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of Actuaries

# Life Conference 2022

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**#LifeConf**





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## Mutuality – Its Relevance to Society Today & Why Actuaries should Care

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Martin Shaw



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# Agenda

History of Mutuels

Landscape

Mutual Values

Challenges

Opportunities

Why Actuaries should care



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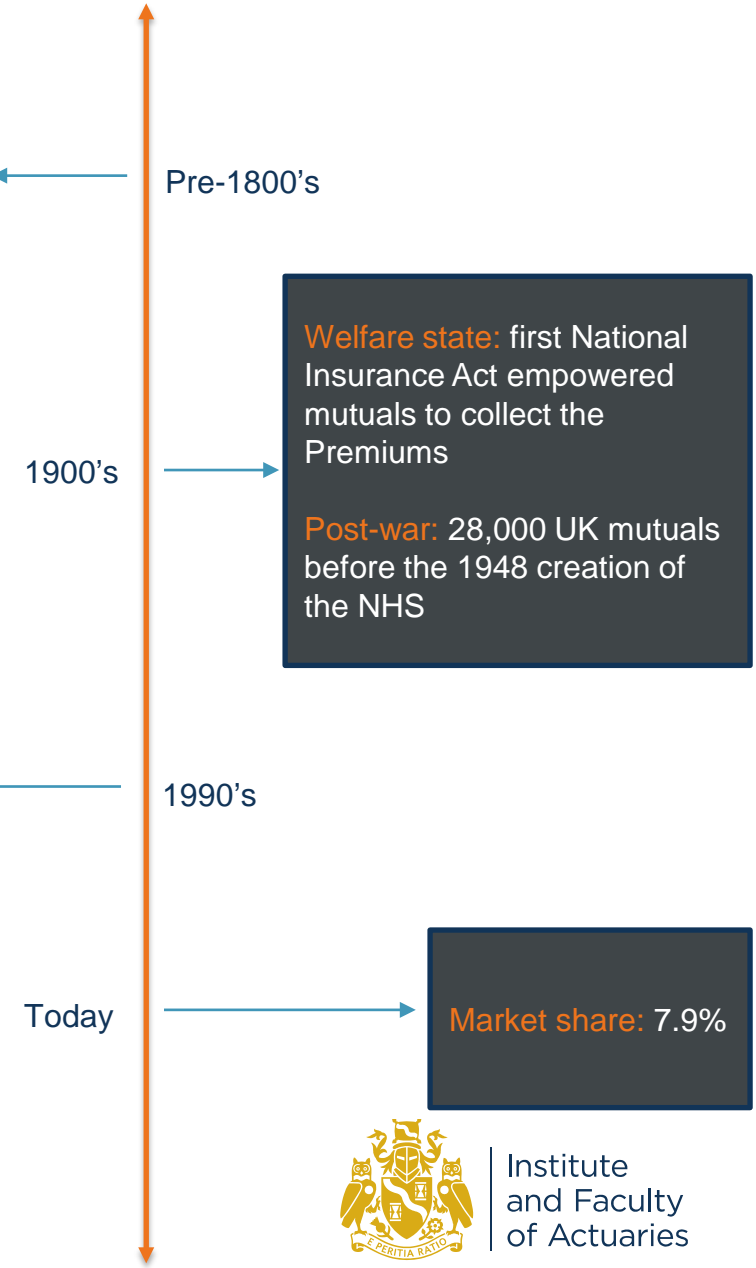
# History



**Industrial revolution:** growth of sector synonymous with increasing urbanisation and unionisation; form of self-help in case inability to work

**Self reliance:** every trade/ profession/ community had its own friendly society, including the 'odd fellows'

**Demutualisation:** as recently as 1997, 50% of UK insurance sector mutual; only one demutualised business (Aviva) remains Independent



**Welfare state:** first National Insurance Act empowered mutuals to collect the Premiums

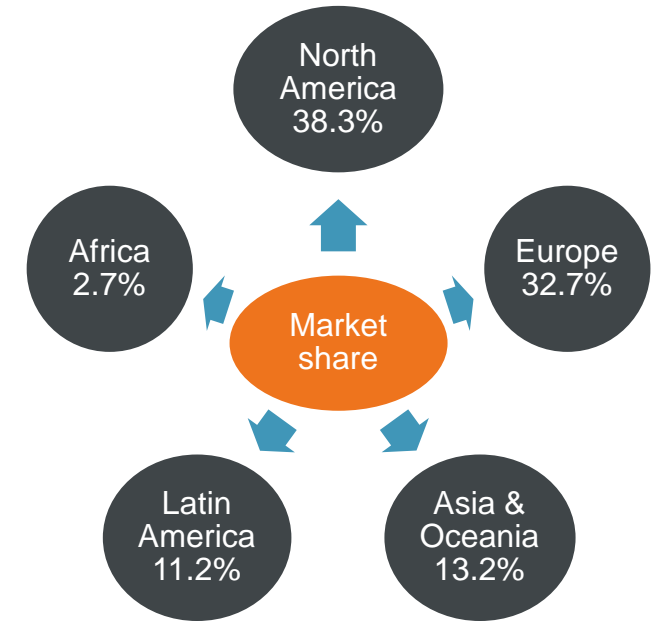
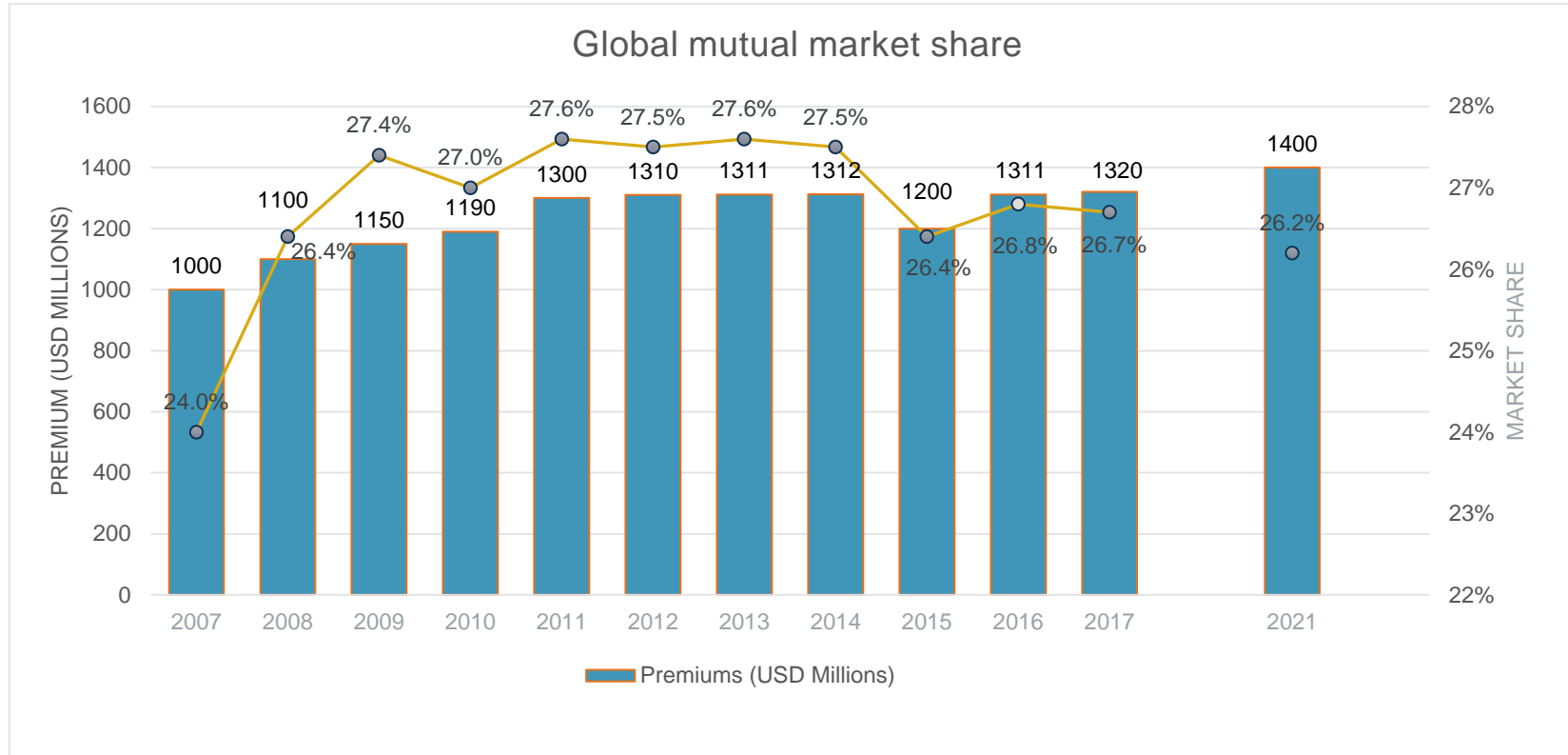
**Post-war:** 28,000 UK mutuals before the 1948 creation of the NHS

**Market share:** 7.9%



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# Landscape - Global

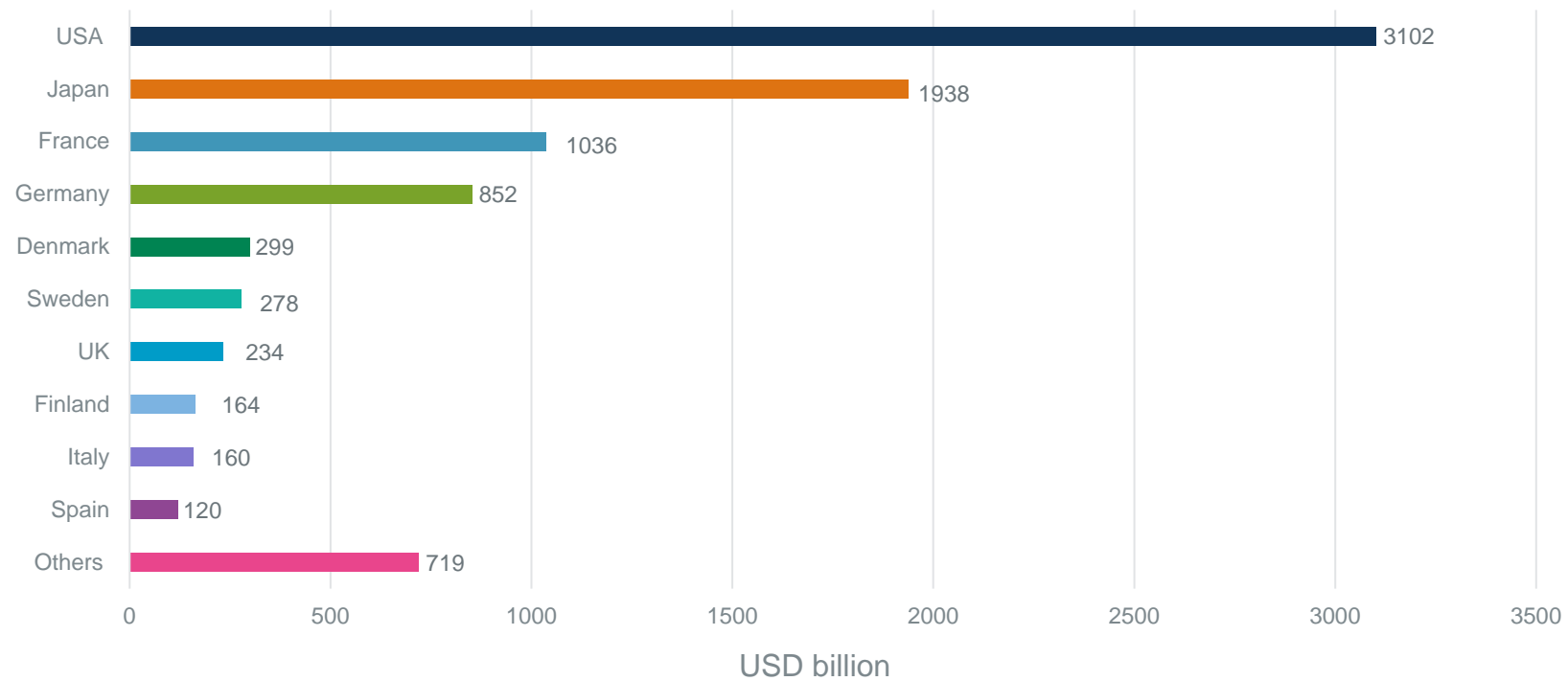


Source: ICMIF



# Landscape - Global

10 Largest mutual markets in terms of asset values (2021)



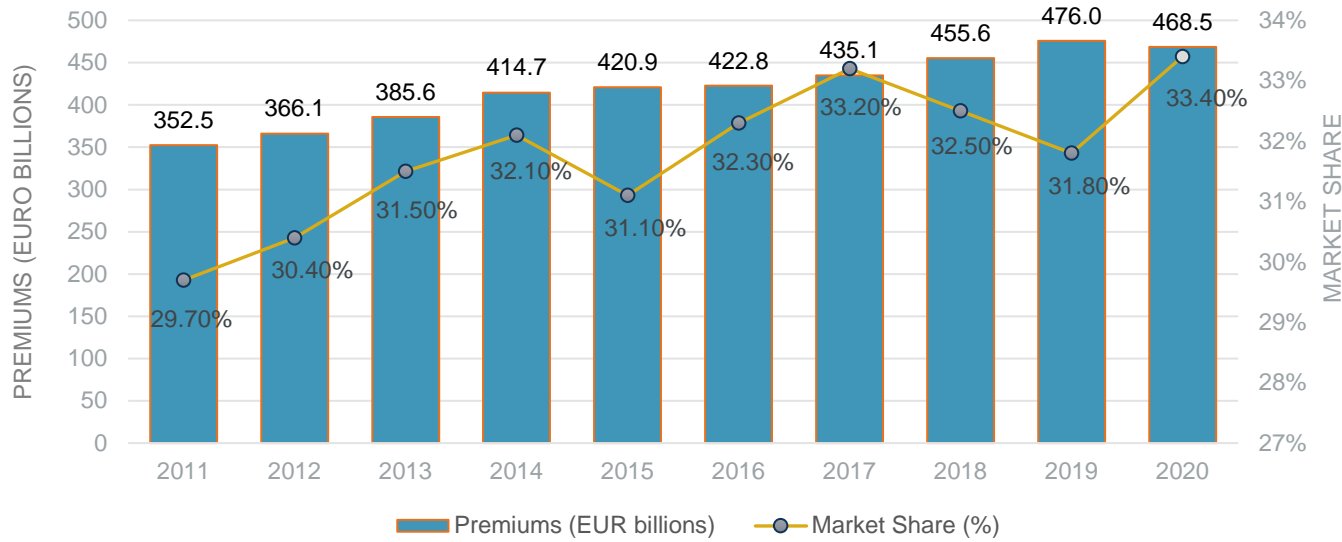
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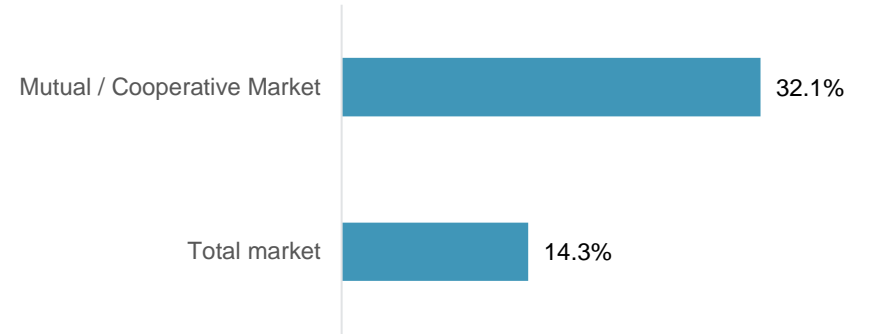
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# Landscape - Europe

European mutual market share



Premium Growth (2010 - 2020)

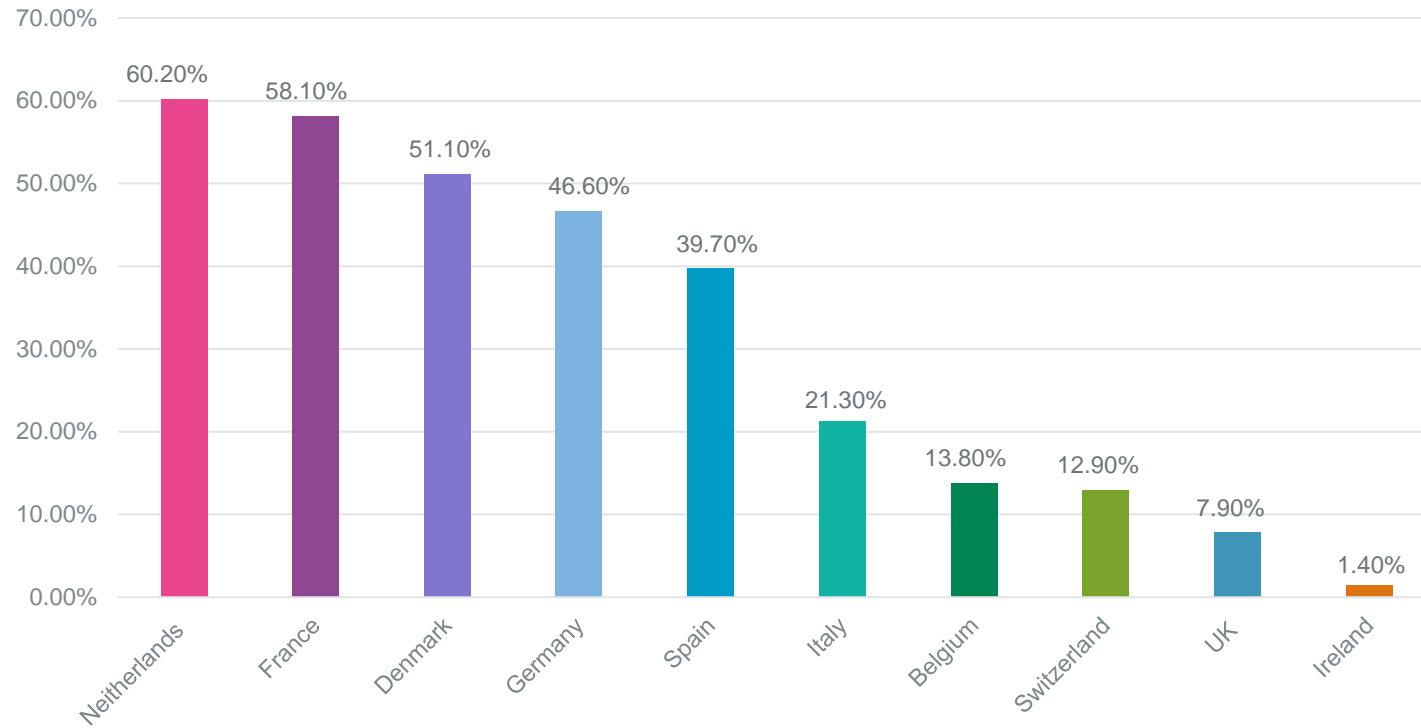


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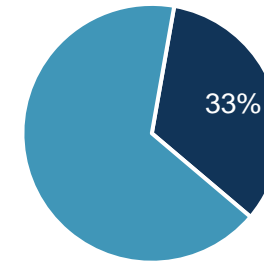


# Landscape - Europe

Mutual/Cooperative market share in the 10 largest European insurance markets (2020)

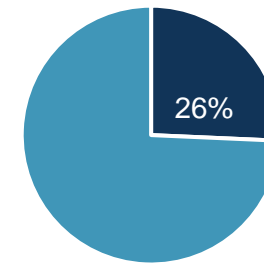


Total

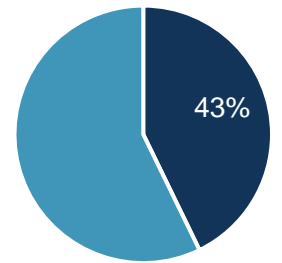


Market share 2020

Life



Non-life



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Source: ICMIF



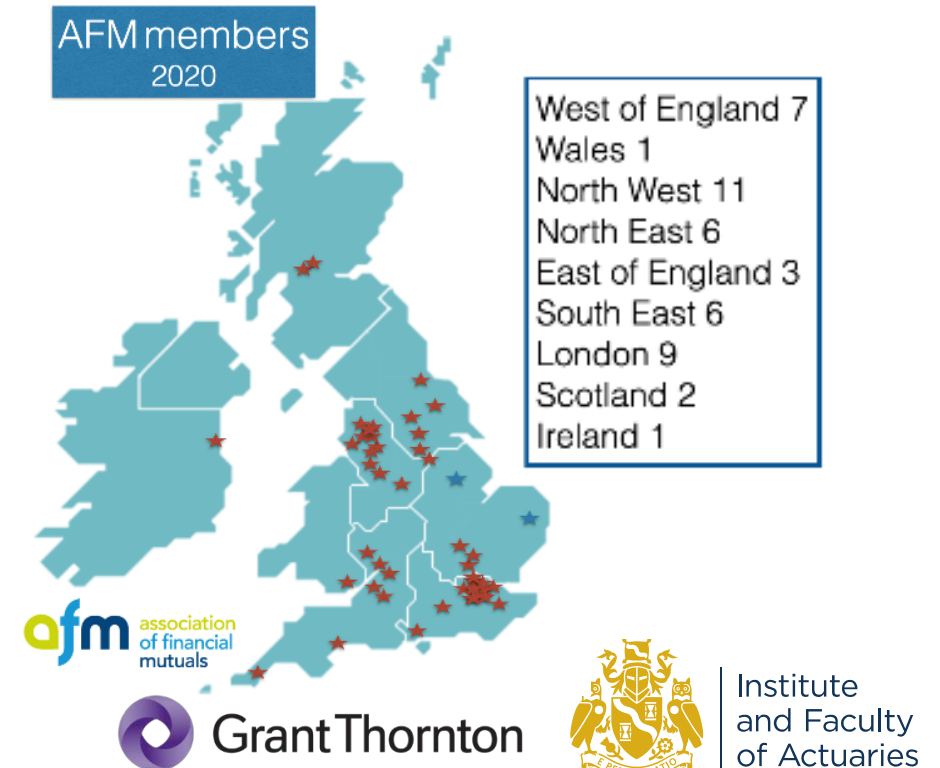
# Landscape - UK

| Insurance          | Premiums (in £ billion) |
|--------------------|-------------------------|
| Life Insurance     | 14.2                    |
| Non-Life Insurance | 8.6                     |
| <b>Total</b>       | <b>22.8</b>             |

| Assets            | 2020 (in £ billion) | 2021 (in £ billion) |
|-------------------|---------------------|---------------------|
| Total Investments | 164.5               | 176.3               |
| Total Assets      | 190.1               | 202.1               |

| People and Market   | 2021   |
|---|--------|
| People Employed by mutual insurers                                | 26,400 |
| Members served for insurance                                      | 32.3m  |
| Market growth (compared to total UK insurance market growth 8.9%) | 17.1%  |
| Market Share ( 2020: 7.3%)  | 7.9%   |

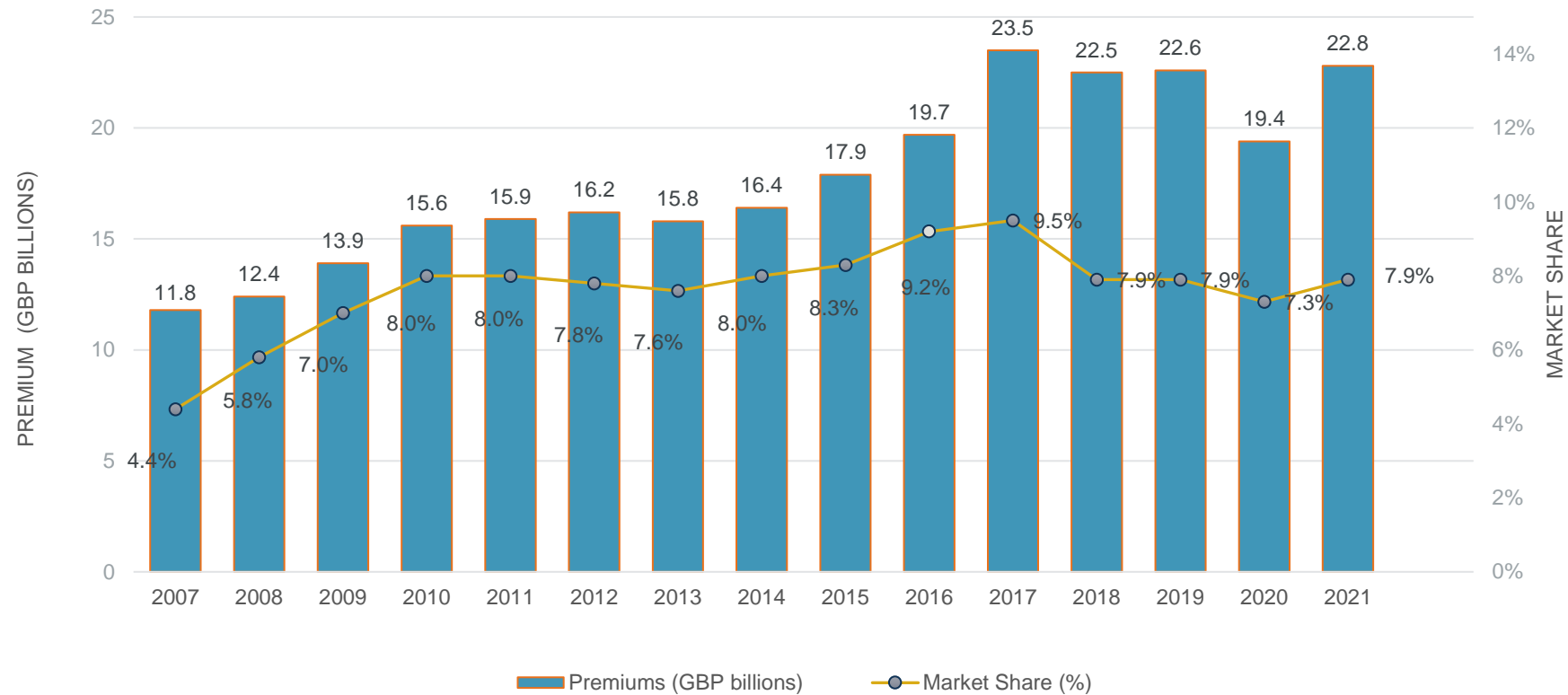
- 75 mutuals in the UK
- The five largest UK mutual insurers by assets represented 88% of the total assets of the UK mutual sector
- Around 1 in 3 is a friendly society



Source: ICMIF

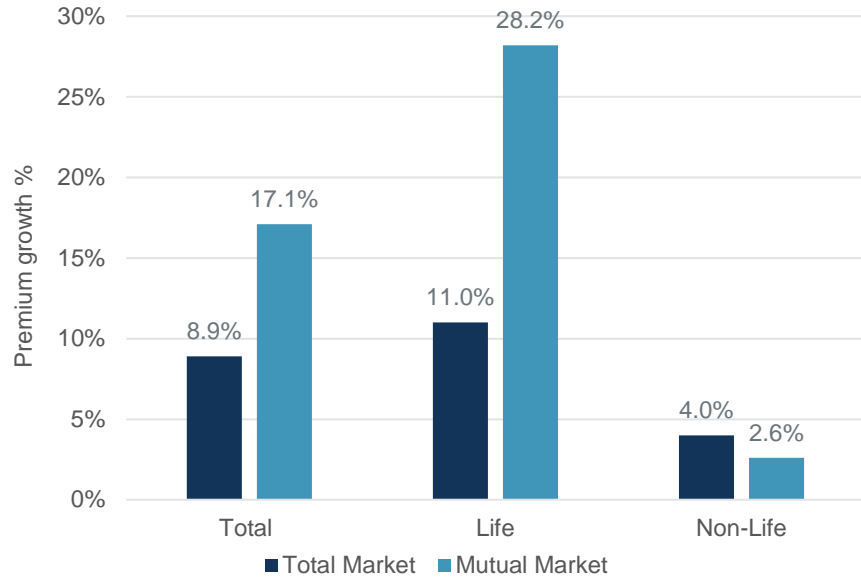
# Landscape - UK

## UK mutual premiums and market share

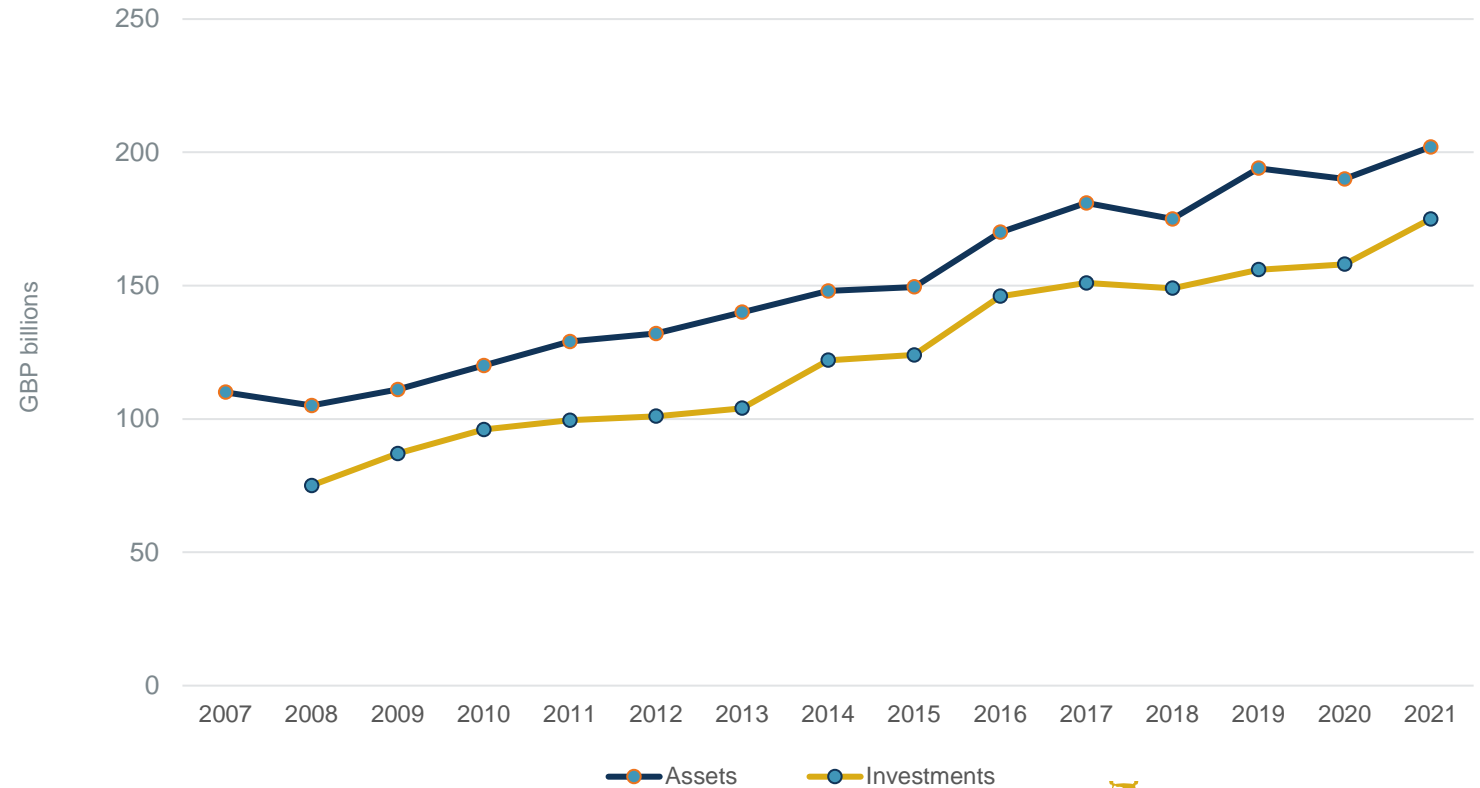


# Landscape - UK

UK Premium Growth (2020-2021)



Total assets and investments of the UK mutual Insurance Sector



Source: ICMIF



# Traditional values



## Shareholder v members

- Owned by members
- Long-term focus
- Pricing
- Example: Half of Child Trust Funds are managed by the mutual sector



## Serving the underserved

- Modest means benefitted
- Blue collar focus & low premiums
- Mutuals 'authentic before it became trendy'
- Income protection claims



## Serving sectors & region

- Medical, Bus drivers, Teachers, Police, Railway, Farmers etc
- B2B mutuals



# Actuarial Contribution

## With Profits

- Participates in the profits of a life insurance company
- Originally, they developed as a means of distributing unplanned surplus, arising e.g., from lower than anticipated death rates
- More recently they have been used to provide flexibility to pursue a more adventurous investment policy to aim to achieve long-term capital growth
- Accepted as a form of long-term collective investment

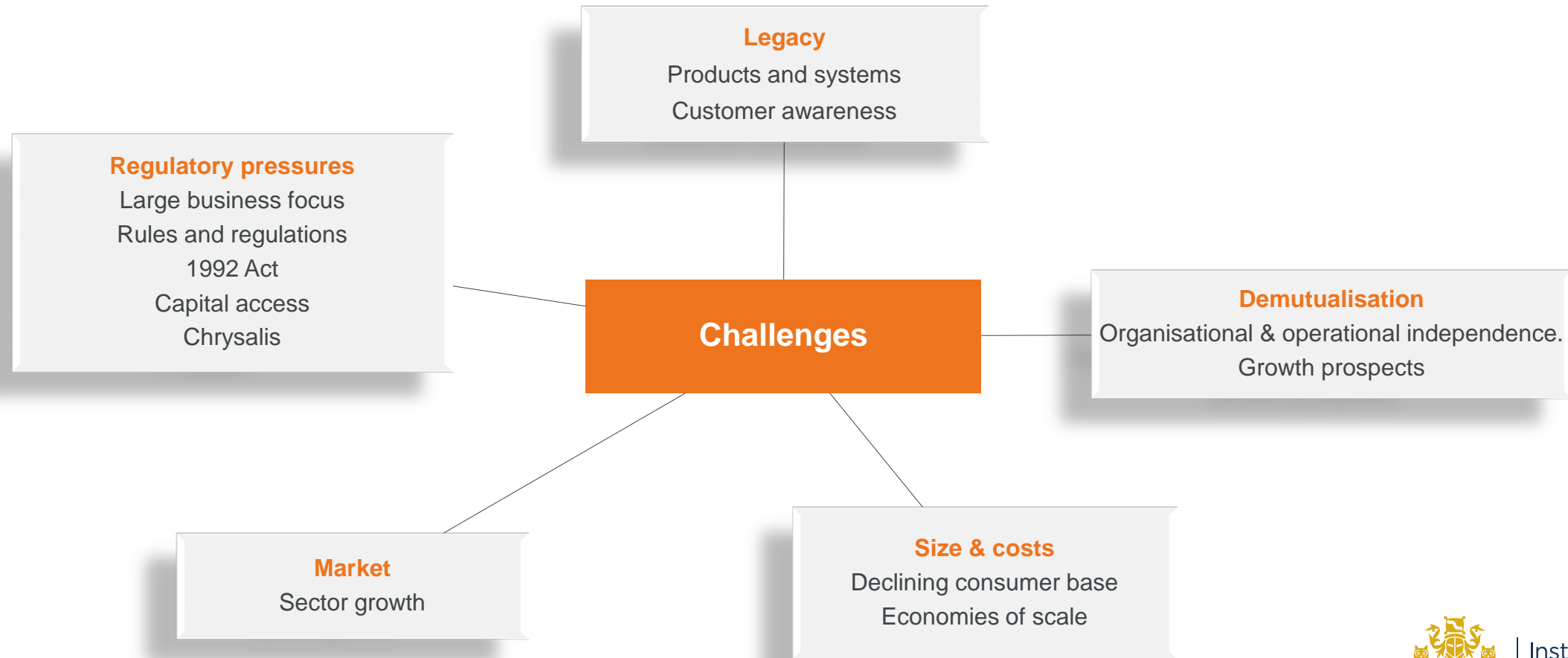
## Manchester Unity

- The Independent Order of Oddfellows Manchester Unity Friendly Society Limited
- Fraternal order founded in Manchester in 1810
- Introduced standard protection policies, sometimes called "tables" because each type of policy had its own numbered table of premium rates





# Challenges



# Opportunities



## Purpose

- Clear statement of the purpose and values of mutuals
- Communicate the benefits of mutuality
- Serves purpose of community and business
- Leverage mutual difference to customer value proposition



## Strategic

- Working together: loose alliance to strategic partnership
- Embracing digitalisation strategically
- Seizing new business opportunities, improve customer requirements



## Regulatory

- Levelling the playing field
- Access to & preservation of capital
- Cooperatives, Mutuals and Friendly Societies Bill



# Why actuaries should care



Insurance at its heart is mutual



Actuarial management of mutuals



Strong mutual presence enhances consumer interests



Addressing evolving consumer crisis and changing consumer needs



Is a mutual market purer and more interesting to study?



Who's a member of a mutual?

# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

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



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# Thank you



Grant Thornton



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