

Key facts about mutual insurers and friendly societies

Insurance is a vital part of the UK economy, and touches on everyone’s lives. Mutuals make up a significant component of this vital sector. Summary data for AFM members, for 31 December 2013, with 2012 figures in brackets:

Total assets under management	£121.1 billion (£94.7 billion)
Gross premiums written	£10.2 billion (£10.3 billion)
Policies in force	21 million (21 million)
Membership	8.1 million (8 million)
Claims and maturities paid	£5.6 billion (£5.5 billion)

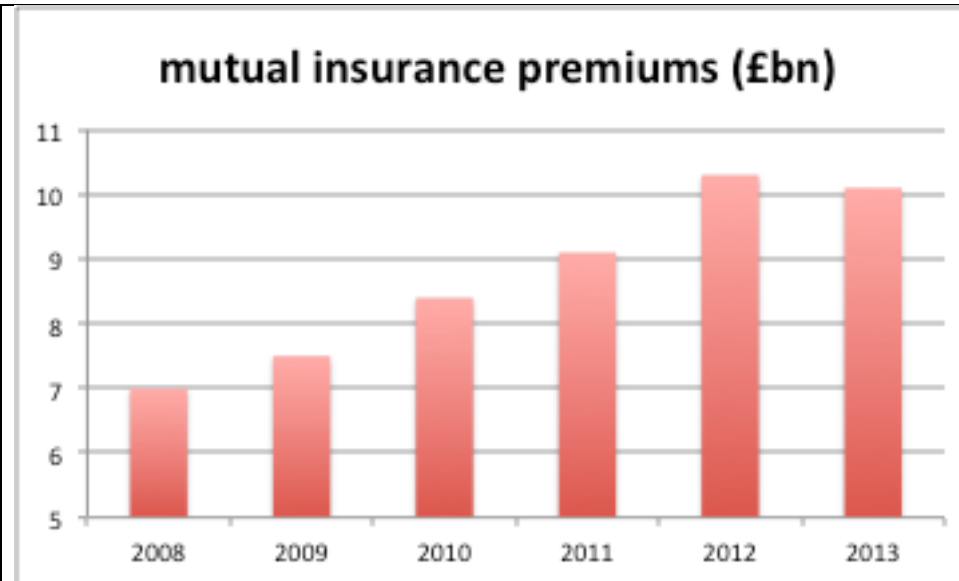
The charts on the following pages have been brought together from a number of sources, to provide key facts about the sector.

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premium growth through the recession

At the beginning of the financial crisis, mutual insurance market share was at just over 5%, its lowest level ever. This compared to over 50% in 1994, showing how much demutualisation had affected the sector.

The financial crisis though saw renewed interest in the sector, with the result that market share increased by 50% over five years.



source: AFM

trust and reputation

People continue to trust mutuals. In AFM research conducted in April 2012, financial mutuals achieved a net trust score of +32, compared to -5 for financial PLCs.

We followed up that research with a more in-depth study of the components of trust and reputation, and as the chart shows, mutuals continue to demonstrate much higher scores across a range of important attributes.



[Thinking about the following values, which of the following organisations do you generally associate with them? Base: all respondents (2000)]

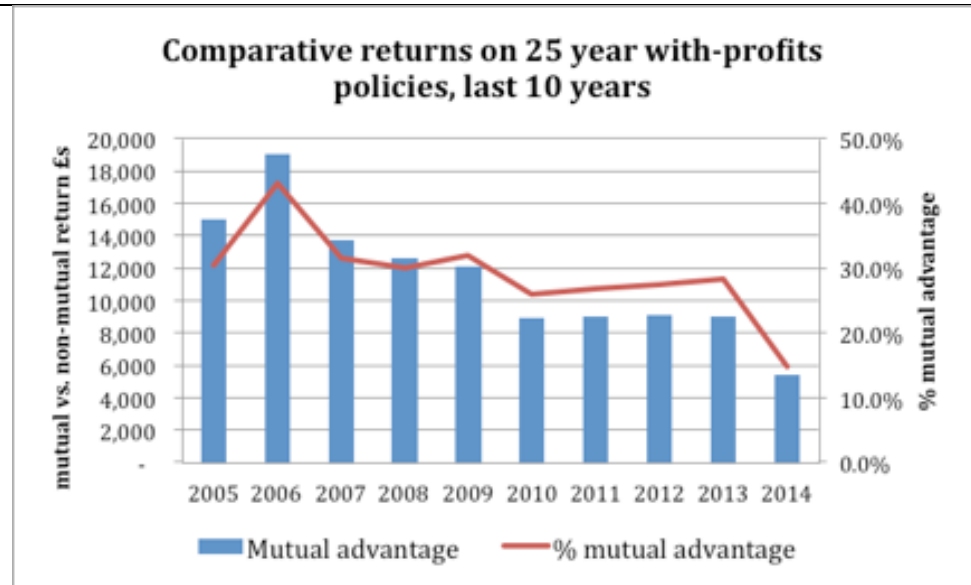
source: AFM research/ YouGov, June 2013

investment performance

This chart demonstrates that investment returns from mutual insurers significantly outweigh their PLC counterparts.

Over the last ten years, the average mutual with-profits policy produced 29% more than an equivalent from a PLC insurer- that's around £11,400 more after 25 years for a £50 per month policy.

Mutual with-profits policies have also generated consistently better returns than unit-linked policies, such as equity ISAs, with the average return in 2014 exceeded an equivalent unit-linked policy by 17%



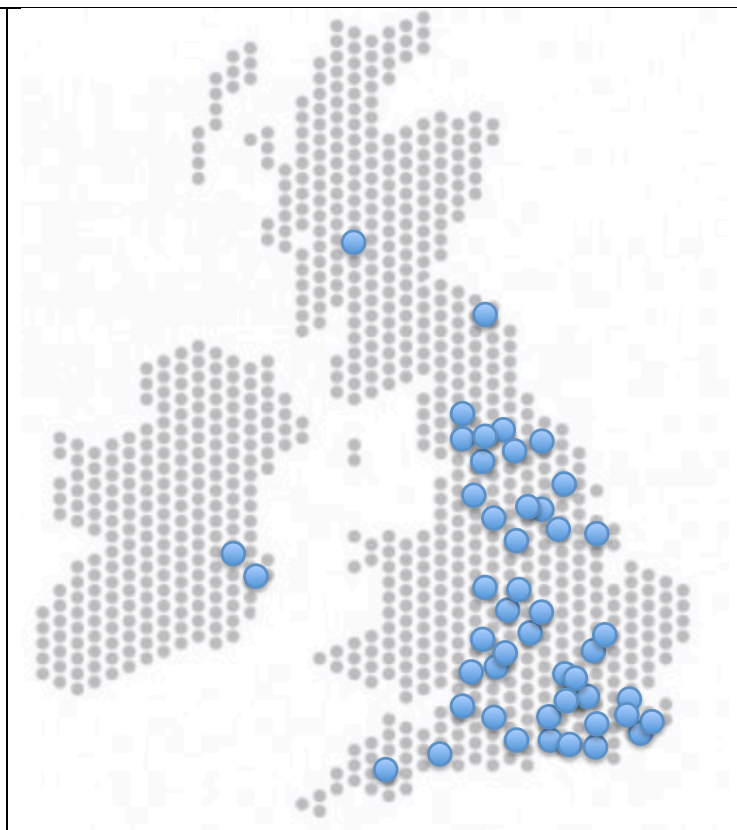
source: AFM, based on data from Money Management, April 2014

mutuals in local communities

Whilst PLCS remain very London-centric, no mutual insurer has their base in the City of London.

Many mutual insurers work in local communities across the country, or with particular trades, professions or affinity groups. Profits are often ploughed back into these communities as part of the wider social role of the mutual sector.

Members of mutuals all live in the UK, and mutuals employ their staff here, pay their taxes here, and invest their assets predominantly in shares, bonds and property in the UK.



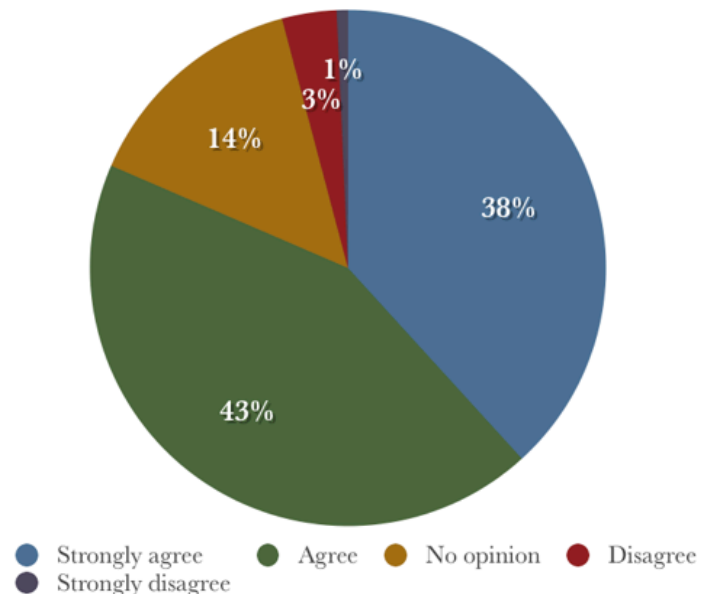
source: AFM

employees on message with mutuality

All organisations know that if you want consumers to talk positively about what you do, your employees have to believe they are doing a worthwhile job and take pride in what they do.

The overwhelming majority of staff employed by mutual insurers when we surveyed them were proud of the organisation they worked for, and over 90% believed that the organisation was run in the best interests of their customers and members.

I am proud of the ethical record and reputation of the organisation

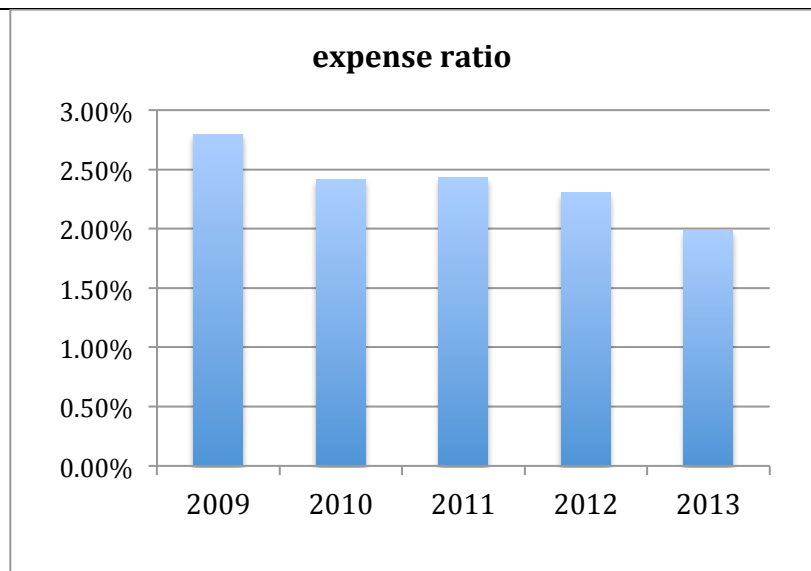


source: AFM and Kellogg College, Oxford, Jan 2013

mutual efficiency

Mutual insurers have increased their operational efficiency significantly in recent years: as the chart shows the ratio of net operating expenses to assets has reduced by over 40% in the last five years.

PLC insurers have assumed that you need scale to reduce costs, and many PLCs will have a lower ratio. However, AFM research indicates that the cost of paying a dividend to shareholders equates to 3p in every £1 of premium. As mutuals have no dividend to pay this means there is very little difference in efficiency.



source: AFM

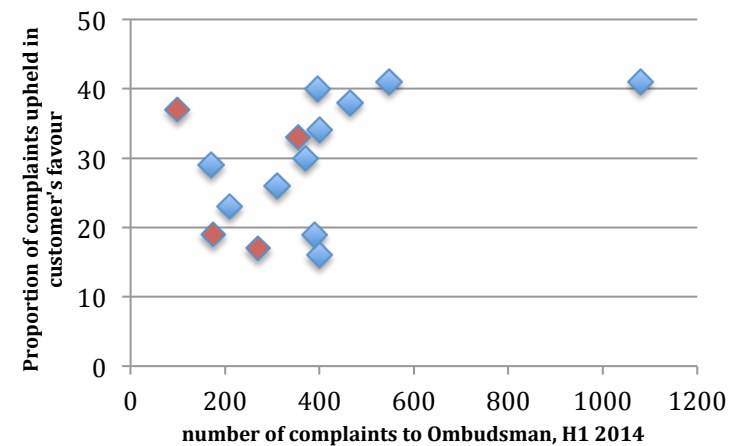
satisfaction and complaints

In the past the insurance sector published customer service statistics which showed that mutuals outscored PLCs in every dimension. Unfortunately that data is no longer published.

Whilst even the best businesses sometimes have problems, the insurance industry as a whole produces, at present, relatively few complaints to the Financial Ombudsman Service.

As the charts shows, there are only a small number of financial mutuals that produce enough complaints to show up in the Ombudsman figures.

Insurance Complaints, H1 2014
(mutuals in red, PLCs in blue)



Source: AFM analysis of Financial Ombudsman data

heritage of the sector

Friendly Societies and mutual insurers have been around for hundreds of years. They were the original form of social network, where a group of people contributed to a mutual fund, to then receive benefits at a time of need.

People joined Friendly Societies in large numbers and over time they began to represent specific trades and professions; so that by the late 1800's there were around 27,000 registered mutuals societies.

Friendly societies and mutual insurers were often the only way a working person had to receive help in times of ill health, or old age. In days when having no income often meant a life of begging or living in the poorhouse, the importance of mutual societies to their members and the tremendous social service they provided cannot be over stated.

As a result, the government encouraged membership of societies, and when National Insurance was first introduced, the government turned to the sector to collect premiums.

The ten oldest mutual insurers and friendly societies

- Equitable Life (1762)
- Grand United Order of Oddfellows (1796)
- Oddfellows Manchester Unity (1810)
- Shepherds Friendly Society (1826)
- Ancient Order of Foresters (1834)
- Healthy Investment (1835)
- Kingston Unity (1840)
- Wesleyan (1841)
- LV= (1843)
- Marine and General Mutual (1852)

Source: AFM



more facts in brief...

- Every day, mutual insurers and friendly societies pay out more than £15 million to policyholders, in the form of claims, maturities of policies, income on annuities etc.
- If you converted the money invested in mutuals into £1 coins, the height of the pile of money would stretch beyond the moon.
- If the mutual insurance sector in the UK were a country, it would be ranked the 15th largest insurance market in Europe.
- 20 years ago the mutual insurance market was the biggest in Europe, but due to demutualisations in subsequent years it is now, relative to the market as a whole, one of the smallest.
- UK mutual insurers are owned by UK citizens, they employ all their staff here, they pay all their taxes here, and they invest heavily in the communities in which they operate.
- During the financial crisis, no mutual insurer or friendly society collapsed, and none received state aid.
- In the last five years, financial regulators have levied over £1 billion in fines against UK companies: not a penny has been levied against mutual insurers in that time.

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