FINANCIAL MUTUALS & NOT-FOR-PROFIT INSURERS: VIEWS FROM THE TOP

A survey of Financial Mutual Chairs on behalf of the AFM

July 2017

association of financial mutuals

INDEPENDENT AUDIT
BOARD REVIEW

Foreword

We welcome this report from Independent Audit. There were a number of reasons for our commissioning of this work – principally the growing recognition of the importance of maintaining the right culture in a mutual's board: both in ensuring good decision-making and in working in the best interests of policyholders.

In this light, we are seeing greater scrutiny from regulators on board culture, who see this as having a key influence on the retention of good behaviour in firms. We were also attracted to undertaking this research because it builds on our existing portfolio of support to NEDs, and because it mirrors similar work by Independent Audit with listed companies and building societies.

It is gratifying to see that the results give reassurance that culture is recognised by the Chairs of our members as a vital ingredient of the board agenda, right across our sector. The report also provides food for thought in how to seek constant development of the commitment to an effective culture, and for AFM in supporting members in strengthening the link between the right culture, and good corporate governance.

For the future, AFM plans to follow up on this report, with support on board evaluations and staff surveys, to help members to measure the effectiveness of their board culture. We are in the process of overhauling our corporate governance code and our approach to compliance with it. The results of this survey gives us a clear sense on how to take that work forward.

Thanks to Independent Audit, and to all those members that contributed to the survey.

Martin Shaw,
Chief Executive, AFM

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Executive Summary

A survey of 34 Chairs (this includes two responses from CEOs, responding on behalf of their Chairs) of financial mutuals and not-for-profit insurers ("mutuals") exploring the role of the board in "the culture question", following the same questionnaire that was used to survey FTSE 350 and building society chairmen showed that:

- overall, the boards of mutuals are slightly more confident than FTSE 350 or building society chairmen that they are addressing culture sufficiently
- Chairs of mutuals take pride in their culture, recognising both its importance and how much work it takes to create and maintain it
- the strong majority of boards focus on the impact of remuneration packages and executive selection
- culture is at the heart of many boards' decision-making processes, yet they also acknowledge how much might still be improved; several boards see opportunities for making their cultural values more explicit
- a significant number of Chairs feel they should focus more on hearing directly from their staff about their enjoyment of working for their organisations
- regarding the impact of digital issues, only around a quarter of Chairs in each of the surveyed groups think they are doing enough
- mutual Chairs see regulators as much more influential on culture than their FTSE or building society counterparts.

The results of the survey suggest that mutuals need to increase focus on:

- addressing digital issues, along with the reputational risks and safeguards needed around social media risks
- strengthening and influencing culture across the organisation
- considering how culture and strategy are interlinked
- looking at the cultural aspects of internal control indicators, HR reporting, critical decisions, learning from experience, staff feedback and external indicators
- increasing attention on the cultural aspects of work in committees.

Areas where there is already a strong focus that need to be maintained are:

- selecting executives for cultural fit and considering the impact on culture of remuneration
- ensuring employees have ways they can escalate any concerns.

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Introduction

This research has been conducted on behalf of the Association of Financial Mutuals (the Association) using Independent Audit's online governance assessment service, Thinking Board®. The aim of the research is to explore the role of the boards of financial mutuals and not-for-profit insurers ("mutuals") in maintaining a healthy corporate culture, and to gain insight into current practice.

In drafting the questions, our aim was to suggest a variety of possible ways in which boards might be going about addressing "the culture question", which can encompass a wide range of meanings covering, for example, "how we do things round here", how we treat one another and customers, or how we respect rules. By including different aspects, we did not presume that the board should be covering the ground in this way – but it was our hope that the questions would provide useful food for thought.

The questionnaire was completed by 34 mutuals in May 2017, representing 67% of full members of the Association. They come from across the UK, with Chairs (this phrase includes responses from two CEOs responding on behalf of their Chairs) from a range of societies taking part. (See Appendix II for the full list of participating mutuals and not-for-profit insurers.)

The responses are displayed on a series of bar charts, each dealing with a different thematic group of questions. We also draw your attention to the issues that were flagged by a significant number of respondents as being areas that "We should focus more on…". In general, here, we consider a third of respondents to be a significant number.

In this report

Each section contains a chart showing a collated picture of the scores for each question in that section. The label under each bar links it to the full question we asked, and these are listed in the table underneath.

Each chart is followed by a summary analysis of the trends in the responses. We split the respondents into groups by size (number of staff), to see if the responses differed. In fact, this revealed that the results were broadly similar regardless of size. We have highlighted any significant differences in our commentary. We also compared the results of this survey to those from our recent surveys of building society Chairs and FTSE 350 chairmen, who were asked the same questions. Again, we highlight any differences and similarities in our analysis.

The concluding element of each section is a table showing the most frequently flagged issues for that group of questions. Comments made in relation to each question can be found in Appendix I. These have been edited to keep the report anonymous, and duplications have been removed for conciseness.

You will see in the report that there are several red scores. These indicate that the attention the board is paying to this aspect of culture is "none at all". This should not necessarily be seen as a negative score – for some mutuals, given their small size, the measures outlined in these questions may simply not be practical.

One final point of clarification. This survey is not intended to rate performance, but rather to highlight areas that boards are focusing on now and their plans for the future. The scoring system is the standard one that we use to encourage thought around areas requiring improvement. As with our other surveys, several Chairs made the point that more can always be done, but our scoring approach perhaps helps prevent complacency.

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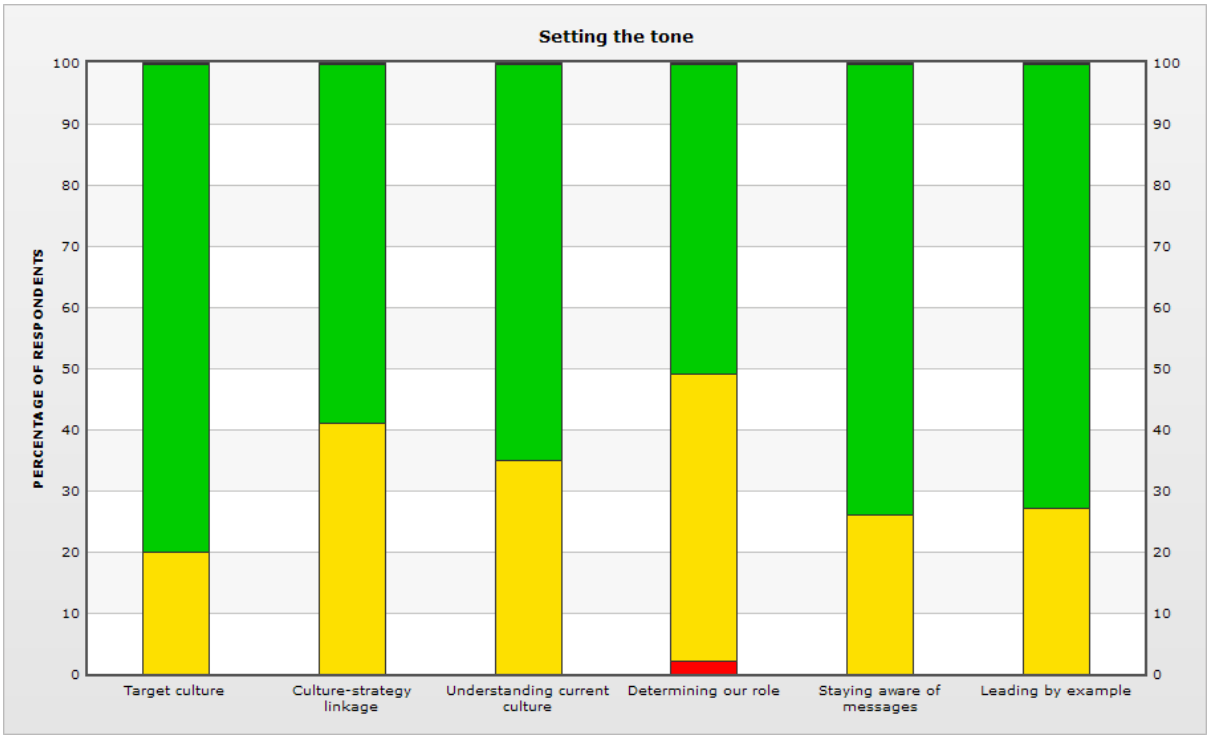
Section 1: Setting the tone



Questions
How much attention do we give to...?
Setting out the corporate culture and standards of behaviour we expect to be maintained throughout the organisation
Considering how maintaining the target culture is linked to strategic success
Making sure we understand the prevailing culture as a starting point for discussing the target culture
Determining what we should be doing as a board to strengthen our business culture
Staying aware of the messages we are giving externally about how we aim to behave as a business
Leading by example

This section covers the messages given by the board. Before later considering indicators of culture or the kinds of feedback received by the board, we first sought to explore how boards go about determining the target culture. How do boards consider the kind of culture they want? Are they really aware and conscious of the messages being given out, and do they have a say in what these messages look like? Is culture discussed explicitly, or is the board satisfied with having an implicit understanding?

When it comes to setting the tone within the organisation, it is clear that culture is being discussed at board level in all the mutuals and not-for-profit insurers who took part. Across all questions, a strong

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majority are addressing the issues raised to some degree. Most are confident that they "do enough for now" in each area, and in fact the majority are more confident than either their building society or FTSE counterparts. However, in half of the areas, a significant number still see room for improvement. The prevailing culture and how culture and strategic success are inter-linked both appear to be high on the agenda for all boards: the comments suggest they spend considerable time on it, with some Chairs stating that still more could be done, or that some things might be done more explicitly.

While there is a recognition that culture should be addressed by the board, and a clear effort is being made to do so, there appears to be much less certainty about how exactly the board can affect the culture. We see this in the top issue flagged – by just under half (44%) of Chairs – which indicated that "maintaining the right level of board involvement to ensure we embed a strong culture" should receive greater focus. This might suggest that, despite time being spent on culture, discussions could be more practical.

FTSE 350 and building society chairmen generally responded in the same vein, and we found similar patterns between the areas which scored well and those requiring more attention. Four of the five most frequently flagged issues in this section were the same as those for FTSE 350 chairmen (marked below). However, these issues were flagged less frequently overall by mutuals.

So, the issues are the same, only to a lesser extent, with one exception. Mutual Chairs felt they did not give enough attention to the consistency with which they check during board discussions that decisions and initiatives are acceptable from a cultural and ethical viewpoint. This was not a significant issue for either FTSE 350 or building society chairmen.

The most pronounced difference between the three sets of chairmen concerned: "Making our dissatisfaction known and, if necessary, making sure action is taken when senior management clearly do not adhere to the values and culture". 40% of FTSE chairmen identified this as an area requiring greater focus while only two of the 34 mutuals and two of the 32 building society chairmen considered this an issue. Perhaps executives of mutuals are giving their boards less reason for dissatisfaction than their corporate counterparts? Or might it indicate different dynamics in the boardrooms of mutuals? Or it may simply be a function of their size.

Times flagged	We should focus more on…
15/34	Maintaining the right level of board involvement to ensure we embed a strong culture[1,2]
14/34	Consistently checking in board discussions whether the consequences of our decisions and initiatives are acceptable from a cultural and ethical viewpoint
14/34	Considering how embedding the desired culture will support achievement of the strategy[1]
13/34	Clearly defining how, as the board, we could and should be influencing culture
12/34	Seeking a range of views from different levels and locations in the business[1]
12/34	Regularly revisiting the target culture and reviewing progress in achieving it[1,2]

[1] Top five issue for FTSE 350 chairmen; [2] Top five issue for BSA chairmen

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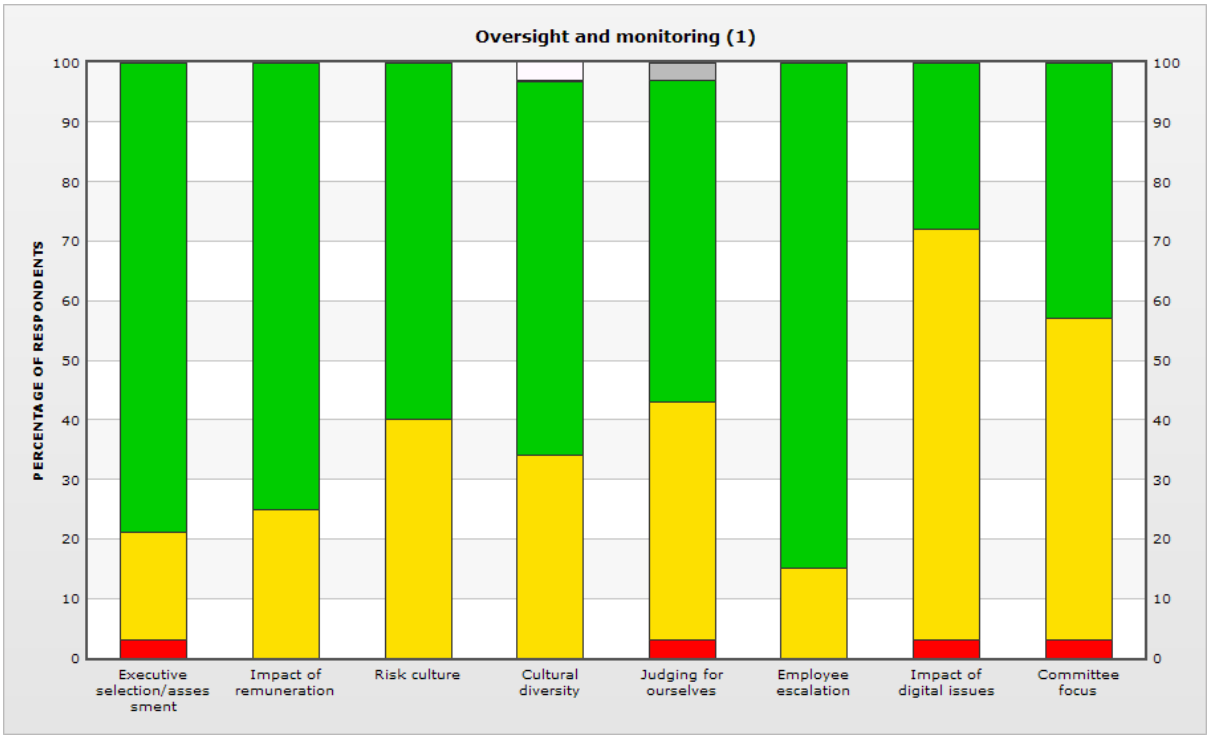
Section 2: Oversight and monitoring (1)



Questions
How much attention do we give to…?
Assessing the potential impact on culture of how we select and assess the CEO and other executives
Assessing the potential impact on behaviour of remuneration and reward systems
Considering the role of culture and behavioural standards in supporting effective risk management
Understanding the cultural diversity across different parts of the business
Building our own impressions of employee attitudes
Ensuring employees have a route for escalating concerns
Considering the impact of digital issues
Focusing our committees on the cultural issues

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Once the board has an understanding of its desired culture, the next logical step is to monitor key influencers and indicators of the culture. This part of the survey asked Chairs to what extent their boards consider culture when making decisions on appointments, remuneration, etc. Do boards think about cultural differences across the organisation, or how culture impacts risk? How do boards go about understanding the culture and gaining insight into employees' perception of issues such as escalation of concerns and whistleblowing?

Culture is at the forefront of boards' thinking when they are recruiting and selecting the CEO and executives, and when looking at the impact of remuneration. These aspects are high on the agenda for the clear majority of respondents, and comments made in relation to this question back this up. The boards of FTSE companies and building societies are also looking carefully at cultural fit when they are recruiting senior executives.

The joint top issue in the entire questionnaire, flagged by the greatest number of mutual Chairs (44%) was the need to hear directly from staff regarding their level of enjoyment, or not, of working for the organisation. This issue was also flagged by a significant number of FTSE respondents, but not to a significant level by building society chairmen. The comments indicate that while there is some interaction between the board and employees, several acknowledge that there is scope for more – and with staff at all levels in the organisation structure, not just those in the most senior positions. The detail showed that, surprisingly, around 50% of organisations with relatively small numbers of employees selected the "Some – but we should do more" option.

That said, a very strong majority of respondents are confident they are ensuring their employees have a variety of methods available to them to escalate any concerns.

The second area most commonly identified by mutual Chairs as requiring extra focus was one that was also in the top five issues for both building society and FTSE 350 chairmen: digital issues. As a relatively new issue for boards, it may be that the implications of digital issues have not yet found their way onto the agenda of many boards. The majority of Chairs indicated they should do more in this area, and only 28% were confident that they are doing enough. The reputational risks from social media and the impact of digital change on behaviour were of concern to just under a third of respondents.

Chairs of mutuals were much less sure than their FTSE or building society peers that their committees were focused on the cultural issues.

Times flagged	We should focus more on…
15/34	Hearing directly from staff about how they enjoy working for us – and if not, why not
14/34	Considering the reputational risks of social media and the safeguards needed[1,2]
13/34	Reviewing remuneration and reward practices across the organisation from a cultural stand-point[2]
12/34	Make sure we discuss at the full Board the major culture-related concerns identified by the committees
12/34	Encouraging a culture in which employees are unafraid to discuss concerns with their managers
12/34	Setting out clearly the responsibilities of each committee to consider the cultural aspects of their remits

[1] Top five issue for FTSE 350 chairmen; [2] Top five issue for BSA chairmen

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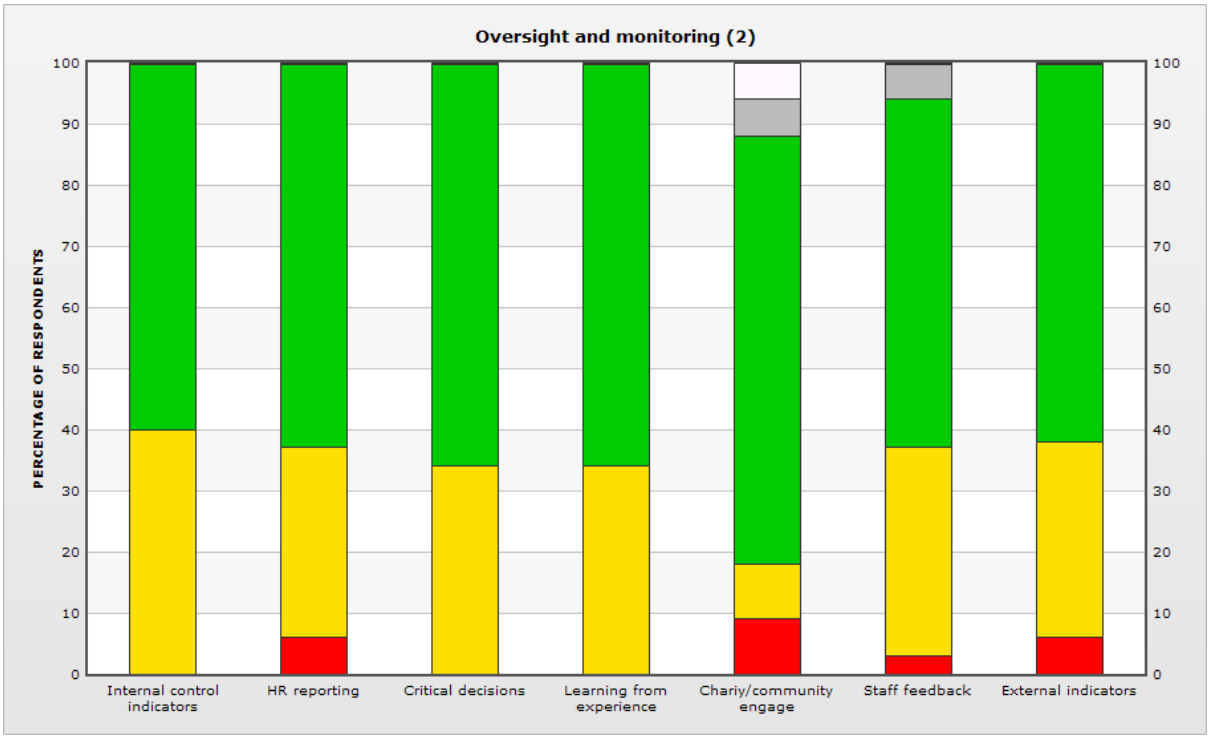
Section 3: Oversight and monitoring (2)



Questions
How much attention do we give to…?
Considering reports from internal control and assurance functions as indicators of our culture
Considering reports from HR and other business functions to gain insight into our cultural strengths and weaknesses
Considering the impact on culture when taking critical decisions
Learning from experience
Reviewing the effectiveness of the charitable/community engagement programme and the need for any changes
Considering staff feedback on behavioural issues and attitudes
Considering external indicators of our culture

This section is less about actions taken and more about sources of information for the board. It examines further the information the board uses in order to exercise oversight over the culture. Are boards looking at formal reports from HR and Internal Control, or are they more interested in meeting staff and experiencing the culture for themselves? Do boards use a mixed approach, or will some have a strong leaning one way or the other?

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The vast majority of boards are considering all the areas highlighted in this section. The few red scores here came from across all sizes of mutuals. A picture emerges of boards exercising their oversight using many or all of these sources of information.

Around a third of Chairs, however, see benefit in giving almost all these sources of information greater attention still. The exception is community engagement, where only 9% feel that they should do more. The comments seem to indicate that respondents either have charity and community engagement at the heart of what they do, or do not run programmes at all.

Only one issue was flagged for further focus by a significant number of respondents. This could either suggest confidence that the rest are being covered enough, or might mean that these are not areas upon which mutuals feel they need to focus.

The only issue flagged by more than one-third of building society chairmen in this section – and which was one of several issues highlighted by a significant number of FTSE chairmen – was flagged by just under one-third of respondents from mutuals: the need to focus more on "hearing from management about actions that have been taken in light of staff feedback".

Times flagged	We should focus more on…
12/34	The cultural and behavioural implications of internal audit and external audit findings

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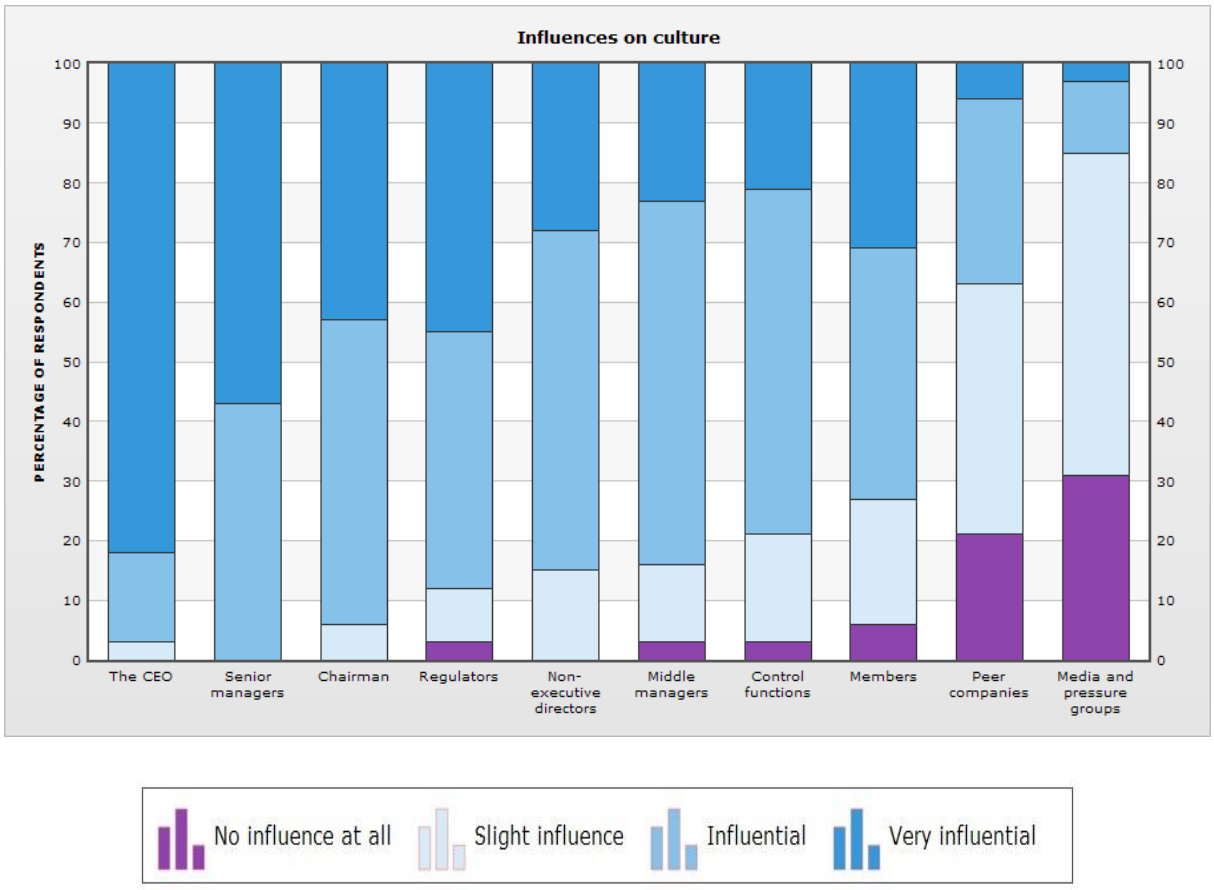
Section 4: Influences on culture



Questions

For each of the roles shown, please indicate your views on how they influence the corporate culture in practice?

This section looks at who has the most influence on culture. As expected, most chairmen think the CEO is the most influential, though mutual Chairs thought CEOs were slightly less influential than did FTSE 350 or building society respondents. Senior management are seen as more influential than chairmen or regulators. NEDs are also felt to be influential, and much more so than in the FTSE. As with FTSE 350 and building society respondents, generally, media and peer companies are seen as having a lesser impact.

Mutuals see regulators as much more influential than do building societies or those from the FTSE 350. Members are considered to have greater influence than the shareholders of FTSE companies. The comments bear this out too: mutual boards' decision-making is driven by the need to deliver benefits to their members.

FTSE 350 companies and building societies responded very similarly to this question. The only significant difference between them was that building society chairmen feel they have greater influence, and middle management to have lesser influence.

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Appendix I: Comments

A number of comments were provided by Chairs. We have reproduced most in their entirety, but some have been edited and a few removed to preserve anonymity and remove duplications.

Setting the tone

Comments
How much attention do we give to…?
Setting out the corporate culture and standards of behaviour we expect to be maintained throughout the organisation
The corporate culture and standards of behaviour are ingrained and critical to the success of our Company. Performance is measured principally by adherence to these standards, and not solely by financial performance. We can always do more but we give great attention to these matters.
Our culture is something we value and work on all the time.
Getting staff to buy into the cultural aspirations of the Board is not always easy. Small office culture can be corrosive.
Corporate culture and standards are of the utmost importance to us. We aim to live by our modern mutual, customer-focused values. The board and the senior executive team together work hard to achieve this through our approach to governance, our customer proposition and people development.
We are an old, traditional Society that prides itself on its culture and values but we probably need to reflect this more in our documented processes and procedures.
Mutuality and cultural affinity with our membership are core parts of our business. The Board reinforces those points. There may be scope for the board being more explicit in listing the core attributes of culture to be embedded within the organisation.
Our culture is fully appreciated by us all. It's one of the aspects that those leaving us comment on.
We have started a new People Plan that will be developed during 2017/18.
Considering how maintaining the target culture is linked to strategic success
The Society's culture and values are reflected in our Strategy and our Brand but it is more implicit than explicit.
We can only succeed if our culture is embedded throughout the organisation, and we take considerable time and effort to ensure this happens.
Maintaining our culture sits within our decision-making process.
Making sure we understand the prevailing culture as a starting point for discussing the target culture
I believe our target culture and prevailing culture are the same. We can always do more but we give great attention to these matters.
Testing the culture is a difficult issue – we are just starting to use consultants to check where we are.

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We do not have an internal audit department but we do obtain independent assessments from our external auditors and actuary.
To a degree this happens but it should do so more explicitly. Related to board engagement with those below board level executive management.
Senior management join every board meeting to enable us to discuss this regularly. Other staff join board meetings on a less frequent basis but still enable us to benefit from their insight. It would be useful to hear more from our internal auditor on this specific point.
We have regular Climate Surveys, one-to-one meetings between Management and Staff and Half Yearly Staff meetings. We also conduct regular Customer Surveys. An independent assessment would be useful. At the moment, there is no Internal Audit focus on culture.
NEDs interact with staff.
Determining what we should be doing as a board to strengthen our business culture
Our Board is wholly supportive of our culture, and is involved in it.
Maintaining the Board's strategic supervision whilst not encroaching on operational management is the real issue.
We need to ensure that everyone on the Board is on the same page when talking about culture, values and behaviour and that they are more clearly articulated in our processes and procedures.
Staying aware of the messages we are giving externally about how we aim to behave as a business
We regularly focus on the messages delivered through our marketing activity, member communications and other corporate messaging to ensure this is consistent with our values and culture. We obtain feedback on a rolling basis from members who interact with the Society.
The Society has a 3-day AGM where some 250 members' representatives (Deputies) debate a wide range of issues affecting the Society and its Members. We also have regular Group Conferences and Weekend Schools where Deputies and other members of the Society's Branches are in attendance. The Society also conducts regular surveys with our Membership.
Beyond the perennial difficulties of getting members to engage and so understanding their view of the business, we are alive to how we present ourselves and how and where we might fall short. There is scope for more focus on reputational management.
Leading by example
We need to consider more board training.
The whole Board is wholly supportive of our culture, and is involved in it. We include training for directors after our Board meetings, but haven't had separate training on ethics.
We probably need to do more to hold senior management to account.
We tend to know intuitively that Board decisions reflect the Society's culture and values, but we perhaps need to document this more formally. We do have an evaluation at the end of each Board meeting to discuss how the meeting went.
Quite attracted to the notion of an ethics course.

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Oversight and monitoring (1)

Comments
How much attention do we give to…?
Assessing the potential impact on culture of how we select and assess the CEO and other executives
Culture is an important element in our recruitment selection process. Also as part of our annual 360 degrees Board appraisal process we keep Cultural Fit in view.
It is not a simple task to hold an entrenched CEO to account.
We believe we have a CEO who is very cognisant of the Society's culture and who understands it particularly well.
We have recently recruited a new CEO. Ensuring that there was understanding and appreciation of the culture and its importance, and the fit with that culture were very important.
We recently appointed a new CEO. The impact on culture and fit as a mutual featured high during the process. We are currently recruiting a new Finance Director and making cultural fit a key element of the recruitment process.
Assessing the potential impact on behaviour of remuneration and reward systems
We do not pay bonuses or have performance pay anywhere in our organisation, as we believe this conflicts with mutuality. We know our executives have members' interests at the forefront of their thoughts.
I am not convinced that remuneration and rewards are important in enhancing culture.
We have just reviewed this area & implemented a new structure to attract the right calibre of executives.
Our pay levels across the organisation, including at board level, are by comparison with others designed to be low. We balance this with being able to recruit and retain the right people. This gives us affinity with our membership base which itself is subject to tight pay control.
The remuneration of the CEO and directors is undertaken by the Finance and General Purposes Committee annually following a detailed benchmarking review. Their recommendations are then presented to the main Board for approval.
We have carried out our first external review of remuneration and need to keep pace without being driven by fear of the cost to the business.
The sales director has a potential sales bonus. All executive directors have the same small bonus as the rest of the company if we achieve our target for the year.
We are working on new criteria for executive bonuses and we have engaged an external company specialising in Long Term Incentive Plans to assist with this.
Considering the role of culture and behavioural standards in supporting effective risk management
We have defined our risk strategy and risk appetite, and we have a detailed risk register which covers these and other considerations.
The Society prides itself upon its culture and values, and we are very protective of our reputation. However, a more formalised 'check and balance' process could be developed.

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We need to do more about linking culture to risk.
Linking of culture to reputational management is important. The board has been increasingly interested in the impact of reputation.
Our risk register includes items regarding culture and reputation. This is reviewed twice a year by the committee.
Understanding the cultural diversity across different parts of the business
We have recently received a report on diversity. Cultural diversity is challenging for us, as we work and live in an area of extremely low cultural diversity.
We are a small mutual with a staff complement of fewer than 30 and the existence and effect of sub-cultures – is relatively simple and transparent. It is, however, important to maintain a close focus on the natural tensions that may arise between, for example, the sales/development team and the risk officer or finance team, and for the CEO to manage those with board scrutiny and support.
Small organisation with day-to-day cross-company contacts and activities. Generally, there is little scope for this form of behavioural diversity.
We carry out staff surveys to determine whether the culture is embedded.
Building our own impressions of employee attitudes
Some directors but not all undertake these matters with staff, and I am encouraging them to do more.
Interactions with junior staff can be seen as beyond the Board's remit.
We have good, regular interaction with the senior management team. We could and should have more such interaction with other staff.
The Society conducts Climate Surveys, One-to-One meetings between Management and Staff and Half-Yearly Staff meetings. The Executive Directors are visible throughout the Organisation.
Scope for better engagement between board and staff without interfering in managerial operation.
The appraisal and 'exit' discussions provide these opportunities.
Consider setting up a staff forum where we can meet with them in the workplace. We currently get a snapshot whilst attending meetings.
The AGM is now held near our head office and colleague briefings are held on the same day. All colleagues attend where they can meet the Board and the briefing is a two-way process. Staff comments are welcome and acted on.
Ensuring employees have a route for escalating concerns
Whistleblowing training for all, including the directors is undertaken annually and is also reported to the Board. One can never be sure that all employees feel unafraid to discuss concerns, but we work hard at this topic.
We have a documented 'speak up' and whistleblowing policy, which extends through the organisation to the SID and Chairman.
The Society has a Whistleblowing Policy in place which is reviewed annually. The Audit, Risk and Compliance Committee has oversight of the Policy and reports on an exception basis.

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Staff have an anonymous suggestion system, can put forward comments to the staff consultative committee and our HR team members are always open for a chat. We have a whistle blowing policy.
Having reviewed our whistleblower policy under Senior Insurance Management Regime, we have introduced an updated policy. The SID is the champion and employees have his private email address.
Considering the impact of digital issues
At present the Society does not utilise social media sites but it is reviewing this.
The Board is undertaking a review of these topics presently, some of which have been discussed at our annual Strategy Meeting.
We are still some way off understanding the potential impact of, eg cyber-bullying.
We have discussed how our organisation's use of social media, data gathering and e-communication affects behaviour and perceptions. This is an evolving area for our business so there is more to do as we roll out our digital proposition.
The use of new technologies and social media has only recently been on the Board's Agenda – we are still learning but we are aware of the reputational risks. Social media monitoring processes and procedures are in place. The Head of IT has recently made a Cyber Crime presentation to the Board.
We carry out a survey with customers and stakeholders to gather information on contact. The management team, marketing and operations teams constantly work with social media and addressing issues as they arise.
Focusing our committees on the cultural issues
Our terms of reference do not expressly refer to these matters, but could be improved.
The Remuneration Committee is sensitive to the views of the Society's membership. The Governance Committee is very aware of the impact of Regulatory changes (SIMR etc).

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Oversight and monitoring: Part 2

Comments
How much attention do we give to…?
Considering reports from internal control and assurance functions as indicators of our culture
The Society is relatively small and everyone knows what is going on – serious breaches just do not occur.
We have not expressly requested such reports from our auditors, but enjoy a relationship such that they could be volunteered. This ought to be expressly suggested.
Much time is spent in committee on monitoring and consideration of areas where cultural /behavioural aspects could be damaging.
Considering reports from HR and other business functions to gain insight into our cultural strengths and weaknesses
We have no internal HR function by reason of our size. We do consider reports re absenteeism and staff turnover, quality issues and expense indicators regularly.
The Chief Executive and the Head of HR look at personnel related indicators but there is little or no Board focus on them.
The board receives reports and presentations at each meeting from all the business function leaders. This enables us to gain insight into whether and how the business lives up to its cultural values, and it highlights strengths and weaknesses. Expense ratios and claim rates are among an agreed set of KPIs that are reviewed at each board meeting.
Considering the impact on culture when taking critical decisions
We have ceased business with one company that could not meet our cultural standards.
Culture is not always a key factor in decision-making.
We are on old, traditional Society that prides itself on its culture and values but we probably need to document them more.
We have recently negotiated an outsourcing contract, and a key factor was the risk to our culture and reputation from the change in working practice.
Learning from experience
We encourage staff and management to be open about any problem, but do not shy away from performance improvement programmes, where the standards have not been met.
We have an open culture within our small team, and between the SMT and the board. Mistakes and lapses are rare but we strive to see and treat them as learning experiences.
We tend to know intuitively that our decisions reflect the Society's culture and values. However, the number and autonomy of the Society's Branches make consistency more difficult. We should also publicise the Society's successes more.
Our small organisation has an open and inclusive culture (which we also find to be important in recruitment and retention). It is one in which mistakes are recognised for what they are and not as a reason for an over-bearing response. Praise is given for good behaviours.
We seek to address the actions of anyone not aligning their behaviour to our culture. We find that if they're not right for us, they leave of their own accord.

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Reviewing the effectiveness of the charitable/community engagement programme and the need for any changes
The staff are heavily engaged in this area, choosing the charities, and being involved in all aspects of member and community engagement. This is not forced upon them but a very high percentage choose to participate.
Charitable donations are ad hoc and a matter for the management team.
This is what we do! There is a long and proud history of supporting local and national charities both corporately and by individual Branches.
Charitable and community activity do no sit comfortably with mutual status. It is not for us to use our members' money in that way; it is up to them which charities or community activities they wish to support.
No such programmes. (4 responses)
Reviewed regularly by our trustee committee.
Considering staff feedback on behavioural issues and attitudes
We do not undertake staff surveys now, as previous efforts gave us little value. Our staff turnover is low, and we hear individual cases at Board, but not an annual report.
Staff feedback is gathered on a rolling, informal basis by the CEO and SMT. Staff are encouraged not only to express concerns but also to propose ideas for improving what we do. In a small organisation such as ours, this is both easier to achieve and can be more meaningful than in a large organisation.
We do hold an annual staff survey. Management reports to the board on the outcomes and any significant issues raised at exit – though turnover is low.
Considering external indicators of our culture
This is essential to us and forms part of our work.
We survey members who have claimed on their policies and we maintain a very positive net promoter score. Our suppliers (auditors, actuary etc) are regularly asked for feedback by the board on working with our organisation.
The Society undertakes regular media watches.
We have done very well in member surveys and comparison by external organisations. That said we are not complacent.
We do obtain customer feedback and consider it. We also review all media comments.

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General Comments

Comments
Please provide any additional comments and views here. This could include comment on comparisons with other boards you sit on and any aspects of culture and overseeing culture which you consider specific to mutual or not-for-profit insurers.
As Chairman I am determined to maintain a transparent and open culture throughout the Society. The Board, CEO and staff are all committed to ensuring our culture and behaviour ensures our continuing success in providing benefits to our members.
The Society's Chairman is appointed for 1 year only and is, therefore, not as influential over the longer term. The Society takes notice of what other Organisations do and we believe that we have learned lessons from the failures of others.
We are a small organisation with a highly motivated and progressive Board. Our culture is at the heart of all decision-making and this is unique to the mutual sector in the main.
Staff are proud of our culture.
Leadership is crucial in setting norms.
The culture of our business is driven by the expectations of our members.
Whilst it is an inherent part of the Society's ethos and values, the whole question of culture needs to be more structured.
Compared with other boards, this one is well developed in its understanding of and thinking about cultural matters.
A small organisation is in many respects capable of being more agile and responsive than larger organisations. We can monitor, influence and change/safeguard culture more readily. Systems and processes are likely to be less formal, so there is greater reliance on collective responsibility and initiative.
It is very necessary to keep up to date with current & future regulatory requirements whether you are a large, medium or small mutual.
We have only recently grasped the significance of culture within a small organisation. We are still struggling with the reconciliation of Board responsibility with managerial responsibility.
A clear understanding of the culture of our members is absolutely vital to our Mutual's continuing success. This aspect influences the Board's judgement in almost all matters. With one exception, it far exceeds the equivalent care taken over culture in any other organisation I have been involved with, be it commercial, not for profit or charitable.
I don't consider that there are any specific cultural issues that affect mutuals any more than other corporate structures. As a small mutual with few employees one would think that an appropriate culture could be embedded quite easily – in fact the reverse is often the case. It needs to be worked on.
We value our culture so much and concern ourselves with it significantly.
We work very hard on all cultural aspects of the business. This has not been so on all other Boards on which I have sat. Culture is not developed over a short-term period. It is a long-term aim, and needs constant reappraisal and review.

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Appendix II: Participants

We would like to thank the Chairs and two CEOs of the following mutuals and not-for-profit insurers, who took the time to complete the survey.

Mutual
Anglo-Saxons Friendly Society
British Friendly
Bus Employees' Friendly Society
Cirencester Friendly Society Limited
Civil Service Healthcare
Compass Friendly Society Limited
Cornish Mutual Assurance
Cuna Mutual
Dentists' Provident Society Limited
Health Shield Friendly Society Limited
Healthy Investment
HS Health
IPB Insurance
Kensington Friendly Collecting Society Limited
Kingston Unity Friendly Society
Livery Companies Mutual
Medicash
Metropolitan Police Friendly Society Ltd
National Friendly
Original Holloway Friendly Society Limited
Paycare
PG Mutual
Red Rose Friendly Society Limited
Scottish Friendly Assurance Society Limited
Sheffield Mutual Friendly Society
Shepherds Friendly Society Limited
Sovereign Healthcare
The Dentists' & General Mutual Benefit Society
The Oddfellows Manchester Unity Friendly Society
The Veterinary Defence Society
Transport Friendly Society Ltd
UIA (Insurance) Ltd
Westfield Health
Wiltshire Friendly Society

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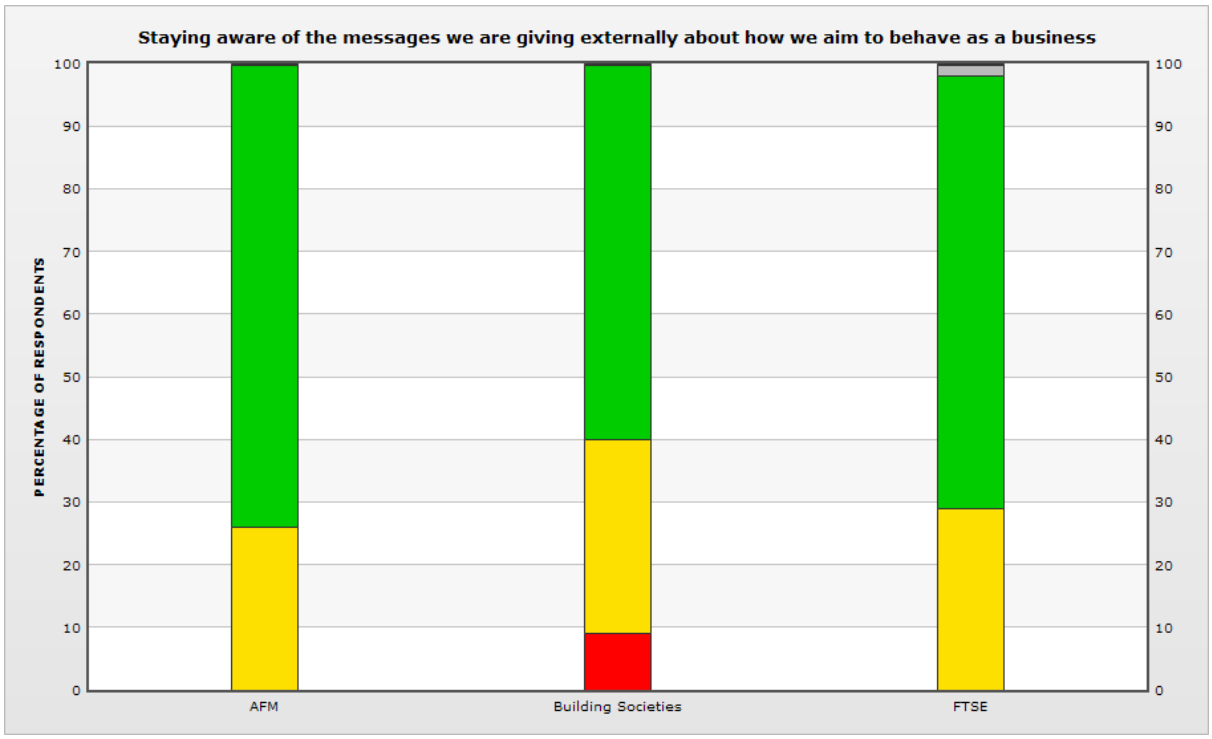
Appendix III: Comparative charts

Setting the tone



None at all | Some – but we should do more | We do enough for now | It's not a board-level matter | I can't judge

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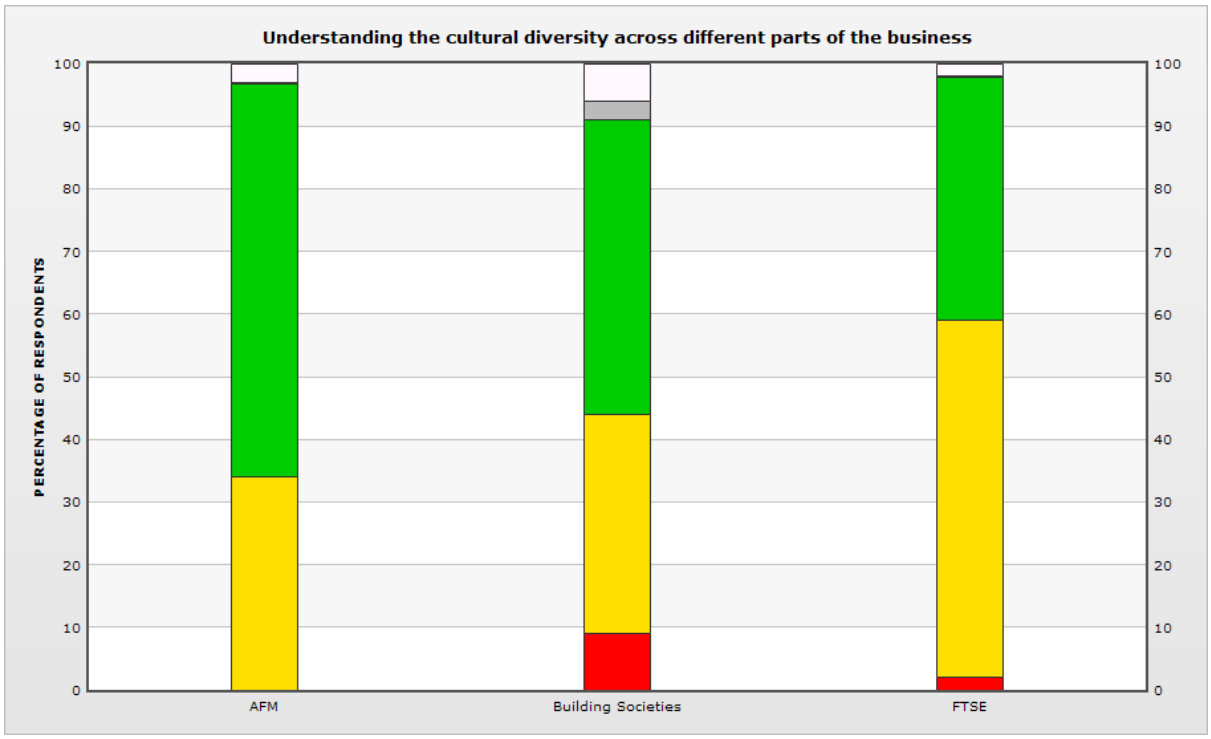
Oversight and monitoring (1)



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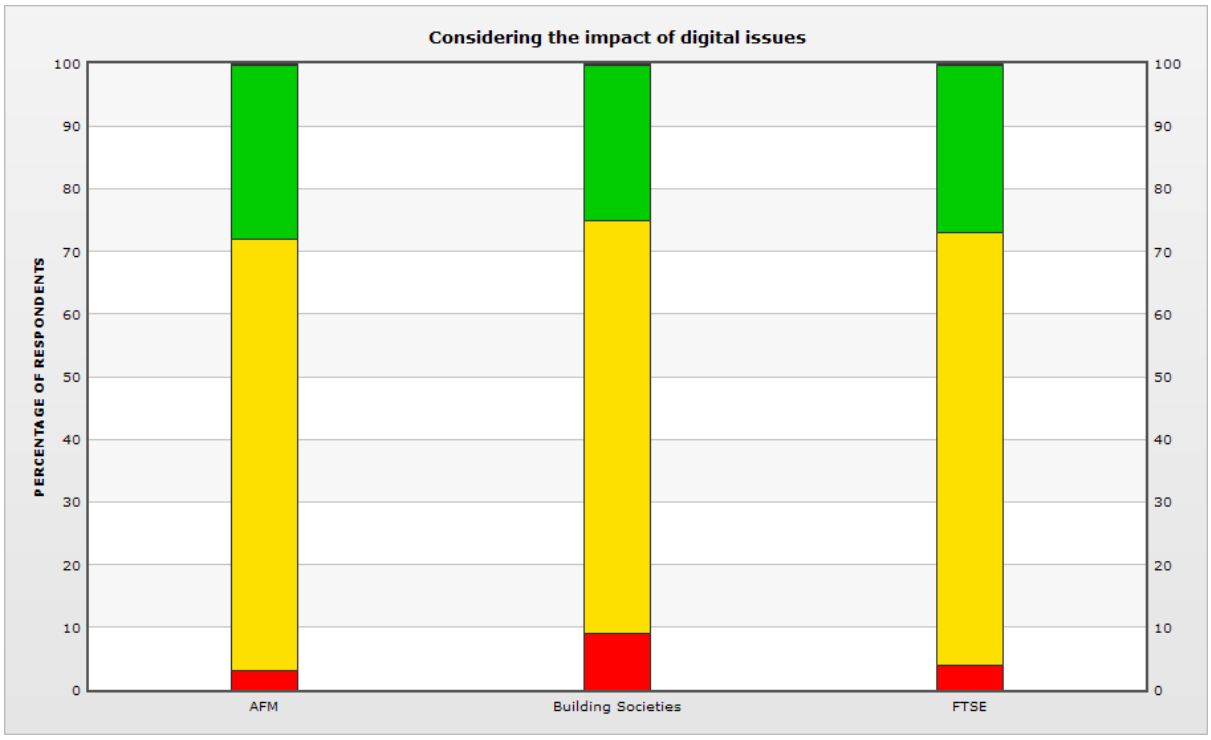
Oversight and monitoring (2)



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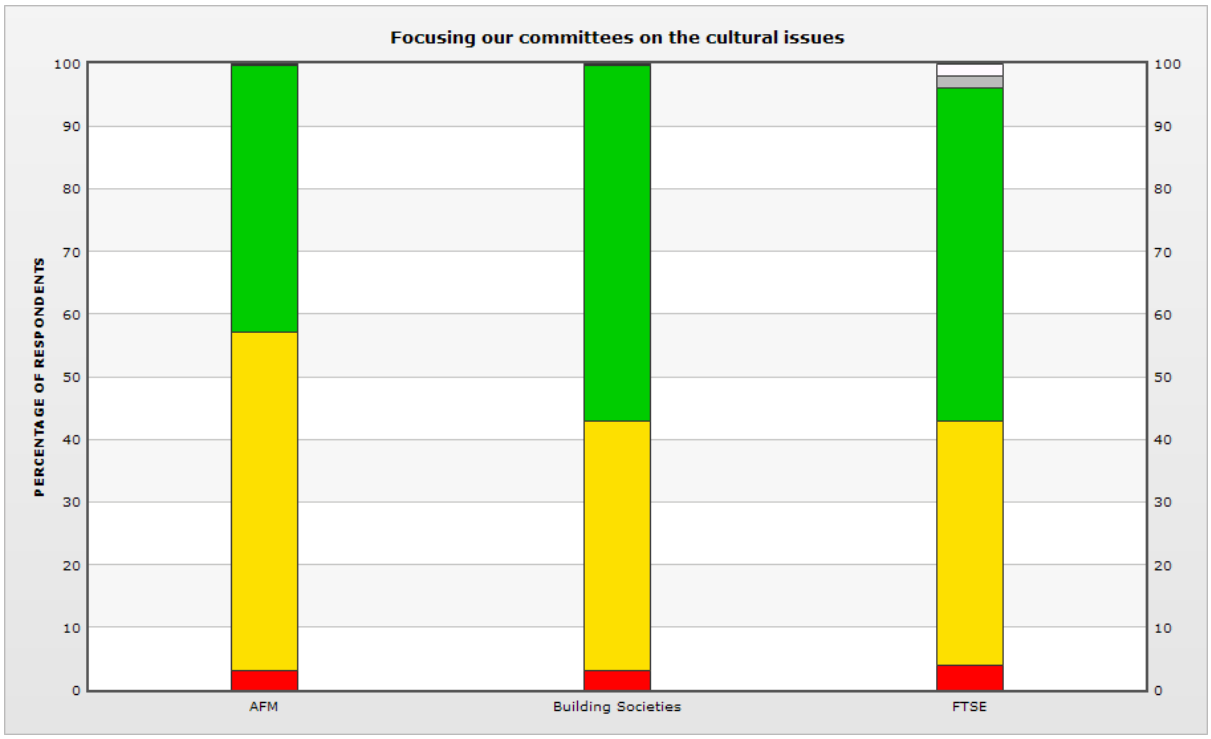
Oversight and monitoring (3)



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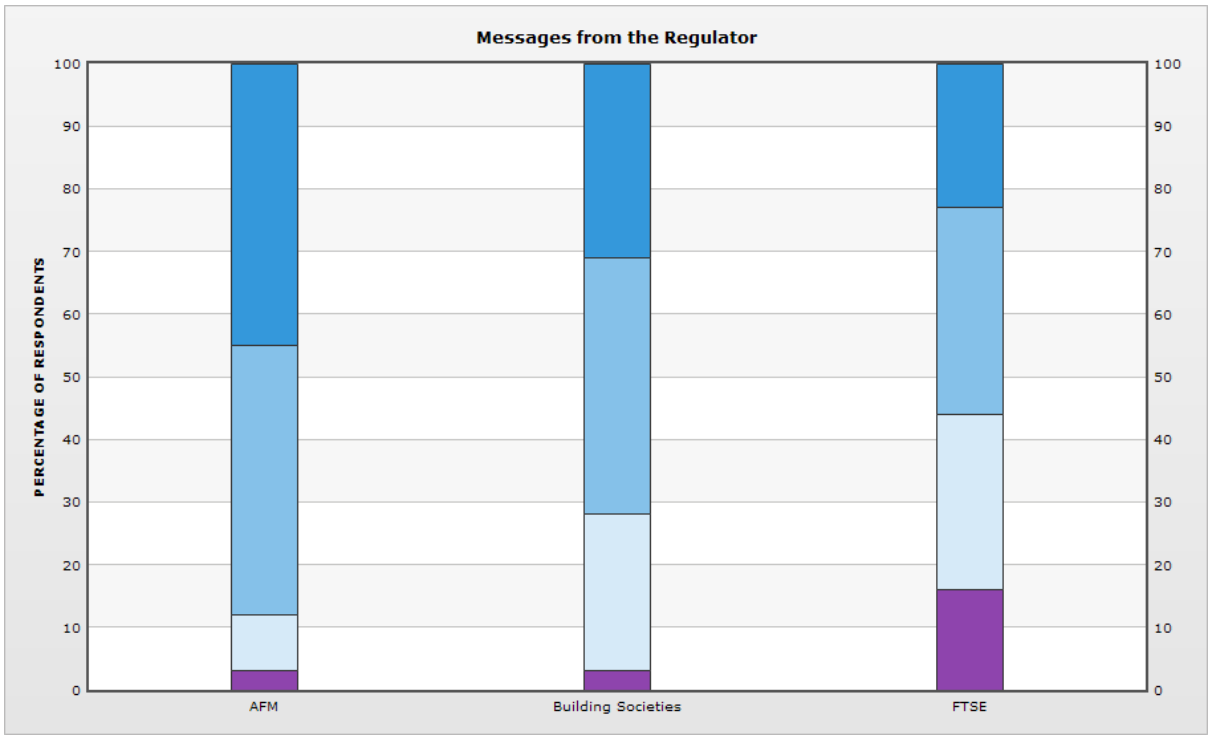
Influences on Culture (1)



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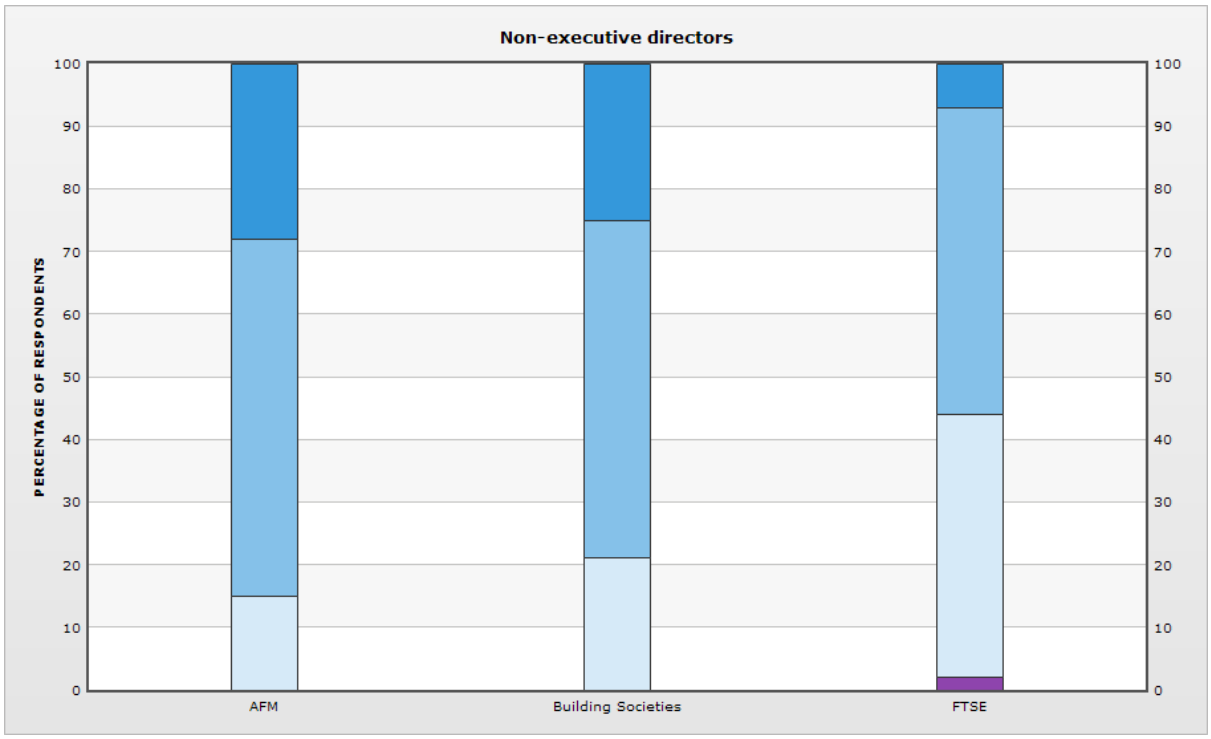
Influences on Culture (2)



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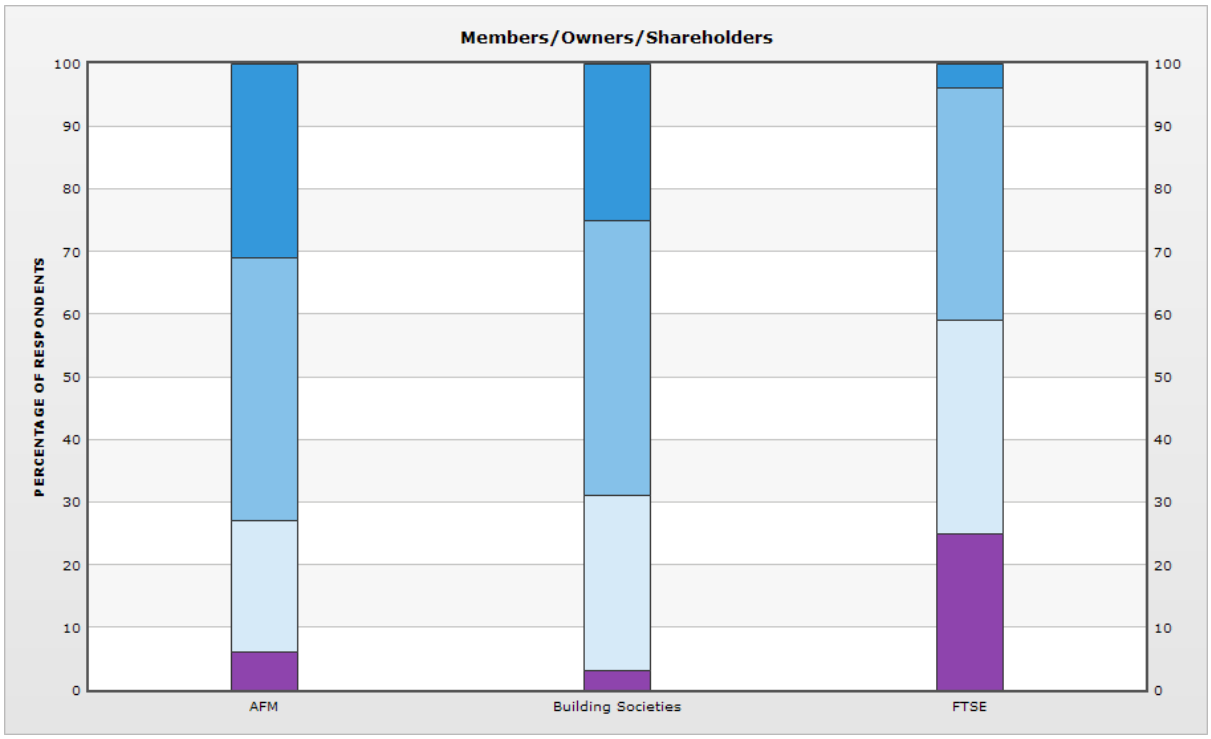
Influences on Culture (3)



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INDEPENDENT AUDIT

BOARD REVIEW