but industry capital improved*, SIGMA, 2, p.1.

their members on its activities of the past years from 2015 to 2017, ICMIF published the ICMIF Biennial Review. Moreover, ICMIF publishes financial and strategic research studies and member statistics, such as global market shares and market insights, as well as CEO or strategic insights. Another publication is the regulatory guide to mutual insurance, written to help supervisors and regulators to understand the specifics of mutual insurance.[10] ICMIF includes in their definition of mutuals and cooperatives all organisations "*whose legal status may not be classified as such in their national law, but whose structure and values reflect the mutual/cooperative form, ie, companies which are owned by, governed by and operated in the interests of their member policyholders*".[11] As this definition is very extensive, it includes companies such as those owned by people-based organisations, fraternals, friendly societies, non-profits and even community organisations.[12]

The first research study regarding the global mutual market shares based on premium income, evaluated the market shares of mutual insurers between 2005 and 2006. Since then, a study was realised almost every year. As data basis for the study from 2005-2006 annual reports, regulatory returns and external research from 2,350 mutual and cooperative insurance companies in 45 countries were carried together. Data analysis was realised for each cooperative and mutual insurer to define the gross premium income. Afterwards, evaluated numbers were compared to the national figures provided by the Swiss Re Institute. The data from ICMIF study and Swiss Re Institute was compiled to produce regional and worldwide statistics. For the global insurance industry statistics data from Swiss Re research was employed.[13] Further, additional data gathered from regulators, financial press, and national trade associations and rating agencies was verified against the data from Swiss Re in order to provide accurate figures.[14]

[10] ICMIF (2018): *Publications*. www.icmif.org [23.01.2018].
[11] ICMIF. (2009). Annual Mutual Market Share 2005–2006 & Global 500. Bowdon: ICMIF, pp. 3-4.
[12] Ibidem, p. 4.
[13] Swiss Re. (2006). World insurance in 2005: moderate premium growth, attractive profitability. SIGMA, 5.
Swiss Re. (2007). World insurance in 2006: Premiums came back to "life". SIGMA, 4.
[14] ICMIF. (2009). Annual Mutual Market Share 2005–2006 & Global 500. Bowdon: ICMIF, p. 4.

Comparing the statistics from 2005/2006 to the statistics from 2007/2008, which was data basis for the EU-Study, a slight decrease from 2005 to 2007 is seen. As seen in Table 1, for 2005 ICMIF calculated a market share for the ten largest insurance markets from 24.7%, this value decreased in 2006 to 23.9% and in 2007 a market share of 23.3% was listed. For 2008 a small increase was noticed, as the share grew for 0.7% compared to 2007.[15]

	Mutual Market Shares in 2005	Mutual Market Shares in 2006	Mutual Market Shares in 2007	Mutual Market Shares in 2008
Total	24.7%	23.9%	23.3%	24.0%

Table 1: Mutual market shares from 2005-2008

Source: ICMIF. (2009). Annual Mutual Market Share 2005–2006 & Global 500. Bowdon: ICMIF, p. 4. Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF. p. 3, own representation.

The latest report published, presents the global mutual market shares for financial years 2007 to 2015 inclusive for over 5,000 mutual and cooperative insurance companies in 77 countries. Due to the fact that new markets were included in the study, figures from previous reports (except 2005/2006) were updated and therefore, some changes appear when comparing the statistics. ICMIF reports an increase in the global mutual market share since 2007; it rose from 24.1% to 26.7% in 2015 as seen in Figure 3. Noticeable, the data for 2007 changed from 23.3% to 24.1% and for 2008 from 24% to 26.4%. This in turn shows a higher increase of market shares than calculated at first. Between 2007 and 2014 the market shares raised steadily, the only exception being 2010, when the shares fell slightly by 0.3%. A larger decline in terms of the shares was in 2015, when they fell by 0.6%. However, despite the slightly decreases, the long-term increase of global mutual market shares were not detracted.[16]

[15] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF. p. 3.
ICMIF. (2009). Annual Mutual Market Share 2005–2006 & Global 500. Bowdon: ICMIF, p. 5.

[16] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p.3.

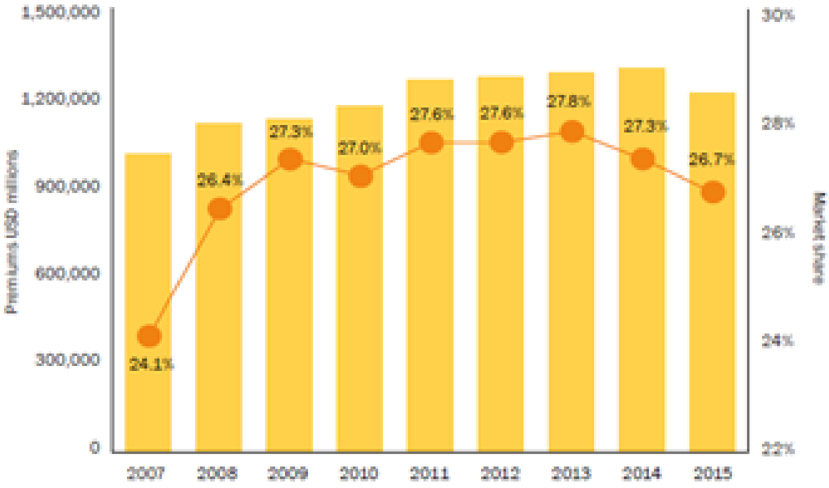

Figure 3: Global mutual premiums and mutual market shares

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p.3.

The data acquisition procedure for the studies performed almost every year has always been the same and likewise the data sources appear to be the same: annual reports, regulatory returns, external research and national data sets produced by the Swiss Re Institute. Therefore, the studies are partially based on the data and information collected by Swiss Re.[17]

2.3. EU Studies

This section will deal with the data acquisition of a study requested by the European Parliament's Committee concerning the role of mutual societies in the 21st century as well as of a study on the current situation and prospects of mutuals in Europe financed by the European Commission and performed by Panteia[18].

European Parliament

Since the definition of the European Commission on mutuals is a quiet wide[19] and as well as the definition of ICMIF includes organisations which would not exactly be identified as mutuals in all EU Member States, the main aim of the study requested was to provide an overview of

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[17] Ibidem, p. 34.

[18] Panteia (2018): *Panteia is an independent research institute for economic and social policy research, transport research and market research*. https://www.panteia.com/ [23.01.2018].

[19] The European Commission defines mutuals as "*voluntary groups of persons (natural or legal) whose purpose is primarily to meet the needs of their members rather than achieve a return on investment. These kinds of enterprise operate according to the principles of solidarity between members, and their participation in the governance of the business"*. European Commission, Consultation document: Mutual Societies in an enlarged Europe, 03/10/2003.

the differences of mutuals in the EU Member States and their role in different social protection systems. Other focus lied on analysis of relevant legislation applicable to mutuals within the EU as well as evaluating the necessity of a statute for European mutuals.[20]

In order to achieve the goal four different research activities were used step by step. First of all, desk research on the EU level was deployed. In this case, legal frameworks in which mutuals operate in the EU Member States were reviewed, namely the legislation on social economy, company and financial law and solvency legislation. Therefore, both the internal market regulations and competition rules were analysed. Second, several semi-structured interviews with stakeholders at EU level were conducted. For the purpose of extending the literature study, experts on mutuality in Europe, as well as representative organisations of mutuals at European level were interviewed. Thirdly, based on existing literature and databases on mutuals at country level, the authors conducted a quick scan for collecting information. Further, experts at national level completed the information when the data collection for individual Member States was incomplete. At last, in-depth case studies, including studies for specific national legislation, in six countries were conducted to get a clearer picture of the role mutuals play in social protection systems and the dynamic between both. The main objective was to observe the way mutuals reacted to the financial and economic crisis. Further, an evaluation of literature, documents and interviews with key informants at national level was taken into consideration. Moreover, data from the ICMIF was also included in the study and compared with data collected by CIRIEC, the International Centre of Research and Information on the Public, Social and Cooperative Economy. Relevant to mention is that mutuals which are not involved in insurance are not considered in the numbers presented. Another data source is the Association Internationale de la Mutualité (AIM), an international central association of federations of health mutuals and health insurance bodies. Thus, various data sources were used and considered in this study.[21]

[20] Grijpstra, D., Broek, S., Buiskool, B., & Plooij, M. (2011). The role of mutual societies in the 21st century. Brussels: European Parliament, p. 12.
[21] Idbidem, pp. 11-12.

Panteia

The European Commission instructed Panteia with a study on the current situation and prospects of mutuals in Europe based on the study performed by the European Parliament regarding the role of mutual societies in the 21st century. The study was realized in order to provide up-to-date knowledge and reflect the need for policy development. In order to accomplish the goal an assembly of relevant national legislation including different types of mutuals in different sectors was attached. Furthermore, mutuals' activities were listed as well as their role in European countries. Additionally, difficulties and barriers mutuals face when they cross borders and national measures in support of mutuals were investigated.[22]

Data was gathered together by researchers from Panteia and experts from the countries which were subject of this study. Further, the study was supervised by different institutions that formed a steering committee. The members of this group were on the one hand, of course, the European Commission and on the other hand the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) and the Association Internationale de la Mutualité (AIM).[23]

The data acquisition was achieved as follows[24]:

a) by a quick scan in 30 countries investigating not only the definition each country has for mutuals but also the legal types, methods of creation as well as the management and corporate governance of mutuals.
b) in a second step 10 countries were selected for further research on additional legislation, internal barriers, cross border barriers and national measures. The Netherlands, Belgium, Germany, France, Poland, Sweden, United Kingdom, Italy, Portugal and Finland were considered for the case studies.
c) Step three concentrated on desk research and interviews in countries where mutuals operate across borders or where national measures have been implemented in order to encourage mutualism.
d) as a last task interviews with EU level stakeholders were held.

[22] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 21.
[23] Ibidem, p. 21.
[24] Ibidem, p. 21.

The researchers collected the data from representatives of the European associations of mutual-type organisations (AMICE and AIM) as well as from ICMIF. As already mentioned experts were interviewed in order to provide feedback on the data.

Comparison of sources and companies included in ICMIF Study

When comparing the data provided by each study it seems a little odd that the Panteia statistic presents different numbers and figures even though some data sources appear to be the same. Reasons might be a) the various definitions for mutuals, b) the additional data sources used in the studies requested by the European Parliament and the European Commission and c) the fact that Panteia fine-tuned the data in respect to the scope of the study. As a matter of fact, it was not possible to ascertain the data sources and experts from Swiss Re Institute.

For a) …
ICMIF includes mutuals and cooperatives in their studies and therefore in the statistics, on the contrast cooperatives are not included in the study provided by Panteia, as they focus on voluntary groups of persons whose purpose is primarily to meet the needs of their members. Even though the European Commission has a different definition for mutuals, the data presented in its report are basically the findings of ICMIF.

For b) ...
Comparing the references listed by each study, it can be seen that few sources have been used for several studies. In fact, only two organisations were considered in three studies, namely AM Best[25] and ROAM (Reunion des Organismes d'assurance mutuelle)[26].

Other sources used in ICMIF reports and likewise used in one of the other studies are: FOV, Netherlands, Panteia Study as well interviewed the director and the EU Study used the Swiss Re Institute as an additional source. As the study provided by Panteia is based on the study provided by the European Parliament, data sources are mainly the same; the appendix refers to

[25] A.M. Best is the only global credit rating organisation with a unique focus on the insurance industry. A.M. Best (2018): *About A.M. Best*. http://www.ambest.com/about/ [01.02.2018].

[26] ROAM is an association, which accompanies and defends its members (mutual insurance companies), fundamentally committed to common values and commitments. ROAM (2018): *QUI SOMMES-NOUS?* http://www.roam.asso.fr/ [01.02.2018].

the EU-Study for additional references used. Furthermore, facts and figures reported by AMICE are also included in the statistics.[27]

According to the references listed, ICMIF obtains its data from member associations, such as[28]:

- American Life Insurers' Association, USA
- L'Argus, France
- CAMIC (Canadian Association of Mutual Insurance Companies), Canada
- Danish Insurance Association, Denmark
- JCIA (Japanese Cooperative Insurance Association), Japan
- NAMIC (National Association of Mutual Insurance Companies), USA
- NAIC (National Association of Insurance Commissioners), USA

For c) ..

In the study provided by Panteia the figures calculated for market shares differ from the ones reported by ICMIF due to data adaptation with respect to the aim of the study. Unfortunately, the way how the data was fine-tuned is not described in the study and therefore not comprehensible. The only clue to possibly understand the data is the list of companies involved in the ICMIF study. However, it is difficult to understand how the presented data was calculated.[29]

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[27] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 213-214.

[28] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 37.

[29] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 48.

3. Development of mutual insurers

3.1. Demutualisation

The term "demutualisation" *refers to the process that has come about as the result of many not-for-profit exchanges (mutual companies owned by groups of members) converting to for-profit and then shareholder companies in order to go public.*[30] More specific, mutual companies convert into publicity traded companies. For the insurance sector, a demutualisation wave was noted in the late 1990s, when the largest mutual insurers decided to restructure their organisation into a stock exchange company. Before this reversal, mutuals were worth striving for, as this form offers some advantages. First, considering the theory of agency; this is the case when an agency relationship rose between two or more parties and when on party, the agent, acts on behalf of the other, the principal[31]. If firms successfully compete in a certain industry, they might save costs due to their ownership structure. The costs are divided into two categories: production costs, the ones for goods or labour, and agency costs, which are additional costs for reducing conflicts that arise within an organisation as the interests of customers, owners, employees and managers are not concur. In regard to the insurance sector, two types of conflicts might occur as a) the customer-owner conflict and b) the owner-manager conflict. The structure of mutuals makes it easier to find a solution to the conflict between consumers and owners as customers own the organisation. In contrast, stock insurers have the ability to resolve conflicts between owners and managers, as the management has to avoid any disappointments for stockholders[32]. Figure 4 demonstrates the structure of mutuals and stock insurers.

[30] Farlex, Inc.(2004-2018): *Demutualisation*. https://financial-dictionary.thefreedictionary.com/Demutualisation [02.02.2018].
[31] Ross, S., (1973). The Economic Theory of Agency: The Principal's Problem. American Economic Association, 63(2), p. 1.
[32]Birkmaier, U., Laster, D. (1999). Are mutual insurers an endangered species?. SIGMA, 4. pp. 7-10.

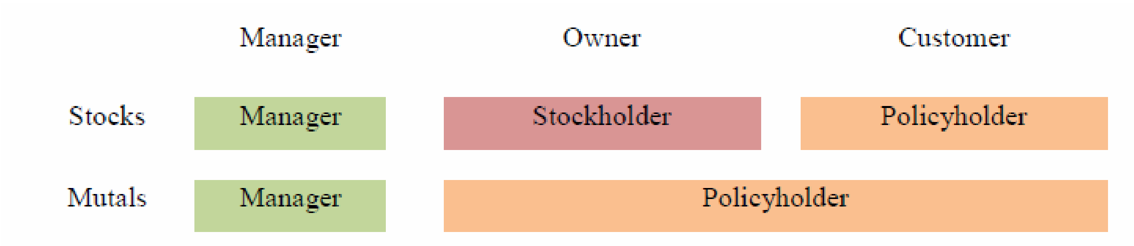

Figure 4: Management in stocks and mutuals

Source: Smith, C. (1986). On the Convergence of Insurance and Finance Research. Journal of Risk and Insurance, 53, pp. 693-717, own representation.

Other advantages for mutual-type organisations are as follows[33]:

a) Pricing advantage: attractive prices for policies offered, as they do not have to satisfy stakeholders and pay dividends

b) Flexible future management: activities regarding long-term interests of policyholders are easier to undertake

c) Community spirit as an advantage: policyholders would rather choose mutuals instead of stock insurers, if the differences between those types are known.

However, mutuals have some disadvantages over stock insurers such as capital disadvantages. Mutuals mainly finance themselves from their retained earnings. Furthermore, extend their business or establish a new one abroad is not as easy as it is for stock insurers. Another disadvantage is that mutuals are not able to judge performance via a transparent and economically relevant standard[34].

Nevertheless, the insurance market changed and stock ownership grew more and more popular as it offers easier access to capital and higher competitiveness. The reasons for their higher competitiveness are on the one hand, the changing customer desires for financial products and on the other hand, the development of new technologies[35].

Regarding demutualisation mutuals have a variety of options[36]:

1) Full demutualisation: Membership rights hold by policyholders are exchanged for cash, shares and subscription rights.

[33] Ibidem, pp. 12-13.
[34] Ibidem, p. 13.
[35] Ibidem, pp. 22-23.
[36] Ibidem, pp. 26-30.

2) Mutual holding company: With this structure the mutual insurers business is transferred to a stock operating company. The stock company is either directly or indirectly controlled by the mutual holding company, which in turn assign the control to an intermediate stock holding company. By a membership interest in the mutual holding company, policyholders are able to maintain their voting control.
3) Downstream stock subsidiary: Considering this structure, mutuals are able to offer various products to their clients as the parent company is entitled to acquire stock companies from its downstream subsidiary. Furthermore, the parent company is allowed to merge with mutual insurers.
4) Mergers: Typically insurers merge in order to realize substantial economies of scale. Further, merging with financial service providers is restricted.
5) International alliances: Operations can be expanded across national borders when mutuals ally with ones in other countries. These alliances enable economic opportunities such as financial strength and international diversification.
6) Outsourcing: With this option, it is easier to react to market changes and further, investment costs are lower.

As already mentioned a demutualisation wave was registered in the late 1990s. However, the process started already in the 1980s and was constant until the end of the 1990s. AM Best published in 1998 an insurance report listing the number of conversions since 1988. From 1988 to 1993 the number of conversion in total was in contrast to the numbers from 1994 to 1999 quite small. The numbers indicate a wave of conversions from 1990 and it can be seen that every year, except for three years, conversions took place. Mutual companies in this research study were either free-standing companies or mutuals that were the leading company in a group owning stock subsidiaries. Of these 21 conversions only ten life-health insurers converted to a MHC (Mutual Holding Company).[37]

Life-Health Conversion Activity During 1988–1999

Year	Number of Conversions
1988	1
1989	3
1990	0
1991	0
1992	1
1993	0
1994	1
1995	2
1996	1
1997	4
1998	7
1999	1
Total	21

Table 2: Conversions from 1981 – 1999

Source: Viswanathan K., Cummins, J. (2003), Ownership structure changes in the insurance industry: an analysis of demutualization, The Journal of Risk and Insurance, 70(3), pp. 401-437.

[37] Viswanathan, K., Cummins, J. (2003). Ownership structure changes in the insurance industry: an analysis of demutualisation. The Journal of Risk and Insurance, 70(3), p. 19.

3.2. Currently existing legal forms of mutual-type organisations

As already known various definitions of mutual exist and within the EU different legal forms of mutuals are represented. Referring to AMICE and AIM, five main characteristics describe a mutual:

a) they are private legal entities,
b) can be seen as a grouping of persons (natural persons or legal entities),
c) they follow a democratic governance,
d) solidarity plays a major role among members,
e) profits earned are used for the benefits of members.[38]

In Europe mutuals are mostly allowed to operate solely in the insurance and reinsurance sector. In some European countries, different kinds of mutuals exist such as mutuals providing insurance and mutual benefit societies focusing on activities related to social services and health care. In some countries the structure of mutuals is even prohibited and therefore, the creation of a mutual-organisation is not possible. Figure 5 shows a map of mutual activities in Europe.[39]

[38] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM.
[39] Lowet, L. (2012): Mutuals in Europe: who they are, what they do and why they matter. Brussels: ICODA European Affairs, p. 2.

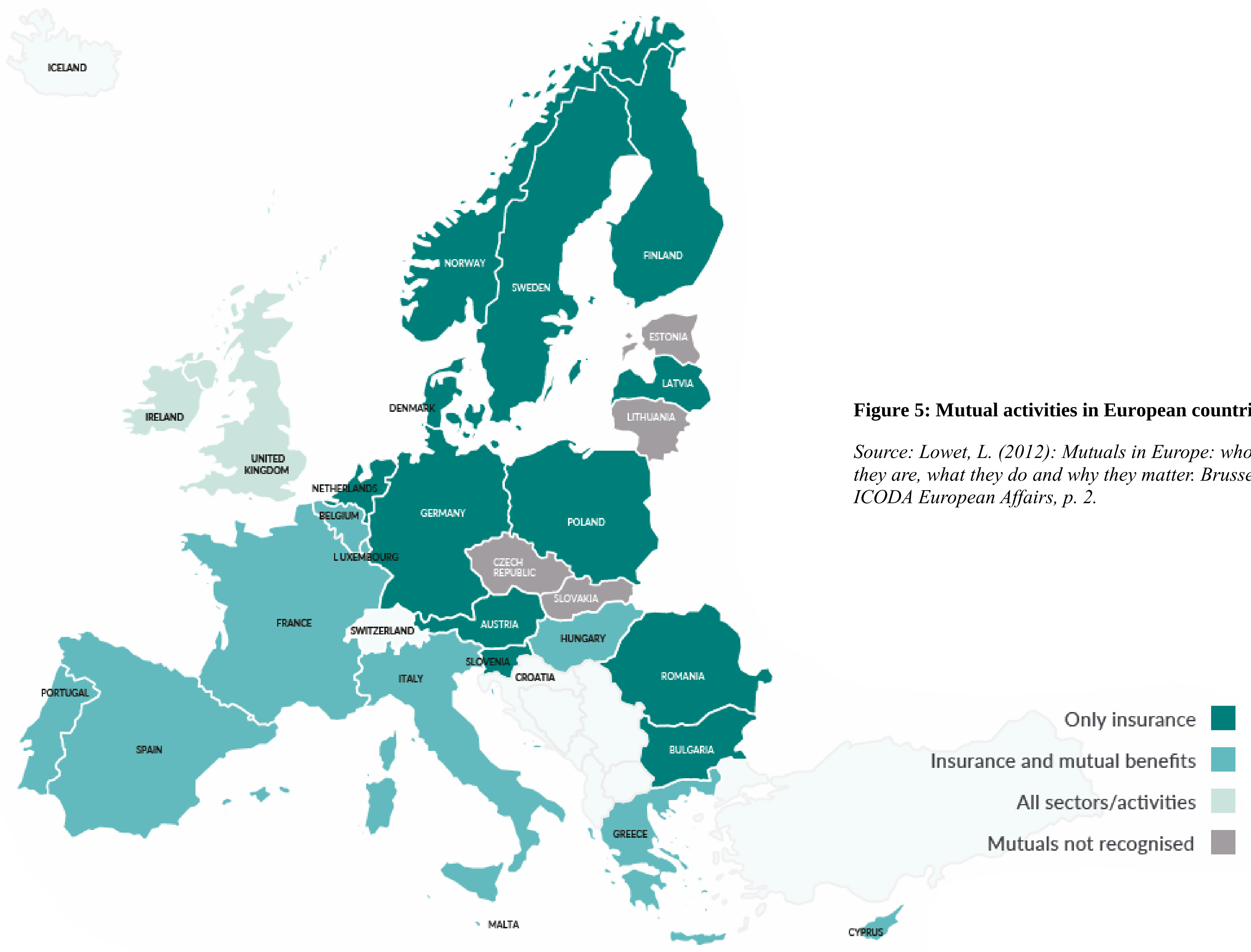

Figure 5: Mutual activities in European countries

Source: Lowet, L. (2012): Mutuals in Europe: who they are, what they do and why they matter. Brussels: ICODA European Affairs, p. 2.

Referring to the study conducted by Panteia for the European Commission, most mutuals are either a special kind of association, cooperative or a company. Legal frameworks for mutual-type organisations differ from country to country regarding the terms of regulations for the creation, corporate governance and tax issues. Furthermore, rules exist concerning the activities conducted by mutual-type organisations. Legal regulations are in most countries described in the insurance law. When mutuals provide social services, in most cases the legal framework is a different one; regulation is either based on specific legal framework or on legal framework of associations.[40]

As well as the definition of mutual is wide spread, different legal frameworks are applied. Therefore, the next subchapter gives an overview over the legal frameworks applicable to mutual-organisations. Further, issues for creating mutual-type organisation are summarized.

3.2.1. Overview of legal frameworks

Comparing the legal frameworks for mutual-organisations within European countries, it is seen that mutual-type organisations are mainly described in the insurance law or in the financial business supervision. Furthermore, in some cases, mutual-organisations underlie either the civil code, the cooperative law or even the association law.[41] In the USA in contrast, directors of mutual insurance companies have the permission to develop governance practices appropriate to the regulatory requirements of the states in which they are active. The practices have to be consistent with the mutual charter and by-laws as well as with their business environment and their member needs. For this reason, variations in corporate governance practices appear within the mutual insurance industry. However, they are within the parameters established by the regulatory requirements applicable for mutuals.[42]

In their study for the European Commission, Panteia highlighted that four legal regimes appear in countries where the concept of a mutual-type organisation is permitted. First, mutual-type legal entities can have an own specific legal form. Second, they might be based on the legal framework of associations. Third, the legal framework of cooperatives can apply. And fourth, they can follow another legal framework.[43]

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[40] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 57.

[41] Ibidem, p. 63.

[42] National Association of Mutual Insurance Companies (NAMIC) (2018): *About Mutual Insurance*. https://www.namic.org/about/mutuals [30.03.2018].

[43] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and

Regarding the four legal regimes, for each regime an example can be found within Europe. Mutuals with their own specific legal form appear for example in France (mutuals), Spain (mutual provident societies), Belgium (society of mutual assistance/mutual benefit company), or Ireland (friendly societies). In Finland (insurance association), Sweden (insurance association), Italy (benefit mutual societies) or in Luxembourg (mutual aid society, mutual insurance association) some mutual-type organisations are based on the legal framework of associations. The legal framework of cooperatives is a legal regime that appears in Portugal for mutual insurance companies, in Greece for mutual insurance cooperatives or in the Netherlands for mutual insurance societies. Mutual-type organisation following another legal framework are seen in Austria (insurance mutual, small mutual insurance associations), Belgium (mutual insurance society), in Denmark (mutual companies), in Germany (mutual insurance association, small insurance mutual) or in Romania (mutual companies).[44]

As not only the legal forms for mutuals are different per country but also the legislative basis differs, the next section will focus on the four legal regimes and later an overview per country will be presented.

3.2.1.1. Own legal framework

In few countries a particular type of mutuals has their own legal framework which is not related to another legal framework. As for example in France, the Code de la Mutualité (mutuality code) applies for mutuals, defining them as "*not-for-profit legal entities under private law. They carry out provident, solidarity and mutual aid-based work, by means including contributions paid by their members, and in the interests of these latter and their beneficiaries, in order to contribute to the cultural, moral, intellectual and physical development of their members and to improving their living conditions.*"[45][46] This code consists of five books, called Livres, containing:

I. general provisions (e.g. definitions)
II. details and specifies insurance activities
III. in-kind services like prevention, social action and social and health care

prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 63.

[44] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 63-64.

[45] Code de la mutualité - Article L111-1, www.legifrance.gouv.fr, [05.03.2018].

[46] Grijpstra, D., Broek, S., Buiskool, B., & Plooij, M. (2011). The role of mutual societies in the 21st century. Brussels: European Parliament, p. 21.

IV. governance and
V. supervision

In France mutuals mainly provide insurance products, with focus on complementary health insurance. Some mutuals are active, in respect to Livre III, in prevention, social action of social and health care issues.[47]

Another country, where mutuals underlie an own legal framework is Belgium. As of late, mutual benefit companies can be established, this is a new type of mutual organisation. In 2012 the legislation for organisations providing complementary health insurance (mutual health societies) changed, as the European Commission has seen a lack of implementation of the provisions of the First and Third Non-Life Insurance Directives. They now fall under the 2010 Law on supplementary health insurance. Mutual benefit companies can be described as societies where people agreed on mutually insurance themselves and further sharing the burden of damages. As per this definition, mutual benefit companies almost equal ordinary insurance companies, except a few significant differences. Mutual insurance companies are supervised by the BNB and the Financial Services and Markets Authority., while mutual benefit companies on contrary are controlled by the Mutual health societies Supervision Authority. Moreover, for mutual benefit societies offering their services on the general market is forbidden. Therefore, services can only be offered through the own network of mutual health societies.[48]

3.2.1.2. Legal framework of associations

Due to legislation evolution, most mutual associations are rather related to company legislation than to association legislation. Mutual-type associations are mostly smaller organisations providing insurance products. In Romania for example mutual associations are still common as there are for instance the Mutual Associations of Employees CAR or the Mutual Associations of Pensioners CARP. Mutual Associations of Employees CAR can be described as associations underlying private law without a patrimonial purpose. Furthermore, their main aim is developing solidarity relations, supporting and giving material help to its members. CARs fall under the Government Ordinance no. 26/2000 on associations and foundations. This ordinance

[47] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 64-65.
[48] Ibidem, pp. 66-67.

was further completed and revised by Law no. 246 for the permission of Government Ordinance no. 26/2000 on associations and foundations.[49]

Italy is another country, where specific mutual-type organisations are based on the legal framework of associations, as in most cases mutuals are excluded from corporate tax and regulations. The profit of mutual benefit societies in Italy is not taxable, due to their non-commercial nature.[50]

3.2.1.3. Legal framework of cooperatives

In case mutual-type organisations fall under the legal framework of cooperatives, they usually are cooperatives, which have the permission to be active in insurance business. Even though these cooperatives have the allowance, they have to follow some restrictions. In Europe mutual cooperatives are in fact insurance mutuals. Therefore, the rules organisations follow are related to those for cooperatives.[51] Nonetheless, there exist fundamental differences. In Latvia, the law does not contain a general definition of mutuals. Even though, the insurance legislation does not include a definition either, mutuals cooperative insurance societies underlie the Law On Insurance Companies and Supervision.[52]

In the Netherlands, mutual insurance societies are a special form of societies. However, the laws and regulations of cooperatives apply for the legal form of mutual insurance societies. In Italy, the Civil Code applies to mutual insurance societies, where certain rules for cooperatives are included. Moreover, the Civil Code states that members of a mutual insurance society are policyholders.[53]

Due to common characteristics, it is often difficult to distinguish between mutual-type organisations and cooperatives. Sometimes, even the distinction between cooperatives and mutual cooperatives is hard and therefore, depends on the Statutes of the company. In Europe,

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[49] Ididem, pp. 67-68.
[50] Ibidem, p. 68.
[51] Grijpstra, D., Broek, S., Buiskool, B., & Plooij, M. (2011). The role of mutual societies in the 21st century. Brussels: European Parliament, p. 21.
[52] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 68.
[53] Ibidem, p. 69.

cooperative-type mutuals are mostly involved in insurance business and follow the European insurance and financial market Directives.[54]

3.2.1.4. Other legal framework

Other legal frameworks applying to mutual-type organisations are usually the ones for general companies. Mostly mutuals in this category are ordinary companies with additional characteristics. For example, in Germany insurance mutuals are in first place insurance companies. General characteristics include that they are a private insurance company based on associations with legal personality. Furthermore, their members are policyholders. Insurance mutuals in Germany have to fulfil the following characteristics[55]:

a) active only in insurance business
b) it is a private legal entity
c) democratic control hold by member-policyholders
d) equality principle
e) limited access to capital markets

In Germany, as well as in Austria, large and small insurance mutuals exist. For the case of Germany, small insurance mutuals only insure a specific group of people and are basically organised locally. Due to this, the statutory applying to them is not as complex as for large insurance mutuals. In reference to the law applicable to small insurance mutuals, they are defined as associations pursuing activities limited to a) specific geographic area, b) insurance lines, and c) circles of customers.[56] Whether a mutual is a large or a small insurance mutual is classified by the national supervising authority, called Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). While larger insurance mutuals are controlled by the BaFin, smaller insurance mutuals fall under the supervision of the Länder (federal states).[57]

In Ireland, the United Kingdom or in Cyprus there is no specific legal entity for being mutual. However, companies limited by share capital or by guarantee are in fact allowed by legislation.

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[54] Ibidem, p. 69.
[55] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 69-70.
[56] eversio UG (2005): *§ 53 Kleinere Vereine*. http://www.versicherungsgesetze.de/versicherungsaufsichtsgesetz/0053.htm [06.03.2018].
[57] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 70-71.

In Cyprus, mutuals fall under the Cyprian Law on Insurance Services and Other Related Issues 2002-2011. Referring to Article 15 of this law, mutual organisations are companies limited by guarantee, without dispose of share capital. Furthermore, the exclusive function of mutuals organisations is the mutual insurance of its members.[58] [59]

In the past years Sweden experienced an interesting change regarding the legal frameworks applicable for mutual-type organisations as the legislative basis changed from company law to cooperative law. Reason for this movement was the issue of voting power allocation, as organisations held the voting power instead of individual policyholders. Therefore, a new Insurance Business Act became operative in 2011, replacing the Insurance Business Act of 1982 and the Benevolent Societies Act of 1972. In the new Act a cleared allocation of voting power is written down, stating that half of the voting power lies now in the hand of policyholders or organisations, representing members' interests. Before the new Act entered into force, mutual insurance companies fell under the legal framework of stock companies. Due to the new Act, the legislation for cooperatives applies for mutual insurers.[60]

As already mentioned in this section in most countries mutual-type organisations are both described and regulated in the insurance law; independent of its declaration as an association, cooperative or company. In case that mutual-type organisations are active in social business such as social protection or other social services, the legal framework applicable to them is based on the one for associations. For typical insurance mutuals the legal framework for cooperatives and companies is point of reference.[61]

3.2.1.5. Overview per country of legal entities and applied legal framework

As the different legal frameworks were presented shortly in the sections above, this subchapter will give an overview of legal entities and the frameworks applying per country.

[58] Cyprus Profile (2018): *Superintendent for Insurance Control (SI).* http://www.cyprusprofile.com/en/companies/overview/superintendent-for-insurance-control-si [06.03.2018].
[59] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 70-71.
[60] Ibidem, pp. 71-72
[61] Ibidem, pp. 71-72.

Country	Legal entity	Legal framework applicable to the mutual
Austria	**Insurance mutual** (Versicherungsverein auf Gegenseitigkeit)	• Insurance Supervision Act
	Small insurance mutual association (Kleine Versicherungsvereine auf Gegenseitigkeit)	
Belgium	**Mutual insurance society** (Association d'assurance mutuelle/onderlinge verzekeringvereniging)	• The Law of July 9, 1975 on the control of insurance companies • Law of 1995, relating to intermediation on insurance and reinsurance and to insurance products distribution • Law of 2002, relating to state supervision on financial sector and services (co-operation agreement OCM/CBFA) This last Law has recently in 2012 been amended to introduce a new supervisory model (twin peaks model)
	Society of mutual assistance / Mutual benefit company (Societe mutualiste/maatschappij van onderlinge bijstand)	• 2010 Law on complementary health insurance • The law of 1990 on mutual health societies, hereafter called the 1990 Law on mutual health societies
Finland	**Mutual insurance companies** (Keskinäinen vakuutusyhtiö/ömsesidigt försäkringsbolag)	• Insurance Companies Act
	Insurance association (Vakuutusyhdistys/försäkringsförening)	• Law on Insurance Associations
	Pension Insurance Companies (Työeläkevakuutusyhtiöistä / arbetspensionsförsäkringsbolag)	• Act on Pension Insurance Companies
France	**Mutual insurance companies** (Société d'assurance mutuelle)	• Insurance code
	Mutuals (Mutuelles)	• Code of mutuality

Germany	**Mutual insurance association** (Versicherungsvereine auf Gegenseitigkeit)	• Insurance Supervision Act
	Small insurance mutual (Kleine Versicherungsvereine auf Gegenseitigkeit)	
Ireland	**Friendly societies**	• Friendly Societies Acts 1896 to 1977
Italy	**Benefit mutual societies** (Società di mutuo soccorso)	• Law n° 3818 of 15 April 1886 • Law 502 of 1992 (on complementary health funds) • Law 460 of 1997 (not-for-profit)
	Mutual insurance companies (Società di mutua assicurazione)	• Civil Code • The Private insurance law: legislative decreen. 209 of 7 • September 2005 – Code of Private Insurance
Netherlands	**Insurance mutual** (Onderlinge Verzekeringmaatschappijen/vereniging)	• Decision of 12 October 2006 laying down prudential • rules for financial companies operating in the financial • markets (Decree on Prudential Rules Financial market • supervision) • Civil Code 2
Norway	**Mutual insurance company** (Gjensidige forsikringsselskaper)	• Law on insurance companies, pension companies and • their business activity
Portugal	**Mutual associations** (Associações mutualistas)	• Mutual Association Code
	Mutual insurance company (Mútua de seguros)	• Law 94-B/98 of april 17 Insurance law

Romania	**Mutual companies** (Societăţi mutuale')	• Law no. 32/2000 on insurance undertakings and insurance • supervision
	Mutual association of Employees (Casa de Ajutor Reciproc a Salariatilor) /**Mutual association of Pensioners** (Casa de Ajutor Reciproc a Pensionarilor)	• CAR – L 122 from 1996 (restated in 2009) • CARP – L 540 from 2002 • Law 93/2009
Sweden	**Mutual insurance companies** (Ömsesidiga försäkringsbolag)	• Insurance Business Act
	Insurance association (Försäkringsföreningar)	

Table 3: Overview of legal entities and legal framework

Source: Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 59-62.

Comparing the countries by tabularizing them makes it visible that in most countries the insurance law or the financial business supervision law is the basic framework for mutual-type organisations. In some cases, the civil code is applicable and sometimes also the cooperative/ association law as listed in section 3.2.1.

3.2.2. Issues of creating a mutual-type organisation

Regarding the establishment of a new mutual, organisations often face certain issues during the creation process. First, the legal framework for the new mutual-organisation is in question. Due to various legal types, different legal frameworks can be adapted. Concerning the method of creation, the following issues are described in different country fact sheets[62]:

1) The first step is the registration, which depends on the activity in focus and on the underlying legal framework. The registration departments in charge are usually the commercial, companies or trade registers.
2) Second, the phrasing and drafting of the Statutes, including the name of the organisation, the organisations purpose, location of head office, membership and members rights, as well as the composition of the governance model, and how the Statutes can be modified. Another issue Statues usually deal with is the regulation regarding merging, liquidation, or even demutualisation. The final draft of the Statutes must be certified by a public

[62] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 72-89.

notary office.

3) Another point of consideration is the number of (founding) members, which varies from country to country, where the minimum number ranges from one to five hundred members. In Sweden for example one or several founders are needed, whereas in France on contrary, there is a need of five hundred founders. In Germany, at least two founders are needed.
4) The fourth issue is capital requirement and depends largely on the activity conducted by the mutual-type organisation. Those active in insurance need both a minimum guarantee fund and initial capital, whereby for some mutual-type organisations only the latter is required as it is equivalent to the guarantee fund. The initial capital is the amount needed to cover for the foreseen activities in order to carry them out for a certain period of time. Therefore, it should at least cover all operational costs for creating a mutual. Moreover, there are differences regarding the method of payment; cash or not cash. Referring to the EU-Directive 2002/83/EC article 29 states that the guarantee fund may not be less than 3.5 million Euro for life insurance, which represents one third of the solvency margin required. For non-life insurance the minimum amount for the guarantee fund is 2.5 million Euro. In case a mutual-type association is registered, the guarantee fund may be reduced by one fourth.

Additional to the four listed examples above, other issues may appear concerning the legal framework. Measures for support and promotion vary per country depending on the law applying to a mutual-type organisation. For example, mutuals in Finland do not receive special treatment for their legal form. However, concerning the line of business there are some preferential treatments (taxes for insurance and reinsurance companies are at a flat rate of 26%).[63] Insurance taxation varies considerably between European countries. While Finland has a flat rate of 26%, in Portugal mutual associations are excluded from income taxes. Due to their declaration of not being a commercial entity, payment of company taxes is not required. In Germany, on the contrary, the law does not include a preferential tax treatment for these types of firms. Mutual-organisations providing insurance and reinsurance-related services are required to pay an income tax of 15%. Furthermore, those organisations are subject to personal or corporate income tax. The French legislation adjusted based on the decision of the European Commission. Due to this change, mutuals were gradually taxed and corporate tax was adapted;

[63] PWC (2011): *International comparison of insurance taxation*. https://www.pwc.at [12.03.2018].

in 2012 they paid 40%, in 2013 a 60% tax was enacted and 100% thereafter.[64] The only similarity in all European countries is the fact that small insurance operators are exempted of general rules. Another issue occurring is the employee involvement. Mostly the same rules apply for mutual-type organisations as for other organisations. In Austria, for example, mutual insurance associations with a supervisory board fall under the same rules as joint-stock companies. In other countries such as in Finland and Italy legislation does not include specific rules. For mutual associations other rules may apply in some countries. In Portugal employees are also members of the mutual association for the most part and therefore, have specific rights and duties. However, in general, regular schemes are applied for mutual-type organisations concerning employee involvement.[65]

As already mentioned, mutuals face various barriers. Issues regarding the legal framework applying to the created mutual-type organisation have been discussed above. Further complications arise regarding the initial foundation capital, depending if it is an insurance or non-insurance mutual. As the foundation capital is principally gathered by the members of the mutual, reaching the threshold for obtaining an insurance licence is rather difficult. Due to unclarity in the legal frameworks, barriers for non-insurance mutuals are difficult to address. There exist a number of structures in order to overcome obstacles regarding the initial founding capital. These may vary by country.[66]

a) Subordinated loans or guarantee capital: in most European countries external capital can be acquired legally (i.e. Denmark, Germany, Finland, Austria, United Kingdom, France). In other countries this option depends on the included content in the Statutes.
b) De minimis regimes: For those non-Directive insurers the requirements regarding the foundation capital are lower than for Directive insurers.
c) Discretionary mutuals: these mutuals are not engaging in insurance or reinsurance business. Furthermore, members suffering a loss may apply for assistance in order to pay all or part of the costs due to the loss. This mutual-type organisation has absolute discretion if a member suffering a loss is indemnified.

[64] Grijpstra, D., Broek, S., Buiskool, B., & Plooij, M. (2011). The role of mutual societies in the 21st century. Brussels: European Parliament, p. 22.
[65] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 89-93.
[66] Ibidem, p. 123.

Summarizing the issues organisations face during the creation process of a mutual-type organisation, that is active in the insurance business, it is reasonable to say that most barriers result from the legal framework applicable to the type of mutual, and more importantly the initial foundation capital, as the threshold lies at 2.5 million Euro for non-life and 3.5 million Euro for life insurance. As already mentioned, the problem with obtaining this amount of money is the fact that it needs to be gathered by their members for the most part. However, there are certainly six countries where the creation of a mutual-type organisation is impossible due to the absence of legal possibilities, such as Czech Republic, Estonia, Iceland, Liechtenstein, Lithuania, and Slovakia.[67]

3.3. Market Shares of mutual-type organisations

3.3.1. Global market

In 2008, the International Cooperative and Mutual Insurance Federation, ICMIF, published a report on global mutual market share for 2007 and 2008. Referring to this report, mutuals and cooperatives represented nearly a quarter of the world's insurance industry in 2008. Especially mutuals and cooperatives in the European Union cover 99.2% of the world's insurance market.[68]

The report includes 2,750 insurance organisations from 70 countries and collected data on premium income and assets. Therefore, a mutual market share of 24.0% for 2008 was calculated, which shows a slight increase compared to 2007, when the market share accounted for 23.3%. Also an increase for the life and non-life insurance market was registered. For the life insurance market, shares increased to 21.9% (2007: 20.8%) and for the non-life insurance market a slight increase to 26.9% was noticed.[69]

[67] Ibidem, p. 125.
[68] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p.1.
[69] Ibidem, p.3.

	Mutual market share 2007	Mutual market share 2008	Mutual market share 2007 updated	Mutual market share 2008 updated	Mutual market share 2012
Life	20.8%	21.9%	20.6%	22.7%	25.0%
Non-life	26.8%	26.9%	27.6%	29.2%	28.9%
Total	**23.3%**	**24.0%**	**23.4%**	**25.4%**	**26.7%**

Table 4: Mutual market shares of life and non-life insurance 2007 - 2012

Source: Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p.3, own representation.
Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p. 3, own representation.

In its report from 2012 figures for the mutual market shares from previous years were adapted to current data. For the years 2007 and 2008 market shares were updated to 23.4% and 25.4%. As seen in Figure 6 for 2012 a global mutual market share of 26.7% was reported.[70]

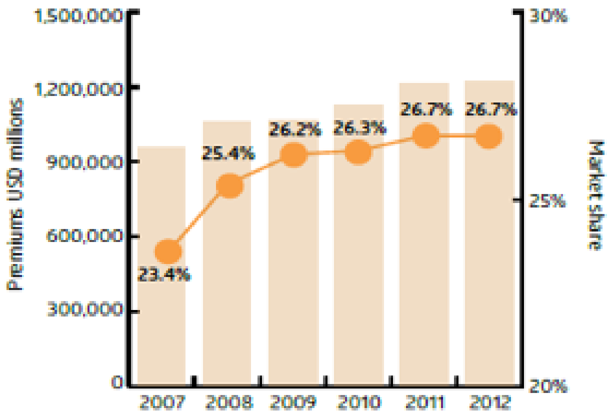

Figure 6: Global mutual premiums and mutual market shares from 2007-2012

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p. 3.

[70] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p. 3

Likewise, the figures for life and non-life insurance market shares were adjusted to latest data; market share for the life insurance market accounted for 22.7% in 2008 and 25.0% in 2012. The market share for the non-life insurance market decreased from 29.2% in 2008 to 28.9% in 2012. [71]

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon:

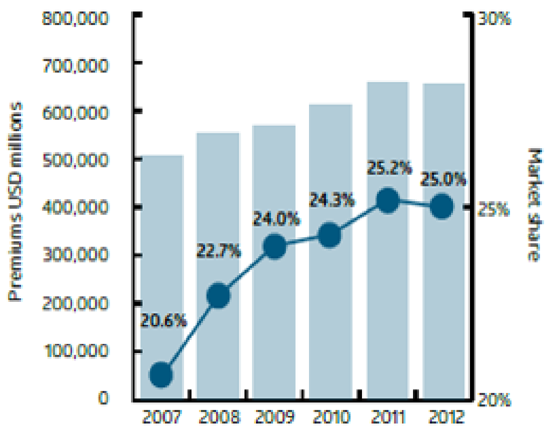

Figure 8: Mutual premiums and market shares for life insurance 2007-2012

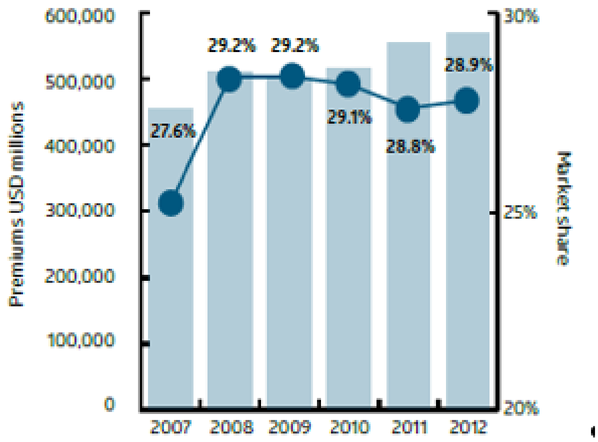

Figure 7: Mutual premiums and market shares for non-life insurance 2007-2012

ICMIF. p. 4.

ICMIF published its latest report regarding global mutual market shares in 2015. As already mentioned, the institution publishes reports every year since 2005. Further, the report of 2008 was analysed before. Due to data extension, the figures from previous reports were updated once again and therefore, data from above changed. Since 2007, there have been constant ups and downs in mutual market shares. However, these ups and downs can still be seen as an increase in market shares as they grew from 24.1% in 2007 to 26.7% in 2015. The highest global mutual market shares were recorded in 2013 when it reached a maximum of 27.8%. Since then, decreases were reported (Figure 9). Regarding the mutual life sector, market shares continued to decrease in 2015 for the fourth consecutive year. Between 2007 and 2011 shares increased from 19.5% to 24.5%. In 2012 the shares started to decline by nearly 1% and further fell in the following years. As seen in Figure 10 mutual market shares were at 22.5% in 2015. The non-life insurance sector as well reported a decline in market shares in 2015. However, this sector did not register ups and downs such as the life insurance sector. On the contrary, shares were quite steady over the years. From 2007 to 2009 shares increased and first declined in 2010.

[71] Ibidem,p. 4.

From then on market shares were at the same level for three years (2010-2012). In 2013 and 2014 the shares once again increased slightly and fell in 2015 as seen in Figure 10.[72]

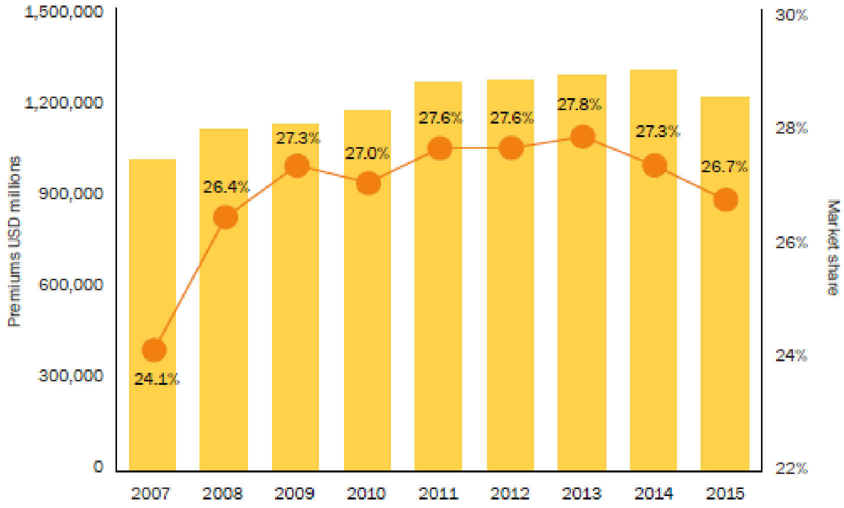

Figure 10: Global mutual market shares from 2007-2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 3.

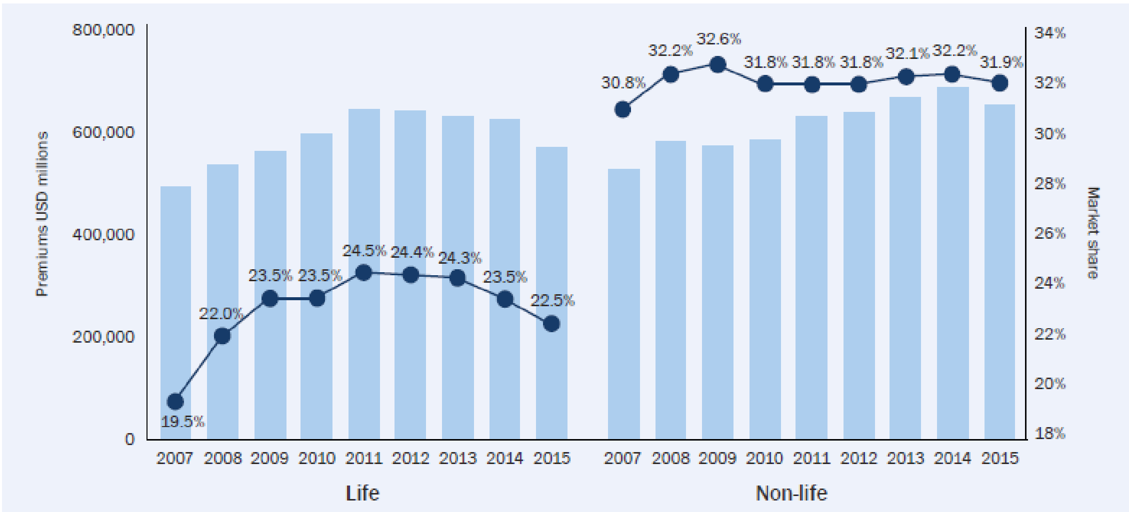

Figure 9: Global mutual premiums and mutual market shares for life and non-life insurance from 2007-2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 5.

[72] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, pp. 3-5.

Latest data published on the ICMIF webpage shows that previous data was once again updated and changed. Due to this, the global mutual market share reported by ICMIF lies at 27.0% for 2015 instead of previous reported 26.7%. [73] In 2016 global mutual market shares decreased to 26.8% compared to the updated percentage for 2015.[74]

3.3.2. European market

The Association of Mutual Insurers and Insurance Cooperatives in Europe, AMICE, published in 2012 its statistical overview "Facts & Figures – Mutual and cooperative insurance in Europe", including data from 2008. Referring to this report in 2008 more than the half of all insurers in Europe were mutuals or cooperatives. Moreover, subsidiaries of mutuals and cooperatives or insurance companies acting like mutuals or cooperatives represented an additional 10%.[75]

In contrast to the ICMIF report, AMICE reports a market share of mutual and cooperative insurers and their subsidiaries of 18.3% in 2008. Depending on the definition used for insurers the market share changes. As for "*insurers that are controlled by mutuals or cooperatives, that are in another way controlled or influenced by their clients, or that are inspired by mutualist and/or cooperative ideas, and/or are structured in such a way that they are not controlled by outside capital interests*"[76] a market share of 26.1% throughout the 27 EU Member States was represented for 2008. However, this definition is only an expansion to the original definition of AMICE for comparison reasons.[77]

The study provided by Panteia fine-tuned the data published by ICMIF in respect to the research scope and presented a market share for mutual insurers of 15.8% in 2010. The life insurance market share was 12.8% and the non-life insurance market share was 20.5%. In 2010 mutual insurers in Europe together disposed of 1,161,397,893 million Euro of assets, this represented

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73 ICMIF (2018): Global mutual and cooperative market infographic 2016. https://www.icmif.org/publications/infographics/global-mutual-and-cooperative-market-infographic-2016 [11.04.208].

74 ICMIF (2018): Global mutual and cooperative market infographic 2017. https://www.icmif.org/publications/infographics/global-mutual-and-cooperative-market-infographic-2017 [11.04.2018].

75 AMICE. (2012). Facts and figures: Mutual and cooperative insurance in Europe. Brussels: AMICE, p. 7.

76 Ibidem, p.8.

77 AMICE definition: "*insurers are insurance undertakings in the legal form of a mutual or cooperative*", AMICE. (2012). Facts and figures: Mutual and cooperative insurance in Europe. Brussels: AMICE, p. 7.

a growth of over 6% compared to 2009. Furthermore, the study presented market shares of mutual-type organisations in insurance for 30 countries. For most countries market shares in 2010 remained steady comparing to market shares from 2009.[78]

After the deep recession in the 2000s the economy slowly recovered and therefore the insurance premiums grew. Referring to the Swiss Re Institute, which published reports regarding the global insurance sector, the sector successfully emerged from the financial crisis as total premiums grew by 2.7% in 2010. Further, it was expected that the life insurance sector as well as the non-life insurance sector will grow in the near future. While premiums in the life insurance grew by 3.2%, premiums in non-life insurance grew by 2.1% after declining in 2008 and 2009. However, even though a rise was noticed, premiums were below pre-crisis level. In 2012 a global insurance review was published, highlighting growth in premiums as expected.[79]

In the edition of Market InSights Europe published by ICMIF and AMICE in 2015 a European mutual market share of 31.3% was reported. Compared to the calculated market share of 2007 (24.1%), the European mutual market share increased by 7.2%. In the last seven years from 2007-2014 a steady growth was noted but in 2015 the market shares dropped by 0.7%. Referring to this report, the 10 largest mutual markets, from a global perspective, were European, such as France, Spain, Germany, Austria or the Netherlands. Regarding the life and non-life insurance market the shares as well increased. Mutual life insurance market shares grew from 17.2% in 2007 to 24.1% in 2015. However, in 2015 shares slightly decreased compared to the previous year (25.4%). Non-life insurance market shares in contrast grew steadily over the years without exceptions. In 2015 the market shares accounted for 41.1%, which highlights an increase of 5.4% since 2007.[80]

[78] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, pp. 48-49.
[79] Karl, K., Holzheu, T., & Wong, C. (2012). Global insurance review 2012 and outlook 2013/14. SIGMA, 12, p. 4.
[80] Telfer, B., Lageu, F., & Easton, N. (2017). Market InSights: Europe 2015. Bowdon: ICMIF, pp. 1-3.

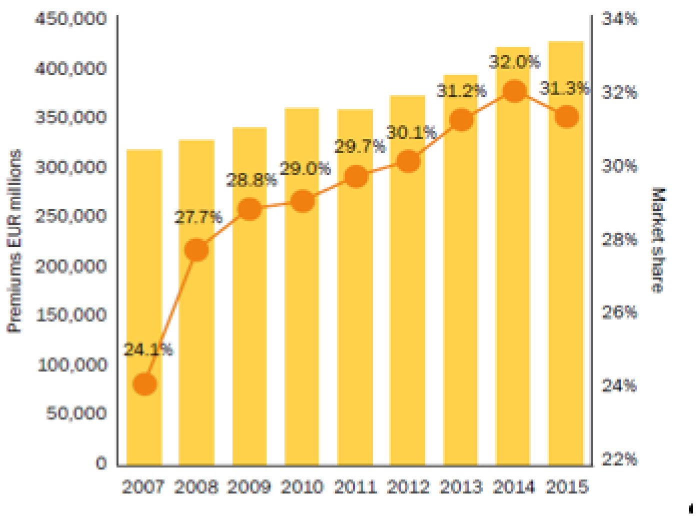

Figure 11: European mutual premiums and mutual market shares from 2007-2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Market InSights: Europe 2015. Bowdon: ICMIF, p. 2.

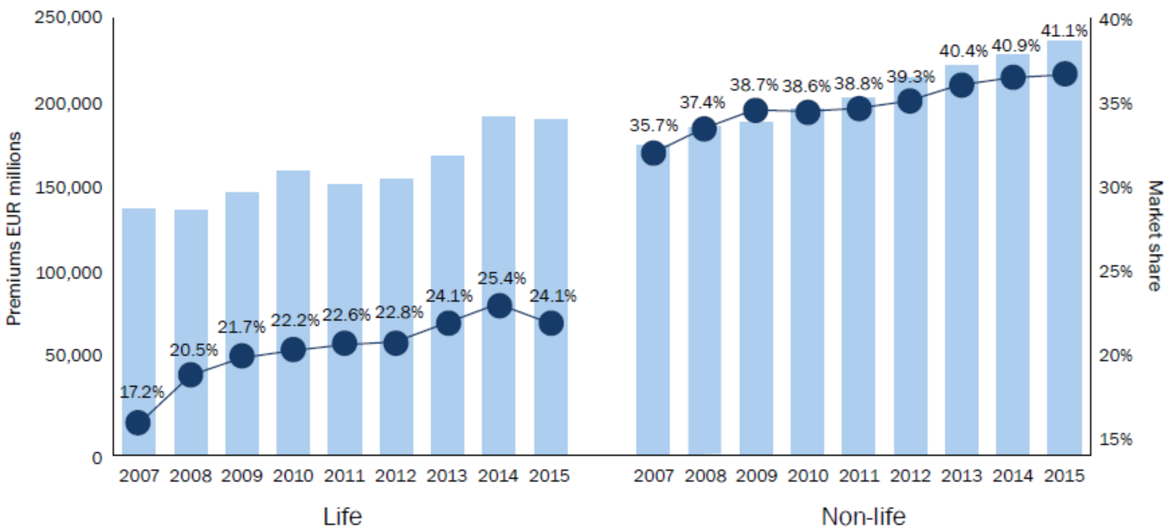

Figure 12: European mutual premiums and mutual market shares for life and non-life insurance from 2007-2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Market InSights: Europe 2015. Bowdon: ICMIF, p. 3.

Even though mutual market shares on a global basis and on a European perspective increased and decreased over the years, a positive development can be recognized by comparing the different reports and studies regarding market shares of mutual institutions.

The following subchapters will focus on the market shares by region and country as well as on market shares by business.

3.3.3. Market share by region and country

As global and European mutual market shares were already analysed, this section summarizes and compares studies and reports regarding mutual market shares by regions and countries. Regions refer to the continents investigated, namely Europe, North America, Africa, Latin America, and Asia and Oceania. Reports on mutual market shares by region were solely investigated and published by ICMIF.

In 2008 the three largest insurance regions were North America, Europe, and Asia and Oceania, whereby North America was the largest insurance market. While four out of the five continents investigated recorded an increase from 2007 to 2008, one market (Asia and Oceania) registered a decrease concerning mutual market shares. Reason for this decline was assumed to be the significant change of the Japan Post IPO (initial public offering).[81] The Japan Post was privatized in October 2007, and therefore Japan Post Holdings, Japan Post Bank, and Japan Post Insurance formed the Japan Post Group. Furthermore, all business sectors took actions in order to operate as private-sector companies. In 2008, the life insurance business received permission to sell hospitalization insurance and life insurance policies.[82] Another reason for the decline in this region was the expansion of the insurance industry in China. Since there was no mutual sector until then, the appearance of mutuals effectively reduced the overall proportion of mutuals at the regional level.[83]

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[81] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 4.

[82] Japan Post Group. (2008). 2008: Annual Report. Tokyo: Japan Post Holdings Co., Ltd., pp. 15-19.

[83] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 4.

Region	Mutual market share 2007	Mutual market share 2008
North America	27.7%	29.0%
Europe	21.8%	23.9%
Asia & Oceania	22.2%	19.9%
Latin America	7.2%	7.6%
Africa	1.1%	1.2%
Total	**23.3%**	**24.0%**

Table 5: Mutual market shares by region for 2007 & 2008

Source: Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 4, own representation.

Life insurance markets increased for nearly all regions, for three regions the increase was higher than 10%, Asia and Oceania recorded an increase of 0.2% and the insurance market for Europe remained the same as the previous year. For non-life business once again only four regions registered a positive development compared to 2007. For North America and Europe the increase was quite low compared to the increase for Latin America and Africa. In Asia and Oceania the non-life insurance market decreased by almost 5%.[84]

Region	Life		Non-life	
	Mutual market shares 2008	% increase from 2007 to 2008	Mutual market shares 2008	% increase from 2007 to 2008
North America	23.4%	+10.9%	33.9%	+2.0%
Europe	21.5%	0.0%	27.3%	+6.8%
Asia & Oceania	23.0%	+0.2%	11.4%	-4.9%
Latin America	2.8%	+10.8%	10.7%	+25.2%
Africa	0.6%	+13.0%	2.7%	+24.2%
Total	**21.9%**	**+2.9%**	**26.9%**	**+3.7%**

Table 6: Mutual market shares by region for life and non-life insurance for 2007 & 2008

Source: Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 5, own representation.

[84] Ibidem, pp. 4-5.

The report from 2007/2008 was updated five years later and compared to the new data collected for 2007. In the updated version it is reported that mutuals' share of the market increased in all five global regions between 2007 and 2012. As a matter of fact, some countries recorded a higher increase than others, which is due to emerging and developed markets. Nevertheless, the growth in all five regions resulted in an increase of the mutuals' share of the global market from 23.4% in 2007 to 26.7% in 2012.[85]

Since the data for 2008 for life and non-life insurance market has not been updated, data from

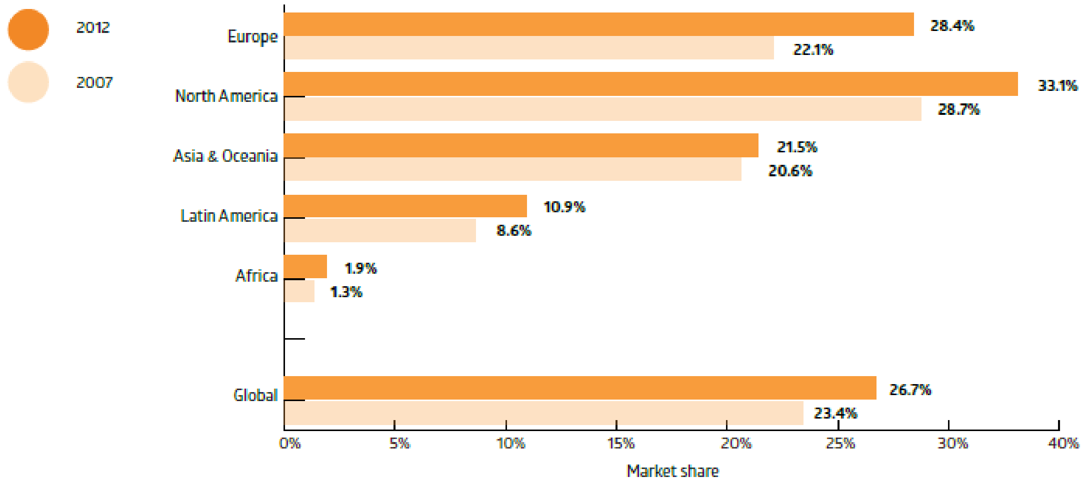

Figure 13: Mutual market shares by region from 2007 & 2012

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p.6.

2012 will be compared to the data from 2007/2008 report. For life insurance business an increase for almost all five regions is recorded ranging from 0.6% for Africa to 4.4% for North America. For non-life business market shares grew for four out of five regions, ranging from 0.9% for Africa to 6.6% for Latin America. Only exception was Asia and Oceania, where the non-life market shares decreased by 0.2% due to moderating economic activity (see Table 7).[86]

Referring to a SIGMA report from 2011 on insurance in emerging markets, the drivers for growth and profitability in Latin America and Emerging Asia were the following four factors[87]:

a) an economic environment, which included a lower inflation,

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[85] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. pp. 5-6.

[86] Ibidem, pp. 5-6.
Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 5.

[87] Kalra, A., Futterknecht, O. (2011). Insurance in emerging markets: growth drivers and profitability. SIGMA, 5. p. 6.

b) insurance supervision improvements, especially the introduction of insurance-enabling regulations,

c) innovations concerning products, such as micro-insurance or regarding agriculture an index-based weather insurance,

d) utilisation of various distribution channels in order to reach a broader population spectrum.

Region	**Life**		**Non-life**	
	Mutual market shares 2008	**Mutual market shares 2012**	**Mutual market shares 2008**	**Mutual market shares 2012**
North America	23.4%	27.8%	33.9%	27.4%
Europe	21.5%	25.3%	27.3%	32.5%
Asia & Oceania	23.0%	25.8%	11.4%	11.2%
Latin America	2.8%	2.5%	10.7%	17.3%
Africa	0.6%	1.2%	2.7%	3.8%
Total	**21.9%**	**25.0%**	**26.9%**	**28.9%**

Table 7: Mutual market shares by region for life and non-life insurance from 2008 & 2012

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p.7, own representation.
Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 5, own representation.

In the latest report published by ICMIF in 2015 regarding market shares of mutual-type organisations by region, the figures were updated and compared to data from 2007. As in the reports before, this report recorded another loss of market shares for Asia and Oceania. The mutual market share sank from 19.6% in 2007 to 14.6% in 2015. The constant decrease of market shares in this region might be due to a sales tax increase in Japan in April 2014. Furthermore, the devaluation of the Japanese yen had an impact on the market.[88] For the other four regions mutual market shares rose constantly from 2007 to 2015, resulting in an global mutual market share growth of 2.6%. The mutual sector of the two largest regional markets, Europe and North America, gained seven percentage points since 2007 (Europe: 24.1% to 31.3%, North America: 28.8% to 36.2%). Latin America and Africa likewise gained some percentage points; in Latin America the market share grew from 9.8% in 2007 to 12.0% in 2015

[88] Asia Insurance Review (23.03.2016): *Global:Mutual insurance gains ground.* http://www3.asiainsurancereview.com/News/View-NewsLetter-Article?id=35458&Type=middleeast [27.03.2018].

and in Africa it rose from1.2% in 2007 to 2.5% in 2015.[89] Referring to the CEO of ICMIF, Shaun Tarbuck, the increase in market shares result from a shift in consumers' buying behaviour since the financial crisis and therefore, highlights the benefits of the mutual business model. Furthermore, mutuals have a competitive advantage against shareholder-owned companies as their intentions are policyholder oriented and thus have a greater level of trust.[90]

As in the previous report from 2012, data regarding life and non-life business has not been updated and therefore, data from 2015 will be as well compared to data from 2007/2008 report. The European mutual sector's share for life insurance dropped for the first time in 2015 compared to the previous year. However, comparing the European market share of 2015 to the one recorded in 2007, still an increase can be recognized (from 21.5% to 24.1%). North America registered the highest increase in percentage terms; market shares rose from 23.4% in 2007 to 31.9%. The life insurance sector in Latin America and Africa experienced a rather small proportional growth in market shares, whereby market shares in Latin America increased from 2.8% to 5.1% and in Africa market shares rose from 0.6% to 1.5%. Asia and Oceania recorded a decrease in mutual shares for the fourth consecutive year, in 2007 market shares accounted for 23.1% and until 2015 market shares decreased to 17.0%.[91]

Comparing the data from 2015 with the report published in 2012, the increase for all regions is not as high as it might seem and two regions even recorded a decrease. For Africa for example the increase accounted for only 0.3% from 2012 to 2015 and market shares for life insurance in Europe and Asia and Oceania even decreased. In Europe market shares fell from 25.3% in 2012 to 24.1% in 2015. And market shares in Asia and Oceania further decreased from 25.8% in 2012 to 17.0% in 2015. In contrast, market shares in Latin America even doubled as they rose from 2.5% in 2012 to 5.1% in 2015. North America as well recorded an increase by 4.1% (from 27.8% to 31.9%). [92]

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[89] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, pp. 7-8.
Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 4.

[90] Co-operative News (09.06.2016): *Mutual and co-operative insurers continue global growth*. https://www.thenews.coop/106261/sector/banking-and-insurance/mutual-co-operative-insurers-continue-global-growth/ [27.03.2018].

[91] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 5.
Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, pp. 9 – 10.

[92] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p. 7.
Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, pp. 9 – 10.

Concerning the market shares of non-life business, a quite similar picture emerges. One of five regions recorded a decrease while four regions recorded an increase in market shares. Asia and Oceania recorded a slightly higher reduction of market shares, as the shares fell by 1.6% from 11.4% in 2007 to 9.8% in 2015. By this it is seen that market shares in life and non-life business in Asia and Oceania continued to decrease. In one of the largest insurance markets, North America, market shares for non-life insurance increased from 33.9% in 2007 to 39.2% in 2015. The other three regions, Europe, Latin America and Africa, recorded as well an increase in non-life business market shares. In Europe, the highest increase was registered as market shares increased by 13.8% since 2007 (27.3% in 2007, 41.1% in 2015). Latin America likewise recorded a relatively high increase of 6.5% in the past eight years (2007: 10.7%, 2015: 17.2%). Market shares in Africa increased from 2.7% in 2007 to 5.2% in 2015. Taking the report from 2012 into account, figures for Europe, North America, and Africa showed an increase, Asia and Oceania recorded a decrease and market shares for Latin America remained the same as seen in Table 8.[93]

Region	**Life**		**Non-life**	
	Mutual market shares 2012	**Mutual market shares 2015**	**Mutual market shares 2012**	**Mutual market shares 2015**
North America	27.8%	31.9%	27.4%	39.2%
Europe	25.3%	24.1%	32.5%	41.1%
Asia & Oceania	25.8%	17.0%	11.2%	9.8%
Latin America	2.5%	5.1%	17.3%	17.2%
Africa	1.2%	1.5%	3.8%	5.2%
Total	**25.0%**	**22.5%**	**28.9%**	**31.9%**

Table 8: Mutual market shares by region for life and non-life insurance from 2012 & 2015

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p.7, own representation.
Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, pp. 9 – 10.

[93] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF. p. 7.
Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 5.
Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, pp. 9 – 10.

Latest data provided by ICMIF shows regional mutual market shares of 2015 and 2016, certainly not divided into life and non-life. However, current figures for 2016 show an increase for two regions, a decline for one region, and market shares for the other two regions remained the same. Latest data is presented in Table 9.[94][95]

Region	Market shares 2015	Market shares 2016
North America	36%	37%
Europe	31%	31%
Asia & Oceania	15%	15%
Latin America	14%	12%
Africa	2%	3%

Table 9: Mutual market shares by region for 2015 & 2016

Source: ICMIF (2018): Global mutual and cooperative market infographic 2016. https://www.icmif.org/publications/infographics/global-mutual-and-cooperative-market-infographic-2016 [11.04.208].
ICMIF (2018): Global mutual and cooperative market infographic 2017. https://www.icmif.org/publications/infographics/global-mutual-and-cooperative-market-infographic-2017 [11.04.2018].

As already mentioned, ICMIF is the only institution publishing reports on mutual market shares for different regions. Due to this fact, the data cannot be compared with others and therefore, no actual picture of the distribution of the regional mutual market shares can be shown.

Market shares by countries

The CEA, the European insurance and reinsurance federation, published in October 2009 a report of European insurance figures for 2008. This report included the number of companies which carry out insurance activities within the 33 CEA countries.[96] The leading country, regarding companies active in the insurance sector, was the UK which accounted for 21% of

[94] ICMIF (2018): Global mutual and cooperative market infographic 2016. https://www.icmif.org/publications/infographics/global-mutual-and-cooperative-market-infographic-2016 [11.04.208].
[95] ICMIF (2018): Global mutual and cooperative market infographic 2017. https://www.icmif.org/publications/infographics/global-mutual-and-cooperative-market-infographic-2017 [11.04.2018].
[96] CEA Countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom

the total number of insurance companies in Europe back in 2008. Followed by Germany (12%) and France (9%). Except for Sweden and the Netherlands, which registered a decline, the number of companies in the other countries remained more or less stable in 2008. Figures were based on annual reports from association members and therefore, only represent the situation per country reported by the individual members. For instance, the source for the figures for the UK is the Association of British Insurers (ABI). For Austria, the Versicherungsverband Österreich (VVO)[97] transmits annual reports for insurance companies. As a matter of fact, members of this association are mainly but not entirely chairmen and representatives of insurance stock companies rather than representatives of insurance mutuals.[98]

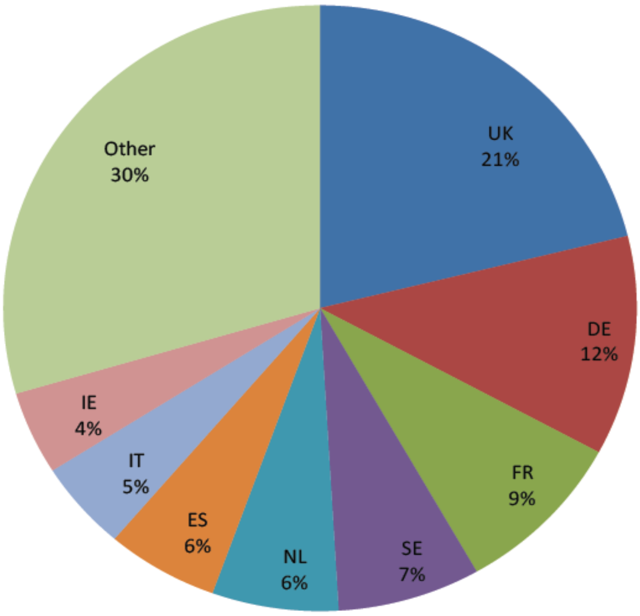

Figure 14: Percentage of insurance companies by country in 2008

Source: CEA. (2009). CEA Statistics N°37: European Insurance in Figures. Brussels: CEA, p. 23.

In respect to Europe, AMICE (Association of Mutual Insurers and Insurance Cooperatives in Europe) reported in 2012 figures regarding market shares of mutual and cooperative insurers in 2008. The highest market shares were recorded in Sweden with 35.3%, followed by Germany with a share of 33.8%. Finland and France were on third and fourth place with 32.5% and 31.6%. Denmark and the Netherlands were far behind the 30% mark, as they could only account

[97] The VVO represents the interests of all private insurance companies operating in Austria and supports its members in legal, tax, economic and international matters. Verband der Versicherungsunternehmen Österreichs (2014): *Der VVO*. https://www.vvo.at/vvo/vvo.nsf/sysPages/internationales.html [25.03.2018].
[98] CEA. (2009). CEA Statistics N°37: European Insurance in Figures. Brussels: CEA, p. 23.

for 19.6% and 18.9%. However, all six countries recorded market shares higher than 15%, in contrast to other European countries.[99]

ICMIF in contrast investigated the global mutual market shares and included in their reports the market shares by countries. Referring to the reports of 2007/2008 and 2012 the ten largest insurance markets were the USA, Japan, the UK, France, Germany, China, Italy, Netherlands, Canada and South Korea/Republic of Korea. The highest market shares in 2008 were noticed in Germany with shares of 43.9%. However, as the USA account for 29% of the world insurance premiums they are listed at top of the list. As the focus of this section lies on mutual market shares, the ranking of the ten largest insurance markets of 2008 is modified.[100] In order to show the development for the ten largest markets over the years, the data from 2008 is compared to data gathered in 2012.[101]

Country	**Mutual market share in 2008**	**Mutual market share in 2012**
Germany	43.9%	43.3%
France	38.7%	40.8%
Japan	38.2%	41.7%
Netherlands	33.1%	53.4%
USA	30.1%	34.5%
Canada	15.8%	19.6%
Italy	15.1%	20.3%
South Korea/Republic of Korea	9.0%	10.4%
UK	5.3%	8.0%
China	0.0%	0.3%

Table 10: Mutual market shares by country for 2008 & 2012

Source: Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 7.
Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 20, own representation.

[99] AMICE. (2012). Facts and figures: Mutual and cooperative insurance in Europe. Brussels: AMICE, p. 9.
[100] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 7.
[101] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 20.

Taking the insurance markets with the largest mutual share into account, another picture can be seen. The countries listed as the top ten are now almost solely European with the exception of one country, namely Japan. Table 11 shows that the largest insurance markets are not simultaneously the markets with the highest shares. Comparing the reports from 2007/2008 to the 2012 report published by ICMIF it can be seen that Romania and Hungary were not in the top ten in 2007/2008. Instead Finland and the USA were listed as first and last place. However, due to the update of the 2012 report, both Romania and Hungary are included in the table.

Country	Mutual market share in 2008	Mutual market share in 2012
Austria	59.8%	61.6%
Netherlands	33.1%	53.4%
Slovakia	38.5%	45.1%
Denmark	42.4%	45.0%
Germany	43.9%	43.3%
Norway	40.4%	42.5%
Romania	21.3%	42.1%
Japan	38.2%	41.7%
France	38.7%	40.8%
Hungary	18.9%	38.5%

Table 11: The largest markets in terms of mutual market share for 2008 & 2012

Source: Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 8.
Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 21, own representation.

The study provided by Panteia in 2012, as a request of the European Commission, modified the data gathered from ICMIF concerning mutual market shares in respect to their research scope and presented different figures for European countries than ICMIF reported. For example, Panteia highlights that market shares for Germany account for 31% in 2008, in contrast to 43.9% reported by ICMIF. Generally, market shares presented by Panteia are lower than the figures provided by ICMIF, probably due to the fact that ICMIF includes cooperatives in its reports and Panteia focused solely on mutual-type organisations excluding cooperatives.[102] This

[102] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 49.

can be seen for instance in Austria, where Panteia reported a market share of 8%, whereas ICMIF reported 61.6% for 2012. In this specific case, the actual market share of insurance mutuals is crucially lower than reported by both Panteia and ICMIF, as in 2015 it lied at only 3.76%.[103] Reason for this discrepancy is the fact that ICMIF included hybrid forms (mutual holding company) in their report instead of solely insurance mutuals. As this type involves two legal forms in the active business, it is hard to distinguish whether they are mutual or not. The operational part lies in the stock company, whereas the asset management is performed by the mutual. Due to the fact that premium income is used to cover the insurance benefits and thus costs incur, hybrids should rather be seen as stock companies instead of mutual organisations.[104] Table 12 lists the insurance companies included by Panteia from ICMIF data and to which legal type the operational organisation belongs. Table 13 on the other hand shows the seven currently existing insurance mutuals in Austria. Table 14 shows currently existing hybrid forms in Austria and includes some of the companies listed by Panteia.

Insurance mutuals in Austria included in Panteia Study from 2012	**Legal type of operational organisation**
Grawe	Insurance stock company
HDI Hannover	Insurance stock company
Niederosterreichische Versicherung	Insurance stock company
Oberosterreichische Versicherung	Insurance stock company
Raiffeisen Versicherung (Uniqa)	Insurance stock company
Salzburger Landes-Versicherung (Uniqa)	Insurance stock company
Vorarlberger Landes-Versicherung	Insurance mutual (VVaG)
Wüstenrot	Insurance stock company

Table 12: Overview of insurance mutuals in Austria included in Panteia Study from ICMIF data from 2012

Source: Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 221, own representation.

[103] Brazda, J. (2017). Entwicklung, Strukturwandel und Perspektiven der Wechselseitigkeitsversicherungen. Wien: Universität Wien, Fachbereich für Genossenschaftswesen, p. 171.
[104] Ibidem, pp. 161-167.

Insurance mutuals (VvaG) in Austria
BEAMTEN
HAGEL
KÄRNTER
MUKI
TIROLER
VORARLBERGER
RVV

Table 13: Actual insurance mutuals in Austria

Source: Brazda, J. (2017). Entwicklung, Strukturwandel und Perspektiven der Wechselseitigkeitsversicherungen. Wien: Universität Wien, Fachbereich für Genossenschaftswesen, p. 171, own representation

https://www.vvo.at/vvo/vvo.nsf/sysPages/mitgliederkleinevereine.html [13.04.2018].

Company	Legal type
Grawe	Hybrid form (Mutual holding company)
Merkur	Hybrid form (Mutual holding company)
Oberosterreichische Versicherung	Hybrid form (Mutual holding company)
Raiffeisen Versicherung (Uniqa)	Private foundation
Salzburger Landes-Versicherung (Uniqa)	Private foundation
Wiener Städtische	Hybrid form (Mutual holding company)

Table 14: Currently existing mutual holding companies in Austria

Source: Brazda, J. (2017). Entwicklung, Strukturwandel und Perspektiven der Wechselseitigkeitsversicherungen. Wien: Universität Wien, Fachbereich für Genossenschaftswesen, p. 161, own representation.

Respectively to the studies and the market shares presented, Table 15 compares the figures from ICMIF to the figures from Panteia.[105]

[105] Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 49.

Country	Mutual market share 2008 ICMIF	Mutual market share 2008 Panteia
Germany	43.9%	31.0%
France	38.7%	26.0%
Netherlands	33.1%	28.0%
Italy	15.1%	4.0%
UK	5.3%	5.0%

Table 15: Comparison of figures from ICMIF and Pantei for mutual market shares in 2008 by country

Source: Broek, S., Buiskool, B., Vennekens, A., & Van der Horst, R. (2012). Study on the current situation and prospects of mutuals in Europe. Zoetermeer: Panteia – EIM, p. 49 Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, pp.20- 21, own representation.

In the latest report presented by ICMIF in 2015 a change concerning the ten largest insurance markets can be recognized. As for example the Netherlands are no longer part of the top ten and lost their place in the ranking to Taiwan. For most of the other countries a positive development was registered, few exceptions had to face decreases in mutual market shares. Four of the ten countries recorded market shares higher than 35%, as seen in Table 16.[106]

Country	Mutual market share in 2015
France	49.7%
Germany	47.0%
Japan	39.1%
USA	37.7%
Italy	22.1%
Canada	18.2%
UK	8.5%
Republic of Korea	10.%
China	0.2%
Taiwan	0.0%

Table 16: Mutual market shares by country for 2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 23, own representation.

[106] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 23.

As a matter of fact, figures regarding mutual market shares were published by either interest groups (ICMIF, AMICE) or by an independent research institute (Panteia). Therefore, it is difficult to present a uniform and correct image of the current situation. Furthermore, due to discrepancies concerning the figures presented, it is doubtful that the reports accurately reflect the current mutual insurance market.

3.3.4. Market share by business

As for market shares by region and country the same issue applies for this section; reports on mutual market shares by business were solely investigated and published by ICMIF. In principal business can be divided into life and non-life insurance. As seen in the previous chapters and figures for market shares, this separation is typical for the insurance sector. For non-life business some subcategories exist, such as vehicle insurance, general liability, property insurance, or accident & health.

Non-life insurance

Referring to the report published in 2007/2008 by ICMIF, market shares for non-life insurance accounted for 27% of the total global market. Furthermore, eight of the top ten insurance markets were European markets, including Austria, the largest mutual market for non-life insurance, followed by Sweden, France, Finland, Norway, Slovakia, Spain and the Netherlands.[107] In 2012 in the non-life insurance sector the lines of business with global premiums accounted for over 80% were motor (35%), property and fire (26%), and health insurance (22%). Other sectors were accident, workers' compensation, marine, aviation and transport. In three of the five regions, motor insurance was the largest product line. In two regions insurance for workers' compensation is the second largest market whereby in the other three regions it accounts only for less than 10%. In contrary, in two of the three regions with low insurances in workers' compensation, the second largest market is property insurance as seen in Figure 15. [108]

[107] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 9.

[108] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 9.

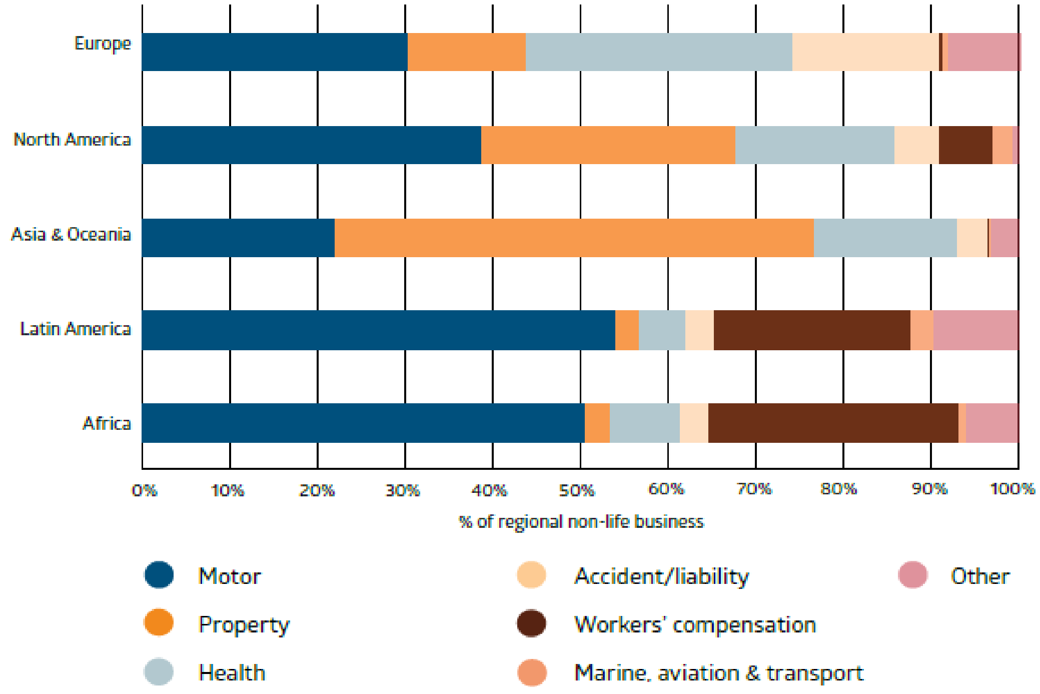

Figure 15: Lines of mutual non-life business by region in 2012

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 9.

As seen in Figure 15, in the European mutual sector the largest markets are motor and health, whereas the largest markets in North America were motor and property.

Referring to the SIGMA study published in 2012 on global insurance, the non-life business further grew in 2012. The main driver of this market growth was moderate rate increases in some markets. Regarding global premiums, the growth in 2012 remained weak, in comparison to the long-term trend, but expanded at 3.0% in real terms. However, for 2013 SIGMA predicted an increase, as they were certain that premium income will follow the premium trends. For 2014 an increase from 3.4% from 2012 to 5.7% was predicted. Table 17 shows the prediction of real growth of non-life reinsurance premiums for advanced and emerging markets.[109]

[109] Karl, K., Holzheu, T., & Wong, C. (2012). Global insurance review 2012 and outlook 2013/14. SIGMA, 12, pp. 10-16.

	2012	2013	2014
Advanced markets	2.1%	3.8%	4.9%
Emerging markets	7.7%	8.5%	7.8%
World	3.4%	4.9%	5.7%

Table 17: Real growth prediction of non-life reinsurance premiums

Source: Karl, K., Holzheu, T., & Wong, C. (2012). Global insurance review 2012 and outlook 2013/14. SIGMA, 12, pp. 10-16, own representation.

Using sigma-explorer the latest data regarding real premium growth for non-life business can be obtained. Figures are adjusted for inflation. Table 18 shows the latest figures retrieved from sigma-explorer.[110]

	2013	2014	2015	2016
Advanced markets	2.0%	0.6%	3.3%	2.3%
Emerging markets	8.7%	8.6%	7.9%	9.6%
World	3.1%	2.0%	4.2%	3.7%

Table 18: Real premium growth adjusted for inflation from 2013 – 2016

Source: Swiss Re (2018): World insurance premiums. http://www.sigma-explorer.com/ [21.02.2018], own representation.

In the latest report published by ICMIF in 2015 lines of mutual non-life business changed compared to the data from 2012. As for example, motor insurance sank to 32.5% of global mutual non-life premiums. Furthermore, property insurance as well registered a decrease from 26% to 23.4% of global mutual non-life premiums. Health insurance on the other hand increased and accounted for 27.4% of global mutual non-life premiums as seen in Figure 16.[111]

[110] Swiss Re (2018): *World insurance premiums*. http://www.sigma-explorer.com/ [21.02.2018].

[111] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 12.

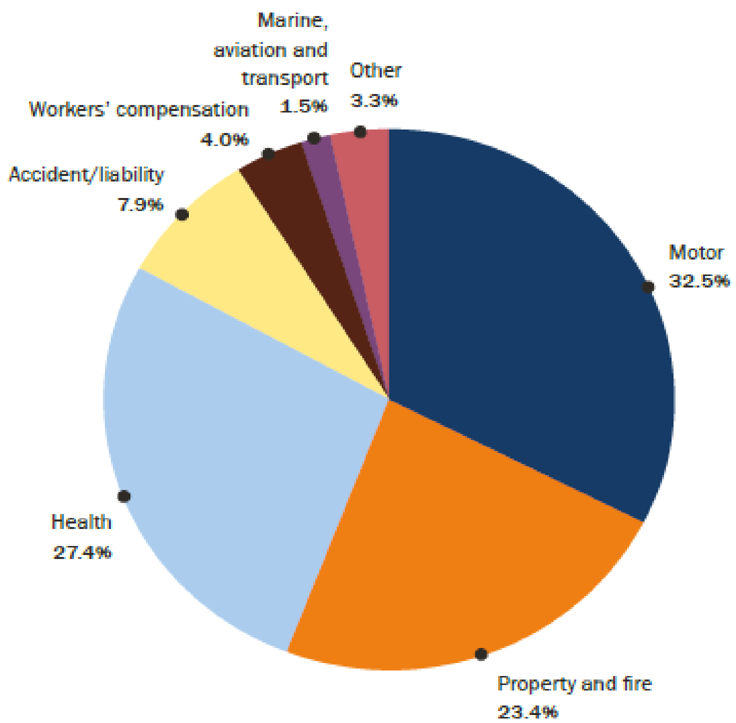

Figure 16: Mutual non-life premiums by lines of business in 2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 12.

The distribution of lines of mutual non-life business by region changed as well in 2015 compared to figures of 2012. As for example, motor insurance market in Europe sank whereas health insurance market increased, contributing 45% of total regional premiums in 2015. As seen in Figure 17, the African market shows a completely different distribution picture than in 2012. Other insurances than the usual ones grew from less than 10% to more than 30%. Furthermore, in 2012 Africa had the second largest market for motor insurance but in 2015 it is ranked on third place. The other regions as well registered changes in the distribution of lines of business but not as strong as in Africa.[112]

As already mentioned, data is mainly based on ICMIF reports and data provided by the Swiss Re Institute. Therefore a more specific comparison cannot be provided and further research is needed.

[112] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 12.

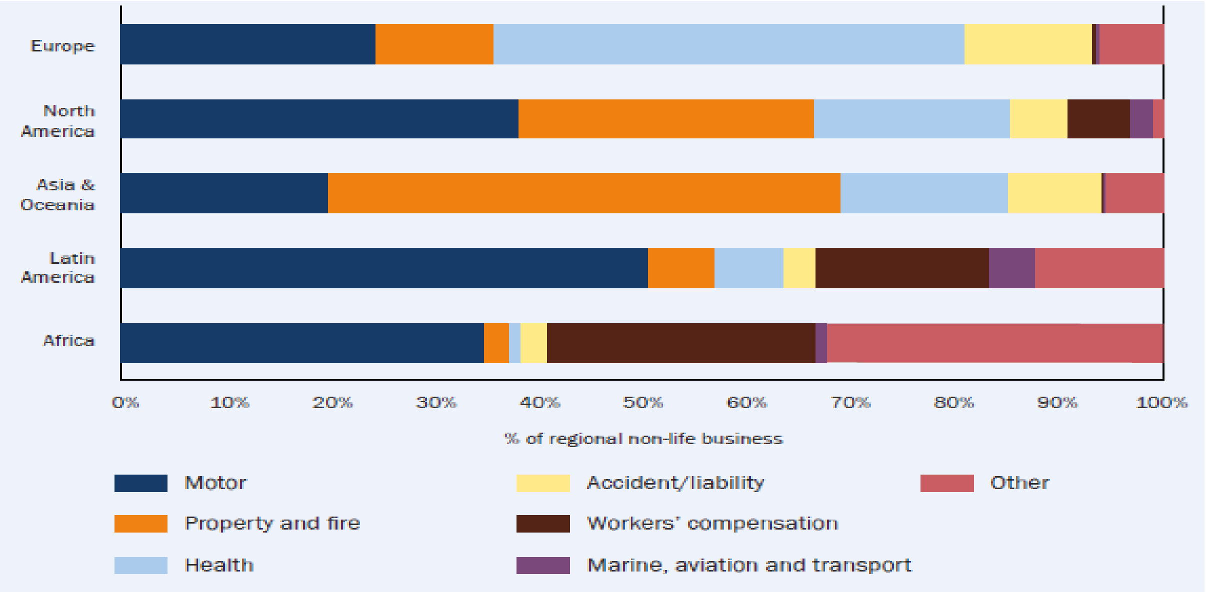

Figure 17: Lines of mutual non-life business by region in 2015

Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 12.

Life insurance

Lines of business for life insurance include mainly life, pension and annuities, investments/savings, disability and health and other insurances. In 2008 mutual insurance companies held 22% market share in life insurance, which was an 1% increase compared to 2007. As well as it was the case for non-life business, eight of the top ten mutual markets were European markets. The largest market in 2008 was Finland with 76.9% followed by Germany, Denmark, Austria, Norway, Slovakia, France, and the Netherlands.[113] In 2012 almost 50% of global mutual life business was registered for traditional life insurance products. The rest is divided in pension and annuities (29.7%), investments and retirement (10.4%), disability and health (9.9%) and other insurance products (1.5%). As Figure 18 shows, the distribution of lines of business for life insurance varies extremely by region. The African market was dominated by life insurance while the North American was balanced between life insurance and pension and annuities.[114]

[113] Lenton, D., Yokomizo, D., Tarbuck, S., Lageu, F., & McGee, M. (2010). Annual Mutual Market Share & Global 500 for 2007–2008. Bowdon: ICMIF, p. 10.

[114] Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 8.

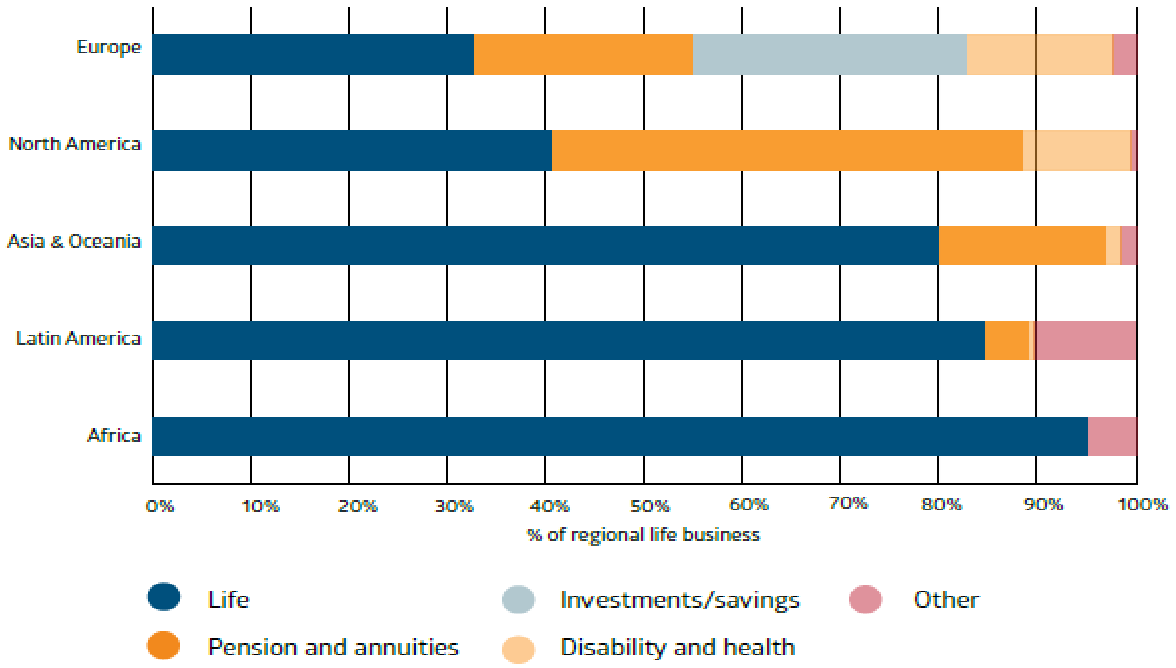

Figure 18: Lines of mutual life business by region for 2012

Source: Telfer, B., Lageu, F., Tarbuck, S., & Worgan, I. (2014). Global Mutual Market Share 2012. Bowdon: ICMIF, p. 8.

The SIGMA study on global insurance from 2012 highlighted stagnation regarding global premium income. After inflation premiums in advanced markets declined by 0.4% with decreases in North America (-1.9%), Western Europe (-5%), and Oceania (-4.4%). However, some advanced markets recorded an increase such as Japan, Korea and Taiwan. Premium income in emerging markets on the other hand recorded an increase by 2.3%. The highest growth was registered in Latin America with almost 10% and Central and East Europe where the increase was about 7%. Due to factors such as low macroeconomic growth, high uncertainty and volatile financial markets the growth regarding premiums remained weak. For 2013 and 2014 careful predictions were published, assuming that premium incomes will slowly recover and global premium income will grow by 2.2% after inflation. For 2014 it was assumed that global premium income will rise above 3%. In respect to premiums of the traditional life reinsurance a decrease of 1.6% was noticed for 2012. Emerging markets registered an increase of nearly 5% for premiums whereas they declined by 2.1% in advanced markets. As a future outlook for 2013 and 2014 a decrease in traditional life reinsurance was expected. Table 19 shows the predictions for real growth of life insurance premiums for advanced and emerging markets.[115]

[115] Karl, K., Holzheu, T., & Wong, C. (2012). Global insurance review 2012 and outlook 2013/14. SIGMA, 12,

	2012	2013	2014
Advanced markets	-2.1%	-1.3%	-1.0%
Emerging markets	4.8%	6.3%	6.3%
World	-1.6%	-0.7%	-0.4%

Table 19: Real growth prediction of life reinsurance premiums

Source: Karl, K., Holzheu, T., & Wong, C. (2012). Global insurance review 2012 and outlook 2013/14. SIGMA, 12, pp. 17-24, own representation.

As already done for non-life insurance, sigma-explorer is as well used for life insurance in order to obtain the latest data regarding real premium growth for life business. Figures are adjusted for inflation. Table 20 shows the latest figures retrieved from sigma-explorer.[116]

	2013	2014	2015	2016
Advanced markets	-2.8%	3.8%	3.1%	-0.5%
Emerging markets	3.5%	6.9%	11.7%	16.9%
World	-1.9%	4.3%	4.4%	2.5%

Table 20: Real premium growth adjusted for inflation from 2013 – 2016

Source: Swiss Re (2018): World insurance premiums. http://www.sigma-explorer.com/ [21.02.2018], own representation.

In 2015 traditional life insurance still held almost 50% of global mutual life business. Other insurance products grew in 2015 compared to data from 2012. As for example pension and annuities accounted for 29.7% in 2012 and grew to 36.0% in 2015. Investment and saving as well grew from 10.4% in 2012 to 12.1% in 2015. Disability and health on the other hand decreased from 9.9% in 2012 to 5.2% in 2015 as seen in Figure 19.[117]

pp. 17-24.

116 Swiss Re (2018): *World insurance premiums*. http://www.sigma-explorer.com/ [21.02.2018].

117 Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 11.

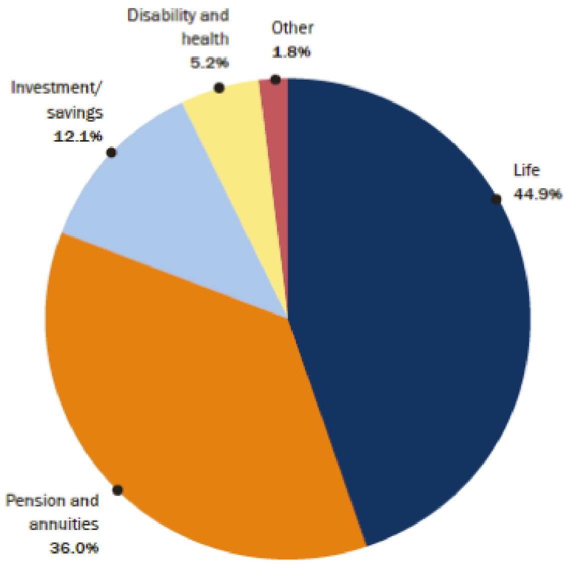

Figure 19: Mutual life premiums by lines of life business 2015

Source: Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 11.

Regarding the distribution of lines of business for life insurance for regions it is seen that traditional life protection products are the main market for life insurance business. Compared to 2012 pension and annuities increased in almost all regions while life insurance policies increased in some regions and decreased on the other hand in other regions. The distribution of lines of business in life insurance for 2015 is seen in Figure 20.[118]

[118] Ibidem, p. 11.

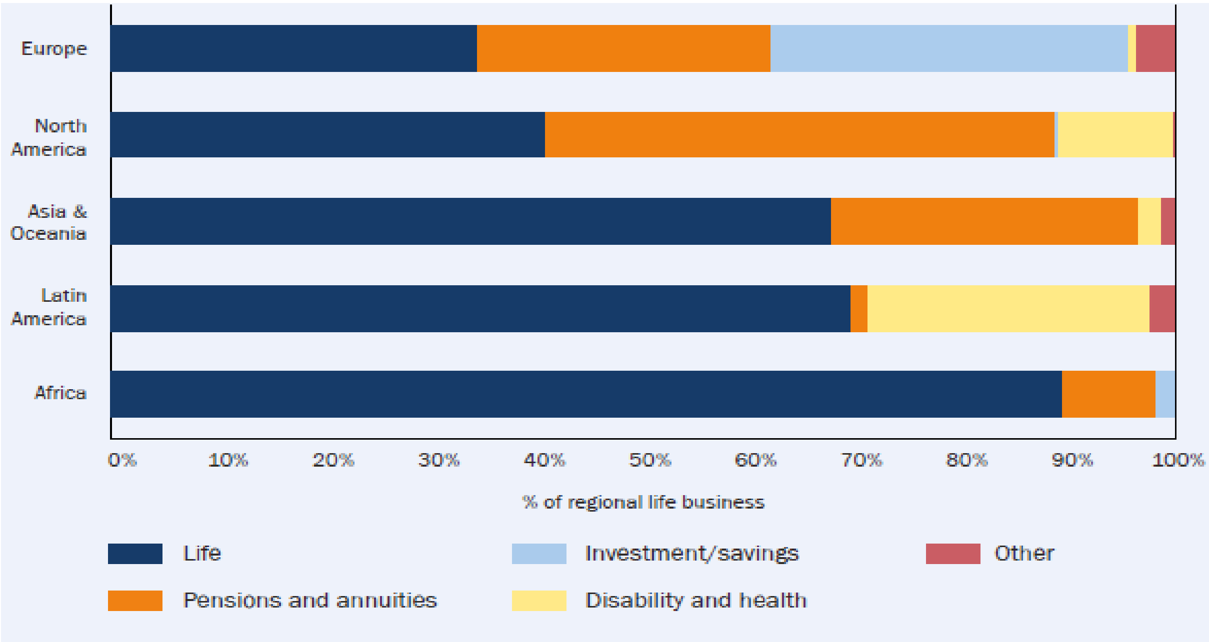

Figure 20: Lines of mutual life business by region 2015

Source: Source: Source: Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 11.

The best example for a completely different distribution is Latin America, where life insurance decreased from over 80% to nearly 70% while disability and health increased from around 1% to over 20%. Furthermore, in the African market pensions and annuities suddenly appear in 2015, which did not play a role back in 2012. For North America the largest line of business in 2015 remained pension and annuities accounting for half of mutual life premiums. However, as seen in Figure 20, Africa remained the major region regarding life insurance, as this market account for 90% of mutual life premiums.[119]

Due to lack of further information of other organisations than interest groups such as ICMIF, a full comparison and accurate reflection of the global life insurance sector cannot be provided.

[119] Telfer, B., Lageu, F., & Easton, N. (2017). Global Mutual Market Share 2015: The global insurance market share as held by mutual and cooperative insurers. Bowdon: ICMIF, p. 11.

4. Critical review

Comparing the different reports used for this thesis it is obvious that the figures presented by each institute differ from one another. As a matter of fact the definitions and classifications for mutual varies over the countries and therefore a universal definition cannot be provided. Moreover, as the option of a hybrid form for insurance companies exists it might be hard to differentiate clearly between mutual and hybrid. Since in hybrid forms the insurance company acts as an asset manager and the corporation is entrusted with the operating business, the question arises whether hybrid forms still count as a mutual or rather as a stock company. As hybrid forms such as stock insurance companies use their premium income to cover the insurance benefits and thus incur costs, there should rather be listed as stock companies instead of mutuals.[120] However, the European Commission established a general definition for mutual organisations within Europe and this definition should be considered when analysing the market situation of mutual-type organisations in Europe. Studies conducted and requested on a European level usually took this definition into account, but interest groups on the other hand didn't. In contrary, they have their own definition of a mutual organisation and often include stock companies or hybrids instead of solely concentrating on mutuals. Furthermore, mostly they have members consisting of insurance companies not declared as mutual and therefore, facts and figures provided by such institutions are critical as they do not provide an accurate picture of the current market situation.

As for the example of Austria mentioned above, it is obvious that discrepancies in the data sampling exist as well as in the evaluation of the data gathered. Mutual market shares for Austria were provided by ICMIF, an interest group, and by Panteia, an independent research institute. Comparing the figures presented by both it can be seen that there is a huge difference. The reason is definitively the fine-tuning of data from ICMIF data in respect to the research scope of Panteia. This means that Panteia used data collected and provided by ICMIF and further adapted it to their research focuses. However, as Panteia lists the companies included in the ICMIF data it is obvious that only one out of eight companies is an insurance mutual, whereas the other seven are either insurance stock companies or hybrids. The other six currently existing mutuals in Austria are not considered in the studies. This shows how distorted the data presented by the individual institutes are. For Germany on the contrary, most of the companies

[120] Brazda, J. (2017). Entwicklung, Strukturwandel und Perspektiven der Wechselseitigkeitsversicherungen. Wien: Universität Wien, Fachbereich für Genossenschaftswesen, pp.161-167.

listed are in fact mutual-type organisations (69 of 81 companies) and therefore, shows a more accurate distribution. However, as the shares presented in the studies vary for most of the countries, it is likely that this data distortion affects every country. Comparison and analysis of the studies shows that current figures and shares published by the institutes have to be handled with caution.

For further research regarding mutual market shares and the current situation of mutual in the insurance sector only those companies should be consulted which are defined as mutual on country level.

5. Conclusion

One focus of the research was the analysis of legal frameworks of mutual insurers on an international basis, described in section 3.2. As every country seems to have a different definition and declaration of a mutual-type organisation, it is hardly possible to find a universal definition. Some of the countries share characteristics in defining a mutual; such as that they are private legal entities, which can be seen as a grouping of persons following democratic governance. Furthermore, solidarity among members is a key characteristic and profits earned are used for members' benefits. In other countries on the contrary there is no possibility to create mutuals. For mutual-type organisations four legal frameworks apply within Europe, namely an own legal framework (e.g. France, Spain, Belgium, Ireland), legal frameworks of associations (e.g. Finland, Sweden, Italy, Luxembourg), legal framework of cooperatives (e.g. Portugal, Greece, Netherlands) or another legal framework (e.g. Austria, Denmark, Germany, Romania). A different picture is seen in the USA, where the state a mutual operates in decides on the applicable regulatory requirements. The other research focus lied on the question whether mutual-type organisations register a sort of revival or not as well as on future trends for the insurance sector.

As visible in the development of market shares over the past few years, mutual-type organisations active in insurance business have increased their market shares on a global basis. In its report from 2011 on the role of mutuals in the 21st century, the European Parliament listed possibilities for mutuals to maintain their competitiveness. On the one hand, mutuals could expand their business activities such as offering new products or selling policies in new markets. Furthermore, restructuring the activities might be more cost-effectively. On the other hand, business principals could be adopted in order to improve the risk portfolio of insurers. However, forecasts about the development of mutuals on a European level in the next years are difficult to create due to a) different definitions and national legislation and b) transitions of the EU insurance market. The different types of mutuals may face future consequences, for example mutual insurers might face increased markets in voluntary health insurance and private pension plans. Therefore, a wider differentiation of premiums was expected. [121]

[121] Grijpstra, D., Broek, S., Buiskool, B., & Plooij, M. (2011). The role of mutual societies in the 21st century. Brussels: European Parliament, pp. 70-72.

The Swiss Re Institute concentrated on the revival of insurance mutuals and published in 2016 a SIGMA article concerning mutual insurers in the 21st century and whether they register a comeback or not. The focus lied on the development already analysed in section 3.3 and new opportunities for mutuals to overcome hurdles and increase their capital flexibility. In the recent years not only established mutuals had influenced the rising shares but also new mutuals have started up in various regions leading to an increase of shares on a regional basis. Referring to the SIGMA article this development reflected the perceived benefits of a mutual-type organisation. In order to overcome capital issues mutuals have various possibilities such as borrowing to access external funds, reinsurance structures, alternative risk transfer, or new capital instruments similar to equity shares. Ways to strengthen balance sheets are structural changes like collaborations among mutuals or corporate reorganisation. Technology development changed sustainably the traditional elements of the value chain of the insurance industry, influencing product and pricing as well as distribution and policy management. Especially in times of Big Data, smart analytics, cognitive computing, wearable devices, and the Internet of thing, mutual-type organisations have to consider implementation in order to stay in the race against stock insurance companies. Figure 21 summarizes the recent findings of the Swiss Re Institute.[122]

[122] Pain, D., Tamm, K., Li, M., & Fan, I. (2016). Mutual insurance in the 21st century: back to the future?. SIGMA, 4, pp. 7-8, 14-23.

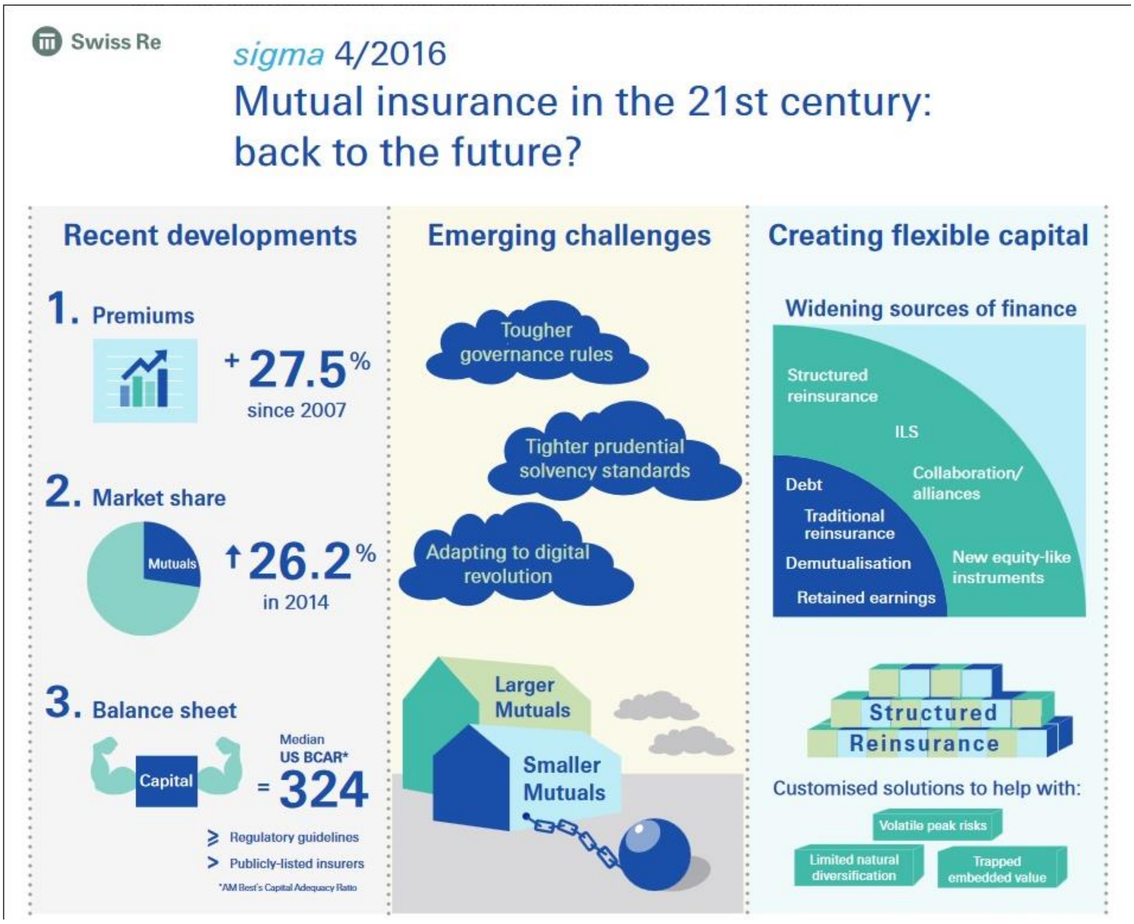

Figure 21: Graphic illustration of developments, challenges and opportunities for mutual

Source: Canadian Underwriter (02.08.2016): Mutual insurers seeing revival in recent years: Swiss Re sigma report. https://www.canadianunderwriter.ca/insurance/mutual-insurers-share-overall-market-2-seven-years-swiss-re-sigma-report-1004097599/ [03.04.2018].

As studies had shown, the insurance sector registered an increase of mutual market shares, indicating that mutuals experienced something of a revival after years of retrogression. Particularly, in emerging countries, mutuals gained popularity and registered increases regarding market shares. Even though demutualisation had a significant impact on the structure of insurance markets, mutuals in advanced countries are again relatively popular these days. However, the mutual insurance sector does not experience a universal renaissance and still does not reach previous levels. Therefore, no accurate statement can be made about the actual revival of mutual-type organisations.[123]

Since technology is taking over nearly all parts in life for people as well as for organisations and companies, it is hardly possible to ignore technological developments and possibilities. As

[123] Ibidem, p. 40.

this is the case, P2P insurance might change the future of mutuals. With new technological opportunities the interest in new P2P insurance schemes, which are similar to traditional mutuals, has awaken. This innovation enables the insured to pool their capital and to self-organize, and self-administer their own insurance. The idea behind it is that "*a set of like-minded people with mutual interests group their insurance policies together introducing a sense of control, trust, and transparency while at the same time reducing costs*"[124]. This new P2P insurance enables lower costs for risk assessment and sales. Through the usage of internet and mobile technologies as well as the daily use of social media, it is easier to attract people to form co-insurance pools as they might be informed by friends and colleagues, who are more likely to be honest with each other. Some P2P insurance start-ups recently took the relevant steps for starting their business. In Table 21 some of the start-ups are listed.[125]

[124] National Association of Insurance Commissioners (2018): *Peer-to-Peer (P2P) Insurance*. http://www.naic.org/cipr_topics/topic_p2p_insurance.htm [30.03.2018].
[125] Pain, D., Tamm, K., Li, M., & Fan, I. (2016). Mutual insurance in the 21st century: back to the future?. SIGMA, 4, pp. 36-37.

Firm name	General idea	Payment of claims	What is typically insured?	Status
BeSure (Canada)	Peer-to-peer risk sharing platform	unknown	Gadgets, health, travel, events, automobiles, home	Not officially launched yet
Friendsurance (Germany)	Part of premium gathered to pay small losses	Small claims covered by pool	Mobile, tablet, laptop, camera, household, legal expenses, etc.	live
Gaggel (UK)	Annual and monthly premiums payed by peers to build collective fund	Members mutually cover damage or replacement costs suffered by others in the network	Mobile phones	Not officially launched yet
Gather (US)	Creation of captive for network of small businesses	Capped depending on coverage	Liability, workers compensation	live
PeersMutual-Protection (China)	Creation of protection pool per network, pay-out in case that claim occurs	Defined within network	Defined within private or public network	Not officially launced yet
TongJuBao (China)	Pooling of funds to insure certain events	Depends on type of insurance and member contributions	Safety-net in case of divorce, missing child or other income disruptions	live

Table 21: Overview of start-ups in P2P insurance

Source: Pain, D., Tamm, K., Li, M., & Fan, I. (2016). Mutual insurance in the 21st century: back to the future?. SIGMA, 4, pp. 37, own representation.

Further technological innovations, such as the Blockchain technology, might increase the reach and scalability of P2P insurance as it allows the establishment of insurance pools among a widespread network of individuals. Blockchain means that there is no need of an insurer because each member of the network can hold a record of all the stored information. This innovation allows P2P networks to conduct many functions of traditional insurers. Applications of this technology could be used to automate three core insurance functions, namely underwriting, loss adjustment and loss adjudication. Even though Blockchain-supported P2P insurance is still in the beginning and not enough tested yet, it might change the future of the insurance market.[126] Experts are sure that Blockchain will have impacts on the insurance sector such as trust improvement, efficiency enhancement, fraud detection and prevention as well as improving claims processed by smart contracts.[127] Mutuals for example could use the emerging digital technologies in order to connect existing and prospective members in search of insurance. Considering the new technologies in their business might strengthen the essential trust among members, on which mutual-type organisations are based on. Furthermore, it offers a better interaction with members to optimise risk-sharing pools.[128] Insurance companies, regardless if they are mutual-type organisations, stock companies or hybrids, have to consider this possible market change and figure out how new technologies affect the way they do their business presently.

[126] Ibidem, p. 38.

[127] Marr, B. (31.10.2017): *Blockchain Implications Every Insurance Company Needs To Consider Now*. https://www.forbes.com/sites/bernardmarr/2017/10/31/blockchain-implications-every-insurance-company-needs-to-consider-now/2/#66c5fc568825 [30.03.2018].

[128] Pain, D., Tamm, K., Li, M., & Fan, I. (2016). Mutual insurance in the 21st century: back to the future?. SIGMA, 4, p. 39.

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List of Tables

List of Figures