

The Actuarial Profession
making financial sense of the future

CILA II seminar
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The future for mutual insurers

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The future for mutual insurers

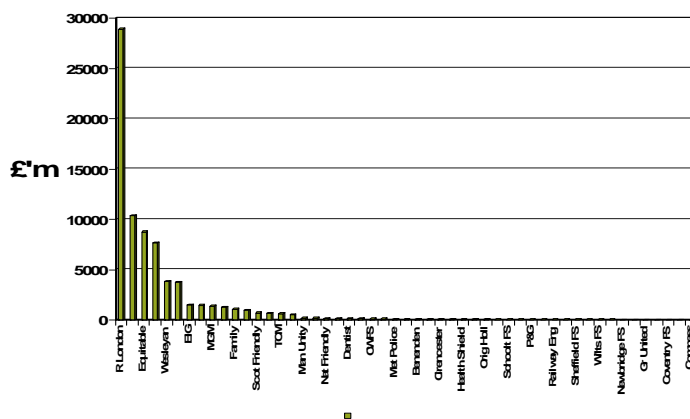
Threats

- Solvency II
- RDR
- Dear CEO letter
- Expense diseconomies

Opportunities

- Mutuality
- Affinity groups
- Niche products
- Customer Focus
- Consolidation

Mutual Sector measured by assets (top 51)



Source: Association of Financial Mutuals – member assets as at 31 December 2008

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Threats

- Solvency II
 - Product management
 - Governance
 - Capital
 - Implementation cost

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Threats

- RDR
 - Protecting the sales channel(s)
 - Costs of system changes
 - Will sales proposition survive?
 - Can an alternative proposition be developed in time?

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Threats

- Dear CEO letter (October 2009)
 - A with profits new business issue?
 - Ownership of capital issue?
 - Need a well defined membership value proposition
 - Requirement to distribute excess surplus = capital

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Threats

- Expense diseconomies
 - Costs of being in business continue to rise
 - Is the product/new customer proposition strong enough?
 - Closed fund option may give better value to existing members

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Opportunities

- Mutuality
 - An alternative to proprietary model
 - Can deliver better value
 - No conflict of interest with shareholder
 - Member ownership as a virtue

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Opportunities

- Affinity Groups
 - Can provide focus/alignment with affinity group
 - Mutuality may be attractive
 - Several strong examples have existed for some time

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Opportunities

- Niche products
 - Focus on products that may not be viable for larger firms
 - May be able to focus more on customer needs

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Opportunities

- Customer Focus
 - Mutuels can take longer term view
 - Focus on needs of customer group, and service requirements
 - Member = owner = customer

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Opportunities

- Consolidation
 - Good way to grow member numbers and keep unit costs down
 - Able to maintain membership rights of transferring policyholders
 - Capital synergies
 - Likely to be familiar with products/serving requirements

Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

