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During 1965, the Insurance Development Bureau of the Insurance Committee of the International Co-operative Alliance, organised a course of lectures at Manchester, England.

The three important papers of this course were by Mr. R. Dinnage, Mr. J. Nuttall and Mr. K. Back. In view of the importance of the subject itself and the many enquiries from all parts of the globe about insurance development, it was decided to make the three speeches available under one cover in order to be used as informative material by all interested in the subject of Co-operative Insurance.

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I.C.A. INSURANCE COMMITTEE

AIMS AND ACTIVITIES

by

Mr. Robert Dinnage

Chairman of the Insurance Committee

The Insurance Committee is one of the auxiliary Committees of the International Co-operative Alliance Central Committee. There are seven such Sub-Committees, the Insurance Committee, which was established in 1921, being the oldest, the others being Banking, Workers and Artisans, Production, Agriculture, Housing, Wholesale and Retail Distribution.

I am not going to discuss the work of these other auxiliary Committees but I think it is only fair to say that it is generally recognised throughout the membership of the Alliance that the Insurance Committee is the most successful of the auxiliary Committees. This is undoubtedly due to the success of the International Co-operative Reinsurance Bureau, which is a practical demonstration of the Co-operative principle amongst Co-operative Insurance Societies throughout the world.

The Insurance Committee was founded in 1921 at the instigation of Joseph Lemaire who was at that time General Manager of La Prévoyance Sociale in Brussels. Joseph Lemaire is still a member of the Board of La Prévoyance Sociale, which at present is managed by his two sons, Henri Lemaire, who is Secretary of the Insurance Committee of the I.C.A., and Raymond Lemaire, who is Vice-Chairman of the Reinsurance Bureau.

Joseph Lemaire felt that nothing but good could come from an association of Co-operative Insurance Companies throughout the world and he called a Meeting of the then existing Companies, to be held in Rome in April 1922—just over 43 years ago. Only four Societies attended this Meeting—his own, the Swedish, French and Dutch Co-operative Insurance Societies. Certain Italian delegates came along, but it was discovered that in fact they did not represent an Insurance Society. The other societies invited were the German, the Danish, the Norwegian, the Swiss and the Czech, who all indicated their agreement with the idea of establishing closer relationships but were unable to arrange to be represented at the Meeting.

I am sorry to say that one other Company was invited to be present—namely, the C.I.S. of England, and as it was before my time with the Society, I am bound to say that they were so unenlightened as to indicate that they could see no purpose in such a Meeting and they consequently decided not to send a representative. However, it was

not long before we in this country recognised our stupidity in refusing to be associated with such an excellent proposal and before long we joined and have never regretted our decision to do so. In point of fact, since 1929 it has been the privilege of the General Manager of the C.I.S. to be the Chairman of the Insurance Committee and the Executive Committee so that to some extent we can take some credit—or blame—for the actions of the Committee over the last 36 years.

At the present time, the Committee consists of 46 members, representing Insurance Societies in 24 countries, so that you will see to what extent the Committee has grown since those early days in 1923. In addition to having 46 member Societies, we also have another Insurance Office which, by Rules of the I.C.A., cannot be admitted to membership of the Insurance Committee, namely, the Saskatchewan Government Insurance Office, but it is their practice to send representatives as observers to the Triennial Conferences, and we at the C.I.S. have always had close business associations with them.

The Rules of the Insurance Committee provide that its objects shall be the joint investigation, the development of joint action programmes, the exchange of information and personnel and the establishment of international Co-operative relations in matters of Insurance and Reinsurance.

Membership of the Committee is open to Co-operative Insurance Societies but other Insurance organisations may be admitted provided their objects and methods are in conformity with the Co-operative Movement and provided they are not carried on with a view to profit in order to enrich certain individuals or institutions of a capitalistic nature. Such Societies can only become members of the Insurance Committee with the consent of the Central Co-operative organisation of their respective countries but before this is finally agreed the views of the existing member Societies of the country concerned have to be ascertained.

Naturally the Committee requires funds to operate, particularly in respect of its clerical expenses and the printing of the reports of the various Meetings which are held. For this purpose each Society member contributes on the basis of £1 for each complete £100,000 sterling of yearly premium income, with a minimum contribution of £50.

The Executive Committee consists of seven members elected by the Insurance Committee at the Triennial Conferences and the Executive Committee subsequently elects its own Chairman, Vice-Chairman and Secretary. At the present time I am the Chairman, the Vice-Chairman is Seved Apelqvist, Sweden, the Secretary is Henri Lemaire, Belgium, and the other members of the Executive are W. Maurer, Switzerland, N. Kularajah, Malaysia, Bowman Doss, United States and Lloyd Matheson, Canada.

The Insurance Committee meets every three years at the same time and place as the Congress for the International Co-operative Alliance

but the Executive Committee meets as frequently as appears to be necessary at a place to meet the convenience of the members.

Ever since the Reinsurance Bureau was established in 1949 the main purpose of the Insurance Committee has been to further the development of Co-operative Insurance throughout the world and in particular in the under-developed countries. Many discussions have taken place at the Triennial Conference and also at the Meetings of the Insurance Committee as to the best possible ways of achieving this. It has always been felt that it is really quite useless to try to establish a Co-operative Insurance Society unless there is a reasonably well-established Co-operative Movement in the country concerned.

Mr. Apelqvist in a Paper which he gave in New York in 1959 emphasised that it would be futile to try to encourage the establishment of Co-operative Insurance Societies in countries which have not even taken the first steps in Co-operation and there is no doubt that this is the proper course to follow. In this country, for example, the establishment of the C.I.S. followed some years after the establishment of Co-operative Retail Societies and in particular the establishment of the Rochdale Pioneers, and even after the establishment of the Co-operative Wholesale Society. In point of fact, until there is something to insure there is not much use in having an Insurance Society. Unfortunately, the idea has got around that by establishing an Insurance Society one can build up funds which can be used to develop a Co-operative Movement but this is undoubtedly a very dangerous fallacy and one which we in the Executive have done our best to discourage.

Obviously there can be no worse publicity for the Co-operative Movement in any country than for it to establish an Insurance Society which subsequently fails and thus undermines the confidence of the population in the Co-operative principles.

Some years ago there was a strong move on the part of the Labour Party in England to nationalise insurance or at least some part of it, and this would have involved the nationalising of the C.I.S. We felt that this was an extremely mistaken policy and that insurance on Co-operative principles was even more desirable than a nationalised insurance industry, and much to the surprise of the Labour Party at that time, our Board—and subsequently with the support of the whole Co-operative Movement—opposed the Labour Party plans for nationalisation and there is no doubt that as a result of our opposition the Labour Party has realised that there is much to be said against such an idea, and particularly so far as the Co-operative Insurance Society is concerned.

This idea had also gained some currency in some other countries at that time and at the Meeting of the Insurance Committee of the I.C.A. in Prague in September 1948, the matter was fully discussed and the following conclusions were adopted:—

“The Executive emphasized that in all countries where the co-operative movement has liberty and power to establish enterprises in the insurance field and is strong enough to realise the

co-operative ideas for the service of the consumers, nationalisation will not be found necessary for the solution of insurance problems except perhaps compulsory insurance of the essentially social character, e.g. superannuation and family pensions. Experience has shown that in such services which cater directly for the individual consumers and correspond to needs of individuals and specified groups, co-operation provides a method of operation superior to nationalisation."

There is no doubt that this resolution which has in fact been subsequently confirmed, is sound in every respect and as Co-operators we can be in no doubt that the mutual principles on which a Co-operative Insurance Society operates are much more satisfactory than a State Insurance Scheme.

Nevertheless there is no doubt that the benevolent support of the State in the initial stages is most important provided it does not interfere with the basic principles and eventually is prepared to allow a Society to stand on its own feet as a Co-operative organisation.

However, I thought I would mention this particular matter since the next generation of leaders in the Co-operative Insurance field may in the future be faced with this problem and I am sure they will find that the stand which we took many years ago will prove useful to them if ever the problem again arises.

At the various Conferences which have been held, matters of mutual interest to Co-operative Insurance Societies have been discussed, dealing with such problems as investments, various forms of Life Assurance, Publicity, Fire and Accident business, and so on, but in the last two or three years the most urgent problem has been to find ways and means of assisting in the establishment of Co-operative Insurance Societies in under-developed countries where there is already an established Co-operative Movement but where technical assistance is required and maybe some temporary financial assistance.

The responsibility for seeking out these potential Societies has now been placed upon the Insurance Development Bureau but they will still continue to work with the Reinsurance Bureau when the stage has been reached of technical advice being required and reinsurance arrangements being necessary. In the meantime technical assistance will be required and so far it has in most cases been forthcoming. Normally the assistance is only required for a limited period until such time as suitable local men can be trained to take charge of the new Society.

The C.I.S., like Folksam, La Prévoyance Sociale and others, has played its part in this work and during the past few years we have sent men from England to Australia, Ceylon, South Africa, and Malaysia. One of our executives, Mr. Bell, went out to Ceylon on our behalf and established a very successful Co-operative Insurance organisation in that country. Unfortunately, however, the Ceylon Government has now nationalised the organisation.

The Malaysian Society is proving extremely successful and we now have no member of our staff in Kuala Lumpur, but Mr. Duval, our Actuary, is still acting as the Actuary to that Company and gives them a great deal of advice and assistance, and we regularly receive visits from members of their Management and Board.

I think I have said sufficient to give you an outline of the general background of the Insurance Committee and as I do not wish to trespass on the reports which Mr. Nuttall and Mr. Back will be giving you this morning, I think that I will now conclude my remarks and will do my best to answer any general questions which you may put.

THE INSURANCE DEVELOPMENT BUREAU

by

Mr. Klas Back

Chairman of the Insurance Development Bureau

Forty-six insurance companies in twenty-four countries are affiliated with the International Co-operative Insurance Committee of the International Co-operative Alliance. These companies have altogether nearly 60 million policy-holders and the total of their premium incomes is around 355 million pounds sterling or around 1,000 million dollars. This may seem to be a high figure, but although co-operative insurance companies are comparatively strong in some countries, in some others there are very small co-operative insurance societies, sometimes selling only life insurance or only general insurance. In some countries you do not find any co-operative insurance company at all, even though there is a fairly well-developed co-operative movement.

The principal aim of a co-operative insurance society is, of course, to serve the policy-holders in its home country. But as it belongs to an international organisation, it is natural for a co-operative insurance company to be influenced by the activities of other co-operative insurance companies. Ideas from co-operative insurance companies abroad can thus help another to fulfil its duties better. However, such a company cannot only be a receiver of ideas, it must also be a giver.

A co-operative insurance company must thus as a member of an international movement feel its responsibility for the development of co-operative insurance activity in all countries, especially in areas where no Co-operative insurance societies exist.

We know that we have co-operative insurance societies in 24 countries and in a handful of these countries we can possibly be satisfied with their strength. We are fully aware of the fact that the right time has not come yet for the establishment of co-operative insurance societies in some countries. On the other hand, we know that there are good possibilities in some countries both in Europe and in other parts of the world.

The question of how the companies belonging to the Insurance Committee should act in order to be of assistance in establishing co-operative insurance companies has been very much discussed within the Insurance Committee.

When the Reinsurance Bureau was established in 1949, it was decided that it should, besides its regular duties, consider possibilities to start new societies. This has also been done over the years.

At the conference of the Insurance Committee in Stockholm, 1927, the President of the largest co-operative insurance company within the I.C.A., Nationwide (United States), proposed that a special conference should be organised where the situation in newly-developing countries should be especially regarded.

This extra conference was organised by Nationwide in New York in the autumn of 1959. At this conference, the President of Folksam (Sweden) Mr. Seved Apelqvist, delivered a speech about "Ways and means to help develop co-operatives in newly-developing countries." In this speech, Mr. Apelqvist stressed that the underdeveloped countries naturally have bigger problems than the lack of co-operative insurance; many of these countries are still at a stage of a primitive agricultural economy; the population is poor and to a very large extent, illiterate. He also said that the establishment of a co-operative insurance company in a country should be a natural consequence of an already existing and fairly strong co-operative or trade union movement.

Mr. Apelqvist pointed out a lot of ways in which the already existing insurance companies could be of assistance to the co-operators in other countries in their endeavours to start new insurance companies. He mentioned, for instance, scholarships to co-operative leaders and officials in newly-developing countries for studies of insurance abroad.

He also mentioned conferences and courses for co-operators from newly-developing countries. These courses and conferences could be arranged in western countries, where well-established co-operative insurance societies already exist. Such conferences are, however, very expensive and he therefore recommended that meetings for co-operators in different areas should be arranged, for instance, in connection with the Reinsurance Bureau meetings, which sometimes take place in such areas.

If co-operative insurance companies should give real technical, and perhaps in some cases also financial, assistance in order to establish new insurance companies, it would be necessary to raise the money for this purpose. As an example of ways of doing this, it was mentioned that the companies could accept an increase of their membership fee payable to the Insurance Committee.

No decisions were made at the New York conference as it was not a regular triennial conference.

At the next conference in Lausanne in October 1960, it was decided to appoint a special Research Sub committee, which was given the task to investigate the future development of the Insurance Committee with special reference to:

- (a) establishing co-operative insurance societies in newly-developing countries;
- (b) joint investment of co-operative insurance societies;
- (c) exchange of personnel between co-operative insurance societies.

The Research Subcommittee had five members, and a special budget of £5,000 was allocated to it. The Research Subcommittee was composed of two European and three North American members and the employed Secretary Mr. William Hyde, was an official of Nationwide.

The Committee had several meetings, often in connection with the meetings of the Executive of the Insurance Committee. The final results of the work done by the Research Subcommittee were also presented as a Joint Report of the Executive and the Research Subcommittee at the conference of the Insurance Committee in Bournemouth in 1963 and was unanimously accepted.

The first, and most important proposal was to appoint, for a three year period, a subcommittee called the Insurance Development Bureau. This Insurance Development Bureau was given the assignment to supervise a programme of assistance in the development of co-operative insurance in newly-developing countries.

The new Bureau is composed of eight members from Europe, U.S.A., Canada and Israel. Its first task was to work out a detailed programme based on the proposals from the Research Committee. It has, for instance, already worked out a pamphlet on co-operative insurance, which has been distributed to co-operators and trade unionists all over the world. The brochure has also been sent out to co-operative and trade union schools in different parts of the world and to such State officials who are responsible for the development of co-operative activities in their country. In many newly-developing countries they have special co-operative governmental departments, and in some cases even co-operative ministers. Very important officials in those countries are the Registrars for Co-operatives. All these persons, who in one way or another can further the development of the idea of establishing a co-operative insurance company, have received the brochure.

The brochure is aimed at awakening an interest in co-operative insurance. If the receiver, after having read this brochure, would like to have assistance in some way or more printed material, he can write to the Insurance Development Bureau. For instance, the Bureau has produced some follow-up material on Group Insurance and Cattle Insurance. We have also, together with the Chairman of the Reinsurance Bureau, worked out a questionnaire, which when filled in will give us a very good view of the situation in a country, with special attention paid to the possibilities for co-operative insurance.

One part of the programme to promote co-operative insurance is to encourage experienced co-operative insurance men to speak to classes at schools and institutes, where potential labour and co-operative leaders from new countries receive training, and even to serve as instructors on a long-term basis. For this purpose the Bureau has assessed the supply of teachers available in the member companies. This list of prospective teachers will be a valuable asset when schools

and institutes, which have received the brochure, start to inquire about the possibilities to receive assistance in education and training in co-operative insurance. The list will also be useful in connection with other programmes of the Bureau, for instance when the Bureau itself is planning special courses to stimulate and arouse interest for co-operative insurance, and in planning the individual education of persons in societies about to start their operation.

Before the Bureau was appointed, a regional seminar on Co-operative insurance was arranged in Kuala Lumpur, Malaysia, in September, 1963, by the Education Centre of the International Co-operative Alliance. Members of the Insurance Committee were co-sponsors, and the participants came from countries in South-East Asia. On the basis of the experience gained from this seminar, we are now planning a course at the Afro-Asian Institute at Tel-Aviv, Israel, where students from Africa and Asia attend courses in co-operation and labour relations.

The second proposal in the Joint Report concerned the exchange of personnel between co-operative insurance companies. We know that top executives from the companies fairly often visit each other in connection with conferences, exchange of reinsurance and so on. We also know that some technical personnel visit other companies in order to get information about new methods, modern technical equipment, such as E.D.P. computers, etc.

The Research Subcommittee proposed that these visits by technical personnel should be increased. But its proposal went further. It also mentioned that long term visits could be of great value for the companies. The purpose of this type of exchange is to enable an employee from a well-established company to actually work in another company for a period of six months to one year. It was mentioned in the Report that the candidates for such an exchange should be experienced employees with substantial management potential.

Such long term training visits exist already. Folksam and Wiener Städtische have, for instance, had a mutual exchange of three young employees for long term training visits. Two of Folksam's young men have also been on long term training visits in the C.I.S., Manchester. One of them has a fairly important position at the I.C.A. Education Centre in New Delhi.

In the Insurance Development Bureau, we do believe that an exchange of this kind could be very important for the companies and especially for the employees concerned. This is a system which is very often used by big commercial banks, at least in Sweden, and I presume also by similar banks in other countries. I am sure that it is just as important for insurance men as for bankers to get this international outlook.

It was said in the part of the Report called "Exchange of Personnel" that regular schools, courses, and staff meetings, arranged by co-operative insurance companies could be of interest to other companies.

Information about such arrangements should therefore be exchanged between the companies in order to stimulate other companies to attend, if they were interested in some special subject.

Generally speaking, I want to point out that it is not possible for a Bureau like the Insurance Development Bureau to force the member companies to co-operate with each other in all these respects. The only thing the Bureau can do is to mention the possibilities for exchange of personnel in different ways. Then it must be an internal matter for the companies to decide if they want to participate in such a programme or not.

There are of course, many obstacles for frequent exchange of personnel. For instance, it is desirable that the long term visitors should speak the language of the host country. On the other hand, in the small countries, whose languages cannot be regarded as world languages, we cannot expect visitors from abroad to speak our language.

To facilitate the exchange of personnel, the Bureau has assessed the desires in connection with the exchange of long term training visits between well-established companies, and it is ready to act as intermediary between the companies.

The Bureau also collects information about courses arranged by member companies in the course of their educational programme, which could be of interest to other companies. This information is being distributed to all member companies, thus enabling them to contact companies planning courses of interest.

Also, other types of information are being distributed to the member companies by the Bureau, for instance, information on new interesting insurance forms, which have been introduced by member companies. The aim of all this activity is to increase the exchange of ideas and personnel.

According to the third proposal, it was decided at the 1963 Bournemouth conference to establish a Loan Guaranty Fund to which the member companies should pay a special fee. The aim of this Fund is to facilitate loans through banks for the establishment of co-operative insurance societies in countries where such societies do not exist. The companies have already paid the fees to this Loan Guaranty Fund during the last two years. Today the Fund has £4,000 and it is increasing by around £2,000 annually.

During the last one and a half years, the Insurance Development Bureau has been working very hard on the statutes for the Fund. It has also been trying to find suitable ways of granting loans for the mentioned purpose.

In connection with this Loan Guaranty Fund, I want to mention that I do not think that one of our main tasks will be to give financial assistance to the co-operative movements in other countries. I think that we should lend money or guarantee loans for this purpose only in exceptional cases. We must realize that if the situation in a country

is such that a co-operative insurance company could be established, it ought to be possible to find organisations which are able and willing to raise the needed capital.

The technical assistance we can give to newly-established companies and to co-operative movements wanting to start such companies is much more important.

Many of the members of the Insurance Committee are giving very important contributions in this respect. C.I.S. of Manchester has, for instance, played a very important role when the Co-operative Insurance Society of Malaysia was established. That company is still relying very much on the technical assistance and advice from the C.I.S.

C.I.S. has also been the host of many long term visitors from newly-developing countries, such as Ghana, Uganda and so on. Nationwide in the United States and other American companies have also had long term training visits from co-operators from Africa and Asia, and other well-established co-operative insurance societies have also accepted long and short term training visits from abroad.

Over the years, La Prévoyance Sociale (Belgium) has been giving technical assistance and other support in developing the co-operative insurance in France and during the last years also in Italy.

I started this speech with some informative figures about the already existing co-operative insurance societies. The efforts to enlarge the group of co-operative insurance societies are still at the beginning. The aim must be to get strong co-operative insurance companies with good influence on the insurance market all over the world. We are fully aware of the fact that we have a long way to go. However, important steps have already been taken. We are optimistic about the situation in Greece, where the possibilities to start a co-operative insurance company together with the agricultural co-operative movement seem to be very good. We also have good hopes about the Philippines, where a strong agricultural co-operative movement exists. Our American friends have convinced us that there are also good possibilities for starting co-operative insurance societies in some Latin American countries.

I have often said to my colleagues both in Folksam and in the Insurance Development Bureau that we must be satisfied also with slow progress in this very difficult and complicated work. After a period of three years we have to give a Report on our work to the next full insurance conference. If at that time we can show that one co-operative insurance company has been established thanks to our activities, I think it must be regarded as a satisfactory result. And if we are unable to show even such a limited result, it is not necessary to regard our work as being useless.

THE REINSURANCE BUREAU

by

Mr. Jolen Nuttall

Chairman of the Reinsurance Bureau

Prior to the outbreak of the Second World War, although a few of the largest European Insurance Co-operatives, notably La Prévoyance Sociale, Folksam and the C.I.S., had established contact through the Insurance Committee of the International Co-operative Alliance and were ceding among themselves small shares of their surplus Fire reinsurance business, these exchanges were only on a very limited scale and there was no organised system of arranging reciprocal participation among Insurance Company members of the I.C.A. generally. At the outbreak of war, the few exchanges which were in force were automatically cancelled as military operations necessarily put an end to all business relations.

At the conclusion of hostilities the Co-operative Insurance organisations of Great Britain, Sweden and Belgium took the first opportunity to resume the original arrangements they had before the war, and as the success of these exchanges became apparent the members of the Insurance Committee of the I.C.A., on resuming their activities, which had similarly been interrupted during the war, felt that this exchange of reinsurance business could be considerably extended amongst their other Insurance Co-operative membership. Accordingly, at their Annual Meeting in 1949, the Executive Committee appointed a small Sub-Committee to consider the suggestion that an International Co-operative Reinsurance Company or Bureau should be established to deal with the reinsurance programme of all Co-operative organisations throughout the world. The terms of reference to the Sub-Committee were that if the idea of an International Reinsurance company were not feasible, they should put forward any suggestions they might have to promote the extension of the exchange of reinsurance business between members.

The Sub-Committee appointed consisted of one representative from La Prévoyance Sociale, one from Folksam and one from the C.I.S., who, after thoroughly investigating all aspects of the matter, came to the conclusion that in view of the insurmountable difficulties which existed at that time to obtain adequate capital reserves for an international organisation, particularly having in mind the currency restrictions operating in various countries and the heavy expenses of management which would be involved, it would not be practicable to proceed with the establishment of a separate Co-operative reinsurance organisation. They recommended, therefore, as an alternative, that the best method of providing for Co-operative Insurance organisations to share

in each others' surplus business was to endeavour to encourage all such organisations to place at least a part of its reinsurance treaties with other Co-operative organisations. It was felt that in the case of many of the small Insurance organisations it should be possible for the whole of the treaties to be placed Co-operatively whilst other larger concerns would only be able to dispose of a proportion of their treaty through Bureau Offices, but that these proportions would gradually increase with the passing of time and as the Bureau Offices themselves increase both in size and in number. It was considered that in this way a portfolio of Co-operative reinsurance business would be created which could form the nucleus of a separate International Co-operative Reinsurance Company should the time ever arise when the formation of such an organisation became possible and was considered desirable. It was on the basis of these ideas that the International Co-operative Reinsurance Bureau was established and its activities have been directed on these lines. The Secretariat of the Bureau is located at the Head Office of the Co-operative Insurance Society Limited, Manchester.

At the inception of the Bureau the intention was that it should:—

- (i) promote and develop exchanges of business between already existing insurance co-operatives and by the interchange of ideas extend to the smaller organisations the benefit of the practical underwriting knowledge and skill which the older organisations had acquired in the course of their longer and wider experience, and
- (ii) render all possible assistance, by way of technical advice, training facilities, and the provision of necessary reinsurance facilities, in the creation and establishment of insurance co-operatives in the developing countries.

At the outset the members of the Bureau devoted themselves to carrying out part (i) of the plan. Although a small amount of Accident and Marine business is reinsured, the great bulk of the business exchanged is Fire, that being the class which, on the whole, shows the most stable results. It must be emphasised however, that Bureau Offices are primarily direct-writing Offices and consequently each restricts its acceptance in any reinsurance contract to such a proportion as will produce no greater net commitment on any one risk than it would be prepared to retain if it were writing a direct line on the risk. Nor would Bureau Offices normally be willing to cede to any one Reinsurer a larger share of its treaty than the Reinsurer is prepared to retain for his own net account. The reasons for this are firstly that no ceding Office wishes to have shares of its treaty offered through another source by way of retrocession and secondly, if the treaty is an acceptable proposition at all, the ceding Office itself can just as easily place those shares with other reinsurers and obtain reciprocity from them. The Bureau aims to extend its activities so that all Insurance organisations associating themselves with the Bureau will eventually have the opportunity of sharing in the reinsurance business of each Co-operative organisation throughout the world.

The Bureau operates by means of correspondence, supplemented by occasional personal visits by members of the Bureau Sub-Committee between the various Insurance Co-operatives associated, either direct or through their parent organisations, with the Insurance Committee of the International Co-operative Alliance. The Secretary of the Bureau through whom the offers are made, has no authority to bind any of the members to acceptance of any offer and each society is perfectly free to accept or decline any offer made. It might here be stated that it is the general practice of Brokers and professional Reinsurers, in placing their clients' treaty contracts, to offer participation to any office they consider will be in a position to offer reciprocity without paying special regard to the suitability of the contract for a particular Office. The Bureau procedure, however, is quite different for in the course of its operations it has acquired a knowledge of the resources and general underwriting policy of the various member Offices and in view of the special relationship which exists between them, takes these factors into account when deciding whether or not to recommend participation in a treaty, and, if so, to what extent, to any particular Bureau Office. Moreover, one of the functions of the Bureau is to tender advice (if required or considered desirable), particularly in the case of developing insurance societies, on reinsurance projects they may put forward for offer through the Bureau.

In the early years of the Bureau the whole of the work had to be undertaken by the C.I.S. in Manchester, but with the expansion of the area of operations some relief is now being afforded by the assumption of the duties of negotiation of certain treaties by other leading members of the Bureau, in particular the office of our Vice-Chairman, namely, La Prévoyance Sociale, which is undertaking negotiations in the case of applications from developing countries in which the principal language is French. The officials of Folksam assist in this connection by dealing with the negotiations in connection with the placing of the Icelandic insurance co-operative treaties and we have also been indebted to the Saskatchewan Government Insurance Office for their assistance in retroceding one of the treaties of the Co-operative Fire and Casualty Company of Regina in which a number of Bureau Offices are interested.

When at the end of about the third year of operations of the Bureau, reciprocal exchanges of business had been set up between those member companies who were in a position and were desirous of entering into exchanges of business with each other, the Bureau turned its attention to part (ii) of the task assigned to them and the success which has attended their efforts during the first fifteen years of operations may be gauged from the fact that as at the end of March 1965, the total annual premiums relating to reinsurance business exchanged between Bureau Offices amounted to £3,614,184 (sterling), the total number of reinsurance contracts in force being 507, and the total number of Bureau Offices exchanging business with each other being thirty-four located in twenty-one different countries.

In the course of this part of their activities special delegations from the Bureau have visited the Near, Middle and Far East, studying local conditions with a view to advising and assisting in the establishment of insurance co-operatives in developing countries where it would appear that there are reasonable prospects of success for such a project. In the case of newly-developing countries, obviously time is required for a study to be made of the possibilities which might exist for the successful launching of an insurance co-operative in the light of the existing strength of a Co-operative or Trade Union Movement in the country concerned. Full discussions take place between the delegations and the Co-operative and Government Officials of these countries, during which the appropriate steps to be taken are discussed in detail. In some of the countries visited it has been found, on investigation, that before an insurance co-operative could be established changes would require to be made in the Governmental regulations of the countries concerned, consequently, it will be appreciated that there is often a delay before the results of these special delegations become manifest; nevertheless, by keeping in touch with the countries visited it has been possible to make the necessary arrangements when the time has become opportune, and during the period of waiting, facilities for the training of designated officials for the proposed new projects are made available at a suitable Bureau Office.

It has been found that in some of the developing countries visited there does not exist at present the potentiality to ensure that a co-operative insurance organisation could be successfully operated. The only insurance business which seemed likely to accrue to such a project would be for very large insurance covers in respect of highly vulnerable risks and the exposures would be totally out of proportion to the premium income which could be expected from these few heavy risks. No new insurance co-operative could hope to operate successfully on such a restricted portfolio of business, nor could Bureau Offices prudently grant reinsurance facilities in such cases. The view of the Insurance Executive Committee is that co-operative insurance facilities should not be forced upon developing peoples as a matter of principle. It has always been considered that an insurance co-operative can only hope to be successful in a country where there already exists a reasonably well-established co-operative or trade union movement among the members of which there is a need for such facilities. In the case of many developing countries, the living standards are not yet sufficiently high for the individual members of the population to require insurance facilities, and although cover may be required for the products of farming co-operatives, neither the volume nor spread of these risks provide a portfolio of business on which a successful insurance society could be established. Insurance cannot be said to be absolutely essential to human existence. The first priority in inaugurating co-operative activity should be to aim at an improvement in the standard of livelihood of the population and when a measure of economic security has been attained and the Movement and individual members

thereof begin to acquire possessions, the need for insurance to protect their living standards becomes apparent and the provision of co-operative insurance facilities must then be seriously considered.

From time to time, with the appointment of new members to the Insurance Executive Committee, the suggestion for the creation of a separate Reinsurance Company or Pool or Brokerage is raised and this question has therefore received further review on many occasions, but the views of the Sub-Committee have been stated on each occasion as follows :—

i. Establishment of a Reinsurance Company.

(a) Experience has shown that it is most unlikely that Bureau Members as a whole would be prepared to cede all their reinsurance business to such a Company. In the case of the large Bureau Offices this would involve such an important loss of reciprocal income to them that they would not be likely to feel it consistent with the best interests of their respective organisations to make such a change. So far as the smaller Companies are concerned, those which are long established have, over many years, built up similar reciprocal connections with other Insurance Companies operating in their countries which they still feel obliged, for nationally economic reasons, to maintain. Hence it is that difficulty is experienced in endeavouring to persuade many of these Companies to increase, even by a small amount, the amount of the reinsurance business they place through the Bureau. As regards the small Companies which have only been recently established, those whose whole reinsurance programme is catered for by the Bureau are already having their reinsurance requirements fully met by Co-operative Insurance organisations, they receive technical advice on their changing requirements and their reinsurance contracts are serviced from time to time as required, all at no cost to themselves. So that it is difficult to see that a separate Co-operative Reinsurance Company would confer any advantage at all upon them. In the case of the small newly-established Companies who only place a share of their reinsurance programme through the Bureau, this is a deliberate policy forced upon them either through the action of the Governments of their countries, or dictated by nationally economic reasons, which presumably would continue to preclude them from placing any more of their reinsurance business with such a new Company than they at present place through the Bureau.

(b) It is considered that the total volume of reinsurance business relating to all Bureau Offices would still not be sufficient to justify the great initial expense and annual cost which would be incurred in establishing and maintaining an international reinsurance company. This would have to include a considerable sum in expenses in prospecting countries all over the world for new accounts or in calling upon existing clients if the company were to

hold its own with the large professional reinsurance companies who have many representatives constantly making these calls.

2. **Creation of a Reinsurance Pool.**

Many of the reasons which have been advanced against the establishment of a separate reinsurance company apply with equal force to the question of the creation of a reinsurance pool. It has to be borne in mind that if the excess covers and large single risks of all the member societies of the Bureau were to be pooled and re-distributed among them, the large offices would have to take fairly large proportions and they would, therefore, receive large shares of the covers they had felt it desirable to reinsure to the pool in the first place. If, alternatively, it were suggested that Bureau Offices need only take the participation they desired and the remainder were to be placed with professional reinsurers, this would probably result in a great part of the pool business, possibly as much as 75% or more, having to be reinsured with professional reinsurers. The position then of individual Bureau Offices would be precisely the same as that mentioned in connection with the establishment of a reinsurance company, namely, they would be called upon to lose a tremendous amount of reciprocal business which they at present obtain. If, as is likely, the pool business were to be confined to reinsurances from insurance co-operatives there would not, in the opinion of the Committee, be anything like the geographical spread of risk for the large Catastrophe Excess of Loss covers which the pool would no doubt be required to grant. Moreover, it is not by any means certain that there would be a ready market for the acceptance of retrocessions from the pool of the top layers of Excess Catastrophe covers or individual target risks, as this business may not commend itself to professional reinsurers in substitution for the large volumes of normal reinsurance business which had formerly been placed with them by the individual Bureau Offices.

3. **Creation of a Brokerage to place Excess lines with Professional Reinsurers.**

Consideration was given to this point but it was not considered there would be any advantage in such a scheme. In the first place it should be noted that brokers' commission is not charged against a ceding company, but only against the company who receives the business. There would thus be no particular financial advantage to any of the Bureau Offices to have their excess lines placed by a co-operative brokerage over their existing arrangements whereby it is placed for them by a broker with professional reinsurers. Further, the ceding office would then lose the facility of negotiating reciprocity from the reinsurer, for it must be remembered that not all facultative business is placed with non-reciprocating reinsurers such as Lloyds. A further practical difficulty would arise in that a co-operative reinsurance broker would not have direct access to

Lloyds Underwriters and would have to approach them through the usual channel of a Lloyds broker to whom, of course, brokerage would be payable. In any case, the present Bureau procedure is practically the equivalent of what would be the position even if a co-operative brokerage were to be set up. For example, in the case of newly-established insurance co-operatives in small countries, the Bureau has in recent years been able to assume responsibility for the whole of their insurance programme, but there have been certain excess covers which have been too high to be absorbed by Bureau Offices only, and in these cases the Secretary of the Bureau after placing as much of the cover with Bureau Offices as they are agreeable to accept, has placed the balance with professional reinsurers direct. In such cases no brokerage at all has been incurred by the ceding company. In the case of older and larger member companies, as has been explained in previous sections of this Report, they have placed through the Bureau as much of their reinsurance treaties as they have been prepared to cede in the light of reciprocity etc. and the balance they have preferred to place either with other insurance companies or professional reinsurers; in some cases no doubt they will have placed these lines direct and in others through brokers, but in any case, being the ceding office, they have not had to pay brokerage charges to make the cessions. It is for these reasons, therefore, that the members of the Bureau Sub-Committee feel that no particular advantage would be gained by the establishment of a co-operative brokerage.

In the latest review of this matter in October 1963, the Bureau stated that nothing has happened to cause them to alter the opinions they have previously expressed to the effect that the basis on which the Bureau operates is the simplest and most economical way of providing exchanges of reinsurance business between insurance co-operatives throughout the world. In fact, any alternative to the present system of voluntary exchanges of reinsurance business is, in our view, gradually becoming more impracticable on account of the tendency in newly-developing countries towards the establishment of Government reinsurance pools into which a quota share of business has to be placed compulsorily by all insurers operating in the country concerned. Where such pools have been established no concessions have been made to co-operative insurance organisations who are treated just in the same way as non-co-operative companies. There seems little doubt that with the passing of time, the compulsory quotas will be gradually increased and will leave less and less business to be retained by individual reinsurers which will, of course, mean that insurance co-operatives, if established in these countries, would have a diminishing amount of business to reinsure.

In recording their views on these three suggestions, the Sub-Committee emphasise that since the inception of the Bureau in 1949 each succeeding Annual Report has contained a record of continual

progress and advancement in the number of Offices which have become associated, the number of treaty contracts negotiated and in force between Bureau Offices and the amount of annual premium exchanged between Bureau Offices. In addition, it has been the means of disseminating information among the older established member companies and of tendering technical advice and assistance in the establishment and development of insurance co-operatives in a number of newly-developing countries. The continued growth in the activities and influence of the Bureau must be regarded as an indication that it is successfully accomplishing the aims and objectives envisaged by the Insurance Executive Committee.

