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STRATEGIC
INSIGHTS

International Cooperative and Mutual Insurance Federation



CEO InSights 2017

An era of renewed confidence

INCLUDING

BUSINESS GROWTH

INNOVATION

CORPORATE GOVERNANCE

LEADERSHIP

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CEO InSights 2017, An era of renewed confidence is based on 32 interviews carried out with leaders from the cooperative/mutual insurance sector in 20 countries from the five regions of the world. It analyses their strategic objectives, current challenges and future goals. It also looks in depth at their innovation, corporate governance and leadership within the sector.

Key findings

The key findings of this report suggest that the sector has maintained a strong market share in recent years due to significant achievements in:

- Growth in profitability, premiums, policyholder numbers, penetration of target market
- Technical capabilities
- Products

Customer satisfaction continues to be a key factor for the sector's success. For some firms, customer satisfaction depends greatly on proximity to the customer due to a local/regional presence; increased regional accountability is also emerging as an important approach for these firms.

While there is a prevailing sense of confidence about the future, areas for further development include the use of digital technologies, product innovation and organisational agility. The underpinning characteristics of the sector that lead to its success are customer focus, community and trust. Future growth for the sector is likely to include geographical expansion.

The innovation agenda is shifting from product innovation, through simplification and automation, to risk mitigation and improved customer experience.

Corporate governance structures are viewed as being strong and effective. Our sector needs to do more work, however, to improve consumers' understanding and awareness of the cooperative/mutual difference and the benefits it brings, if it is to reach new customers.

Leadership is hallmarked by a collaborative and inclusive style, with strong emphasis on mutual trust. The sector's leadership visibility could be further enhanced through the wider use of social media.

The leaders of the sector hope to leave their organisations as vibrant, rewarding places to work for individuals who want to combine personal values with professional opportunities. The cooperative/mutual insurance company of the future will be ready to face any challenge.

FOREWORD



Shaun Tarbuck

ICMIF is proud to release this second edition of *CEO InSights*, with the theme for 2017: *An era of renewed confidence*. The report provides a compelling picture of the issues, opportunities and challenges that are top of mind for the leaders of cooperative/mutual insurance organisations around the world, as well as their future ambitions for the sector.

ICMIF's financial research shows that since the onset of the financial crisis in 2007, the sector has consistently outperformed the insurance industry as a whole. That research is presented in ICMIF's *Global Mutual Market Share* reports, which provide an in-depth quantitative analysis of our sector's development; this *CEO InSights* report provides a complementary, qualitative research "companion" that attempts to delve further into the possible reasons behind the sector's growth and a glimpse into the sector's potential future development.

This report is based on a series of interviews with leaders from 32 cooperative, mutual, fraternal and Takaful insurers in 20 countries across the globe. It considers how the cooperative/mutual business model remains as relevant today as it ever has been, through innovation and governance, and it paints a unique portrait of leadership within our sector.

We are especially grateful to the individuals who participated in this project; their contribution will help to create a vision of the future for ICMIF members, and help ICMIF identify how it can support their ongoing successful development in the coming years.

Shaun Tarbuck, Chief Executive

Author's note



Faye Lageu

ICMIF enjoys the unique position of having a window onto the world of cooperative/mutual insurance. Interviewing and writing about our sector's leaders for this second report has been a stimulating exercise and a personal privilege.

While all the interview responses have been anonymised, the title of this year's report, "*An era of renewed confidence*" is intended to reflect the overall impression given by the respondents: that the sector is robustly armed for current challenges and is confident about its future growth.

Throughout the interviews, respondents expressed their conviction that insurance is crucial for building resilience and reducing socio-economic instability; their passion for our sector's values; and their commitment to the people that work within their organisations. The tone of their responses conveyed a greater sense of confidence than the previous CEO InSights interviews which were conducted in 2013: despite the ongoing challenges of highly competitive markets, tougher regulations, higher consumer expectations and rapid technological advances, the sense prevails that there are few, if any, challenges that cannot be met. The future of our sector promises to be bright.

Faye Lageu, Senior Vice-President, Business Intelligence

1. INTRODUCTION

The development of the cooperative/mutual insurance sector is one of the most important themes within ICMIF's unique programme of market research. As the only global organisation representing the sector, ICMIF is well placed to measure its financial development and analyse its strategic management, to produce unique reports which are used by a wide range of stakeholders within the sector as well as outside it, such as regulators, media and academics.

The most prominent of these reports is the annual publication *Global Mutual Market Share*, which tracks the financial evolution of the sector compared to the total insurance industry. The latest edition, based on 2015 yearend data, shows that during the period since the onset of the global financial crisis in 2007, the sector's premium income has grown by 20.2%, equivalent to 2.3% CAGR (compound annual growth rate).

This report, *CEO InSights 2017 – An era of renewed confidence*, aims to understand some of the dynamics behind the sector's development, through a series of interviews with the leaders of ICMIF member organisations in different markets, across different regions and of different sizes, by asking them about their strategies, values and organisational culture.

Despite the geographical, dimensional and commercial diversity of the respondents, there are also striking commonalities. It is on the basis of these commonalities that ICMIF is able to provide a global platform that brings the sector together and is able to support its ongoing growth.

Methodology

Fifty ICMIF member organisations were invited to participate in this year's interviews, based on the wish to include responses from across the globe, within markets that have different levels of insurance penetration, and from organisations ranging in size. Premium growth and/or financial performance were not factors in the selection of interviewees. Thirty-two (64%) organisations from 20 countries agreed to participate in the interviews. These included: two from Africa; six from Asia & Oceania; eight from the Americas; and 15 from Europe.

The first *CEO InSights* report, published in 2013, included findings from interviews with 34 organisations. Thirteen organisations have now participated in both rounds of interviews and of these 13, nine have appointed a new CEO since 2013, thus only four CEOs have participated in both rounds of interviews. The full list of respondents is included in Appendix A.

The respondents received the interview questions in advance. The questions fall into six categories:

- General business performance
- Strategy
- Competitive positioning
- Innovation
- Governance
- Leadership

The complete set of questions is included in Appendix B. The questions about business performance, strategy and leadership were largely the same as those asked in the 2013 *CEO InSights* interviews; the important change in our questioning was the addition of sections dedicated to governance and innovation. There were added to further examine issues that have been an important focus in recent/current discussions at meetings of the ICMIF Board of Directors and the ICMIF Intelligence Committee.

Interviews were carried out between March and July 2017, primarily with CEOs, in 20 countries across all regions. Most interviews took place in a one-to-one telephone call, which each lasted one hour on average; three organisations submitted written answers instead. This report summarises all the responses.

The invitation to participate included a pledge that all responses would be anonymised, primarily to protect any commercially sensitive information; this pledge also encouraged the respondents to answer freely and frankly. This report therefore does not assign responses to specific individuals or organisations; it does, however, identify commonalities, themes and characteristics that emerged through the responses. Where appropriate, the findings are compared to the findings of the 2013 interviews, to show how the sector has evolved in the intervening four-year period. Anonymised quotations are also included.

This report analyses the responses in four chapters:

- **Business performance, strategy and competitive positioning.**

These are considered together, as they create a clearer picture when considered as three parts of a whole rather than in isolation.

- Innovation
- Governance
- Leadership

2. BUSINESS PERFORMANCE, STRATEGY AND COMPETITIVE POSITIONING

The first half of the interviews asked respondents about their recent business performance, their current strategy and how their organisation was positioning itself within its market. As these themes are interrelated, they have been analysed together to provide a broad picture of the sector's strategic outlook.

Business performance

How has your organisation performed over the last two to three years?

How has that performance compared to your stated goals?

What have been your organisation's most significant achievements during that time?

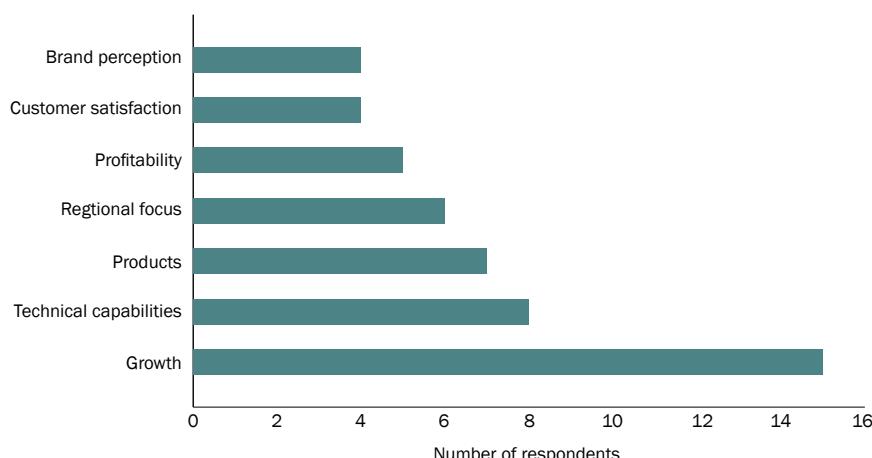
When asked about their organisation's recent business performance, the overwhelming majority of respondents (30 out of 32) reported performance to have been good or excellent, and that they had met most or all of their goals. In particular, respondents were keen to report growth of profitability and membership.

While the vocabulary and terminology are consistent with that used by respondents in the 2013 interviews, the 2017 respondents' tone when talking about profitability had shifted. In 2013, although respondents reported profitability to have been good, there was a marked reluctance to talk about it as a primary measure of success and instead, it was deemed a secondary measure to provide evidence of the organisation's improvements in underwriting, customer satisfaction and/or growth of membership. In 2017, respondents felt more comfortable talking about their solid profitability, possibly as economies have become less volatile and/or a heightened sense that profitability does not necessarily conflict with the pursuit of other (cooperative/mutual) principles.

Highly competitive markets were a common feature, but growth and profitability were frequently mentioned among their significant achievements. Steady or strong growth was mentioned by nearly half (15 out of 32) of the respondents; among them, four had successfully expanded into new geographical markets and one had made an acquisition.

Other significant achievements reported by respondents indicated that the predominant aspirations identified in the 2013 interviews – growth, customer satisfaction and profitability¹ – had largely been realised.

Recent significant achievements



¹ In the 2013 interviews, respondents were asked "What are the key deliverables in your current strategy?", and the three leading answers were: growth, customer satisfaction and profitability.

Technical capabilities and product development

Achievements in improving internal technical and technological capabilities were mentioned by 25% of respondents. These included advances in digital technologies and specialist risk management.

Product development was mentioned by another seven (22% of) respondents.

In the 2013 interviews, neither technical capabilities nor product innovation were mentioned as strategic deliverables, however, both were identified as key reasons for organisations to invest more resources in innovation. The 2017 interviews suggest that these investments have taken place and have paid off, and that innovation has been an important enabler for organisations to achieve their strategic goals. (See also chapter 3 on Innovation.)

Regional focus

As technology enables new operational processes, offers new ways of working, and extends power to more internal stakeholders, many of our respondents are realising the full potential and expertise of a decentralised structure. Six respondents (19%) said that they had made significant achievements in risk improvement, marketing, distribution and member relations by devolving responsibility to the regional level, through their field force and/or branch offices.

Customer satisfaction

Customer satisfaction remains an important measurement for the cooperative/mutual sector; all respondents mentioned it as an important factor for their organisation. The previous report found that many respondents had received national awards for customer satisfaction (or similar, eg customer service awards, customer excellence, trust index, etc.) and noted an increase in the use of Net Promoter Score® to measure and benchmark their performance against past performance and their competitors. In this year's interviews, four (12.5% of) respondents said they had realised significant improvements in customer satisfaction or customer engagement programmes.

Half the respondents articulated how their organisation drives customer satisfaction, with two important distribution-related themes emerging. Over the last two decades, many insurers have driven through cost savings or improved their efficiencies by reducing their branch network and/or front-line staff while increasing their reliance on call centres and/or online business. The interviews show that the cooperative/mutual insurance sector's response to this trend has fallen largely into two camps.

- For approximately **60% of our respondents, customer satisfaction is driven by the organisation's proximity to customers.** This provides a point of differentiation among their competitors because it enables them to deliver a personal service and build a good understanding of the risks that they carry. The local presence incurs additional up-front costs which are arguably offset by customer loyalty and risk management programmes. Half of this 60%, particularly those that serve agricultural/rural customer bases, emphasised that they have retained or boosted their competitive edge by maintaining their network of branch offices and/or local agents; several of the respondents specifically mentioned that their field force provides them with a unique competitive strength.
- For the other **40% of respondents, cost-effectiveness is the key to customer satisfaction.** These organisations typically serve markets that are underpinned by other structures (often offering group insurance schemes), which builds and protects customer loyalty, and offer simple products, so the need for sophisticated risk management programmes is reduced. These organisations have often invested in developing hi-tech, light-touch solutions, including online, call centres and automation, which maintain high service standards and, at the same time, generate cost savings that are passed on to customers as lower premiums.

Clearly, these two approaches, while contrasting, both support a cooperative/mutual strategic stance.

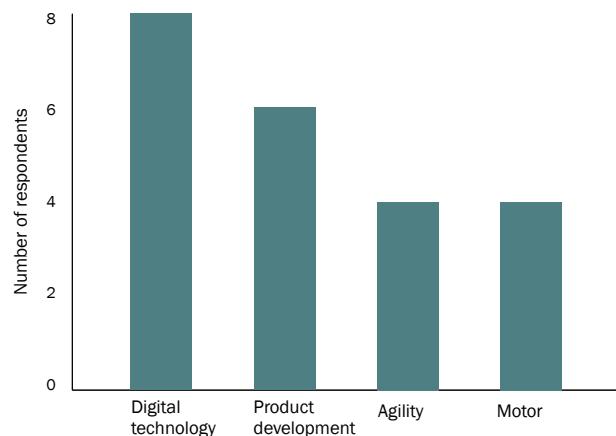
Brand perception

Achievements in improving brand value were mentioned by four (12.5% of) respondents. One organisation had recently undertaken a complete rebrand and could already perceive business benefits.

Business performance

In what areas would you like to be performing better?

Areas in which respondents would like to perform better



Although digital/technology was the most frequently cited area for further improvement at 25% (8 respondents), this can be compared to responses to the 2013 interviews in which 60% of respondents said that they wanted to invest more in their technological capabilities to extend their competitive advantage. This comparison suggests that **many organisations have had notable success in rapidly accelerating their technological capabilities** during the last four years, while others still have more work to do.

Product innovation and development continue to be a key ambition for 6 (19% of) respondents.

Lack of speed or agility was also cited specifically here by four respondents but was also a theme that received several mentions in other parts of the interview. This concern about lack of speed is largely related to the fast-changing nature of technology and, in particular, digital disruption.

Motor insurance results have been particularly disappointing for respondents involved in that line of business. Price competition has been fierce, but moreover, there has been a marked increase in claims, attributed in particular to a) drivers being on the road more as the economic impacts of the global financial crisis subside and b) distracted driving, including the use of mobile telephones, which has caused a drop in profitability and/or technical losses. The **prospect of automated cars** also looms on the horizon, with many recognising that their reliance on their motor business will need to be reduced if they are to survive in the years ahead. Projections on how long it will take for automated cars to make a real impact on the insurance industry range from 10 to 20 years.

Other areas less frequently mentioned by (one to three) respondents as those in which they would like to perform better included: working with other cooperatives/mutuals, customer satisfaction, reinsurance capacity, developing processes at a regional level, retaining staff, and competing with bancassurers.

Given that some of these themes overlap with those identified as significant achievements, there is clearly room for more collaboration and sharing of strategic information and best practices between ICMIF members.

Strategy

How long is your current corporate strategy, and at what stage are you through that strategy?

What are the key deliverables in your current strategy? How are your organisation's cooperative/mutual values reflected in your strategy?

What challenges have you faced in delivering your strategy?

What have you overachieved on, and why? What have you underachieved on, and why?

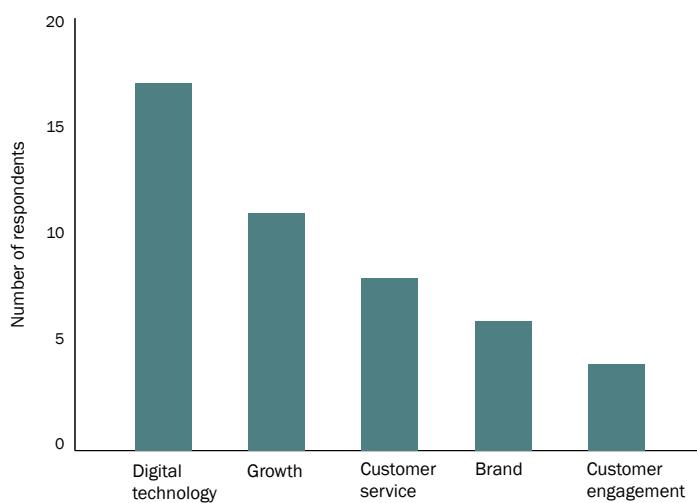
What are you focusing on in order to extend your competitive advantage?

Our respondents mostly had three-year strategic plans, with variations that were appropriate to the needs of different business lines and market dynamics. Those focusing on general insurance business often used shorter cycles than those in long-term business lines. In addition to their strategic business plans, one third of respondents also had longer-term outlooks that provided scenarios for the next seven to ten years. Two respondents noted that operational plans are revised and developed over time, but that their business strategy does not change: it is always to serve members first!

By far the most common key deliverable was to make more or better use of technology, in particular digital, for connecting with customers, accelerating processes and reducing operating costs. This was mentioned by 17 (53% of) respondents and extended across all regions, size of companies and business lines.

The second most frequently quoted goal (11, or 34% of, respondents) was growth in market share, new business, number of members or penetration of the target market(s). Customer service, including providing advice, was mentioned by eight (25% of) respondents. Branding accounted for six (19% of the) responses, including raising awareness of the brand and cooperative/mutual identity as a differentiator.

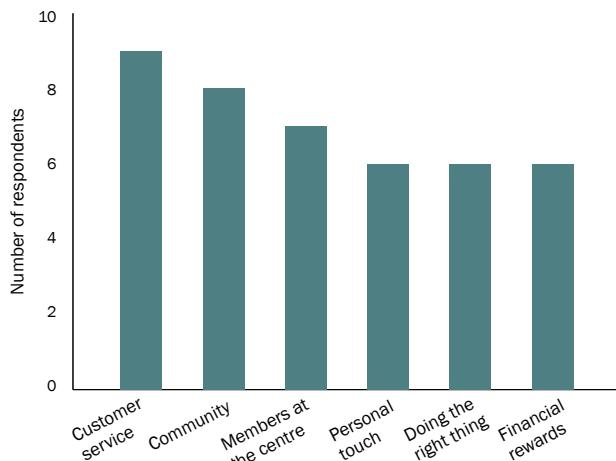
Key deliverables in current strategy



Other less frequently mentioned goals included: risk diversification, partnerships, regional focus, community programmes, qualified staff and change management.

The demonstration of cooperative/mutual values was articulated in a range of ways which mostly fell within six broad categories.

How are your values reflected in your strategy?



Other ways that cooperative/mutual values were demonstrated (but mentioned by four respondents or fewer) included providing risk education, ensuring happy employees, focusing on advice over selling and offering simple solutions.

There was a large degree of crossover and/or repetition between the reported challenges in achieving current strategy and the areas on which organisations were focusing in order to extend their competitive advantage. Not surprisingly, **the pace of technological change was viewed by many as a key challenge**: 12 (37% of) respondents mentioned this. Associated with the impact of technological change, another four (12.5%) also noted that being sufficiently agile had been a challenge and/or that they were working to improve this.

The next most frequently cited challenges and areas to focus on were around internal issues: nine (28% of) respondents cited staff recruitment and retention, management succession planning, changing the organisation's internal culture, empowering people to manage and appointing more women to senior roles.

As in the 2013 interviews, most respondents were modestly reluctant to remark on "overachievements", although six (19%) confirmed that they had been pleased with their financial performance (premium growth, profitability, solvency, combined ratio) and/or customer growth. Three (9% of) respondents noted particular success in (re)branding and two (6%) in customer satisfaction.

When discussing under-achievements, only one theme recurred: lack of agility was mentioned by three respondents.

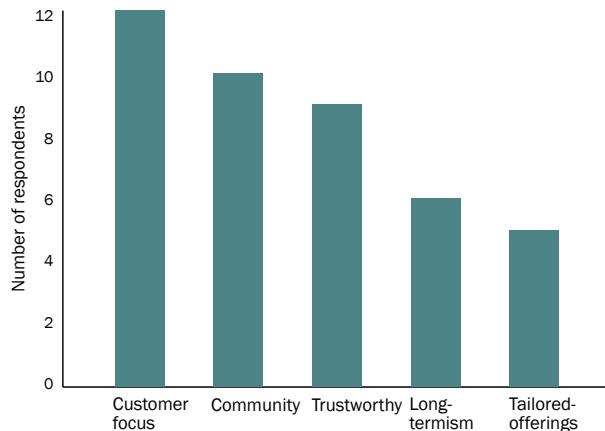
Competitive positioning

What would you like your organisation to be best known for? What do you believe to be your strongest competitive advantage over non-cooperative/non-mutual insurers in your market?

What will be the main challenges and opportunities for your organisation between now and 2020?

Respondents were then asked what they wanted their firms to be best known for and about the strongest advantages of their organisations compared to their non-cooperative/non-mutual competitors.

What would you like your organisation to be best known for?



More than half the responses related to providing strong customer focus: prioritising customer service ahead of profit, customer engagement, customer experience and customer satisfaction were mentioned by 18 (56%) of respondents.

Other important themes were community - mentioned by 10 (31% of) respondents – and being trustworthy – mentioned by nine (28% of) respondents. Other frequent mentions were given to long-termism (six respondents) and specialised or tailored offerings (five respondents).

"We want to be best known for insurance that keeps its word. We're not here to cheat you."

"We take care of the whole family. We've moved from a transactional approach, to a relationship approach."

"We keep our word. We look for reasons to pay a claim, rather than reasons not to."

"We would like to be known for taking extra good care of our members. We're not an ordinary company, but an insurance community."

"When customers deal with us, they discover we have kind people."

The overall picture

Despite the challenges of increasingly competitive markets and rapid technological change, cooperative/mutual insurers have experienced strong growth over recent years, often to their own pleasant surprise.

For many, the effects of the global financial crisis have stabilised and complying with tighter regulations (noted as the most common concern that kept CEOs awake at night in 2013) has become part of the day-to-day running of the business.

A renewed sense of confidence prevails: investments in creating an innovation culture have been productive and helped to realise strategic goals, although there is still more work to be done to increase organisational agility.

Technology and digital disruption have become the most urgent and important issues. From an internal perspective, technology has enabled process automation to enhance speed and save costs. It has also enabled devolution of responsibility and accountability to regional structures, so that organisations can leverage their local presence to boost sales, risk knowledge and customer loyalty. The opportunities for technology to play a greater role in relation to consumers is talked about in greater detail in the next chapter.

Cooperative and mutual values are perceived to strongly underpin competitive advantage by the respondents. Reputations rest on excellent customer relations, community involvement and being perceived as trustworthy.

3. INNOVATION

The average age of cooperative/mutual insurers is 94 years², with some organisations, however, dating as far back as 1642³ indicating a strong ability to remain relevant within their markets and to their members' risk-related needs. While all businesses need to adapt and evolve for survival, some are also keen to be forerunners in innovation that is, creating unique offerings that are new to the market. This ambition usually requires intensive investment, however, and in some cases may conflict with other business needs. Innovation was also a theme of the 2013 *CEO InSights* interviews and noted as an area in which many respondents were keen to invest much more resource. It was important, therefore, to include the topic of innovation again in the 2017 interviews, to explore how the picture may have changed and what progress has been made.

In 2013, in response to the question, "What would you consider to be innovative within your organisation?" 16% of respondents said that innovation did not feature highly on their organisation's agenda. The remaining 84% of 2013's respondents considered innovation as part of their regular business but only a few respondents had implemented structures for nurturing innovation. Strikingly, **all 2013 respondents were keen to invest more in innovation**. In 2017, we wanted to find out whether this wish had been realised and if so, what results had been produced.

² Source: *Global 500* 2015 (ICMIF). See www.icmif.org/publications/global-500

³ Bilsener Gilde Versicherung (Germany) was founded in 1642. It is a mutual insurer and is the world's oldest insurance company.

Innovation

Do you consider your organisation to be innovative compared to its competitors?

How is innovation stimulated and managed in your organisation?

Do you have any recent innovations that have made a particular difference to your market or your organisation?

What new opportunities are you targeting; and what big opportunities are just out of reach?

How do you think technologies might affect your organisation in the next five years?

In 2017, there was much more confidence among respondents about how innovative they were compared to their competitors:

- 68.5% felt that they were as innovative as their competitors.
- 19% said they were even more innovative than their competitors.

That left 12.5% of respondents who said they felt their organisations to be less innovative than their competitors.

A quarter of (eight) respondents said they could be doing even better: **four (12.5% of) respondents felt frustrated by their organisation's lack of speed** or agility in innovating but, on the other hand, another **four (12.5% of) respondents said that they were able to bring new ideas to market very quickly due to the small size of their organisation**, which allowed them to be more nimble.

We also asked how innovation was being stimulated and managed. Responses indicated that the sector had become better at managing innovation in recent years. **Four (12.5%) of respondents had embedded innovation goals into their corporate strategy and/or the business planning and objectives of departments across the organisation**. Most commonly, structures dedicated to innovation had been established at the organisations of half the respondents; these included dedicated innovation teams, sometimes attached to or within customer or distribution teams, innovation hubs, and innovation committees. Four (12.5%) of respondents mentioned that they are working with start-ups.

The current innovation agenda items, ie the areas in which organisations are presently focusing their innovation efforts, were largely in line with 2013 predictions: automation, risk management

and product development. These are primarily being realised (or at least explored) through the use of technology as an enabler to

- a) “make life easier” for customers, e.g., automated payments, mobile applications (apps), online medical diagnostics, and/or
- b) accelerate internal processes and workflows, ie through automation and greater connectivity across the organisation, including with agents and regional offices, and/or
- c) improve claims management, risk management and underwriting, e.g., risk detectors in the home, wearables for the workplace, drones in claims or agricultural territory management.

There was one small but notable shift in the innovation agenda: in 2013, products for ageing populations were mentioned frequently, but in 2017 they were mentioned by only one respondent. This suggests that solutions have already been identified or that the focus or sense of urgency to develop products for ageing populations has declined relative to other new products. Instead, **products for healthcare were now high on the agenda** as well as newer emerging risks: cyber and drones.

Respondents confirmed that the impact of technology would continue to grow in the coming years to 2020. In particular, 13 respondents noted that new technologies such as **blockchain and artificial intelligence would impact on the way organisations interact with customers**; 14 respondents noted that technologies such as the **internet of things, health diagnostics, automated vehicles and big data, would further mitigate risk including large-scale disaster reduction**.

Innovation agenda 2013-2020



The continuum above represents the innovation agenda based on overall responses in 2013 and 2017, to provide a broad picture of the focus for innovation across time. The position at which a given organisation may sit at any given time will be determined by its customers' expectations, market, size and strategic intent. While some respondents' organisations have already started working with the latest technologies, some intend to do so as their next opportunity, and others view them still as “out of reach”. None of the respondents in the 2017 interviews expressed anxiety about the challenges of adopting new technologies, however; and those who said that they were a market follower rather than an early adopter were clear that the decision was appropriate for their customers and their organisation.

Business expansion either through acquisition or entering new territories (including overseas) was also mentioned by six (19% of) respondents as opportunities that were currently just out of reach.

Four respondents (12.5%) said that for their organisation, there was nothing that was out of reach.

The overall picture

Since 2013, respondents have invested in building structures and processes to nurture and manage innovation. These initiatives have generated positive business benefits, in particular for product development and improving the customer experience. From working in partnerships to establishing dedicated innovation hubs, these cooperative/mutual insurers have made a significant shift to becoming confident about their abilities to innovate as well as or better than their competitors.

The tone of the conversations indicated a strong sense of optimism for the sector's mid-term development, including putting new technology to good use to create more efficient workflows, an improved customer experience, and/or to minimise risk and enhance risk management practices.

We may also expect to see our sector further grow through geographical expansion and/or acquisitions.

4. CORPORATE GOVERNANCE

Although the ICMIF membership includes mutuals, cooperatives, Takafuls, fraternals, and other legal structures, they share the commonality of being majority-owned by their members – either direct policyholders or other people-based organisations (eg agricultural cooperatives, trade unions).

This ownership structure is what sets them apart from their competitors, that is, those owned by external shareholders, and provides a uniqueness that is brought to life through the governance structures and processes that enable members to have input, influence and control over the way in which the organisation is managed. The corporate governance of our sector is sometimes not well understood by external stakeholders, who have, at times, suggested it to be a weakness of the business model. Our sector has made concerted efforts to educate and enlighten regulators, consumers and the media in particular.

In 2015, the ICMIF Board of Directors asked the ICMIF management team to further investigate this question: how good is our sector's corporate governance? Therefore, this year's CEO InSights includes a new section of questions which aims to make a preliminary assessment of our sector's corporate governance and its efficacy.

Corporate governance

How are the member-customers of your organisation represented in your formal governance structures? How do they influence your overall strategy?

What are the strengths or best practices in your governance?

What are its weaknesses? If you could make any changes, what would they be?

All respondents' boards of directors (or dual boards, where these exist) have representation of their members, either wholly or majority, through elected directors. Regulatory focus on the skills and competence of board members has necessitated some respondents' organisations (usually depending on the nature of their member base) to bring in more independent directors who have the necessary skillsets in recent times. Some of these skillsets may be required temporarily, for example, the board of one respondent's organisation currently has a director with specialist knowledge in digital technology.

Many mentions were made of **structures that enable multiple touchpoints with members outside of the board and/or annual general meeting**, in particular member panels for product and service development and claims resolution (one panel of 30,000 policyholders is run on a digital platform).

The importance of training for board members was mentioned by five (16% of) respondents to ensure that all board members have a good understanding of the business, to ensure elected members are equipped with the appropriate skills, and to reduce any delineation between elected members and independent directors.

Descriptions were given by individuals of special approaches and/or structures employed by their organisations to enhance the traditional board structure, provide technical expertise, and ensure balance, including:

- Specific matters (audit, governance and risk) are assigned to subcommittees;
- Directors are one third insurance experts, one third independent (fraud, audit, accounting) and one third from the founding organisation;
- An advisory committee comprised entirely of members has direct input to the board.

Respondents all considered their governance structures to provide strong member representation and **90% emphasised that their boards have good discussions, diversity and understanding of the business**.

Five (16% of) respondents identified some concrete challenges that they would like to change and/or were working on, in particular:

- Annual general meeting (AGM) participation is low so the need for other touchpoints with members is crucial
- Decision-making can be slow due to the large size of the board

In addition to member structures (panels), mentioned above, organisations were also reaching members through events: community or sports sponsorship, events and roadshows, and communication campaigns. One organisation has conducted a survey reaching over 70,000 members.

While one respondent said that their structure gave them good balance, which led to better corporate governance than stock companies, another respondent said that the homogeneity of their board dilutes diversity of opinion.

Corporate governance

Do you foresee any changes in regulation related to corporate governance, either for our sector specifically or for insurers generally?

There is a mixed picture on regulators' understanding of the cooperative/mutual business model, and organisations' relations with regulator. Three respondents (9%) said that their organisation is well understood by their regulator and has a positive relationship with them; the same number (three / 9%) of respondents said that their organisation's regulator struggled to understand the difference and that regulations did not take into account the specificities of the cooperative/mutual business model. Just three (9% of) respondents, from different markets/regions, said that they envisaged there would be changes in corporate governance regulations; these changes would apply to insurers generally and/or apply to smaller firms.

Corporate governance

Do you think consumers in your market understand the difference in ownership, compared to stock companies? Does that appeal more or less to consumers today, particularly younger consumers?

There is widespread agreement that consumers in general do not understand the cooperative/mutual difference; this was confirmed in strong terms by 20 (62.5% of) respondents, but subject to conditions and exceptions:

- Consumers know that there is a difference in the way we work with communities and on sustainability but they don't know why.
- Our values are not well known, but once consumers discover our values, they like them.
- Consumers in our market understand cooperatives, but their understanding of cooperative insurance is low.

There was a clear message that a communications gap exists.

"We live our values well; we don't always communicate them well."

"Our values are not the first reason that consumers choose us, but we are trying to communicate what our values are."

"We need to reinforce our difference because stock companies are converging and copying us."

"We're missing a trick in not talking about our difference."

"We believe that the cooperative/mutual difference is more relevant than ever, but we need hard evidence of that, and to make some clear statements."

"Mutual messages are often drowned out by news about stockholder companies."

Half the respondents (16 out of 32) mentioned that they were considering how to close this gap, using cooperative/mutual messages to reach new customers. One respondent added: "Our

new strategy will make our difference clear." It appears from the responses overall that most organisations' strategic plans do not give full consideration to how cooperative/mutual messages can be leveraged, despite awareness that there is potential to do so.

The opportunity for the cooperative/mutual message to attract younger customer segments was also highlighted:

"Young customers are more interested in sustainability but we need to reach out to them with messaging that they can relate to."

"Young people do want more ethical, service-driven companies. The challenge is reaching them."

"New trends for community and the sharing economy should help us."

"We are going to be increasingly relevant in the future. But our product offerings also need to stack up for generation Y."

"We also need more young advisers if we are to capture the youth market."

"Millennials like the cooperative/mutual form, but they don't know enough about it."

The overall picture

There is a strong sense that cooperative/mutual insurers have strong corporate governance when supported by structures that ensure solid member representation at the board level. Modernisation processes, further stimulated by regulation, have prompted a shift towards more professional boards. Where elected members alone cannot offer the full range of required business skills, independent directors are brought in with those skill sets to ensure commercial and regulatory needs are met. These skills may include specialist or technical issues such as audit, finance, risk management and, currently, digital technology.

Due to low member participation in annual general meetings, however, it is essential to also create additional touchpoints with members. Suitable structures to enable this include member panels which are a preferred solution for product development and claims management in particular. Other initiatives include roadshows, sponsorship of sporting or community events and surveys.

Regulation regarding corporate governance is not likely to change significantly in the near future for insurers and/or our sector, although small organisations may come more into the regulator's line of sight.

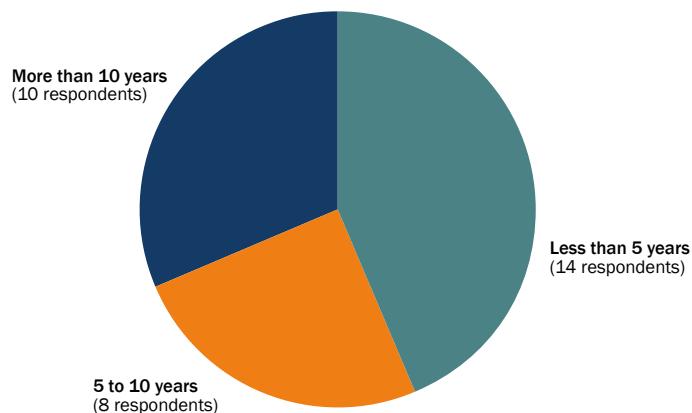
Most significantly, consumers do not generally understand the cooperative/mutual difference. There is an opportunity, which our sector should seize, to close the current communications gap and help consumers, in particular younger generations, understand our sector's values. It should then leverage this greater understanding to reach new customers.

5. LEADERSHIP

In the final part of the interview, questions turned to a more personal nature, to explore the leadership styles within the cooperative/mutual insurance sector, recognising that it may not reflect the more common management theories about effective leadership. We also asked respondents about their involvement in organisations and activities outside the organisation to understand their role in raising the profile of their company, the industry and/or the cooperative/mutual sector.

The respondents to this year's CEO *InSights* interviews included 13 organisations that had also participated in the 2013 interviews, but of these, only four individuals had participated previously, ie nine organisations had appointed a new CEO since 2013. In fact, out of the total 32 participating organisations, fourteen had appointed new CEOs within the last five years. Our interviewees could therefore be described as primarily a "new breed" of leaders.

Tenure as leader



Leadership

Describe your leadership style; how do others see you? Is your leadership style influenced because you are in the cooperative/mutual sector; would you adopt a different style at a stock company?

The self-described leadership of half the participants (16) emphasised a participative or inclusive style: they mentioned a **preference for leading through collaboration and/or teamwork**. Two respondents used the expressions "leading from the side" and "leading from the back".

Good listening skills were mentioned as an important enabler of this leadership style: "I love hearing from a lot of people who are more intelligent than me."

Several described themselves as "a coach rather than a leader", with dispersed leadership and related concepts (mutual trust, empowerment) getting a mention from 11 (34% of) respondents:

"Most people do the right thing if you let them go free."

"It's not my job to tell everyone what to do. I just set the context and give them the freedom to do their jobs."

"You have to give people the freedom to succeed in their own areas of responsibility."

"Great results can only be made as a team."

"I work hard every day to win the trust of others."

All respondents said that they felt this style of working was part of their personality and would not be different at a shareholder-owned company. Six (19% of) respondents also noted that they felt their leadership style to be better suited to the cooperative/mutual sector, including three (10%) who had previously worked in a shareholder-owned company.

"I moved [to this company] because I am strongly influenced by values. I'm lucky to be able to manage for the long term."

"When I was applying for this job, it was my values that got me past the post."

"Being at this company allows me to be the same person as a leader and as a man, bringing together my ethical beliefs and ethical responsibilities."

"Cooperation has been my culture since I was a child; my parents were part of the cooperative movement. I've seen stock companies try to imitate cooperative values but people cannot be fooled."

"I'm personally more aligned to the purpose of a mutual so working here is far more rewarding."

Leadership

As CEO, how much of your time do you spend representing your organisation among external stakeholders, ie not members/customers or employees?

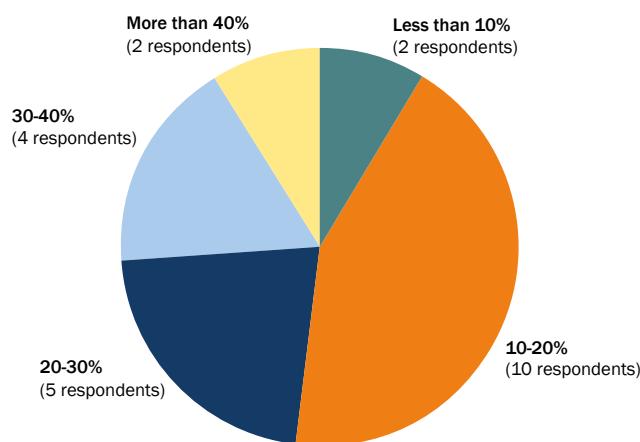
Other than ICMIF, are you actively involved in any national or global associations, fora, committees or debates? How much of your time do you devote to this?

What are the benefits of that involvement for you personally and/or for your organisation? Are there benefits for the broader cooperative/mutual sector?

Do you have an active social media presence?

The amount of time spent working with external stakeholders (including professional associations, trade bodies, communities, charities, regulators and being on the boards of other companies) varied vastly between respondents: estimates of the proportion of their time spent ranged from 5% to 50%, with most (43% of respondents) spending 10 to 20% of their time on external relations/stakeholders.

Time spent on external stakeholders



The focus of these external activities included involvement in cooperative/mutual insurance bodies, as well as a fragmented range of others:

- Board or committee members of national insurance associations
- Spokespersons for the insurance industry to the media
- (Board) members of professional organisations (eg actuarial or accounting bodies)
- Board members of other companies
- Supporters/patrons of community/charitable organisations

Only two respondents said that they would like to reduce the amount of time spent on external activities; most felt that the time they dedicated to these external organisations was well spent and/or necessary for raising the profile of insurance and/or their own organisation.

The personal benefits of participating in national, regional and global associations' activities were threefold:

- Getting the “big picture”, having a “window to the world”
- Getting (“stealing”) new ideas and building knowledge
- Connecting with peers and building a network outside the organisation/market.

Six respondents were active users of social media to raise their profile as an industry and/or sector leader, mostly through internal blogs (ie for the employees of their own organisation) or Twitter; four of these said they would like to further increase their use of social media. It appears that our sector's leaders could consider taking up opportunities to raise their leadership profile through social media.

Leadership

What would you like your legacy to the organisation to be?

The final question proved to be one of the more challenging questions for respondents. It would be difficult to summarise their responses, but more importantly, a summary would not do them justice, so some are quoted below.

“I hope I'll be remembered as an agent for change who dared to try and didn't fear failure.”

“I'd like every employee to be proud of the company and what we have achieved for our members.”

“The company should be a top place to work for staff and a top place to buy for customers.”

“I want to leave a company that's ready for whatever challenges are on the horizon.”

“I want it to be a good environment for staff to move forwards with curiosity to new adventures.”

“I hope the company will be recognised as a shining light within the insurance market.”

“I want it [the organisation] to be known for its transformation into a digital insurer with a human touch.”

“It should be a sustainable business that's relevant to all of its stakeholders.”

“I want the company to have a big purpose, which gives its members the lives they want to live.”

“I hope I'm remembered as someone who allowed others to grow and helped others to achieve.”

“I'd like to leave behind a member-centred, collaborative culture. If we don't have a great culture, I haven't done my job.”

The overall picture

The sector is characterised by a collaborative style of leadership. Today's CEOs, whether they are relatively new to the job or have held their leadership position for longer, seek to foster mutual trust and input from their teams, and like to work alongside them. Cooperative/mutual values are a true reflection of their personal values, which means they are passionate leaders of their organisations.

They spend about a fifth of their time on activities outside of their organisation, in particular through involvement with professional bodies, other companies' boards or community/charitable groups. Trade associations enable them to have a broad view of the world, provide inspiration and build a network of peers.

There is a clear opportunity for them to increase our sector's leadership through social media.

Their aspirations are to leave a legacy that will ensure the future cooperative/mutual insurance sector will provide a vibrant and rewarding place to work for talented employees who want to combine their personal values with professional opportunities.

6. CONCLUSION

Our interviews gave a clear picture of the aspirations and future potential development of the cooperative/mutual insurance sector, as well as an understanding of its progression during the last four years. The sector's strong financial performance is now complemented by a prevailing sense of confidence and hopefulness about the future.

Technological advances, including digital disruption, are making a significant impact on the ways that cooperative/mutual insurers reach new customer segments, serve their members, operate and innovate. New digital technologies offer the sector the opportunity to enhance the way that organisations do business, but these organisations must develop their internal capabilities and develop the agility to respond rapidly to changes in the marketplace and in consumers' expectations.

The innovation agenda is largely focused on technology as a tool for automation and customer contact. It is anticipated that over the coming two to three years, the focus of the innovation agenda will shift, as technology is increasingly used as a tool for mitigating risk and improving the customer experience. Cooperative/mutual insurers, in particular those that recognise customer proximity and local presence as the cornerstone of their business success, will be tasked with balancing remote technologies and personal interactions to create maximum customer value.

The corporate governance structures within the cooperative/mutual sector are varied but are considered to be strong, especially when supported by a range of practices that ensure regular, meaningful touchpoints with cooperative/mutual members. There appears to be a clear need, however, to improve the way in which the sector communicates its values to customers; articulation of these values should offer a significant opportunity to appeal to younger customers in particular.

Leadership of the sector is characterised by mutual trust, collaboration and teamwork between CEOs and their teams. Participation and dispersed leadership are its hallmarks. The increased use of social media may help raise the visibility of the sector's leadership.

The leaders of the sector are passionate about leaving behind them a sector that is ready to face any challenge in the future. Their wish is that their organisations will be strong, fit for purpose and profitable; they will be more innovative and agile, but still firmly rooted in their fundamental cooperative/mutual values and their ambitions to serve their members, their community and society.

It is ICMIF's intention to utilise the findings of this report in order to guide its activities and outputs. This report has helped to identify the most urgent and common strategic themes for those companies which participated. The areas in which ICMIF members may benefit from further support include innovation, customer experience, technology and differentiating the cooperative/mutual brand.

ICMIF's programme of work includes events and platforms, in particular its Biennial Conference, leadership forums and committees, which bring to life the challenges and opportunities behind the themes identified. Further subsequent discussion and collaboration with ICMIF members will enable ICMIF's management team to refine its plans, direct resources and deliver valuable outputs, such as seminars, professional networks, research, information and training which are tailored to help members take on those challenges and seize opportunities for long-term success.

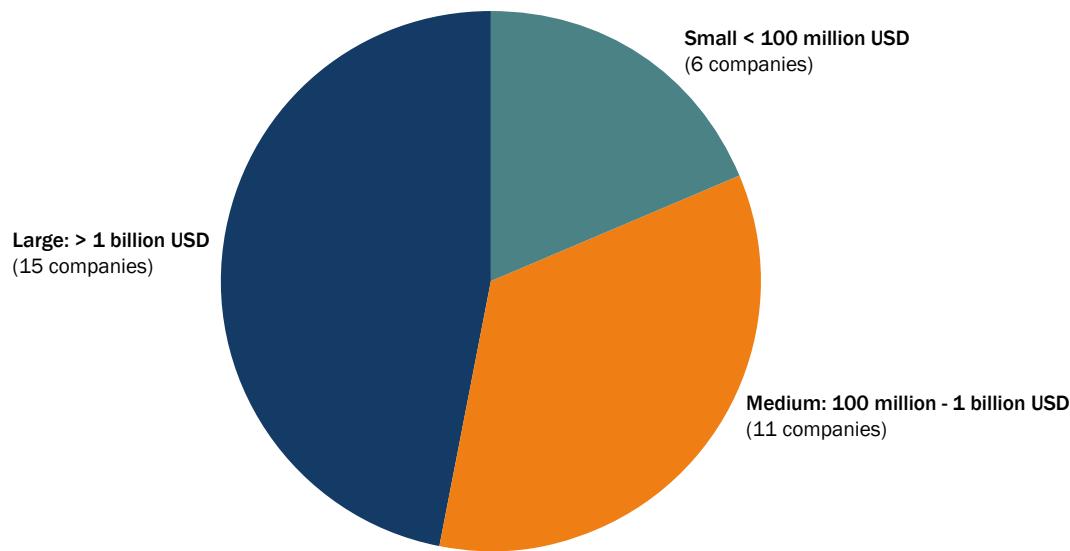
APPENDIX A: PARTICIPANTS

Alejandro Asenjo	La Segunda	Argentina
Jim Glossat	Capricorn Risk Services	Australia
Terry Agnew	RAC (Western Australia)	Australia
Anton Lovell	Co-operators General	Barbados
Tom Meeus	Fédérale Assurance	Belgium
Hilde Vernaillen	P&V Group	Belgium
Rob Wesseling	The Co-operators	Canada
Denis Dubois	Desjardins General Insurance Group	Canada
Steve Smith	Farm Mutual Re	Canada
Carlos Rodrigues	Heartland Farm Mutual	Canada
Henrik Groenborg	ALKA	Denmark
Anne Mette Toftegaard	LB Group	Denmark
Jari Sundström	LocalTapiola	Finland
Jean-Marc Raby and Alain Montarant	MACIF	France
Pascal Demurger	MAIF	France
Dominique Godet	SHAM	France
Christoph Lamby	R+V	Germany
Kumar Shailabh	Uplift Mutuals	India
Tamotsu Shozui	Zenkkyoren	Japan
Tom Gitogo	CIC Insurance Group	Kenya
Chris Black	FMG	New Zealand
Izak Smit	PPS	South Africa
Pablo Mongelos	Seguros Lagun Aro	Spain
Fazal Ghaffour	Amana Takaful	Sri Lanka
Ann Sommer	Länsförsäkringar	Sweden
Markus Hongler	La Mobilière	Switzerland
Philippe Hebeisen	Vaudoise Assurances	Switzerland
Alan Goddard	Cornish Mutual	UK
Lindsay Sinclair	NFU Mutual	UK
Bruce Kelley	EMC	USA
Rockne Corbin	Shelter	USA
Terry Rasmussen	Thrivent Financial	USA

APPENDIX B: INTERVIEW QUESTIONS

General business How has your organisation performed over the last two to three years? How has performance compared to your stated goals during that period? What have been its most significant achievements during that time? In what areas would you like to be performing better?	Governance How are the member-customers of your organisation represented in your formal governance structures? How do they influence your overall strategy? What are the strengths or best practices in your governance? What are its weaknesses? If you could make any changes, what would they be? Do you foresee any changes in regulation related to corporate governance, either for our sector specifically or for insurers generally?
Strategy How long is your current corporate strategy, and at what stage are you through that strategy? What are the key deliverables in your current strategy? How are your organisation's cooperative/mutual values reflected in your strategy? What challenges have you faced in delivering your strategy? What have you overachieved on, and why? What have you underachieved on, and why? What are you focusing on in order to extend your competitive advantage?	 Do you think consumers in your market understand the difference in ownership, compared to stock companies? Does that appeal more or less to consumers today, particularly younger consumers?
Competitive positioning What would you like your organisation to be best known for? What do you believe to be your strongest competitive advantage over non-cooperative/non-mutual insurers in your market? What will be the main challenges and opportunities for your organisation between now and 2020?	Leadership Describe your leadership style; how do others see you? Is your leadership style influenced because you are in the cooperative/mutual sector; would you adopt a different style at a stock company? As CEO, how much of your time do you spend representing your organisation among external stakeholders, ie not members/customers or employees? Other than ICMIF, are you actively involved in any national or global associations, fora, committees or debates? How much of your time do you devote to this? What are the benefits of that involvement for you personally and/or for your organisation? Are there benefits for the broader cooperative/mutual sector?
Innovation Do you consider your organisation to be innovative compared to its competitors? How is innovation stimulated and managed in your organisation? Do you have any recent innovations that have made a particular difference to your market or your organisation? What new opportunities are you targeting; and what big opportunities are just out of reach? How do you think technologies might affect your organisation in the next five years?	 Do you have an active social media presence? What would you like your legacy to the organisation to be?

APPENDIX C: SIZE OF PARTICIPATING ORGANISATIONS



The collective gross premium income of the participating organisations interviewed was USD 115 billion, which represents approximately 37% of all ICMIF members' total premium income.

Fifty ICMIF member organisations were invited to participate; 32 organisations agreed.

CEO Insights 2017

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