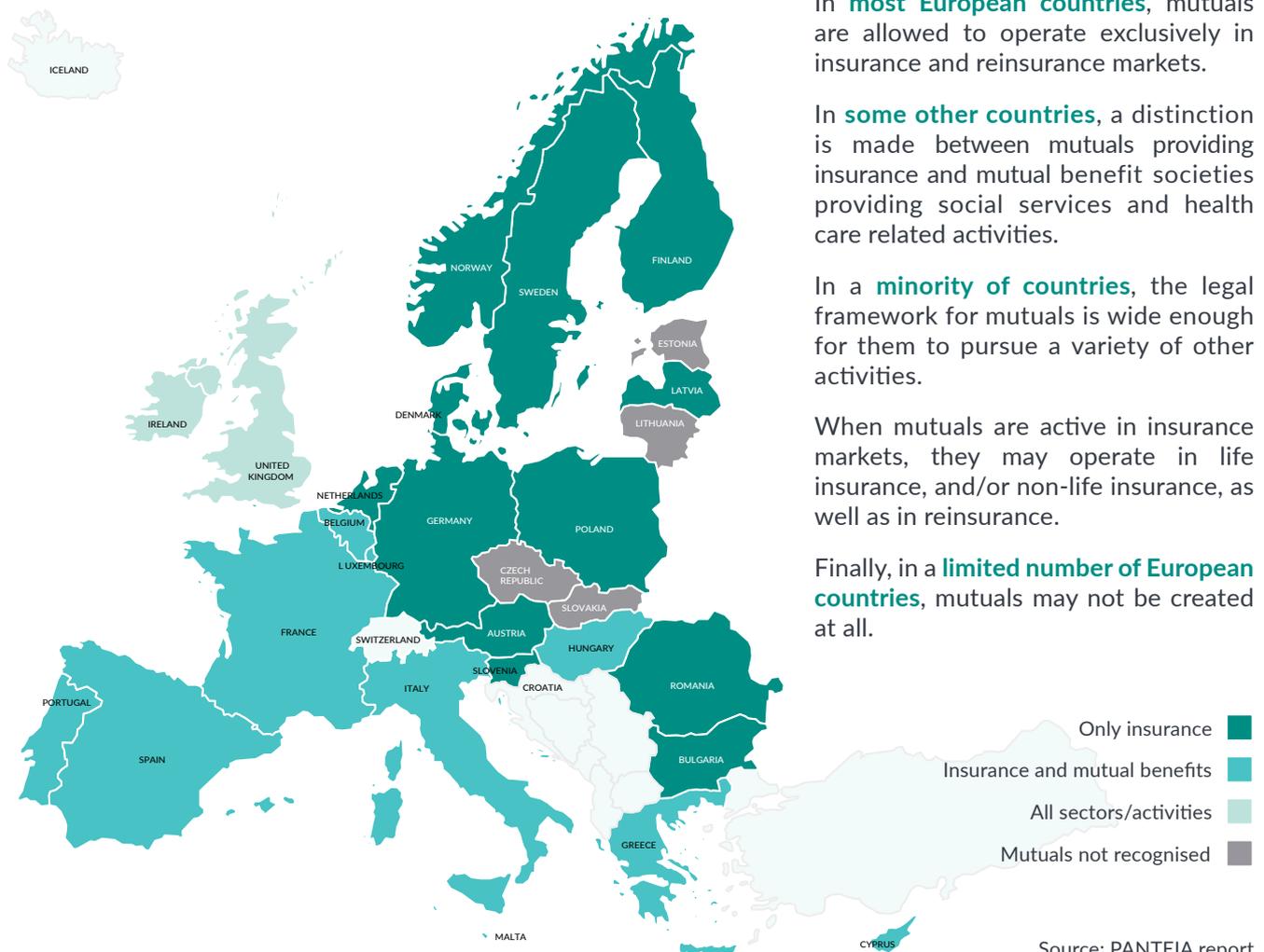




## **MUTUALS IN EUROPE:** **WHO THEY ARE, WHAT THEY DO AND WHY THEY MATTER**

This summary is based on the PANTEIA report 'Study on the current situation and prospects of mutuals in Europe'.  
The study was financed by the European Commission.

# THE ACTIVITIES OF MUTUALS



In **most European countries**, mutuals are allowed to operate exclusively in insurance and reinsurance markets.

In **some other countries**, a distinction is made between mutuals providing insurance and mutual benefit societies providing social services and health care related activities.

In a **minority of countries**, the legal framework for mutuals is wide enough for them to pursue a variety of other activities.

When mutuals are active in insurance markets, they may operate in life insurance, and/or non-life insurance, as well as in reinsurance.

Finally, in a **limited number of European countries**, mutuals may not be created at all.

# OPPORTUNITIES & CHALLENGES FOR MUTUALS

Mutuals have a **greater alignment of their owners and creditors/policyholders with a longer-term orientation**. Their success seems to be based on the absence of pressure to return capital to shareholders and the loyalty of their customers.

It is argued that mixed sectors containing both mutuals and joint-stock companies create a systemic advantage. Moreover, it appears that mutuals are **more resilient to economic downturns**. Hence, mutual-type organisations have an **added value** in the European insurance market and for society at large. Stimulating diversification of company forms could be seen as

a means to prevent future crises or to diminish the likely impact of future crises.

**Therefore, it can be argued that the mutualist idea should be further promoted for three reasons:**

1. Mutuals are **less prone** than joint-stock-type insurers **to pursue risky speculative activity**;
2. A mixed system contributes to **stability in the financial sector** in times of crisis;
3. A **stronger** mutual sector **enhances competition**.

**Mutuals face several challenges. Some of these are:**

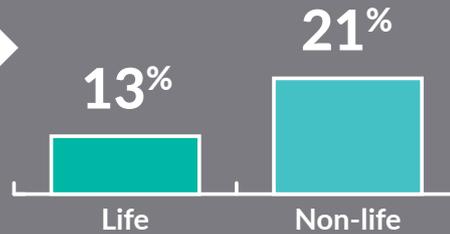
- The absence of any legal framework in some countries, making the creation of new mutual-type organisations in those countries impossible, as well as the absence of legal possibilities to form cross-border groupings.
- The presence of old-fashioned, very concise, restrictive and/or unclear legal frameworks in other countries.
- The restriction in some countries to certain activities (such as insurance only).
- The high level of capital requirements needed for a mutual insurance license.
- The existence of tax and solvency disadvantages.
- The barriers towards forming groupings of mutuals.
- The legal difficulties for national and cross-border groupings.
- The lack of expertise, advice and information on how to establish a mutual.
- The limited knowledge and understanding of mutual-type organisations, especially at the level of national policymakers and supervisory authorities.
- A general lack of academic courses focusing on the mutual-type organisation.

Mutuals represent

**16%**

OF THE EUROPEAN  
INSURANCE MARKET

Mutuals in the  
insurance market



Mutuals account for around

**180** 

**BILLION €**  
in premiums.

They manage around

**1,160** 

**BILLION €**  
in assets.

They employ more than



**200,000**  
PEOPLE

They provide services to  
approximately

**230**  
MILLION  
CITIZENS

THE IMPORTANCE OF MUTUALS  
IN EUROPE

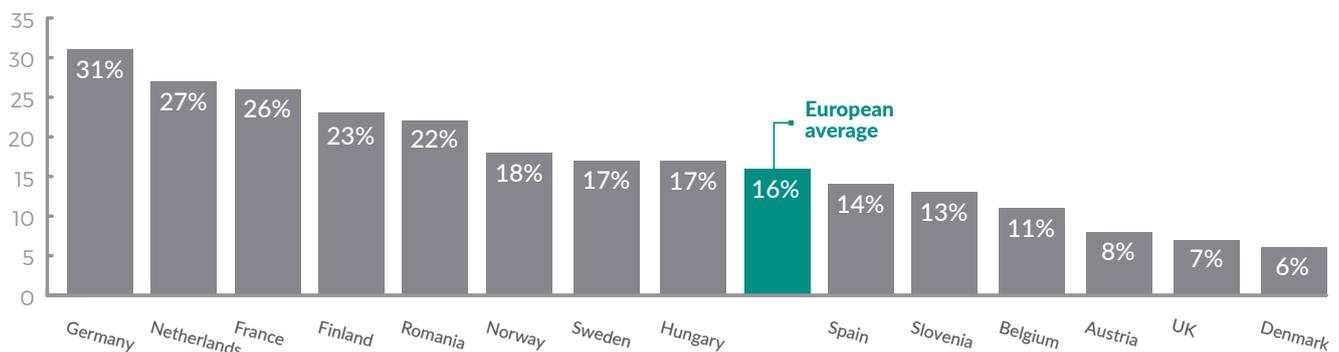
# WHAT IS A MUTUAL?

## A mutual can be recognised by five main characteristics:

1. Mutuals are **private legal entities**, governed by private law.
2. Mutuals are a **grouping of persons** (natural persons or legal entities), rather than a pooling of funds. Members own the mutual by providing funds, which can mean that these “own funds” remain the property of its current members and are therefore truly collective and indivisible.
3. The governance of mutuals is **democratic**. Voting rights are allocated to the members instead of to the amount of funds contributed. In general, each member has one vote to elect the governance bodies. This principle can be implemented via the use of delegates or interest groups.
4. The principle of **solidarity** is important among members, often enshrined in law. It means that benefits delivered do not depend on contributions. The application for admission of a natural person who meets the criteria for membership cannot be rejected. This principle allows free entry and exit of everyone who fulfils the conditions as agreed upon in the statutes of the organisation.
5. Profits are used for the **benefit of the members**, as the members are the owners of the mutual. Such benefits can be in the form of investments to improve services for the members or the development of the business, to increase “own funds”, or to give discounts or rebates on premiums. They can also be used for the benefit of the society/community at large. Thus, the primary purpose of a mutual is to satisfy the common needs of the members.

In the EU, there is a large diversity of legal forms for mutuals, but all have the above key characteristics.

## MARKET SHARE OF MUTUAL-TYPE ORGANISATIONS IN INSURANCE, 2010



Source: PANTEIA report (table 3.2 p. 49)

This summary is based on the PANTEIA report 'Study on the current situation and prospects of mutuals in Europe'. The study was financed by the European Commission and published on 12 November 2012.



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