voiceMagazine

THE MAGAZINE OF THE INTERNATIONAL COOPERATIVE AND MUTUAL INSURANCE FEDERATION

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FMG: Insuring New Zealand's countryside the partnership way

PLUS

CEO profile: Plotting the path ahead for France's health mutual MGEN

McKinsey & Company's Mike Pritula: My seven questions to challenge the insurance sector

Desjardins Group: Embracing technological change the cooperative way

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Articles should concern timely news events such as member to member cooperation; mutual and cooperative best practice; regulation; mergers and acquisitions; reports and/or comment on industry trends or issues; upcoming or recent industry conferences and events.

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The mutual family is growing

Shaun Tarbuck, Chief Executive, ICMIF

Perhaps there was a time when mutuals and cooperatives felt a little defensive. The place to be, we were told, was on the stock exchange. Don't you understand, all sorts of would-be experts tried to tell us, that proprietary insurers are the future?

How long ago that seems now. It's not just the fact that mutuals and cooperatives have consistently been building their market share each year since the 2007-8 crash. It's also that the mutual family is growing in other ways.

As we report in this issue, the venerable insurance company of Skandia is now a mutual. The Scandinavian business was purchased from its previous multinational (proprietary) owner in 2011 and work was immediately put in hand to convert it to a member-owned mutual business. The legal changes are now complete and Skandia is being run for the benefit not of shareholders but of its 1.4 million members.

And it's not just Skandia. In Finland, the previously listed financial bank and insurer Pohjola has been delisted and is now fully back in the cooperative family, as part of the OP Group.

Developments like these give me a strong sense of pride in the way that the ICMIF mutuals and cooperatives are claiming the high ground, proudly advertising their mutual difference and putting their members' needs first. Far from being yesterday's news, we are carving out an increasingly important role in the insurance sector at a time when the world is going to be needing all the help it can get from insurers to ameliorate an increasingly risk-prone future.

Elsewhere in this issue you'll be able to read of the initiative we're taking to promote *Smart Risk* investing, an approach which aims to marry insurers' expertise in risk analysis and underwriting with our investment decisions. This is something I passionately believe has to be the way forward for asset investment decisions, one that maximizes potential returns in a sustainable and responsible way.

Our role as mutual and cooperative insurers is being recognized by others. We are attracting, for this year's ICMIF Biennial Conference in Minneapolis, a quite unrivalled programme of external speakers who will be sharing their insights with us and challenging us to grasp the opportunities we face. Our Biennial Conferences are always enormously stimulating occasions but this year I sense will be an extra-special one.

As always the team at ICMIF, together with our host member Thrivent Financial in Minneapolis, are working hard on all the practical arrangements that help make conferences successful. I look forward to seeing you there in October, on the banks of the Mississippi River.

CEO PROFILE: CHRIS BLACK

Insuring New Zealand's countryside the partnership way

Chris Black, Chief Executive of New Zealand's rural general insurer FMG, has recently become a member of ICMIF's board. *Voice* finds out how his approach to leadership is helping the mutual become both bigger and stronger.


Chris Black

New Zealand's leading rural insurer Farmers Mutual Group (FMG) has a problem with fire claims which surely must be unique among ICMIF member firms. The problem is the number of farm tractors which go up in flames every year. The culprits – the arsonists which are the cause of FMG's string of claims – are starlings. These birds like to build their nests in warm, dark, dry places and the engine spaces of tractors, it turns out, are just ideal!

The answer has been an intensive campaign by the mutual through YouTube and other mediums to persuade farmers to 'stop and pop': to pop open the tractor hood to check for nests before they start the tractor and drive off. The initiative has worked. "In the last five years, despite an increasing number of tractors being insured by the mutual, we have managed to halve both the number and the value of tractor fire claims," says FMG's Chief Executive Chris Black.

It's an example of how well FMG understands its core market, New Zealand's farmers and growers. "FMG was established 110 years ago by farmers for farmers. At the time, it was felt offshore insurers didn't really understand the risks associated with New Zealand agriculture, and the cost of insurance was too expensive," Chris explains. He points out that New Zealand remains a country where agriculture is important and agricultural products are the country's primary export. "FMG's core purpose as a mutual, which has stood the test of time, is to "give rural New Zealand a better deal'", he says.

New Zealand's insurance industry continues to be primarily offshore owned, with two large Australian firms having over 70% of the market. FMG currently has a relatively small overall market share at about 5%. On the other hand, in terms of general insurance business in rural areas it achieves close to 50% market share. "FMG is considered the expert in rural risk advice and insurance. This is our core competitive advantage," Chris says.

Nevertheless, FMG's relatively small size has encouraged it to adopt a very single-minded strategy of growth. "We need to build scale, thereby lowering our unit cost to serve, in order to continue to compete long-term," he says.

Building client loyalty

Chris Black took over the reins as the head of FMG in late 2008 and since then has overseen a business which has doubled in size, both in terms of income and employee numbers. The mutual is in part targeting potential commercial, lifestyle block owners (smallholders) and domestic clients in rural and provincial New Zealand who are not directly involved in agriculture, but it is also successfully increasing business among its core market, both by extending the range of products bought by existing clients and by acquiring new clients. FMG's strong reputation has helped drive this growth. "We use the Net Promoter Score (NPS) as our primary tool to measure client advocacy. Pleasingly, over the last five years our NPS has increased from +11 to +50," Chris explains. He adds that about a third of all new business last year came from existing client referrals.

Client retention is good too, at 94% for the overall business and more than 97% among farmers and growers. As Chris points out, since it costs about seven times as much to acquire a new client as to retain an existing one, it makes very good commercial sense to ensure you have satisfied clients who are loyal and committed to your brand.

FMG seeks to achieve this by providing good quality advice and service. It decided not to distribute its products through brokers, instead opting for a direct relationship with clients. FMG uses its own distribution model based on a mobile field team of advisors and assessors who work out of thirty offices across the country. They're backed by a national sales and service centre handling telephone and email enquiries. "One of the signature changes we made a few years ago was to set a gold service standard for our telephone service, that being "99/10". What this means is that we strive to answer 99% of all calls within ten seconds. Critics thought that it was too costly, but our view is that good service is much cheaper to provide than bad service," Chris explains.

The problem too often with selling insurance, he goes on, is that clients don't compare rival insurer's cover or terms but instead buy simply on who offers the lowest price. "This is the reason we put a lot of effort into explaining how FMG is different," Chris says.

Business growth has to dovetail with this approach. "One of the challenges many businesses are faced with, including ours, is the trade-off between building a better business versus building a bigger business. For us, we think the balance of 50/50 is about right. While we're not looking to compromise the quality of our products and services, at the same time we need to build scale."

Having happy clients, Chris Black goes on, is directly linked to having happy employees, and his approach as Chief Executive is based on this philosophy. "For an organisation to be successful it needs leaders throughout, not just at the top," he says. "I'd describe my leadership style as inclusive, 'leading from the side' as player/coach if you like. My approach is to spend time on the big strategic issues and at the same time be across the detail of a few select things, leaving the middle to largely take care of itself. This means empowering colleagues to take their own decisions". Mostly these decisions will be the right ones, Chris says, but if they're wrong that's OK too, provided people learn from the experience for the next time.

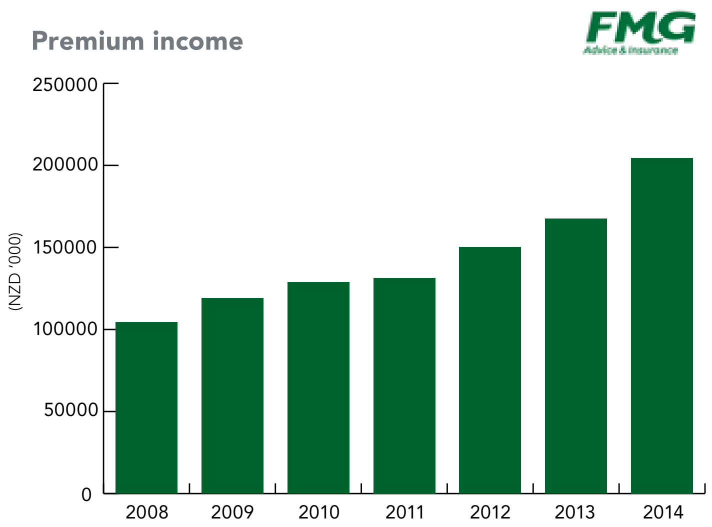
The FMG Leadership Team: Conrad Wilkshire, General Manager Advice and Insurance; Mike Lange, General Manager Products and Services; Chris Black, CEO; Geoff Yeats, General Manager Business Information Services; Andrea Brunner, General Manager Marketing, Distribution and Human Resources; and Dave Kibblewhite, Chief Financial, Investment & Risk Officer

The approach seems to work. Chris Black points with pride to the annual IBM Kenexa survey which has rated FMG as the second best large workplace in New Zealand for the last two years running.

Community

As a mutual, FMG has a policy of giving back to the rural community. The mutual provides a number of scholarships each year for high achieving school leavers taking agricultural degrees and also sponsors many hundreds of events in the countryside. It has also just launched an innovative new initiative designed to support the mental health and wellbeing of farmers and their families. As Chris points out, farmers tend to have good plans in place around looking after the health of their livestock and at keeping their farmland in good shape, but are sometimes not as deliberate about looking after themselves. The Farmstrong initiative, a non-commercial programme launched in partnership with the Mental Health Foundation of New Zealand, has its own website: *www.farmstrong.co.nz* offering advice and is also sponsoring a rural medical doctor who is travelling the country talking to farmers face-to-face at community events. "We think Farmstrong is an important and timely initiative and are hopeful it will make a positive difference over time for rural New Zealand," Chris says.

Premium income



Taking calculated risks

Farmstrong links with FMG's general approach of trying to work closely with its members, helping them be more aware of the risks they face and how they can manage them. "We embarked about seven years ago on breaking what we call the cost-plus insurance cycle, where you pay your premium, make a claim, see your premium go up, make another claim, and so on," Chris says. Instead, he says FMG has what he calls an 'advice-led insurance strategy'. And he adds that FMG adopts a philosophy on risk which is by no means universally the case in the industry. "Many see risk as a negative to be avoided or mitigated. Our view is that risk is an important part of achievement. Put simply, you can't achieve anything without taking risks. So at FMG we encourage people to take calculated risks in order to achieve their goals," he says. The key adjective here is 'calculated' – it implies a successful educational risk-awareness programme.

Chris Black's own professional achievement in leading a successful and profitable mutual insurer follows a career which saw him initially qualify as a land surveyor before working in London for a few years with CitiGroup and UBS Warburg and then taking a series of senior management positions at the Bank of New Zealand and the National Australia Bank. He speaks highly of the benefits which can come from a mutual ownership structure. "Having worked alongside different business models and ownership structures, I think the mutual model has the distinct advantage of being able to take a longer-term view of the business, for the benefit of members. The ability to control one's own destiny is a great advantage."

Chris Black lives in Auckland, New Zealand's largest city and the centre of the insurance industry, which necessitates a regular commute south to Wellington where FMG is head-quartered. Initially, he says, he travelled every week but more recently, helped by technology, he tends to be in the head office two weeks in three, spending the rest of the time visiting other FMG offices, on industry matters or working from home. He says while more effort is required to compensate for "not getting the benefit of as many 'water-cooler' conversations, there is probably more time to reflect on the business, rather than being immersed in it".

Chris and his wife Kate, who works in the New Zealand national health service, have three children, the eldest being 23 and the youngest 17, all of whom are still living in the family home. It makes for a rewarding family life, and Auckland itself – with the beautiful Hauraki Gulf and its islands close by – offers plenty of opportunities for relaxation away from work. Chris says his family enjoys boating in the summer months, and he himself plays golf and tennis as well as taking a keen interest in music. "I have a philosophy that, despite getting older, your best is still always yet to come," he says.

CEO PROFILE: JEAN-LOUIS DAVET

Plotting the path ahead for France's health mutual MGEN

Voice catches up with Jean-Louis Davet, who is successfully leading his health insurer MGEN through rapidly changing times.

There was a time when news of Jean-Louis Davet's achievements were more likely to be found in the sports sections of newspapers. An accomplished swimmer in his youth, he was a regular competitor in national swimming championships in France for more than ten years.

The days of competitive swimming may be over, but Jean-Louis Davet continues to make waves at a national level in French life through his position as chief executive of the major French health mutual MGEN. The French healthcare system has been going through a time of quite unprecedented change, and Jean-Louis (who has been at the head of MGEN since 2008) has been steering his mutual safely through this period of transformation, ensuring that it remains commercially viable but ensuring too that it stays true to its mutualist roots.

MGEN – originally "La Mutuelle Générale de l'Education Nationale" – was formed in 1946 when over a hundred local healthcare savings and friendly societies came together, just at the time when the post-war French universal national health service was being devised. As its name suggests MGEN's roots were in the education system, helping teachers ensure they had the health care they needed on the basis of a system of mutual self-help and solidarity.

Much has changed since 1946 but the MGEN Group continues to provide healthcare for teachers, for those in higher education and research, as well as for professionals working in areas such as culture, communications and sport. It manages the state-funded element of healthcare for these occupations and it also offers complementary health insurance, topping up what the state scheme provides. These health insurance policies (which include long-term care, life assurance, disability insurance, income protection and pension products) are available to all, regardless of their occupation.

Competition

All this means that in total approaching four million French people are protected through MGEN. The mutual directly owns and runs 36 healthcare and medical centres and is a joint owner through a consortium of more than 2,500 other centres across the country. These include convalescent centres, residential care homes for the elderly and mental health care establishments. MGEN members and policyholders have access to the mutual's own network of dentists and opticians. MGEN, in other words, both offers a very broad range of health-related insurance and provides direct healthcare services.

But as Jean-Louis explains, the MGEN group's continued success cannot automatically be taken for granted. He talks of what he calls a "violent intensification of competition" for MGEN's core business. He is conscious too of a growing individualization in society, and with it a decline in some traditional forms of collective organization, such as trade unions and political parties. Like it or not, the principles of solidarity and mutual support, and particularly the idea of solidarity between the generations, are no longer quite so widely endorsed. "It's clear that with the growth of market forces in healthcare and a growth too in consumerism, the idea is disappearing that social protection is a social achievement which is worth getting involved in defending," he says. "For a growing number of our members, MGEN is more and more seen just as an insurance company, not as a jointly-owned vehicle providing social ties, solidarity and protection".

There are other challenges, too. One is the medical advances in recent years in the analysis of genetic make-up, which potentially means that a health insurance premium can be tailored specifically to the particular health risks faced by an individual – once again, a move away from the idea of shared protection and solidarity, as well as an opportunity for less scrupulous commercial insurers to cherry-pick the best clients. Another is the rapid growth in medical innovation and technology which is making healthcare increasingly an expensive matter. Then there is the reality of a rapidly ageing population.

Disengagement by the state

And, to top it all, there is the growing disengagement by the state in the provision of universal healthcare. In France, the cost of healthcare has continued to grow in recent years, leading to a massive deficit in the government's health budget. Typically the state has in the past covered around 77% of the cost of healthcare, with a further 14% funded through complementary insurance policies (either individual or collective), leaving individual households to make up the difference of about 9%-10% themselves from their own pockets.

But the state is now looking increasingly to the private sector to fill the gaps in healthcare. Of course, this potentially offers new opportunities for business for health mutuals, but as Jean-Louis Davet points out this isn't necessarily such a good thing for MGEN's members or for broader society. "In this respect we are a 'paradoxical insurer': we've always supported the principle of a high level of coverage under the universal national health insurance scheme and in the interests of our citizens we prefer there to be a smaller area covered by complementary health insurance. In effect, the point where the universal national health scheme stops is exactly the point where you start seeing inequalities in healthcare and moves towards excessive segmentation in cover," he says. On the other hand, he adds, if the state scheme is withdrawn from certain groups of people or certain health risks then MGEN would certainly look seriously at stepping in to offer replacement products.

MGEN's response to all these challenges under Jean-Louis Davet's leadership has been multi-pronged. Firstly, MGEN has diversified its core health product. Although MGEN has chosen not to follow private sector competitors into a highly segmented series of products it has nevertheless moved away from offering one single product for all its members, with the premium based solely on members' income. There is now a range of five key products, with the premium costs based partly on income but partly on age. "This represents a fundamental break with the principle of a single monolithic offering in force ever since MGEN's creation seventy years ago," Jean-Louis Davet points out. The change has needed careful implementation as well as an ambitious programme of cultural change within the organization, but it is one which has been endorsed by MGEN's members. "Our General Assembly voted by more than nine to one for this major change," Jean-Louis adds.

MGEN head office

With this has come a strong move into the market for long-term care insurance, where almost overnight MGEN has become the market leader, with 40% of the French market. MGEN has also started a small-scale operation in Portugal. "Today 15,000 Portuguese citizens are MGEN members, so we are experimenting with the idea of a type of 'European mutual'," Jean-Louis explains.

Mutualism 2.0

More significant has been the decision taken in 2011 by MGEN to join with five smaller health insurers in the creation of a mutual group Istya, as an alternative to a traditional takeover approach. And still more significant has been its very recent decision to join forces with Harmonie Mutuelle to create a new mutual in the French health market, a decision ratified by MGEN's and Harmonie's General Assemblies in July this year.

The strategic alliance with Harmonie Mutuelle, another organization with a strong commitment to the mutual model, is expected to see the creation in the next few months of a new combined mutual group which will provide health cover to more than 8.2 million French people (around twelve million if all the health mutuals already partnering MGEN and Harmonie also join the group). "We're not looking for size just for the sake of it. Harmonie and MGEN share the same vision for the future of social protection, health and associated services. We're two of the most important mutual actors in the sector," Jean-Louis Davet says. Together the two mutuals will be able to offer the largest network of not-for-profit healthcare centres across France, and to strongly invest in new activities and innovative services.

Ensuring the success of this major realignment of health mutuals in France will be one of Jean-Louis Davet's key strategic tasks in the coming months. But he also has other major initiatives under way. He talks of MGEN becoming the agent to develop what he calls 'Mutualism 2.0', a rejuvenated model of mutuality which makes links with newly developing trends in the economy, including such things as collaborative working and the sharing economy. "We can't just be spectators to the transformation of our societies. We have to be actors in the development of social entrepreneurship, of new economies, of social networks, to help support new economic initiatives beyond those with a narrow neoliberalist perspective," he says. And it's vital to engage MGEN's membership in all this work.

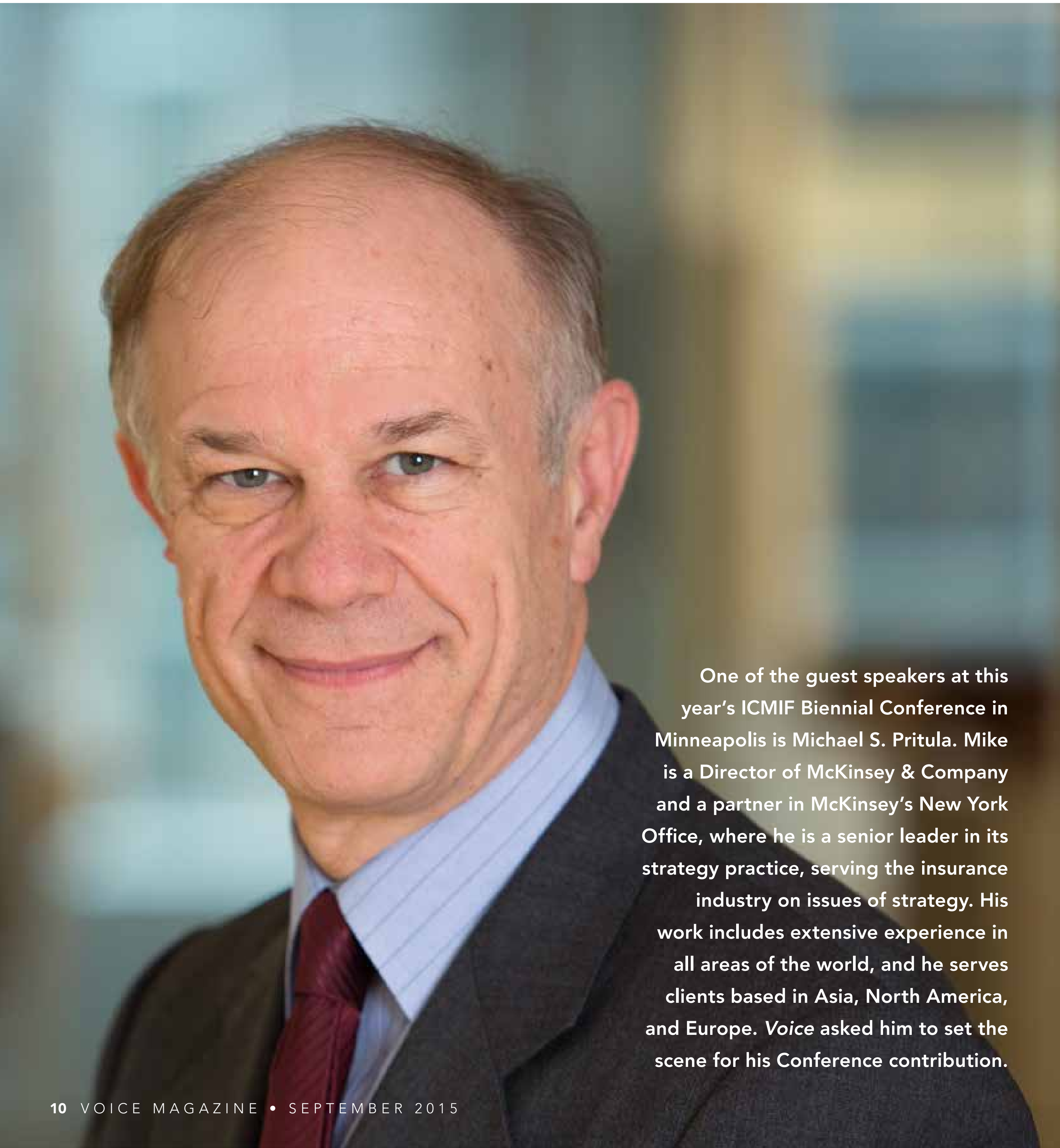
Member engagement

MGEN has a very strong democratic heritage, with members (there are around 1.8 million) electing delegates both to assemblies in each French département and to the national General Assembly, the sovereign body which elects in turn the Administrative Council. At a time when members can become disengaged from their organizations, MGEN has continued to achieve a 25% participation rate by members in elections. At the same time, some of the traditional democratic structures, including the departmental assemblies, are losing their vitality. MGEN has recently overhauled its system of governance, partly to ensure that the organization is able to respond more quickly to the need for change. "We've rethought from top to bottom our system of mutual governance to reinforce our agility, while at the same time respecting essential democratic values and the participation of members in decision making," Jean-Louis Davet says.

There is, all things considered, plenty to keep him busy in the months and years ahead. But Jean-Louis still keeps up his swimming, now for enjoyment and to keep fit. He also continues with another talent he developed earlier in life, playing the tenor saxophone. Once upon a time, he says, he would cheerfully head off with his sax on a plane to somewhere else in France or abroad for a night spent gigging with other musicians before catching the plane back to work the following morning (any thought of sleep deferred until later). He had the privilege, he says, to have been able to hear many of the legends of jazz, and when he was younger he would sometimes spend three or four nights a week soaking up the sounds in the jazz clubs of Paris. But his musical tastes are eclectic: he is a keen lover of classical music, including composers such as Monteverdi, Bach, Mozart, Beethoven, Chopin, Schubert and Schumann. And then there is his continuing loyalty to some of his favourite rock bands, such as the Rolling Stones, The Doors, Lou Reed and the Velvet Underground.

Add to all that a keen interest in art, both old masters and modern artists such as Picasso and Bacon, a love of both classical and contemporary dance and a strong interest in other cultures, and you might assume that Jean-Louis Davet comes from a background in the humanities. But in fact he graduated from l'Ecole Centrale de Paris, the prestigious engineering and business school, and he holds a doctorate in mathematics. His appointment to the top job at MGEN followed a spell working in consultancy for firms such as Cap Gemini and Ernst & Young, and before that a post as chief executive of the French subsidiary of the German firm FESTO. It's a career path which offers him a unique perspective on the best ways to strengthen France's very important mutual tradition.

Mike Pritula: My seven questions to challenge the insurance sector



One of the guest speakers at this year's ICMIF Biennial Conference in Minneapolis is Michael S. Pritula. Mike is a Director of McKinsey & Company and a partner in McKinsey's New York Office, where he is a senior leader in its strategy practice, serving the insurance industry on issues of strategy. His work includes extensive experience in all areas of the world, and he serves clients based in Asia, North America, and Europe. *Voice* asked him to set the scene for his Conference contribution.

Today's insurance industry remains as essential to the basic development of economic activities as it ever has, perhaps even more so. It serves as the oxygen for the life of commerce everywhere, at once ubiquitous and necessary and often relegated to a backseat in the world of financial services. Like the air we breathe, it comes in good forms and, occasionally, bad forms, but endures because those who participate in economic and social activities often cannot bear the full weight of the risk of their activities. Insurers seek out this gap in risk creation and risk bearing and bring forth capital to bridge the gap, seeking compensation for doing so. The willingness of insureds to pay to bridge this risk-bearing gap fuelled the industry hundreds of years ago and does so today.

These demands of insureds today globally produces an industry that will write USD 2.4 trillion in life insurance and related premiums and USD 1.6 trillion in non-life premiums in 2014. The industry is enormous.

The competition among insurance carriers for these premiums has never been as fierce as it is today. Carriers are more skilled and adept at meeting the needs of their policyholders with each passing year, as has always been the case. But technology appears to have increased the rate of change in the industry, and it will not slow.

The agenda for the management teams of today's insurers, no matter what market they participate in or what products they offer, needs to address the following questions:

1. **How will we steward internal data, external data and distinctive skills, and mix them together to produce better underwriting of risk than others who compete with us?**
2. **How will we change our operating models to account for the rapid increase in use of digital technology by both consumers and business customers?**
3. **How will we adjust our capital management strategy in light of the increasingly varied forms of capital and reinsurance available to us?**
4. **Are our target markets, both customer segment and geographic, appropriate given our skills and capabilities? How should they change?**
5. **How will our operating model change to take into account the availability of services from vendors and suppliers to the insurance industry? What activities need to reside within our company? What activities should we stop doing?**
6. **Why do we provide the products that we provide, and should we offer more or fewer products?**
7. **Do we have both the technology and talent to compete in our markets over the next ten years?**

These questions are simple, yet answering them effectively requires appropriate investigation, the willingness to assemble the facts in a given situation, and an honest and direct confrontation of the questions by senior management teams.

Mutual and cooperative insurers, no matter their chosen markets, need to address these questions with special urgency: their non-mutual competitors are moving with great pace and in particular are taking advantage of capital flexibility and innovations in the market. Yet mutual and cooperative insurers possess advantages relative to their non-mutual peers: they have the ability to enjoy a deeper, more significant relationship with their policyholders than other insurers; they typically can take a longer term view of their business; and they can avoid myriad of expenses and distractions incumbent that stock-form insurers must bear.

Nevertheless mutual and cooperative insurers must still pursue the answers to the above questions. They are facing a more difficult and competitive environment than ever before, but one in which the rewards from acting quickly and correctly are also greater than they have ever been.

Anders Sundström:
Two years on, ICMIF is finding its voice

Anders Sundström has been Chair of ICMIF's Board for the past two years and will be chairing the ICMIF Biennial Conference for the first time this October. It's an appropriate moment, he says, to take stock on how the organization has been progressing since the 2013 Conference in Cape Town and to assess whether the strategy which he has been overseeing is being adequately implemented.

In general, Anders says he is broadly satisfied with developments so far. When he was appointed as Chair, he called for ICMIF to focus its strategy in two areas: partly on raising its advocacy and lobbying activities with key global and sectoral organizations, but also on ensuring that members receive real benefits from their ICMIF membership through, for example, better networking and knowledge exchange.

"There is still much to do, but the implementation of the new strategy has exceeded expectations – I thought it would take longer to get where we are today," he says. "We've managed to advance our position on behalf of cooperative and mutual companies as an important voice on the global level, one that is really being listened to. I also think we have a unique perspective in being able to integrate our risk expertise in the discussions and initiatives under way within the framework of the UN, the G20/B20, and so on."

But there is more to address. Anders replies to the question of what remains on the ICMIF 'to do' list with two words: more members. Increasing the membership gives added weight to ICMIF's advocacy work, he points out, but it is also a clear indicator that the organization is functional, giving real benefits to its members. "We must show that ICMIF membership adds value and is a way to create competitive advantage," he says. "We have non-members coming to Minneapolis as well as members, and I hope we can give them a sense of the usefulness which ICMIF membership can offer – so that they then choose to become members."

Anders, a former President and CEO of Folksam who is currently serving as Chair of the Swedish Cooperative Union and as Chair of the Board of Directors of Swedbank, is preparing for a very hectic time on the platform at Minneapolis but says he is still looking forward keenly to hearing the debates and discussions. "The agenda, with interesting speakers, panels and networking opportunities, looks promising. I hope we can get a good balance in the conference between the long-term need for change and our rightful impatience that things should start happening here and now, both in relation to climate change and other societal issues."

Looking forward, Anders also wants the relationship between ICMIF and the European mutual and cooperative insurance organization AMICE strengthened. "I see an excellent opportunity to get a closer, more structured cooperation with AMICE," he says, adding that the aim is to see ICMIF's global strength built on the foundation of strong regional branches.

Ask him to identify areas where ICMIF has been less successful or still needs to focus its attention, and Anders thinks carefully. Sometimes, he says, when cooperative and mutual insurers are the subject of discussion the focus is solely on the governance model. But the discussion needs broadening, he suggests. "We should not talk just about governance. It would be better to describe, from a stakeholder perspective, the way that cooperative and mutual insurance companies are giving back to society in so many way, through insurance claims, tax, wages, refunds, support for community initiatives, etc. This is based on a long-term approach, where sustainability is a natural part of providing affordable insurance to the many," he says.

"All organizations have to constantly evolve, including ICMIF, but it's an extremely well-functioning organization that exists today, and it is always nice to work with the ICMIF staff. My colleagues on the board contribute with great dedication and skill, and it makes my role as Chair a very stimulating one," he adds.

Climate change: How insurers can benefit from embracing the challenges

It is a sobering message that the scientists of the UN's Intergovernmental Panel on Climate Change (IPCC) have delivered. The IPCC has talked of increased global warming increasing the likelihood of 'severe, pervasive and irreversible impacts'. The UN's Paris COP21 climate-change summit in December, according to some, could turn out to be just about the last possible moment for the world to collectively come together to tackle the threat.

Insurers know that a rapidly warming world brings risks: floods, droughts, and other disastrous weather-related events. Many ICMIF members have been ahead of the mainstream in the industry in demonstrating a strong commitment to sustainability, including taking positive steps to reduce their own carbon footprint. It's a commendable record in terms of social responsibility – but is it also good business sense?

According to Liz Green, ICMIF Senior Vice-President, External Relations, the answer is an emphatic yes. ICMIF members who are taking a lead in strong, environmental corporate social responsibility (CSR) work are also well placed to be ahead of competitors when it comes to meeting the changing concerns of their customers.

"Of course mutual and cooperative insurers should be exemplars when it comes to their corporate social responsibility work. But it's not just about being good corporate citizens of the world. There's a payback, too, when it comes to commercial opportunities. Focusing on the triple bottom line can actually improve a business's single bottom line - the profit," she says.

She points to examples from across ICMIF's membership of insurers who, she says, have been innovative in the products they are developing. "I was impressed to hear at the last ICMIF Communications Leaders' Forum, for example, of the work The Co-operators are undertaking in Canada on flood resilience," she says.

As reported in *Voice* 79 (May 2014), Canadian householders have up to now generally not enjoyed cover against overland flooding in their standard household insurance. The Co-operators last year published a research report into the subject and issued a call for action.

The Co-operators' response is based on three pillars: education, advocacy (political lobbying) and – last but not least - product solutions. In this respect, The Co-operators launched a new insurance product – available for all householders – in May this year in Alberta which for the first time offers comprehensive protection against flooding. The product, which offers incentives to encourage householders to reduce the likelihood of losses, will be rolled out to the rest of the country between now and next year.

"As a co-operative, we seek to address unmet needs, and there is clearly a need to provide Canadian homeowners with better protection against flooding. Our coverage is available to homeowners throughout the province – not just those who have a low risk of flooding or sewer backup," said Kathy Bardswick, President and CEO of The Co-operators. "We'll work with clients to help them understand their home's risk of water damage, encourage them to take preventive measures, and provide flexibility so they can purchase coverage that makes sense for them and their families," said Kathy.

"There are opportunities, too, to reward motorists who care about the environment and are trying to cut back on excessive car usage," Liz Green says. She points to the work which Folksam (Sweden) and other ICMIF members have been undertaking to launch motor policies linked directly to car usage through telematics monitoring technology. These products, often targeted particularly at first-time drivers who typically otherwise face high insurance premiums, can also be attractive for environmentally-conscious motorists of any age, Liz suggests. "Once again, ICMIF members are potentially well placed to take a lead in benefiting from this new market," Liz says.

There are certainly plenty of indications that a growing number of individual investors are concerned to see their money invested in socially and environmentally responsible ways. According to the French-based socially responsible investing (SRI) research agency Novethic, there has been a very fast growth in recent months in public interest in divesting from companies engaged in fossil fuel sectors, as part of a rising consciousness of the dangers of climate change. Novethic points in particular to the Go Fossil Free and Divest/Invest movements in the United States.

For Liz Green, it makes good sense for ICMIF members to turn their existing good practice in responsible investment practices to their competitive advantage. "I've noticed that one of our British members with a strong portfolio of SRI products, Ecclesiastical, has a website page which claims 'It's the dawn of a new era in responsible investing', and I think they're absolutely right. I think we will see an increasing percentage of private investors' funds moving in an environmentally responsible direction in the next few years. Mutuals and cooperatives who have strong ethical policies already will be well placed to pick up this growing business opportunity."

Hand in hand: Reducing disaster risk will aid sustainable growth, world investment conference told

Tree planting can save lives and livelihoods by reducing damage associated with floods and high winds. Six year-old Van Lyna plants a tree in Prey Veng province, Cambodia. Photo by Arantxa Cedillo, UNDP Cambodia

The United Nations' new roadmap for managing disaster risk – the Sendai Framework for Disaster Risk Reduction which was agreed in March by countries – is directly relevant to the cause of sustainable development worldwide, according to Margareta Wahlström, head of the UN Office for Disaster Risk Reduction (UNISDR). "Disaster risk reduction is not just a technical issue. It's genuinely cross-sector," she told delegates at a session on disaster-resilient investments and sustainable development held during the Financing for Development global conference in Addis Ababa in July. "More dedicated action is needed to focus on the underlying risk drivers such as rapid urbanization, inappropriate land management, non-risk informed policies and lack of regulation. Incentives for private investment in disaster risk reduction are essential to achieving sustainable development and the targets set out in the Sendai Framework." Delegates also heard ICMIF Senior Vice-President, Emerging Markets, Sabbir Patel describe the important role which the cooperative and mutual insurance sector can play in reducing disaster risk.

The message which emerged from the discussions behind the Sendai Framework for Disaster Risk Reduction 2015-2030 is that, unless risk is appropriately identified and understood and unless steps are taken to reduce it when investment decisions

are made, the very sustainability of growth and development will be put in jeopardy. As the UNISDR has pointed out, economic losses from disasters have risen steadily in recent years, exacerbated by factors such as climate change and unbalanced urbanization. Losses from such events as earthquakes, tsunamis, cyclones and flooding are estimated now at between USD 250 bn to USD 300 bn a year, with UNISDR suggesting that this figure could rise to USD 415 bn by 2030. This in addition to over 700,000 deaths, an estimated 1.5 bn lives affected resulting from disasters triggered by natural hazards over the last decade.

Insurance, and in particular cooperatives and mutual insurers, are seen by UNISDR as playing a key role in the successful implementation of the Sendai Framework (*Voice* 82). Insurers, as holders of risk information knowledge, can help inform decision-making behaviour, can help drive risk-sensitive policy, and can develop innovative solutions to ameliorate risk and enhance social protection. Insurers can also play a part in their role as asset managers in pioneering the integration of an understanding of disaster risk and climate change into investment decisions (see page 18).

This message was firmly underlined by ICMIF's Sabbir Patel in his contribution at Addis Ababa. "With its financial capacity and risk expertise, the insurance sector has much to contribute towards efforts aimed at achieving financial resilience and strengthening risk management," he told delegates. "As well as being an enabler of economic growth and sustainable development, insurance enables risk to be appropriately identified and understood and facilitates appropriate measures taken to reduce it and prevent its creation."

Microinsurance in particular had an important role to play, he went on: "Building resilient communities requires first building resilient individuals and resilient households. This needs a wider holistic approach to all the risks faced by vulnerable communities and not just those that are disaster related. Microinsurance, or inclusive insurance, has proved to be an effective tool for protecting the assets of the poor against such risks.

"The provision of microinsurance, and we believe in particular community-driven microinsurance,

Sabbir Patel, Senior Vice-President, Emerging Markets, ICMIF, at the Financing for Development conference, Addis Ababa (Ethiopia)

enables individuals not only to build back better but also empowers them with the independence to protect themselves and not have to rely completely on state aid and donor handouts," Sabbir added. He stressed the particular significance of the mutual and cooperative insurance sector. "Mutuals and cooperatives reinforce and formalize the inherent solidarity and desire for better life that is at the heart of poor communities, and gives them ownership over their own future," he said.

Margareta Wahlström and Sabbir Patel were joined on the platform by, among others, the Finance Minister of Mozambique Adriano Afonso Maleiane, who pointed out the direct relevance of risk reduction actions in countries such as his which are very prone to flood risk.

ICMIF is continuing to work closely with UNISDR as the implementation of the Sendai Framework gets under way and Margareta Wahlström will be a guest speaker at ICMIF's Biennial Conference in October.

Invest better, invest smarter: *Smart Risk* investing project attracts widespread industry attention

Faye Lageu

The *Smart Risk* investing project, a joint initiative between ICMIF and the International Insurance Society (IIS), will be featured in a session at October's ICMIF 2015 Biennial Conference, Minneapolis. The concept of harnessing expertise in risk assessment and applying it to asset management decisions has attracted considerable interest across the wider insurance industry.

"*Smart Risk* investing brings together two parts of the insurance business which, historically, haven't always talked to each other," says ICMIF's Vice-President, Business Intelligence, Faye Lageu. But the concept could help transform the way that insurers offer solutions to the world's growing social and environmental risks.

The initiative follows ICMIF's joint announcement with the IIS at the United Nations (UN) climate change conference in New York last September. ICMIF's Chief Executive, Shaun Tarbuck, pledged that the insurance industry would play a full part in meeting the challenges of climate change by doubling its climate-smart investments from USD 42 bn to USD 84 bn by the time of this December's UN COP21 climate summit in Paris, and would further increase them to USD 420 bn by the end of the decade. "The project is now under the watchful, and hopeful, eye of the UN, up to and including Ban Ki-moon, the UN Secretary-General, who is a strong proponent of the insurance industry's efforts," says Faye.

Smart Risk investing is a broader concept than traditional socially responsible investments (SRI), due to its emphasis on integrating risk considerations. Nevertheless, with climate change firmly on the international agenda, including the G7 announcement to phase out all fossil fuels by the end of the century, it is not surprising that most attention has so far focused on the environmental aspect.

"*Smart Risk* investing addresses the immediate and urgent risk factors of climate change, but also looks more widely to include other environmental and social risks. It helps insurance companies anticipate the related risks of regulatory and political change without detriment to the goal of continuing to maximize investment returns for the organization and its customers," Faye explains.

ICMIF is now taking the lead in establishing an advisory panel which will work on developing a set of definitions and a framework which will take the *Smart Risk* investing project forward. This panel will comprise key industry players, including ICMIF members.

For Tarbuck, the insurance industry is undergoing "a transformation which confirms the insurance industry's capability and commitment to managing the risks associated with social and environmental change. The outcome will be both better business and a better future".

British cooperative insurer builds its capital position

Mark Summerfield

The general insurance arm of the giant Co-operative Group (UK) has strengthened its capital position and its ability to grow its business with a successful bond issue of GBP 70m (USD 109m), placed on the commercial markets.

CIS General Insurance Ltd, which trades under the name Co-operative Insurance, will use the proceeds of the bond issue to fund an investment programme linked to the strategic goal of becoming the preferred insurer for the Co-operative Group's eight million retail customers.

"This fundraising marks a significant milestone for Co-operative Insurance," says Mark Summerfield, Chief Executive. "We have a compelling strategy to drive our business forward, focused on our goal of becoming the go-to insurance provider for members of the Group. This gives us the ability to leverage our competitive advantages through a greater focus on our members and their insurance needs."

The consolidation of Co-operative Insurance's position follows a turbulent period for the Co-operative Group, which was obliged a year ago to sell the majority of its shares in its banking subsidiary as well as to divest of other non-retailing arms such as farming and pharmacy. The successful fixed rate Tier 2 subordinated bond issue is another example of how cooperatives can, where necessary, raise funds from the capital markets while retaining their cooperative structures.

Cooperative Capital

The report *Survey of Cooperative Capital*, commissioned by the International Co-operative Alliance (ICA) and written by Michael Andrews, can be accessed via the ICA website, http://ica.coop/es/node/11170

The future is mutual in Scandinavia as Skandia becomes member-owned

The interior of the Skandia head office, Stockholm, Sweden

A dramatic shift towards mutualization in insurance and financial services has been taking place in Scandinavia. Skandia, one of the most historic names in insurance in Sweden, has completed its legal transformation into a fully member-owned mutual. Meanwhile in Finland Pohjola, a major non-life insurance, banking and asset management company which was previously stock exchange listed has been delisted and is now fully cooperatively owned.

Skandia's decision to turn itself into a mutual follows the successful purchase back of Skandia's Nordic business in 2012 from Old Mutual, the South African based financial services group which had acquired Skandia in a controversial take-over in 2005. Old Mutual (which despite its name, is a non-mutual which trades on the London stock exchange) retained Skandia operations outside Scandinavia, and has now rebranded them with its own name.

Skandia was formed in Stockholm in 1855 and was listed on the Stockholm exchange from 1863. During the 1960s, Skandia acquired Thule Life Insurance Company, which was renamed Skandia Liv. Skandia Liv was a non-profit distributing company limited by shares and run on a mutual basis. In 2012, Skandia Liv acquired the Skandia group from the former owner Old Mutual. A new mutual life insurance company was established, Skandia Öms, which acquired the business from Skandia Liv, whereupon Skandia Liv was merged into Skandia Öms. The process was completed by January 2014. Skandia Öms is owned by its 1.4 million customers and they are entitled to vote for the mutual members' Representative Council and to attend annual general meetings.

The experience gained by Skandia during the mutualization process is likely to be of considerable interest in the event of other similar mutualization or remutualization processes. It involved the creation on an interim basis of a Foundation (the Thule Foundation) which for a short time owned the business. The acquisition of Skandia's Nordic business from Old Mutual was for SEK 22.5 bn (USD 2.6 bn).

The second AGM of the new mutual took place in May this year and was linked to the election of members to the Representative Council, the body which formally exercises the ownership function of the company and which appoints the Board. Two hundred candidates put their names forward, from which fourteen were selected by a Nomination Committee as a shortlist of candidates for the seven places available. The fourteen names on the ballot paper were chosen to represent the full range of Skandia's customers as well as to bring the skills needed for the position. Further elections will take place next year when the Representative Council will reach its full 21-strong complement, and when interim arrangements with nominees from the Thule Foundation will come to an end.

Skandia is performing well in its new mutual role, and indeed in December last year had to impose temporary limits on maximum annual savings in endowment and other policies to discourage speculative investment. Bengt-Åke Fagerman, Skandia CEO, says that

An OP-Pohjola branch

the company is prioritizing sustainability and equity over short-term sales performance, and is keen to ensure that its profits reward its long-term policyholders.

While Skandia's mutualization process was causing considerable interest in Sweden, the Pohjola financial group in Finland was being delisted from the Helsinki stock exchange, following a decision by the cooperative banking group OP-Pohjola to bid for those shares in Pohjola held by external investors. At the time of the bid, first announced in February last year, OP-Pohjola owned 37% of the listed shares although these gave it 61% of the voting rights. According to OP, the group wanted to abandon the hybrid model of a publicly listed financial institution which was only partly cooperatively owned and return the business entirely to cooperative ownership.

The move, which involved an offer price around 18% higher than the closing price at the time of the bid, was warmly received by the financial markets and the purchase was completed by the end of last year. Pohjola, originally an insurer which had been a quoted company since 1912, provides banking services to large and medium sized corporate customers as well as to individuals, has a significant asset management arm and also offers non-life insurance. It also provides central banking services for the 180 or so local cooperative banks which together make up the OP central cooperative.

The decision to delist Pohjola has been followed by a decision to rebrand the whole group under the name OP. A separate delisting is currently underway for the large cooperative bank in the Helsinki area, which through a historical quirk had been separately listed since the 1990s. In 2016 this bank, Helsinki OP, will be integrated within the OP cooperative family.

According to OP's CEO Reijo Karhinen, the move to delist Pohjola takes the group back to its cooperative roots. The move was encouraged by tighter bank regulation which in turn required tighter oversight of the bank's management. He has argued that, without the delisting, there was a strong possibility that the whole OP-Pohjola group would sooner or later have ended up itself as a stock exchange quoted company. Withdrawal from the stock exchange reinforces OP's strong Finnish roots and character, he maintains.

Desjardins Group: Embracing technological change the cooperative way

Early adopters of the much-hyped Apple Watch can use it to tell the time, send messages to friends or find out what movies are playing in their home town. But, if they're customers of ICMIF member Desjardins, the leading cooperative financial group in Canada and fifth-largest in the world, they can also use it to check the money in their credit union account or transfer surplus cash to a high interest account.

The Desjardins Group logo is there on the Apple Watch screen, ready to be tapped to call up the mobile app that lies behind it. It's an example of how Desjardins is very consciously trying to ensure that it remains at the forefront of technological innovation.

"Technology is transforming how we learn, how we buy, how we socialize," Desjardins' Chair of the Board, President and CEO Monique Leroux told her audience at this year's annual General Assembly of the cooperative in Montreal in March. "Technological innovation has become part of our day-to-day life," she added.

For Monique Leroux, the need for Desjardins to embrace innovation has been a strong thread throughout the time she has led the Quebec-based cooperative financial group. Aware of the way that technology is changing the insurance and financial services sector, including bringing in potential competition from new players such as PayPal and Google from outside the traditional financial sector, she has made it one of her key areas of focus. Constant innovation, she says, is necessary to allow cooperatives to remain relevant to their members. "In this day and age, a good idea is not good enough, it must rapidly turn into reality," she warns.

Monique F. Leroux addressing participants at the 2014 International Summit of Cooperatives

The desire to foster an innovative culture within Desjardins has been reflected in a wide selection of new products and services which have been brought out in recent years. In 2011, for example, Desjardins became the first insurer in Canada to launch a mobile travel assistance program. In 2013, it was again ahead of other competitors in offering customers with Ajusto, a car insurance policy based on telematics. Since March 2015, the Ajusto app removes the need to install a permanent telematics device in the vehicle being driven. In 2014, Desjardins launched Hop 'n S@ve, the first mobile application for spontaneous savings in Canada.

As befits a cooperative, Desjardins has adopted a very strongly collaborative approach in its desire to create a culture of innovation. Last September, at its 22nd annual congress, close to 2000 delegates had the opportunity to discuss how Desjardins Group will continue to be at the forefront of innovation.

Nearly 4,000 employees have joined the excentriQ network, an online collaborative platform which allows staff to come together to discuss ideas and develop creative solutions.

It is one of a number of recent initiatives, including the creation in 2011 of the Desjardins Technology Group, a bespoke unit providing technological expertise to all parts of the Desjardins Group. More recently, Desjardins Group put in place its I3D

Desjardins employees in action during an I3D session

initiative, based on the Filene Research Institute renowned i3 programme (Ideas, Innovation, Implementation). Earlier this year Monique Leroux also announced plans for what she calls Desjardins' Innovation Lab. "Our experts, partners and dedicated employees will be able to work on designing prototypes and exploring the most advanced technology, in a multidisciplinary, stimulating and high-performing space for collaboration and cooperation," she told her General Assembly audience.

The idea that there is, or should be, a natural affinity between traditional principles of cooperation and the collaborative approach to technological change reflected in such things as open-source software is one that has been expressed by several writers in the cooperative movement in recent years. Desjardins is clearly intent on putting the theory into practice.

"While definitely remaining what we are, which is a cooperative financial group with strong cooperative values, we are choosing to be innovative. We want to improve our performance even more, so that we can respond even better in an effective way to the needs of our members and customers, both those we have today and those we will have in the future," Monique Leroux said.

The next edition of the International Summit of Cooperatives to be held in Québec city in October 2016, under the theme *Cooperatives: The Power to Act*, will be a wonderful opportunity for cooperatives and mutuals to address the transformational challenges they are facing.

Co-hosted by Desjardins Group and the International Co-operative Alliance, the third edition of the Summit promises to be, yet again, an event not to be missed.

Desjardins performance highlights from the second quarter of 2015

- Significant increase in surplus earnings, up CAD 183 million to CAD 629 million
- Solid performance in the insurance segments, whose surplus earnings were up CAD 194 million
- Return on equity of 11.4%
- Operating income up 8.9%
- Assets of CAD 250.9 billion
- Tier 1A capital ratio of 16.0%
- Named North America's strongest financial institution for a second consecutive year in Bloomberg's ranking of the World's Strongest Banks

What's on the agenda for insurance at the OECD

The OECD's headquarters, Paris, France

The Organisation for Economic Co-operation and Development (OECD) plays a significant role in developing the global agenda on financial issues and in particular – through its Insurance and Private Pensions Committee – on key themes affecting the insurance sector. Timothy Bishop, Head of Division, Financial Affairs Division, Directorate for Financial and Enterprise Affairs, at the OECD explains some of OECD's current thinking to *Voice*.


Timothy Bishop

Q. How do you see insurance contributing to growth and stability?

A: Insurance markets and institutions are among the main pillars of modern financial systems, playing an essential role in mitigating risks in the economy and contributing to the mobilization of savings and channelling of investments. The OECD has been seeking to better understand the mechanics of how the insurance sector contributes to economic growth and stability.

Q. How is the OECD contributing to policyholder protection?

A: The OECD is a strong promoter of financial consumer protection and has developed the G20/OECD High-level Principles on *Financial Consumer Protection*, intended to apply across different parts of the financial sector. With respect to insurance, the OECD has carried out a number of outputs relevant to policyholder protection over the years.

For instance, the *OECD Recommendation on Good Practices for Insurance Claim Management* addresses every step of the insurance claim management process identified as being particularly important for policyholders.

More recently, the OECD published a report on policyholder protection schemes which analyzed the benefits of establishing a policyholder protection scheme and appropriate design features for such schemes.

In terms of planned work, the OECD's Insurance and Private Pensions Committee (IPPC), the body which advances work in the area of insurance, is considering advancing work on market conduct issues. The Committee's recent review of the *OECD Guidelines on Insurance Governance* highlight continued interest within OECD countries on policyholder protection issues. As part of a wider project on annuities, a short report will be developed addressing consumer protection issues of annuities. In addition, the Committee is considering a report on financial advice and intermediation, and/or product-based market conduct issues

Q. You mention the current review of the *OECD Guidelines on Insurer Governance*? What outcome can be anticipated?

A: In May 2011, the OECD Council adopted the revised *OECD Guidelines on Insurer Governance*, building on the original *OECD Recommendation on Guidelines for Insurers' Governance* (2005). The revised *Guidelines* sought to reflect lessons learned from the financial crisis, including the need for a board with necessary leadership, expertise, and independent decision-making, effective risk management and internal control systems and integrated firm-wide reporting within an insurer, sound compensation arrangements, and well understood group structures. The *Guidelines* may have a particularly important role in developing insurance markets which are developing good governance practices.

The review of the *Guidelines* is mainly taking place to assess implementation of the *Guidelines*, but it also includes a review of efforts made by public authorities and industry to strengthen insurer governance and the identification of possible improvements to the *Guidelines* to reflect evolving market practices and guidance. The review will also consider recent revisions to the *OECD Principles of Corporate Governance*.

Q: Is there connectivity between the OECD's work on insurance and the forthcoming COP21 conference in Paris in December?

A: The COP21 will give the OECD an opportunity to present the work of the Financial Affairs Division in terms of climate finance investment and disaster risk financing. The Division is well placed to contribute to discussions related to how financial instruments could help to manage the financial impacts of climate change-related disasters.

The OECD is contributing to the COP discussions through the French Presidency in terms of the role of insurance in transitioning to a low-carbon economy and addressing the impacts of climate change, and is planning to hold a side event during the COP21 to discuss relevant issues.

Q. Insurers together hold about a third of all assets under institutional investment. How can these funds better support long-term infrastructure investment and 'green' investment?

A: Traditionally, institutional investors have been seen as sources of long-term capital with investment portfolios built around the two main asset classes (bonds and equities) and an investment horizon tied to the often long-term nature of their liabilities.

With the current low yield environment, there is increased interest in so-called alternative assets which, while often less liquid than traditional securities, could provide for enhanced returns. Life insurers with their long-term liabilities may be well suited to invest in long-term assets, such as infrastructure. However, any such investment should be based on a sound assessment of risks within an effective asset-liability management framework. In addition, there may be scope to partner with financial institutions that may be better placed to understand the risks of long-term and potentially complex assets such as infrastructure.

Although green technologies can be quite risky, the OECD has been seeking to identify how green investment financing might be supported by institutional investors including insurers.

Q: Do mutual and cooperative insurers have a particular role to play?

A: Mutual and cooperative insurers play an important role in providing services that serve the interests of their members. In particular, mutual and cooperatives insurers may be well placed to consider what risks members may wish to take to better protect against the insured risk, and provide options that corresponds to members' demand for risk transfer. Mutual products may in particular be interesting for consumers who are looking for insurance products that represent certain principles, such as products with mutual insurers which carry out ethically, socially and environmentally conscious investment.

There is also a governance element that mutual and cooperative insurers may be able to address. The financial crisis demonstrated the issue of having financial institutions that are driven by short-term profit motives. Mutual and cooperative insurers have a business model that allows them to address long-term objectives.

Mutual and cooperative insurers are subject to different requirements, as they are unlisted enterprises. There is scope to ensure that mutual and cooperative insurers have better disclosure standards to ensure that their business model can provide the benefits mentioned above and provide transparency to their members regarding their governance and operations.

Q. What is the role of the OECD with regards to the global regulatory discussions?

A: The OECD's main role in terms of the global regulatory discussions is through the analysis of high-priority policy issues and identification of relevant good practices and principles which can support domestic reform efforts. The OECD has in recent years provided analysis on bank structural reforms, implicit bank guarantees, long-term investment financing, SME financing, and investment regulation. This work may have a direct bearing on national, regional and global regulatory initiatives but the OECD's role is complementary in this respect, except in areas where it may have acknowledged leadership such as in private pensions, financial consumer protection, and financial education. The OECD recognizes the role of the FSB and certain standard setters in advancing key global supervisory issues.

This article is an abbreviated version of answers supplied by Tim Bishop for *Voice*.

For the full article please visit the Public Affairs section of the ICMIF website: www.icmif.org/influence/public-affairs

ICMIF's voice is heard in international business taskforce

The mutual voice is beginning to be heard more loudly in some of the background papers being prepared for the G20 and the associated Business 20 (B20) summits, taking place in Turkey this November.

ICMIF itself has been working in the insurance related taskforce with member firms Desjardins (Canada) and Thrivent Financial (US) as well as with three cooperative banking organizations. "One of our aims has been to ensure that the mutual and cooperative insurance model does not disappear from sight in these important policy documents through lack of a mutual voice on the taskforces," says ICMIF CEO Shaun Tarbuck.

The meeting of the B20 Financing Growth taskforce in Paris, May 2015. Pictured second from right is Shaun Tarbuck, Chief Executive, ICMIF, and far right is Teresa Rasmussen, Senior Vice President, General Counsel and Secretary, Thrivent Financial (USA)

As an example of one place where participation has paid off, Shaun points to the acknowledgement in one of the B20 reports of the role which microtakaful (Sharia compliant microinsurance) can play in limiting the risk and uncertainty faced by small businesses. ICMIF has been developing a close working relationship with many takaful and microtakaful providers, several of whom have joined ICMIF as member organizations.

Also valuable for next year, when China will be the G20 and B20 host nation, is a recommendation to undertake work on the significance of the insurance and pension fund industries for business financing, and on the global insurance capital standards, the need to increase risk awareness of risk mitigation and risk pooling solutions, and ways to implement global agreements on disaster risk, sustainable development and climate change. These themes have been strongly pushed by ICMIF and its allies on the taskforce.

"To get the results we want in the set-piece international summits requires hard work beforehand in the back-room drafting sessions," Shaun says. "Until recently, the cooperative and mutual voice was almost entirely absent from B20 and G20 debates. We've been working hard recently to remedy this, and it's encouraging that our work is now beginning to pay off. There's a much greater level of knowledge and understanding of the cooperative and mutual business model today among policy-makers and strategists."

ICMIF members interested in more information on the detailed work being undertaken in the B20 forums are invited to contact Shaun Tarbuck, *shaun@icmif.org*

More speakers confirmed for Minneapolis Conference

Monica Woodley, Editorial Director at the Economist Intelligence Unit and the author of several research reports on insurance and the financial services sector, is the latest addition to the list of speakers at October's ICMIF Biennial Conference in Minneapolis.

Prior to joining The Economist Group, Monica was a financial journalist specialising in wealth and asset management at the *Financial Times* and *Euromoney*. She has a master's degree in politics from Georgetown University and holds the Certificate of Financial Planning.

She joins a long list of speakers at the Conference, full details of which are available on the dedicated Conference website. Other high-profile guest speakers include Margareta Wahlström (UN Special Representative for Disaster Risk Reduction), Holly Ransom (Director, HRE Global), Mike Pritula (Director, McKinsey and Company), Rowan Douglas (Chairman, Willis Research Network), and Marc Gordon (UN Office for Disaster Risk Reduction). "We are also finalizing arrangements with several other speakers. The Conference programme already looks like one of the busiest and most stimulating we have ever hosted," says ICMIF CEO Shaun Tarbuck.

The Conference website also provides full practical information about travel arrangements and accommodation for the event.

For more information about the Conference please visit:
http://conferences.icmif.org/minneapolis2015

Launching in Minneapolis: A new ICMIF programme to facilitate member-to-member secondments

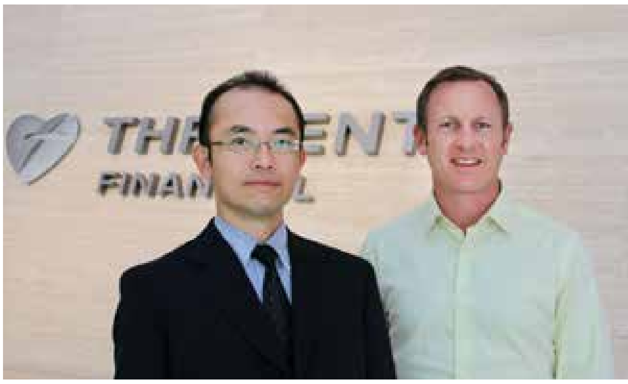
A scheme to help employees of ICMIF member firms arrange short-term secondments with other ICMIF companies is set to be launched at the Minneapolis Conference in October.

The idea potentially brings benefits both to the individual secondees and, by facilitating informal information exchange between companies, to the two member firms involved. Mike Ashurst, ICMIF Vice President (Reinsurance and Professional Development) says that a number of firms have already registered their interest in the scheme, and some potential candidates for early secondments have been identified.

"Because most ICMIF members operate nationally they do not normally have the opportunity available to multinational competitors to send up-and-coming employees to another country, to benefit from the life experience and career development it can provide. The international secondment scheme potentially gives ICMIF members this facility," Mike says.

He adds that ICMIF's role will be act as a facilitator and 'match-maker' for the scheme, holding information on potential secondment opportunities and on potential secondees. Although originally the scheme assumed that most placements would be for three or six months, feedback suggests that some staff secondments may be for shorter periods. In some instances, longer secondments may also be appropriate. Direct staff exchanges on secondment between two firms are another possibility.

Daisuke Yokomizu is already finding the benefits of secondment of this kind, through a bilateral arrangement between the Japanese Cooperative Insurance Association (JCIA) and Thrivent Financial

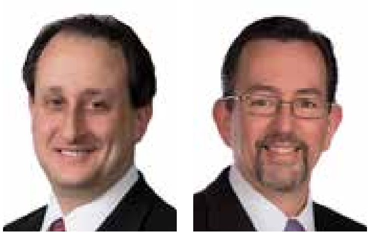


Daisuke Yokomizu with Bill McKinney, Vice-President, Strategy & Long Term Development Management, Thrivent Financial

(US). Daisuke, who started his secondment with Thrivent in June this year, will be with the Minneapolis-based fraternal society (friendly society) until November next year.

"I hope to gain in-depth understanding of Thrivent's approach to engagement with the community, its members and with government," he says. He talks of the common features between Japanese cooperative insurers and US fraternals, including the idea of insurance provision based on membership and the special tax provisions which apply, and mentions too the way he has been struck by Thrivent's successful approach to publicizing its work and telling its story – lessons he hopes he can take with him when he returns to Japan.

Daisuke says that he hopes his experience will encourage others to look seriously at the idea of member-to-member secondment. Further details about the international secondment programme will be given during one of the parallel sessions on the second day of the ICMIF Biennial Conference in Minneapolis this October. For more information please contact Mike Ashurst, Vice-President, Reinsurance and Leadership on *mikea@icmif.org*



by Jonathan L. Schwartz and
Michael A. Hamilton of Goldberg Segalla LLP

Accessory overload: Wearable technology's impact on the insurance industry

According to a recent report by PricewaterhouseCoopers, one in five Americans presently own a wearable device and one in ten wear one every day. Based on wearables' rapid rate of integration into the societal fabric, Forbes dubbed 2014 "The Year of Wearable Technology."

Wearable devices are a subset of the "Internet of Things" and are defined as accessories with embedded micro-sensors that can be worn or carried and are networked to provide continuous measurement and monitoring. They include fitness bands (Fitbit), "smart" watches (Apple Watch), "smart" glasses (Google Glass), "smart" clothes, wearable cameras and much more. Due to the smartphone boom and advances in cloud computing, micro-sensor technology has become cheaper and smaller than it was when Pulsar released its first calculator watch in 1975, or when the first Bluetooth headset was released (2000) and the GoPro camera was released (2004). And micro-sensor technology will continue to progress exponentially — in the next five to ten years, the number of consumer goods that are capable of embedding this technology will be incredible.

Experts estimate the global wearable device market should grow 250% to USD 12.6 billion by 2018. That figure may even be somewhat conservative, as wearable devices are already very popular with Millennials and are increasingly becoming fashionable and affordable. In addition to personal use, the market for corporate/industry customers should grow remarkably over the next five years. As evidence that wearables will inevitably be as essential to the workplace as computers are today, a recent workplace productivity survey revealed that 58% of the surveyed employees (and 66% of Millennials) would agree to use wearable technology if it would help them to perform better at their job.

The growth of the wearables market has significant implications for the insurance industry. In fact, an Accenture survey of 200 insurance company executives (from multiple lines of insurance) found that 63% of those surveyed expect wearable technology will be widely adopted by the insurance industry in the next two years. For instance, wearables provide great benefits in terms of investigating and processing claims, such as where a claimant alleges that their physical activities have diminished since the incident that caused their injuries. Additionally, wearables allow field adjusters or property risk engineers when performing an inspection or appraisal to take pictures and videos, document notes and access information real-time. This would make post-catastrophic event investigations safer, as adjusters could climb ladders, inspect roofs and handle machinery, all while remaining hands-free. Moreover, we could soon see truckers using "smart" eyewear to record their journeys. This would benefit insurers by providing access to real-time information about, say, a collision, instead of having to rely solely on evidence collected after the event.

In addition to property and casualty insurers, wearables benefit health insurers by enabling them to effectively map trends in diet, fitness, sleep patterns and disease and, in turn, to better underwrite coverage. Accordingly, some health insurers are already offering companies corporate discounts if their employee participants agree to regularly transfer their personal fitness data. Life insurers are likewise offering significant premium discounts for policyholder accumulation of "wellness points," the data for which is collected through the policyholders' wearables.

Nonetheless, wearables pose significant challenges for the insurance industry. For example, they may pose serious privacy concerns as they increase dramatically the amount of personal data to be collected and stored. This could easily magnify the impact of data breaches. Similarly, with the tremendous amount of information becoming available, insurers also need to make sure they are able to manage the data. The changes in the volume and type of information will place even greater emphasis on insurers' abilities to collect, interpret and utilize big data. Thus, the insurance industry will find it necessary to continue to evolve their technology platforms, such as partnering with digital and cloud technology companies, in order to better integrate their IT functions into their underwriting and claims processes.

Another privacy concern is the use of wearables to conduct unauthorized surveillance through geolocation technology. This capability is certain to result in claims for violation of privacy and alleged violations of anti-surveillance statutes. Further, wearables used at work may increase the number of injuries due to their tendency to distract workers. There are similar concerns about whether excessive use of wearables—and smart glasses, in particular—could lead to headaches, double vision and dizziness. Finally, the legal standard for wearable use is far from settled. For instance, it is uncertain whether the companies that manufacture and sell wearables are subject to personal identification information and personal health information laws, even if they do not sell or distribute the information collected to third parties.

We are in the nascent stages of the "smart" transition from handheld devices to wearable technology. Insurance is right in the middle of it, as wearable technology has a variety of beneficial applications for the industry. Indeed, in the next five to ten years, we can expect that wearable technology will generate enough information to enable insurers to customize insurance for individuals, providing an immense benefit to insurers and policyholders alike. At the same time, this new era of big data provides increasing legal, technology and privacy challenges for the insurance industry.

For more information on Goldberg Segalla please visit: www.goldbergsegalla.com

International networking pays off for Zenrosai and Benenden

Zenrosai visit to ICMIF head office, May 2015

ICMIF was pleased to welcome a study group delegation from Zenrosai (Japan) in May, part of a HR training programme for younger staff expected to be future leaders of their organization. ICMIF has helped Zenrosai with this programme more than ten times, and on this occasion Zenrosai delegates also visited ICMIF's UK member NFU Mutual and the British cooperative federation Co-operatives UK.

The nine delegates were welcomed to ICMIF by Liz Green, Senior Vice-President, who discussed current trends in the cooperative and mutual insurance sector and how ICMIF promotes its members' interest in global policy making. Delegates were also given copies of ICMIF's recent publications Global Mutual Market Share and Global 500. "These surveys, which show that cooperative/mutual insurance is a growing sector in the global market, can be used to demonstrate to Zenrosai's existing and prospective members that we have a strong influence, based on a cooperative spirit. Applying these facts, I will strive to reinforce our members' sympathy, trust, and participation," said one of the delegates Takako Nakamura. She added "As a young woman, I was impressed by the way Ms Green confidently represented an international organization."

Mike Ashurst, Vice-President, also explained to the delegates the ICMIF Advanced Management Course. Masaaki Fujihata, the leader of the delegates, said "Regarding the aim of our training programme, we have received great insight into the ideal leadership strategies to manage a cooperative properly. We should implement such tactics from now on to foster our way of thinking."

Health insurer Benenden (UK) has also been getting to know another ICMIF member, Denmark's Sygeforsikringen danmark which also operates in the health sector. A delegation of Benenden's senior management recently travelled to Copenhagen to meet danmark's CEO and Compliance Officer in Copenhagen.

"We met with danmark to find out how this mutual positions itself in its own country, with a product that is not dissimilar to ours at Benenden," said Lawrence Christensen, Group Marketing Director. "What we discovered in Denmark completely surpassed our expectations and we have learnt some very meaningful lessons through the study trip. Opportunities like this are a real benefit of being part of the ICMIF community and we would encourage fellow ICMIF members to learn from each other too."

For more information on arranging visits with other ICMIF members or to the ICMIF head office please contact Vicky Jordan-Killoran, Membership Manager, ICMIF on *vicky@icmif.org*

ICMIF
Event calendar 2015/2016

MONTH	EVENT	LOCATION	HOST
OCTOBER			
6–9	ICMIF Biennial Conference	Minneapolis, USA	Thrivent Financial
NOVEMBER			
9-10	Advanced Potential Course	Stockholm, Sweden	Folksam
10–11	The International Co-operative Alliance (ICA) Conference	Antalya, Turkey	The ICA and the National Cooperative Union of Turkey
TBC	Claims Seminar	London, UK	To be confirmed
DECEMBER			
7-9	ICMIF Development Network Seminar	Colombo, Sri Lanka	Sanasa Insurance Company and Amana Takaful
MAY 2016			
8-15	Advanced Management Course (AMC)	Manchester, UK	TBC
TBC	Communications Leaders Forum (CLF) combined with Regulatory Leaders Forum (RLF) - Europe	TBC, UK	TBC
JUNE			
6-8	Meeting of Reinsurance Officials (MORO)	London, UK	ICMIF
AUGUST			
TBC	Latin American Reinsurance Group Annual Meeting	San Salvador, El Salvador	Seguros Futuro
OCTOBER			
11-13	The International Summit of Cooperatives	Quebec, Canada	Desjardins and the ICA

Please check the ICMIF website for current information:
www.icmif.org/networking

Reports coming soon:
To be launched at the ICMIF Biennial Conference

- *Market InSights: North America 2014*
- *Global Infographic 2014*
- *Member Key Statistics 2014*
- *ICMIF Global Manifesto: Protecting lives and livelihoods*
- *ICMIF Biennial Review (2013-2015)*
- *ICMIF: The value of belonging*

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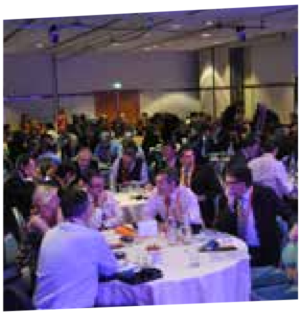
MORO 2016
LONDON

6–8 June

MEETING OF REINSURANCE OFFICIALS (MORO) 2016

6–8 June 2016 : Save the dates!



Topics for the 2016 MORO include:

- **Innovation and the London reinsurance market (keynote presentation)**
- **Current state of the market (panel discussion)**
- **Emerging risks**
- **Global catastrophic risk**
- **Reinsuring intelligently**
- **Mini Monte Carlo**

If you are interested in attending this event or for more information, please contact
Mike Ashurst, Vice-President, Reinsurance & Professional Development, ICMIF
mikea@icmif.org

What is MORO?

MORO stands for Meeting of Reinsurance Officials. It is a unique gathering of reinsurance professionals from the cooperative and mutual sector that meets every two years. In 2014, 110 reinsurance managers from 55 companies in 27 countries gathered in Miami to learn from and to do business with each other. Similar numbers are expected at the 23rd MORO, which will take place in 2016 in the City of London from the 6-8 June.

Why you should attend MORO 2016

The MORO is an outstanding opportunity for you to exchange reinsurance knowledge and discuss issues of common concern with your peers from around the world in a collaborative and supportive environment. The three day event includes high level presentations, discussion panels, breakout sessions and one-to-one meetings, uniquely focusing on reinsurance issues affecting mutual and cooperative insurers.

About MORO 2016

The next MORO will be held at the Doubletree Tower of London in the heart of the City of London from Monday 6 until Wednesday 8 June 2016. The conference theme will be Innovation and sustainability.