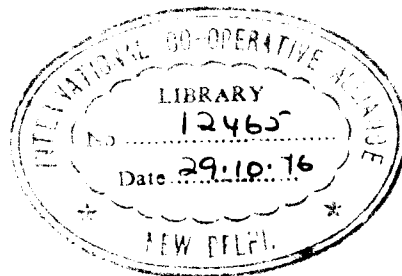


**International
Co-operative Insurance Federation**

**Affiliated to the
International Co-operative Alliance**

**1974 INTERNATIONAL CONFERENCE
OF
CO-OPERATIVE INSURERS**

Proceedings and Reports



Tokyo, Japan

9-11th October, 1974

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ATTENDANCE LIST

DELEGATES

- Australia *Westralian Farmers Co-operative Limited*
Mr. K. G. Milne
- Austria *Wiener Städtische Wechselseitige
Versicherungsanstalt*
Mr. O. Binder
- Belgium *La Prevoyance Sociale*
Mr. R. Lemaire
Mr. H. Rijkers

Les Assurances Populaires
Mr. K. De Witte
- Canada *La Société d' Assurance des Caisses Populaires*
Mr. F. Adam

L'Assurance-Vie Desjardins
Mr. O. Mercure

La Sauvegarde
Mr. H. Leblond

Co-operators Insurance Association (Guelph)
Mr. T. Haalboom
Mr. E. T. Moores
- Finland *The Kansa Group*
Mr. E. I. Pesonen

- Federal Republic of Germany *Raiffeisen Group*
 Dr. G. O. Schubert
- Volksfürsorge Group*
 Mr. F. Goppold
 Mr. W. Rittner
- Great Britain *Co-operative Insurance Society Limited*
 Mr. D. J. Briscall
 Mr. F. H. Edwards
 Mr. L. A. Harrison
 Mr. P. D. Johnson
 Mr. B. T. Parry
 Mr. H. Seeley
- Holland *De Centrale Levensverzekeringbank NV*
 Mr. W. Mazzola
- Israel *Hassneh Insurance Company of Israel Limited*
 Mr. E. Avneyon
 Mr. J. Mansoor
- Italy *Compagnia Assicuratrice Unipol*
 Mr. V. Adamoli
 Mr. C. Zambelli
- Japan *National Federation of Insurance Co-operatives for Labourers and Consumers*
 Mr. M. Arai
 Mr. Y. Ishii
 Mr. Y. Kanbe
 Mr. K. Katsukura
 Mr. M. Kinoshita
 Mr. N. Mitsubori
 Mr. T. Mizukoshi
 Mr. U. Okamoto
 Mr. Y. Sugai
 Mr. T. Takemoto
- National Federation of Fire Insurance Co-operatives for Small Business*
 Mr. K. Kanemitsu
 Mr. M. Nakamura
 Mr. I. Shimizu
 Mr. K. Yokohama

*Zenkyoren, National Mutual Insurance Federation of
Agricultural Co-operatives*

Mr. Y. Ando
Mr. C. Furukawa
Mr. Y. Ishihara
Mr. K. Kitamura
Mr. H. Koba
Mr. T. Kokubo
Mr. S. Nakazawa
Mr. M. Takiguchi
Mr. S. Takizawa
Mr. Y. Yamanaka

Korea *National Agricultural Co-operative Federation of
Korea*

Mr. S. B. Lee
Mr. D. S. Min
Mr. D. J. Park

Malaysia *The Malaysian Co-operative Insurance Society*

Mr. N. A. Kularajah
Mr. R. Ratnam
Mr. L. D. Sing

Norway *Samvirke Group*

Mr. M. Bølviken
Mr. R. Haugen
Mr. K. Holler
Mr. E. Strand

Puerto Rico *Cooperativa de Seguros de Vida de Puerto Rico*

Mr. A. L. Andres

Sweden *Kooperationens Pensionsanstalt*

Mr. S. D. Guldberg

The Folksam Group

Mr. K. R. Blomqvist
Mr. H. H. Dahlberg
Mr. R. S. Fernlund
Mr. K. R. Grahn
Mr. K. A. O. Lindberg

Switzerland *Coop-Lebensversicherungs*

Mr. E. Debrunner

U.S.A. *Nationwide Insurance Group*

Mr. E. Burigana
Mr. W. E. Fitzpatrick
Mr. D. E. Johnson
Mr. R. G. Smith

League General/Life Insurance Company

Mr. J. E. Fetterolf
Mr. H. Kowal
Mr. R. E. Vanderbeek
Mr. R. X. Zweig

ORDER OF PROCEEDINGS

9th October

Morning Session

1. Opening Ceremony
Address of Welcome: Mr. S. Takizawa, President, *Zenkyoren*.
Welcome: Mr. R. Lemaire, *Chairman*.
Address: Mr. A. Miyawaki, Chairman, Japan Joint Committee of Co-operatives.
Address: Mr. T. Kuraishi, Minister of Agriculture & Forestry, Japan.
Opening of Conference: Mr. R. Lemaire, *Chairman*.
2. Paper: --
"Special characteristics of agricultural co-operative insurance in Japan": Mr. Y. Yamanaka, *Zenkyoren*, Japan.
3. Paper: --
"The role of a co-operative insurance society in developing countries": Mr. K. Lindberg, *The Folksam Group*, Sweden.

Afternoon Session

1. Paper: --
"Long range planning by established insurance co-operatives": Mr. R. G. Smith, *Nationwide Insurance*, U.S.A.
2. Report from the International Co-operative Re-insurance Bureau: Mr. P. D. Johnson, *Secretary*.
3. Report from the Insurance Development Bureau: Mr. H. Dahlberg, *Assistant Secretary*.

11th October

Morning Session

1. Film: "Just in Time".
2. Paper: --
"Environmental problems in Japan": Mr. S. Nakazawa,
Zenkyoren, Japan.
3. Paper: --
"The social responsibilities of co-operative insurance societies": Mr. N. A. Kularajah, *The Malaysian C.I.S.*,
Malaysia.

Afternoon Session

1. Paper: --
"Savings, investment and insurance": Mr. W. Rittner,
The Volksfürsorge Group, Federal Republic of
Germany.
2. Report from the Executive Committee: Mr. H. Seeley,
Secretary and Treasurer.
3. Closing address: Mr. R. Lemaire, *Chairman*.

SESSION OF 9th OCTOBER 1974

The first session of the Conference opened in the Grand Conference Hall, ZENKYOREN Building, Tokyo, at 09.00 hours.

Mr. R. Lemaire in the Chair.

OPENING CEREMONY

CHAIRMAN: Ladies and Gentlemen. I have the pleasure to call this meeting to order. This morning we have the honour of having with us Mr. Takizawa, President of our host Company, *Zenkyoren*, and I am sure that you would wish me to express on your behalf our gratitude to him for the way we have been received in Tokyo and for the arrangements made for us; so giving us a good start to our meeting.

I now invite Mr. Takizawa to say a few words of welcome to this Conference.

ADDRESS OF WELCOME

MR. TAKIZAWA: Mr. Chairman and Gentlemen. Thank you very much for your kind introduction. I would like to extend my welcome to you at this point. It is a great honour and privilege for *Zenkyoren*; the entire organisation of the Japanese Agricultural Co-operative Societies; and those concerned with agricultural co-operative insurance business; to have this opportunity to be able to host this International Conference of Co-operative Insurers with participation of 75 distinguished delegates from 18 nations of the world.

Each of you assembled here are competent leaders in the co-operative movement and in the insurance business in your respective countries and we greatly admire the efforts that you are making, each of you, for furthering the prosperity of humanity as a whole from the stand point of co-operative insurers. It is quite meaningful that this International Conference of Co-operative Insurers is being held here in Japan, which is a microcosm, we can say, of the humanities in terms of philosophy, economy and society as a whole.

At this Conference we hope that we can present problems to each other and have time to discuss them with each other so that we can further our awareness, which in turn will enable us to step forward for the tomorrow's world.

Thanks to the 5,100,000 members of the Japanese co-operative movement, we, the Japanese agricultural co-operative insurance business, have sums insured with us worth 5.5 trillion yen; and a part of this is collected from the co-operative organisation in your respective countries in the form of re-insurance. At present an international firm, through reinsurance among the co-operative insurers all over the world, is in the stage of being established. It is our sincere hope that we, at this Conference, can further our understanding which in turn will bring about progress in the co-operative insurance internationally.

In Japan it is a very comfortable season, the best season of the year, and we sincerely hope that your stay here in Japan will be a very fruitful one; and at the same time a very enjoyable one. That is our great hope.

Thank you very much.

CHAIRMAN: Thank you very much, Mr. Takizawa, for those kind words of welcome extended to us on our visit to your country.

Most of us here have had the pleasure of working with *Zenkyoren* and we appreciate the warm welcome we have received from you and your colleagues.

WELCOME BY CHAIRMAN

CHAIRMAN: Ladies and Gentlemen. It is now my duty as Chairman to welcome you all to this Conference.

You will recall that up to 1972 we organised our conferences every three years to coincide with the congresses arranged by the *International Co-operative Alliance*.

At their last congress in 1972 the I.C.A. decided that their future congresses would be held every four years; but at the last conference of the International Co-operative Insurance Federation the delegates expressed their view that an interval of four years between meetings, for enterprises such as ours, was too long.

The Executive Committee considered their delegates' views when they met after the 1972 Insurance Conference and decided to organise intermediate conferences between the future full conferences which would, whenever possible, be held at the same time and place as the I.C.A. congresses.

Today the decision of the delegates to the 1972 Conference have brought us together to this meeting, the first of our intermediate conferences.

I should perhaps remind you, Ladies and Gentlemen, that this Conference, as an intermediate one, is different from a full conference. Only at full conferences will administrative matters, such as: election of officers; change of rules; decisions about future policy; approval or otherwise of reports from your officers; be dealt with. In other words this meeting here is more of a technical conference compared with our previous conferences, although we are taking the opportunity of keeping you up-to-date with other activities by having information reports from the Insurance Development Bureau, the

International Co-operative Reinsurance Bureau and the Executive Committee as part of the Agenda.

As the I.C.A. congresses have for many years been held in Europe your Executive decided to hold its first ever intermediate conference in Asia, and to ask our good friends at *Zenkyoren* if they would be prepared to host this conference.

Your presence here today tells you that *Zenkyoren* answered in the affirmative.

Many of you have attended several of our insurance conferences, but, like me, this is your first intermediate conference. I am sure you will agree with me that it is always a pleasure for us to meet old friends, and those not so old, from all parts of the world; and that pleasure is enhanced when we are made so welcome by our host Company as we have been today.

For those delegates attending their first conference I would like to extend a special welcome and a wish that we shall see them again and again at our future conferences. In particular I welcome the delegates from the *National Federation of Fire Insurance Co-operatives for Small Business*, Japan, and from *Co-operativa de Seguros Multiples de Puerto Rico*, whose Societies have joined our Federation since our last conference in 1972.

Both Dr. Bonow, President of the *International Co-operative Alliance*, and Dr. Saxena, the Director, had other engagements so could not be with us today in Tokyo. However, they asked that their good wishes for a successful meeting be conveyed to the delegates with their regrets that they could not be with you on this occasion.

ADDRESS

CHAIRMAN: Gentleman. I now have great pleasure to call on Mr. Miyawaki, Chairman of the Japan Joint Committee of Co-operatives, to address a few words to the Conference.

MR. MIYAWAKI: The Minister of Agriculture and Forestry, Mr. Kuraishi; Mr. Lemaire and Gentlemen. At the opening of the International Conference of Co-operative Insurers, which will be held with 18 participating countries and 75 delegates, I would like to express my heartfelt welcome and congratulations to all the delegates on behalf of the Japan Joint Committee of Co-operatives.

The J.J.C. is composed of agricultural co-operatives; consumer co-operatives; fishery co-operatives; and forest co-operatives; which are the members of the *International Co-operative Alliance*; and it covers 20 million members.

Now, those delegates who have gathered at this Conference are the representatives of the co-operative insurance societies which are the important elements of the co-operative movement aiming at the improvement of the social and economic position of the members and the promotion of their welfare. I would like to commend the success achieved by all the members in their own countries.

However, when we look at the international situation in recent times, there are energy problems; food supply problems; population problems; international monetary problems; and also there are the problems of acceler-

ation of inflation and the accompanying recession. We are observing drastic changes in the economic environment around our lives and insurance co-operative societies have great influence, effect and impact on the promotion of the co-operative movement. We are facing great challenges in a testing period. In order to break through the difficult times of change it should not be neglected that there are co-operatives which have lost their original goal. In our country, as a result of the policy to promote the economic growth, the philosophy of highest priority is productivity; and economic rationalism has become predominant. And also, because of the pollution and the environmental degradation and inflation, the lives of the farmers, fishermen, workers and general consumers have been threatened. The fact that we have observed a remarkable growth and development of the co-operative insurance movement means that there are many dangerous aspects in our life, and that our social welfare is left behind. In order to rectify such economic gaps, and in order to restore a comfortable life to our members, all the co-operatives should develop a dynamic movement under strong solidarity.

The themes of this Conference, which are "The special role of the co-operative insurance society in developing countries"; "Long range planning by established insurance co-operatives"; "The social responsibilities of co-operative insurance societies"; and "Savings, investment and insurance"; render great significance under such conditions and at this time.

In view of the Co-operative Development Decade, which was established by the I.C.A., I hope that this Conference will play an important role in establishing the strategy in relation to the role of the co-operative insurance; desirable attitudes of the insurance co-operative business in the midst of inflation; and, furthermore, ways that various insurance co-operatives could enhance solidarity, internationally and nationally.

Hoping that the friendship and solidarity between the Japanese co-operative insurance and other co-operative insurance societies represented here will be further strengthened, I would like to conclude my remarks.

Thank you very much for listening.

CHAIRMAN: Thank you, Mr. Miyawaki for your inspiring message which, I assure you, is very much appreciated by all of us here today.

ADDRESS

CHAIRMAN: Gentlemen, I now invite Mr. Kuraishi, the Minister of Agriculture and Forestry, to say a few words to you.

MR. KURAISHI: Mr. Chairman, Members and Delegates of the Conference, Ladies and Gentlemen.

It gives me deep joy and pleasure to have this opportunity to extend to you a few words of congratulations at the onset of the International Conference of Co-operative Insurers.

I understand that this Conference is the first to be held in an Asian region, and it gives us, who are concerned in this field in Japan, a great honour that the first meeting in Asia is being held in this country.

It is my understanding that exchange of opinions on various problems and issues on co-operative insurance is planned, with the participation of

members from some 18 countries. I sincerely hope that through active discussion we will be able to strengthen international solidarity among co-operative insurers and through the discussions I hope that further development of co-operative insurance be achieved.

Ten years have already passed since the host organisation of this Conference, *Zenkyoren*, our National Insurance Federation of Agricultural Co-operatives, became a Member of the International Co-operative Insurance Federation. During these past 10 years insurance business carried out by agriculture co-operatives in our country has achieved a great development while adapting to various social and economic changes, and has contributed immensely to the development of agriculture in our country as well as to the improvement of the status of the farmers. Of course, this is due to the great efforts made by the people who are concerned in agriculture co-operatives; but at the same time this great achievement owes a great deal to the warm support and help from all of you who are attending this Conference today, for which I would like to thank you very much. I also would like to solicit further co-operation from you in the future.

In conclusion, I sincerely hope that this Conference will end in great success and that the International Co-operative Insurance Federation will make even further contributions to the development of co-operative insurance societies of the world.

With this I would like to end my brief speech.

Thank you very much.

CHAIRMAN: Thank you very much Mr. Kuraishi for that interesting message and for those very encouraging words and good wishes for the success of our Meetings here today and later this week.

It is most kind of you to have devoted so much of your valuable time to honour our Conference with your presence, and we all fully appreciate you being here today with us.

Mr. Kuraishi, Mr. Miyawaki and Mr. Takizawa, we know how busy you are and that unfortunately you must now leave us to attend other important engagements. Before you leave, however, I must once again thank you for giving us so much of your valuable time in welcoming us at our Conference here this morning. Thank you very much.

OPENING OF CONFERENCE

CHAIRMAN: Ladies and Gentlemen. Before declaring the Conference open I would like to refer to the sad news we heard earlier this year that our very good friend, Mr. Harry Knighton, had passed away suddenly only a few months before he was due to retire. Most of you will remember Harry as Secretary of the International Co-operative Reinsurance Bureau for many years and recall his friendly manner and quiet humour which endeared him to us all.

Only a few weeks ago we were sorry to learn that Mr. Seved Apelqvist, our former Vice-Chairman for 21 years, before he retired in 1969, had also passed away. Many of you will remember Seved for his devotion to the co-operative movement and to the furtherance of co-operative insurance in the developing countries.

You will, Gentlemen, agree with me that the death of both Harry Knighton and Seved Apelqvist is a loss which we all feel, and I would ask you to stand with me and pay a sad and silent tribute to those both staunch Co-operators and good friends.

Thank you.

I now formally declare the Conference open.

BUSINESS SESSIONS

CHAIRMAN: Before proceeding to the matters on the Agenda I will ask our Assistant Secretary, Mr. Edwards, to make one or two announcements.

MR. EDWARDS: Mr. Chairman, Gentlemen. My announcements are few and simple. Firstly, if you refer to the plan in your Conference Booklet you will see that adjoining this Conference Hall there is an Exhibition Hall. There you will find displayed insurance material, film and slides, contributed by 17 of our Member Societies. Gentlemen, it is well worth a visit.

When we adjourn for coffee, tea, etc., it will be served in the lobby areas outside this Conference Hall and also outside the Exhibition Hall.

When we adjourn for lunch you will find that there are six elevators, not five as on the plan. These are available to take you to the sixth floor for lunch in the Matsuya Salon, Kikuka-no-ma Room. You can also use the stairs.

At the end of each of our afternoon sessions, buses will be available 10 minutes after closing time to take you back to the New Otani Hotel.

Secondly, will those delegates who address the Conference please consider the interpreters, who will have a very difficult job to do, particularly in view of the different English languages they will have to translate. So do speak slowly and give the translators a chance to do their job. If you do forget, our Chairman may interrupt you and tell you to slow down.

Will those speakers who are not introduced by the Chairman please announce their name and organisation before speaking on the subject under discussion. This will enable those of us who do not know you to do so. Any delegates wishing to ask questions from the floor of the hall will find that there are travelling microphones which will be brought to them before they speak. Please wait until these microphones are brought to you.

Finally, our Conference will be reported daily in the Mainichi newspaper from 9-13th and in the evening paper, Asahi, on the 9th. Copies of these newspapers will be given to each delegate as they are issued. Thank you.

CHAIRMAN: Thank you Mr. Edwards.

1. Special characteristics of agricultural co-operative insurance in Japan

CHAIRMAN: It is with much pleasure, Gentlemen, that I now call on Mr. Yamanaka to present his Paper on "Special characteristics of agricultural co-operative insurance in Japan".

MR. YAMANAKA: Thank you very much for your kind introduction, Mr. Chairman.

It is my great honour to be the first one to speak from the Japanese side

on the theme of "Special characteristics of agricultural co-operative insurance in Japan".

As there will be very meaningful and excellent presentations from other distinguished delegates, I would like to take as little time as possible, so I will only give a general outline of this theme.

The agricultural co-operative insurance business in Japan was born 26 years ago in 1948 and has developed rapidly during the very brief period of time since its birth, but it was only by struggling against and overcoming various pressures and numerous hardships during that process of development that it became what it is today.

I shall describe the special characteristics of Japan agricultural co-operative insurance business from now, but first I will say something about its early development.

The first thing that must be recognised is the extreme difficulty, historically, with which an insurance business, based on the organisation of co-operative society, was established in Japan. A long period of time was necessary for the development of the agricultural co-operative insurance business as it exists today.

It was around 1870 that Japan began its march down the road of social modernisation; but in order to renovate what had been a stagnant society, and in order to develop modern industry, huge amounts of capital were necessary.

The commercial insurance business was born and began to grow rapidly during the years from about 1880 to 1900, but what is significant is that this business was nurtured and grew with the active protection of the Government as part of the basic strategy for the accumulation of capital.

Moreover, during about a half century following this initial period of growth, the Government's policy was not to permit the establishment of any insurance companies other than the 20 Life insurance and 20 non-Life insurance companies which were set up during the initial period. This was, in other words, a strategy of encouraging capital accumulation through the monopolisation of the insurance market by a very small number of private companies. On the other hand, in response to the rapid capitalist development of the Japanese economy, the organisation of a co-operative movement was promoted from about 1900. In particular, as the farm household economy was eroded by waves of recession, there was a rising criticism of the high rates charged by commercial insurers.

There were, at the same time, increasing demands for an insurance system to cover the special risks of agriculture as well as demands for capital accumulation to support agricultural development and for capital investment in agriculture. Thus, as the co-operative movement expanded in local rural societies through such activities as the sale of agricultural produce, of fertilisers, agricultural chemicals and farming equipment and the joint utilisation of agricultural facilities, there came a rising demand from around the year 1920 for insurance operations based on the organisation of the co-operative societies. But because of the strong opposition of the commercial insurance industry, and the Government's policy of not recognising non-commercial insurers, this demand had not been met by the time the Second World War began.

After World War II the democratisation of Japan's economy and society was pushed forward. In the course of this transformation the realisation of an insurance business based on the organisation of co-operative societies, which had been held in abeyance for so long, was ultimately made possible with the

Agricultural Co-operative Society Law which was enacted in 1947 as the legal basis.

Co-operative insurance as it exists in Japan today originated and developed in the peculiar historical and social conditions of its own. As a consequence it is distinctively different from that of other countries, and therefore in this presentation I would like to refer to some of the major characteristics of the agricultural co-operative insurance business in Japan.

The first one of such characteristics is that the agricultural co-operative insurance business has been developed as an enterprise based on the close relationship between the agricultural co-operatives and the co-operative members as well as under tight solidarity among co-operative members themselves. At present, there are more than 5,000,000 households, most of them farm households, which are members of agricultural co-operatives and these are also participants, at the same time, in the agricultural co-operative insurance business for policyholders.

The relationship between participants in the agricultural co-operative insurance programme and the agricultural co-operative organisation is not simply a client/insurer relationship. Through his utilisation of the various businesses and facilities of the agricultural co-operative, the co-operative member has a close relationship with the agricultural co-operative. Moreover, each member has close ties with other members.

The agricultural co-operative insurance business has been developing on the basis of these local and close relationships of mutual solidarity, and at the same time it serves to advance these close relationships. At the same time there are, in Japan's rural society, a large number of semi-autonomous bodies known as "hamlets".

Ordinarily a "hamlet" is composed of between 20 and 100 farm households and the "hamlet" is the most basic unit of the agricultural co-operative, functioning as the lowest-level organisation of the agricultural co-operative movement. It is this feature of rural society and the ties between the agricultural co-operative operations and co-operative members, as well as the mutual solidarity among co-operative members, which provided the basis upon which the agricultural co-operative insurance business was able to develop rapidly within a very short period of time. We can see a typical example of this development in the following description of one feature of the agricultural co-operative insurance business.

The sales activity of the agricultural co-operative insurance business is entirely different from the door-to-door sales by commercial insurance companies.

The agricultural co-operative insurance business in Japan has a unique sales method which is known as the "organisation of sales" method. According to this method, which is conducted as part of the agricultural co-operative movement, both those who sell insurance and those who purchase policies as co-operative members, are part of the same group and the sales activity is carried out through campaigns and canvassing the entire village.

The day-to-day relationships of confidence between co-operative members and the agricultural co-operatives, centering around the various activities of the agricultural co-operative movement, serve to facilitate the sales of agricultural co-operative insurance.

Throughout the country there are 5,200 agricultural co-operatives. Small-scale co-operatives have between 400 and 500 member households, whereas large-scale co-operatives have more than 10,000. For the benefit of

co-operative members, agricultural co-operatives on the municipal level conduct insurance business, credit business, sales and processing agricultural products, and purchases of agricultural chemicals, fertilisers and equipment. They also operate stores, offer guidance in planning for farm management and the livelihood of co-operative members, and offer various other services related to the lives of co-operative members. The conduct of the agricultural co-operative insurance business, as one among several enterprises operated by the agricultural co-operatives, can be singled out as the most significant feature of Japan's agricultural co-operative insurance business, and one which makes Japan's agricultural co-operative insurance business very unique.

The more effective the other activities of the agricultural co-operatives are, and the closer the various ties between the agricultural co-operative and its members, the better the agricultural co-operative insurance business is able to develop. Because the agricultural co-operative insurance business is based on the agricultural co-operatives' general service facilities covering members, production and livelihood, their work of collecting insurance premiums is characteristically integrated into the over-all system. In our country, where the credit system is not very highly developed, the job of collecting insurance premiums involves a huge amount of work and is extremely complicated. The commercial insurance companies collect premiums, for the most part, through door-to-door visits by collectors; but in the case of agricultural co-operative insurance, because each co-operative member has an individual savings account with the agricultural co-operative, the insurance premiums payment is drawn directly from his account. More specifically, the system is arranged so that the agricultural and livestock produce of co-operative members is sold collectively by the agricultural co-operatives, and the entire proceeds from those sales are automatically deposited in members' co-operative accounts. Meanwhile, the costs of agricultural production supplies and daily necessities, purchased by members from the agricultural co-operatives, are deducted from these accounts. In the same way, when the insurance premium falls due, the amount is automatically deducted from the member's account. This method of collecting premiums serves to keep insurance policies in force continuously over a long period of time; greatly reduces the number of lapses and cancellations; and is very effective in upgrading the quality of services to each of the co-operative members.

In the case of commercial insurance firms their sales agents are not treated as the firms' employees. The system for compensation consists of a commission for the sale of the policy, hence their income depends on the value of policies they are able to sell.

However, in the agricultural co-operative insurance business in Japan there are no sales agents. Moreover, because the people working exclusively for the insurance business are placed under conditions identical to those employees in the credit and sales businesses, no commission system is used.

The third characteristic feature is that the agricultural co-operative insurance business is managed through a three-level system composed of the agricultural co-operatives, the prefectural insurance federations of agricultural co-operatives and the national insurance federation of agricultural co-operatives, *Zenkyoren*.

The agricultural co-operatives are the unitary societies at the so-called municipal level and are the lowest-level units in the over-all operation of various co-operative enterprises.

The prefectural insurance federations are federations of agricultural co-

operatives established at the prefectural level with agricultural co-operatives as members, and they exist only to conduct the insurance business. The prefectural insurance federations were established for the purpose of supplementing the insurance business activities of the agricultural co-operatives by offering active direction and support. *Zenkyoren* is the national-level federation with the prefectural insurance federations as its main members. The agricultural co-operative insurance business is managed by the agricultural co-operatives, the prefectural insurance federations and *Zenkyoren*, each operating as an independent enterprise with its own organisational functions, while the three levels function together as a single insurance business group.

As mentioned above the number of agricultural co-operatives in the nation is about 5,200 all over Japan. The number of prefectural federations established as units in the respective prefectural and metropolitan zones, totals 47 in all, and there is a single business organisation, that is *Zenkyoren*, at the national level.

In principle the relationships among the agricultural co-operatives, the prefectural federations, and *Zenkyoren* are arranged so that the agricultural co-operatives act like a direct insurer, the prefectural federations assume the role of reinsurer and *Zenkyoren* functions as retrocessionaire. In other words, the system is arranged so that all of the original policies written by the agricultural co-operatives are passed on to the prefectural federations; from there all of the saving portion of long-term insurance policies and a part of the risk portion of short-term insurance policies are retained by the prefectural federation, while all of the risk portion of long-term insurance and most of the risk portion of short-term insurance are retroceded to *Zenkyoren*.

While there may be doubts about the cost efficiency as well as the capacity for smooth communication and unity of managerial direction of this three-level managerial system, as contrasted with the unitary management system of commercial insurance companies, the present organisation of the agricultural co-operative insurance business, I believe, is the most effective and most realistic organisational structure under the present Japanese circumstances. At the same time we exert every effort to co-ordinate the activities of the three levels. This is done through the better communication and through further rationalisation of the procedural activities, and we would certainly try our best in the future as well in order to enhance efficiency.

For example, the prefectural federations assume responsibility for the saving portion of policies: what this means is that the prefectural federations have control of a large sum of insurance funds. In order to actively utilise this accumulated capital to increase agricultural productivity and to raise the rural standard of living, it is preferable that these funds should be invested in direct response to the wishes of the co-operative members and in line with actual local conditions, rather than being concentrated at the national level. Therefore the majority of insurance funds are invested through the prefectural federation, thus enabling full exploitation of the effectiveness of localised recycling funds. This means the funds are actively used to raise the productivity of and improve the living standards of co-operative members.

Elsewhere, the usual practice is for the risk-assuming agency to screen prospective contracts and settle claims. Thus these would ordinarily be the functions of *Zenkyoren*. However, *Zenkyoren* would face geographical difficulties in carrying out such functions. On the other hand, it would be inefficient for the agricultural co-operatives to train personnel with the

necessary high degree of specialised knowledge and experience and expertise to deal with the relatively low volume of such work at the municipal level. Therefore these functions are assigned to the prefectural federations.

The most important function of *Zenkyoren* is that of retrocession, that is reinsurance of certain insurances, with a view to distributing the risk. But *Zenkyoren* also has the important function of developing new insurance policies and improving and supervising the over-all operational methods and system of the agricultural co-operative insurance business.

In terms of processing office work, the agricultural co-operatives handle work deriving from their relationship with the policyholders. The prefectural federations act as intermediaries between the agricultural co-operatives and *Zenkyoren* to handle record keeping and liaison as well as the screening of policies, payments of refunds on maturity and claim adjustments and so forth. On the other hand, *Zenkyoren* has established a computer centre for central processing of 30,000,000 policies, including billing, compiling policies, and preparing other documentation. Thus *Zenkyoren* is striving to cut operating costs by promoting centralisation of the agricultural co-operative insurance business.

The fourth special characteristic is the following: The activities of the agricultural co-operative insurance business are distinguished from those of the commercial firms in that the agricultural co-operative insurance business is the single insurance enterprise to operate both Life and non-Life insurance businesses.

The agricultural co-operative insurance organisation which issues both Life and non-Life policies such as endowment life, property, automobile and personal accident insurance, differs from the dual-enterprise insurers in Japan's commercial insurance industry or overseas which offer both Life and non-Life insurance through systemization or group operations.

The insurance industry in Japan is extremely competitive, and in order to succeed against such severe competition it has been necessary for the agricultural co-operative insurance business to open the way to original business activities which the commercial firms have not undertaken. Thus the agricultural co-operative insurance business has distinguished itself from commercial firms in overcoming many obstacles to develop new forms of coverage and policies and original applications for accumulated funds in investment and in welfare activities.

At present various types of insurance of various kinds are offered; but in addition to the ones that we have at present, we are studying the possibility of developing Farm Household Comprehensive Insurance; Variable Annuity; Agricultural Co-operative Society Management Insurance; etc.

The Compulsory Automobile Liability Insurance, as well as the Co-operative-owned Building Fire Insurance and the Reinsurance on Fire Insurance and All Risks Insurance operated by the Agricultural Insurance Bodies, are special in their characteristics, and they may need some explanation of these characteristics.

As to the Building Endowment Insurance, this is a form of insurance developed by our country's agricultural co-operative insurance business. The claim is paid under this insurance if a property insured is damaged by fire or natural disaster and payment is also made at maturity. The term of insurance may be selected, according to the durability of the property, from five years to 30 years in five-year units. What led to the operation and creation of this original type of policy was the fact that because farms in Japan are not densely

concentrated, and hence subject to little risk of damage through fire exposure, there was a strong tendency among farmers to feel that premiums on ordinary fire insurance were a waste of money, whilst at the same time there was a need for the agricultural co-operative insurance business to accumulate insurance funds. Under the policy, co-operative members can save capital for remodelling or new construction of buildings. The degree to which this unique type of policy suited the needs of co-operative members is demonstrated by its popularity; at present, as of March 31st, 1974, the number of policies in force for Endowment Life Insurance, which involves the largest volume of business, is 12,165,000, and the total value of insurance in force is 16,273,000,000,000 yen; compared with this the number of policies in force for Building Endowment Insurance is 7,351,000 and the total value of insurance in force is 6,713,000,000,000 yen.

The recent rapid increase in motorisation of rural areas has brought about a sharp increase in the number of traffic accidents. The agricultural co-operatives offer members both voluntary Automobile Insurance and Compulsory Automobile Liability Insurance as mandated by Law. The number of policies currently in force for both types of insurance is something like 6,595,000.

Under the Compensation Against Agricultural Loss Law, a compulsory insurance, consisting mainly of crop and livestock insurance, is underwritten by the Agricultural Insurance Bodies. These groups also write, on a voluntary basis, Fire Insurance as well as All Risks Insurance. This Fire Insurance is a protection against loss due to fire only, and in the case of All Risks Insurance this is a protection against loss due to fire and natural disasters, except earthquakes and volcanic eruptions. *Zenkyoren* provides reinsurance for these voluntary insurances as directed by the national government. I believe this type of reinsurance arrangement is another unique feature of the agricultural co-operative insurance business.

Next, I would like to say a few words on the co-operative activities on welfare.

Around the year 1948, when the agricultural co-operative insurance business was started, Japan's agriculture and farms were in a state of ruin and devastation through the effect of the Second World War, and agricultural productivity was at the point of nil. Hence, there was a strong desire for the rapid restoration of Japan's agricultural industry and farms, but there was an acute shortage of capital to achieve such aspiration and desire.

From the time the agricultural co-operative insurance business was founded its goal was to amass, through insurance contracts, long-term stable capital funds which could be used to promote agricultural production and raise the living standard of co-operative members, as well as to promote the development of Japan's rural society. At present, roughly 50% of the 2,316,900,000,000 yen in insurance funds which have been accumulated is being used for these goals. Therefore, it can be said that the initial target of agricultural co-operative insurance has been, to some extent, achieved.

A special note must be made of the use which has been made of these funds in welfare activities for co-operative members through loss-prevention and safety measures, and follow-up for the so-called after-care services after accidents.

The chief welfare activities of the agricultural co-operative insurance business are as follows:

- (a) Operation of mobile clinics and establishment of health control

centres in the villages.

- (b) Farmhouse architectural design and consultation activities for farm housing.
- (c) Establishment of scholarship funds and dormitories for children of co-operative members.
- (d) Driver qualification medical examinations for co-operative members; vehicle inspection, post-traffic accident consultation, care for children orphaned through traffic accidents.
- (e) Construction of rest houses; hot spring areas; and recreation facilities for co-operative members.
- (f) Construction of rehabilitation facilities in various parts of Japan.

Among these services the rehabilitation facilities were established in 1973 for the purpose of treating victims of traffic and other accidents and training such victims to rehabilitate themselves to normal life. In our country we have very few such facilities. This, I believe, is an epoch-making development both in terms of its concept and scope and in the promise it holds for the future of the co-operative movement which has come this far.

Welfare services such as these have come to occupy a major role among the activities of the agricultural co-operative insurance business, and it is likely that they will become increasingly prominent and important in the future.

The most significant special characteristic of Japan's agricultural co-operative insurance was the subject given to me and I have tried to point out some salient aspects, but before closing this presentation it is necessary to touch upon the dramatic difference between Japan's agricultural co-operative insurance business and the co-operative insurance operations overseas with respect to overseas reinsurance undertakings.

At present *Zenkyoren* is unable, under existing legal statutes, to engage in direct reinsurance transactions with foreign insurance companies. It has been mentioned, in my presentation, the agricultural co-operative insurance business operates under the Agricultural Co-operative Society Law and not under the Insurance Business Law. We are not subjected to the stipulations of the Insurance Business Law. Therefore it is under the jurisdiction of the Ministry of Agriculture and Forestry, not the Ministry of Finance. In this situation, *Zenkyoren* is not permitted to receive foreign exchange as would be necessary to conduct reinsurance operations with foreign insurance firms. Therefore *Zenkyoren* conducts foreign reinsurance operations as commercial insurances through the *Kyoei Mutual Fire and Marine Insurance Company*, set up by the pre-war co-operative movement which, in 1942, purchased two existing marine and fire insurance companies to form *Kyoei Mutual Fire and Marine Insurance Company*.

In the future, one question and problem which we shall have to consider, is how to open the way for direct reinsurance of overseas co-operative insurance companies by *Zenkyoren*. I believe this is the task that we have to tackle within the future.

Thank you for your kind attention.

CHAIRMAN: Thank you very much Mr. Yamanaka for that important and interesting communication.

I am sure that all our delegates have learned a lot about the agricultural co-operative insurance in Japan, and I sincerely think that *Zenkyoren's* story is a fascinating one. I would say that *Zenkyoren's* success is an inspiring

example for all those who are interested in promotion through co-operation.

Gentlemen, I am sure that if any delegates want to put a question to Mr. Yamanaka, he would be very pleased to answer any of your questions.

MR. GULDBERG: Mr. Chairman. I was most fascinated by the lecture and fortunately I have been able to read the Paper beforehand. I think that the story of *Zenkkyoren* is so valuable and so interesting that it does not matter that you go through it twice.

There are, however, two questions which I would like to ask.

In the Paper which was circulated it says that in rural areas the agricultural co-operatives have extended their activities to serve the needs of non-farming households as well as farm households; and that where this is the case farm households are treated as *regular* members and households within the area, which are not engaged in farming are treated as *associate* members. The percentage of associate members is about 10% on average, but in areas where urbanisation is extreme as many as half of the members are associate members. But then it says that only regular members have the right to vote in general meetings and to elect and be elected as Directors. Is that really in accordance with our co-operative principle, that you have two sources of members, you have regular members and non-regular members? That was my first question.

My next question concerns the statement in the Paper, that at present insurance funds are being used for farm-land improvement; the acquisition of farm lands; the construction of joint work centres; etc.

My question is: Is it allowed, in accordance with Japanese law, that an insurance company can acquire farm land? And if so what does it do with this farm land? Are you becoming farmers yourselves, or how is it? Because I believe in other countries the co-operative insurance companies do not deal with farming themselves. They might give loans to farmers; give loans to members to promote their activities, but the co-operative insurance company itself would not turn to farming.

Those are my two questions.

MR. YAMANAKA: I will answer the second question first. This was related to the acquisition of farm land. According to the law we are allowed to acquire farm land, but there are some provisos attached to the acquisition. We have to establish and identify the purpose of acquiring farm land and must obtain approval from the Ministry of Forestry and Agriculture, in advance of the purchase of the farm land. So the purpose of acquiring farm land must be for something like establishing facilities for our co-operative members, or to construct some facilities that are conducive to the activities and lives of members of the co-operative and the people living in that particular area.

Regarding the first question about the difference between the regular members and associate members. The regular members are those who are farmers, practising farming; so those people who are non-farmers may wish to utilise the facilities of the co-operative and within the limitation of the regulations we treat such people, who are non-farmers who would like to make use of the facilities of the agricultural co-operative, as associate members. So far as the function of management is concerned it is in the hands of the regular members. Associate members are not able to participate in the election of the officers or in taking decisions for changing the rules of the co-

operative. In other words, they do not have any right to vote in such decision making. That is the difference between the two types of members.

MR. MANSOOR: Mr. Chairman. The Paper was fascinating. I must say there are many possible questions, but basically I have two.

Firstly, we talked of competition between private companies being very keen in Japan. Is there any competition between private companies and the co-operative insurers in Japan in the business in which they are tackling, and if so is there any particular advantage which they have, save from the premium or benefit rates?

Secondly, in regard to the Building Endowment Insurance how do you tackle, over here, the problem of long-term inflation in regard to the cost of the building; if it goes up do you increase the benefits; do you increase the premiums etc?

MR. YAMANAKA: The first question referred to the competition. I believe I touched upon the point that there is very severe competition in Life insurance between the co-operative insurance and the companies which operate on a commercial basis; and this is related to the amount of premium. Also we have a lot of competition in terms of creative policies, new or unique policies that you may provide to the client or customer.

In order to cope with the situation the co-operatives are trying to produce as low premium as possible. This is one way that we have of overcoming the competition.

The second question was related to the Building Endowment Insurance and its relationship to the inflationary tendency. There was a question that inflation may overshadow the benefit of the Building Endowment Insurance. As you know, similar problems can be found with Life insurance, which is really a long-term insurance. As was said the inflationary tendency is likely to overshadow the benefit of the Building Endowment Insurance, so what we try to do is to raise the price of building to the level equivalent to the market prices.

Also, you mix this with the short-term Building Endowment Insurance with something like ten times the guarantee. In other words you mix long-term and short-term benefits, and with this mix we try to overcome the problem of inflation.

Payment or refund, in the case of Building Endowment Insurance, has been increased in the past by trying to lower the amount of premium in net terms, so that this can be considered as something like a buffer to the inflationary tendency.

MR. PARRY: First, I would congratulate the speaker on his address, and also the Company on its phenomenal progress over the last 25 years. I am intrigued, however, by the fact that it would appear that each member of an agricultural co-operative has a private account with them, into which is passed certain dues for the sales of agricultural produce and livestock; and also deducted from that account are any insurance premium dues that are owing to the company.

Now in aggregate this credit balance, I would imagine, amounts to quite a sum, but there is no mention here of whether or not interest is paid on the balances. So the question is, Mr. Chairman, do they pay interest on the

balances of these private accounts, and if so is it at the commercial rate, or is it at an enhanced rate or is it below the commercial rate?

MR. YAMANAKA: The dues obtained from the proceeds of sales are automatically put into the private account of the agricultural co-operative member, and when the time comes for the insurance premium to be paid, then automatically the premium is deducted from this private account.

As to the question raised about the interest, until the time that the insurance premium is paid interest will be paid. The interest rates for the time-deposit and cheque-deposit are decided on a national basis in Japan. The agricultural co-operatives provide interest at the rate of 7.85% per annum for one year time-deposit; and for the ordinary deposit, that is, the saving account or cheque account, it is 3.25% per annum. The commercial banks, by comparison, give the interest rate for one year time-deposit at the rate of 7.75% per annum, and for the chequing account and saving account 3%. So as you can see our interest rates are higher than the commercial banks by 0.1% for the one year time-deposit, and for the chequing account and saving account 0.25%.

2. The role of a co-operative insurance society in developing countries

CHAIRMAN: We now come to the next item, which should have been presented by Mr. Klas Back. Unfortunately, he is unable to be present with us today as he had to go into hospital at the end of September for an operation. The news received today is good. We know that the operation he had to undergo was successful and he will soon be leaving the hospital. I shall ask our Swedish friends to convey to Klas Back the best wishes of this Conference.

Mr. Knut Lindberg, has stepped in to present the Paper on "The role of a co-operative insurance society in developing countries," and I now call him to the rostrum.

MR. LINDBERG: Mr. Chairman, Dear Co-operators. At midnight I received a telex message, the wording of which I am sure all of you will appreciate; it said: "Klas Back much better. He will leave the hospital next week."

As this Paper was prepared by Mr. Back I think it would be unfair to the author to try to interpret his Paper with words other than his own. Therefore I hope you will excuse me if I present the Paper with rather small alterations simply by referring to some paragraphs and by deleting some parts of the wording.

I will, however, strictly follow the original outline of the Paper, so those of you who prefer to follow me by having the Paper in your hand will, I hope, have no difficulties in following me.

The Paper begins with a reference to a country in which the co-operative movement recently asked for international aid for starting a co-operative society. In that country a national insurance company already exists, and therefore it would stop if there was a need for a co-operative society.

Insurance receives today increased attention in several countries and has played an important role in the national economy. But this attention is directed more to the State or privately-controlled companies than to co-operative insurers.

In this Paper an attempt is made to give an account of the recent discussions about insurance within the United Nations family; to discuss the role and some problems of co-operatives in general in developing countries; and finally to give some thoughts as to what can be accomplished by co-operative insurance in the development process.

The United Nations General Assembly has adopted a Declaration and a Programme of Action on the Establishment of a New International Order. This was looked upon by the developing countries as an important indication that United Nations member States support a more equal distribution of the world's resources.

The Programme of Action, which perhaps is the most important of the two documents, covers a great number of fundamental problems and states, *inter alia*: "All efforts should be made to minimise the cost of insurance and reinsurance for developing countries and to assist the growth of domestic insurance and reinsurance markets in developing countries, and the establishment to this end where appropriate, of institutions in these countries or at the regional level."

In fact, in its contents the wording of this paragraph much resembles what has been discussed by UNCTAD. Since its establishment in 1964 UNCTAD and its Division for Invisibles — the Insurance Branch — has been an important forum for consideration of insurance in the developing countries. The conclusions which can be drawn from various UNCTAD documents discussing the establishment of a national insurance industry are briefly as follows:-

1. Insurance plays an important role in the process of economic development by providing economic security as well as contributing to economic growth and social development by mobilising funds which are channelled into productive national investments.
2. Insurance operations do not require a high initial capital investment, and the funds can be used for productive investment in other fields.
3. A developing country can save foreign exchange by setting up a national insurance industry. The foreign exchange problem is so acute that not even the smallest available out-flow of foreign exchange can be tolerated.
4. A sound underwriting could be more successfully achieved by a national industry based on local conditions and local structure of risks.

Today the insurance market in many developing countries consists of a number of local agents of foreign insurance companies and some brokers for international insurance business.

It is now obvious that governments will not allow the insurance industry to continue on the same basis. The developing countries have extremely varied politics and are regulated by widely differing economic philosophies. Their measures will thus differ correspondingly from introducing nationalisation and demanding local incorporations to letting the free enterprise system continue. What are the chances then that the governments will look to co-operative insurance as an alternative?

Let us, for a while, look at the co-operative movement in general and consider what can be its possible role in the context of economic and social development.

The governments are faced with the problem of both achieving rapid

economic development and of ensuring equitable distribution of the fruits of development. In many countries they have come to the conclusion that it is most possible to achieve the economic and social development of their peoples through the instrument of co-operatives. From subsistence agricultural and insignificant industrial employment rapid all-round economic development has to come. We believe this objective cannot be achieved unless the forces of development in the community are both strong and democratic. If these essential conditions are present and are given reasonable assistance from the State a co-operative sector can be established in the economy. Forms of social organisation have to provide freedom and equality on the one hand and industry and skill on the other. It is here that co-operatives, in contrast to State and capitalistic enterprises, can play a most important role.

But there are many obstacles in the way. In his Paper, "Co-operative Movement in South-East Asia — Obstacles to Development," Mr. Ahmed outlined the following: —

- (1) The social, political and administrative environment.
- (2) The poverty of the people and particularly the tillers of the soil.
- (3) The problem of finding good leadership.
- (4) The shortage of trained and capable managerial personnel.
- (5) The official control over the movement.

The obstacles to economic expansion are so great that only a concerted effort can hope to overcome them. While such an effort only can be made and directed through government, its investment and interventions may yield disappointing results if not matched by a measure of understanding and positive collaboration from the people themselves.

The struggle for a successful breakthrough has been hard. It is only since a few years back well-functioning co-operative organisations started to emerge in some countries. The past performance of co-operatives in several developing countries has, on the whole, not been very impressive.

The basic assumption for the Insurance Development Bureau's policy in the technical assistance work has been that co-operative insurance operations are only possible when a well-functioning co-operative movement and/or trade union movement exist in a country. They will provide the necessary organisational base and also generate the economic needs that will form the insurable risks. This approach is in analogy with the development of co-operative insurance in the western world. Though it is a practical approach it may lead to co-operative insurance not being given due consideration in the national economic planning process in the developing countries, and that State and/or private insurance organisations completely dominate the market in the future.

Is there possibly a different approach?

Co-operative insurance is a system which can provide efficient services and at the same time can lead to capital formation within the co-operative movement. The technical and other reserves along with the surpluses will, in the long run, build up an important capital source. *The Malaysian Co-operative Insurance Society* is an outstanding example in this respect. MCIS has not only served as an impetus to the emergence of the Malaysian co-operative conglomerate, but has also provided much of the capital required.

Another striking example of a successful achievement is that of the co-operative insurance society in Singapore, the *NTUC Income*, which is not so far a member of this Federation. The Labour movement in Singapore has

resolved to embark upon a number of co-operative ventures. The strategy for the Labour movement's co-operative development in order of priority is as follows: --

1. Life Insurance Co-operative.
2. Consumers' Co-operative.
3. Housing Co-operative.
4. Producers' Co-operative.
5. A Co-operative Bank.

There were several reasons for suggesting a Life Insurance Co-operative as the first priority. One of them was, as Mr. Shimpi has stated — Mr. Shimpi is the General Manager of the *NTUC Income* — that: "A successful Workers' Co-operative Life Insurance Society would generate investible reserves which could be utilised to finance other viable co-operative insurance enterprises with a view of providing a variety of services and benefits for the working population."

The *NTUC Income* society has been in operation for almost four years. The investible funds are sizable and a housing development programme is on its way. Together with NTUC and affiliated trade unions *Income* raised the initial capital required to start *Welcome* — a co-operative supermarket. Mr. Shimpi said: "The investible funds will, in 1975, be Sing. \$10 million and by 1980 about Sing. \$40 million. This should allow the establishment of some Producer's Co-operatives and ultimately a Workers Bank."

It should also be mentioned that by providing the right insurance at a reasonable cost the co-operative insurance society is helping to stabilise the co-operative movement by reducing the risks of a co-operative failing because of, for example, the burning of a co-operative warehouse.

An important factor explaining the success of both *Income* and MCIS is, of course, that of good and dynamic leadership. One wonders if there are any other important factors which we could take into account.

With the modernisation of the economy and rapid growth of commerce and industry, the urban areas also need co-operatives to ameliorate the conditions of the lower income groups. Both in Malaysia and Singapore the emphasis has been on the promotion of urban co-operatives.

The scope and extent of social insurance in a developing country is relatively limited. The working population with low income do not enjoy Life insurance or similar coverages. In the MCIS and *Income* cases it has been possible to better meet their needs. Already when planning the creation of *Income* it was felt important that it should have certain built-in advantages over the private commercial Life offices in this respect and both the marketing and premium collection systems were designed accordingly.

La Prévoyance Sociale in Belgium has, for many years, been involved in the administration of the Independent Workers Social Insurance Office. *La Prévoyance Sociale* also finances and administers several health institutions, for example, sanatorium rehabilitation centres for rheumatics, asthmatics and retarded children.

For a co-operative insurance society to provide a useful service in a developing country it may have to take up not only Life, pension and health insurance programmes to a larger extent, but also through medical aid and health centres give direct health assistance. Social insurance benefits help to provide and to maintain the human capital of the economy permitting the individual to obtain or regain his place in the national production effort.

Social "security" at present caters for only some 4.8% of the total population of Africa. The challenge of developing countries, where optimum use must be made of the meagre resources without waste or duplication of any sort, is to achieve effective co-ordinations in the operation and delivery of medical care. While the insurance industry, in general, should restrain itself from entering into fields which apparently can be better served by public funds, co-operative insurance can act as an important instrument also in such fields, as it operates on a non-profit basis. In countries where there is no social insurance system, or which have not yet created any public or semi-public institutions for this purpose, the existing schemes are administered by private companies. Co-operative insurance should not stay passive. On the contrary, it should adapt to current changes in the society, strive to be recognised as worthy partners in the development and could take on the administration of such schemes.

Investment is only possible if sufficient capital is available. Social insurance schemes, and more particularly, pension schemes and provident funds, permit an accumulation of funds considerably in excess of what is needed to maintain an adequate level of liquidity.

Mr. Back's conclusion is that co-operative insurance receives due attention by politicians and economic planners in developing countries and seriously is considered as an important alternative to other insurance systems.

The status of the co-operative movement, due to its unimpressive past performance, may not be the best. The success cases of co-operative insurance in Malaysia, Singapore and possibly some Latin American countries, have not received the wide publicity they deserve.

The possibility that co-operative insurance may be able to serve as an instrument in providing social insurance to a much greater and deeper extent than before needs to be fully explored. Assuming that co-operative insurance is essential also in this sector it is vital that it is integrated in national plans.

Co-operative insurance can strengthen the co-operative sector as a whole, which in turn can lead to a complete revision of the rural sector engagement.

Although we can recognise that co-operative insurance is an essential instrument in directing economy and social development, no study has yet been made which has made it possible to situate co-operative insurance within the more general framework of the economy in developing countries. In other words, in this audience we are aware of the merits of co-operative insurance. Many officials of the Treasuries in, for example, African countries, are not. How do we then convince them? If this Federation, or a University, could undertake a study on co-operative insurance and its role in a developing country, it could become a most useful document to prove the merits of our system.

The study should use a scientific approach since co-operative insurance, as a growth element, cannot be studied without reference to the demographic, economic and social background as well as the political context, where appropriate.

The study should then include the successes of co-operative insurance and examples of countries without co-operative insurance and what role it could play. It should analyse the insurance needs of some countries, define the insurance co-operative and its possible contribution to economic growth, but also its limitations by way of capital, capacity, professional skills, organisa-

tional base, etc., and develop guidelines for its promotion and development.

Such a study could be presented to decision-makers in selected countries as well as to the UN family and other international aid agencies.

With that, dear co-operators, I thank you for listening.

CHAIRMAN: Thank you, Mr. Lindberg, for your very interesting and very well presented Paper.

There are several speakers who want to say something on this subject and I will ask the first one, Mr. Bob Vanderbeek, to open the discussion.

MR. VANDERBEEK: Mr. Edwards, earlier today, mentioned that many different types of English were to be spoken during this Conference. As many of you know I speak a form of American English and as a result I have given a copy of my comments to Mr. Edwards because it may be desirable, at the end of my talk, to give Mr. Edwards the opportunity and perhaps equal time to translate my American English into English English.

I have been asked to comment on Mr. Back's fine Paper. However, I would like to first refer to Mr. Yamanaka's excellent presentation.

Mr. Yamanaka reviewed the history of the agricultural co-operative movement in Japan. It would appear that many of the problems faced by the Japanese farmers in the early 1900's are similar to those faced today by farmers in the developing countries. The frustrations that the Japanese farmers faced until 1947 sound very much like the reports we receive today from many developing countries. Fortunately, the achievements of the Japanese co-operative movement in the last 25 years provide many examples of how to effectively develop integrated services that benefit not only co-operators but the entire society. Both Mr. Back and Mr. Yamanaka correctly stress the value of close co-operation between insurance co-operatives and other types of co-operatives. Both Papers emphasise the need to make full use of all capital and human resources that are available. Mr. Yamanaka's Paper points out that one of the reasons for *Zenkyoren's* success in Japan was that they did not simply duplicate coverages offered by other insurance companies, but developed what we would call complete "tailor-made" protection, efficiently using their organisational sales method and administration, fully utilising the technique of collecting the premiums through the co-operative itself. This, I believe, is a very good lesson for all of us, whether we come from developed countries or developing countries. I would suggest that each of us might, once a year, re-read Mr. Yamanaka's Paper. There is a great deal of interesting ideas in that Paper.

Referring back to both Mr. Back's Paper and Mr. Yamanaka's Paper I would say that both stress the need to educate the public, and particularly the government, to the advantages of the co-operative approach; for unfortunately, in most developing countries, a large segment of the insurance industry is in the hands of small economic groups which also control banking and industrial activities. These groups are also influential at the governmental level. What all this means is that, in the long run, an eventual decision to promote co-operatives, including insurance co-operatives, will be a highly political issue.

As we all know, in many developing countries, there is very little real democracy and the "government" may recognise that successful co-operatives may raise the hopes of people for increased democracy and freedom.

Thus you find the “government”, sometimes it is a dictator, in some countries playing not only a strong role in supervising, but often restricting the activities of co-operatives.

Certain types of social benefits can best be provided by government programmes. However, many government insurance programmes have not been run efficiently and often have not provided needed protection at low cost. And often these programmes have not provided, as Mr. Back pointed out, protection for the majority of the people of the country.

Conditions differ from country to country. However, regardless of the situation, the argument for co-operative insurance is a powerful one. Unfortunately, as Mr. Back has pointed out, the “story” needs to be told more widely.

Unfortunately, “nice-sounding” United Nations and UNCTAD Resolutions usually just sit in file drawers or in what we call a “circular file”, the waste paper basket. What really must be communicated are actual case histories of success.

It is perhaps true that the record of success of insurance co-operation in developing countries is not very impressive. However, one should measure success by comparing what we have now, with what was there before co-operatives came into existence. I have reported at previous conferences that one of the values of co-operative insurance is that it has forced commercial insurance companies to lower prices and often caused governments to recognise that the “old system” was not meeting the needs of the people. The activities of *The Malaysian Co-operative Insurance Society* are excellent examples of making full use of “policyholder” capital to develop additional co-operative enterprises.

Many people, even in this room, are probably not aware that in the last 10 years, in Latin America alone, eight co-operative insurance societies have begun operations and are already providing insurance for more than two million people. Even more interesting is the fact that in the “developing countries” of the world in the 1950’s only two co-operative insurance societies were formed; in the 1960’s this figure jumped to ten, and already in the 70’s it has increased to 15.

We do have a story to tell!

However, it is true that most governments ignore the true potential of co-operatives. They are sceptical and if they are at some point willing to experiment, their commitment is often reluctantly given. Private enterprise assumes the same posture as government, plus it looks down at co-operatives. That is probably true in most developing countries, but also in what we call developed countries as well. Co-operatives themselves, unaccustomed to taking important decisions and lacking managerial foresight, often adopt a bashful attitude, a sort of defeatist attitude of: “Can we do it? Are we able?” All this negative mental conditioning must be reversed.

I agree with Mr. Back that it would be valuable to have a study on co-operative insurance and its role in a developing country. However, I suggest that a first step would be a Paper giving specific examples of the various ways that co-operative insurance organisations have already been providing valuable services in developing countries.

With actual examples we will be in a good position to meet with the “decision makers” and to show them how co-operatives and co-operative insurance can play a vital role in their country.

CHAIRMAN: Thank you very much Mr. Vanderbeek for that very interesting and inspiring intervention.

I now call Mr. Kularajah to the rostrum.

MR. KULARAJAH: Mr. Chairman, Fellow Co-operators. In the first place I must apologise for the absence of one of our Directors who was supposed to come and present some remarks on this Paper. I feel that in fairness to Mr. Back I should do so in his absence.

I hope that the interpreters are able to follow Malaysian English. I also hope that Mr. Edwards will be able to follow Malaysian English. If he needs it for the purpose of record I will be able to rewrite it for him!

First of all, Mr. Chairman and fellow co-operators, I must congratulate Mr. Back on what I consider a very comprehensive Paper. He has covered the subject very competently and has brought out many points. I feel that in making some complementary remarks, I should say something of interest to you which I gained through my experience with the I.C.I.F.

Firstly, an interesting feature is the question of co-operative insurance in Sri Lanka, formerly Ceylon. In Ceylon the insurance industry was nationalised a few years ago, and the co-operative insurance society that was functioning in that country was also nationalised. At the present moment, however, the government has realised that the Ceylon National Insurance Corporation needs some competition in order that the Insurance Corporation may be efficient. The government has decided that it is best to form a co-operative insurance society and negotiations are on hand to set up a co-operative insurance society in Sri Lanka. It is interesting indeed that after nationalisation the government realises that a co-operative insurance society can do better and can give competition to a nationalised organisation; and they have realised this.

How did they realise this? Usually politicians, as my friend Mr. Vanderbeek said, "ignore the potential of co-operative insurance and are sceptical of the success of co-operative insurance." Generally they have no confidence in co-operative insurance, but in this case it was fortunate that a Minister of the government of Sri Lanka visited Malaysia, visited the MCIS, and we showed him round and promised him that co-operative insurance can be successful.

Similarly, in another country, in the Philippines, the insurance industry is very well developed, but yet the government, being involved in the development of the co-operative movement in the country, particularly over the last two years, felt the need for a co-operative insurance society in that country.

An Under-Secretary of State, that is something equal to a Minister, visited Malaysia again, and having been convinced that co-operative insurance can work he went back and sought our help to organise the *Co-operative Insurance System of the Philippines*.

As you all know the inauguration of the *Co-operative Insurance System of the Philippines*, or the C.I.S.P., is to take place with the President of the Philippines on 14th October, and a few of you are coming. But since most of you are not coming I feel that I should quote something that I am going to say at the inauguration.

This is significant. I will read it this time. I hope I can read slowly enough.

"In a developing country the co-operative way of life, which tries to improve the standard of living of the ordinary man, is the best method pos-

sible of introducing social and economic changes in a country to enhance the standard of living of the majority of people. A co-operative is non-profit based with ownership vested in the people through their membership of the organisation. Co-operatives are social and economic institutions which function to alleviate the social and economic problems of the people without encroaching or depriving others of their rights to exist. The co-operative movement is a peoples' movement, extolling and putting into practice the higher motive of social and economic success through mutual aid and self-help.

A highly successful co-operative structure can easily rid a nation of many of the social and economic injustices and inequalities existing in it. Nations in South-East Asia in particular would be able to achieve a great measure of success in bridging the gap between the "haves" and the "have-nots" through the successful development of a co-operative system in the country. Co-operative insurance service fits in as one other activity of the co-operative movement in the social and economic structure and is a very vital and important activity at that."

Those reasons are very good reasons why a co-operative insurance society should be developed in the developing countries. Success can be achieved but, as stated by Mr. Back the politicians and the people do not understand the co-operative insurance system. For this purpose *The Malaysian Co-operative Insurance Society*, known (popularly), as MCIS, publishes annually a publication which it distributes very widely and which is known as the "MCIS Review". This publication is available on display in the Exhibition Hall and we brought sufficient copies for all delegates and participants. This will make interesting reading. We make sure that every member of parliament receives a copy. We make sure that every senior government officer receives a copy and therefore, hopefully, we trust that he will read it and understand what the MCIS is all about.

In this way we not only create a better image for the MCIS, but we attract support for the MCIS. We even go to the extent of placing the MCIS Review in hairdressing salons and barber shops because people will have time to read it while they are waiting to have a haircut.

The importance of this has been emphasised by Mr. Back, and that is that we should inform the public, inform all those concerned, inform all those in power in the developing countries, of the importance and role of the co-operative insurance movement. This we should do and I support the suggestion that a study should be made so that such factors and such information available to the I.C.I.F. are distributed very widely.

Thank you very much for your kind attention.

CHAIRMAN: Thank you Mr. Kularajah. I guess other delegates would wish to comment on this Paper presented by Mr. Lindberg. If this is the case the rostrum is open.

MR. ADAM: I would like, Mr. President, to put a question to Mr. Lindberg, but first I must congratulate him for the presentation of this Paper. But I am wondering if it would be possible for him to enlarge a little more on what he means by "Given reasonable assistance from the State, a co-operative sector can be established in the economy."

CHAIRMAN: Thank you Mr. Adam.

Do you want to answer immediately, or do you prefer to take any other questions Mr. Lindberg?

You'll wait.

Are there any other questions? Does any other delegate wish to speak on the subject? If this is not the case I shall ask Mr. Lindberg to come back here on the rostrum.

MR. LINDBERG: Dear Co-operators. In reply to Mr. Adam's question, I think that what Mr. Back meant was that rather than to give examples on reasonable assistance he meant that the government should not put up obstacles for a co-operative insurance society limiting the co-operative insurance society's possibility to act on the insurance market. I am sure that Mr. Back is of the opinion that the co-operative insurance societies should not have any particular advantages on the market, but that they should be given the same chance as others to operate on the market and he means that in the co-operative organisation the way of co-operative activities should show on their own merits that they will be able to play an important role in the society.

I have no other comments to make on the Paper, and I have the feeling that the ideas expressed by Mr. Back, in his Paper, have got the fullest support from the delegates at this Conference. So again I want to thank you Mr. Chairman and you, Dear Co-operators, for your attention.

CHAIRMAN: Thank you, Mr. Lindberg.

Now Gentlemen as the lunch will not be served until 12.30 I suggest the delegates should visit the Exhibition before going to lunch.

The meeting was adjourned for lunch at 12.15 hours.

The session was resumed at 14.00 hours.

3. Long range planning by established insurance co-operatives

CHAIRMAN: Gentlemen. We will begin this afternoon with a Paper on a subject which is of paramount concern to all of us in the insurance business concerned with the future progress of our companies in a world where, each day, we seem to be meeting more intensive competition from the capitalistic companies.

I therefore call on Mr. Smith to present his Paper on "Long range planning by established insurance co-operatives."

MR. SMITH: Mr. Chairman, Ladies and Gentlemen, Our Hosts, the Japanese Co-operative Movement, and all participants in this International Conference of Co-operative Insurers. I hope I have not left out anybody; if I did it was purely unintentional.

Before beginning my presentation I would like to express my appreciation for being invited to present a Paper on planning and to share our experiences with you.

I have the good fortune, and sometimes I have thought maybe the bad fortune, to be very closely involved in this and I will have to say it was one of

the more interesting experiences that I have had since joining *Nationwide Insurance*.

As most of you may know this is my first conference and it is very impressive. I have heard so much about this organisation from my associates that it is good to experience it all first-hand. I may vary a little from the prepared Paper, but I do not think that that will bother any of you because essentially I am going to follow it. Before embarking upon the important subject of long range planning, and the course that we have followed at *Nationwide*, I will review briefly for the purpose of perspective, because I think it will help you in background, the development of our family of companies and the scope of our activities. For those of you who have heard this before I will not be offended if you tune me out for a few minutes, but I hope you will come back.

As many of you perhaps know our organisation was co-operatively based and had a rather humble beginning. It started in 1926 when the *Farm Bureau Mutual Automobile Insurance Company* -- a "brain child" of the Ohio Farm Bureau Federation -- began operations with \$10,000 of borrowed capital and one thousand applications for insurance on hand. At first, we sold only automobile insurance -- only in the State of Ohio and only to farmers. Within two years, however, we began to expand into other States and a few years later to extend our services to non-farm people.

During the first half of the 1930's we formed a fire company and acquired a Life insurance company. This was followed by an expansion of our product lines -- most notably commercial and group insurance. In 1957, we organised *Nationwide General* to meet a need for merit-rated automobile insurance. When *Nationwide Mutual* adopted a variable rating plan, the operations of this company were phased out. Recently, however, this corporate shell was reactivated to write group/franchise automobile business, and we recognise that that is going to be at least a considerable pioneering effort on our part, although some others have had some success in this field.

Nationwide now offers more than 170 different insurance policies for families, businesses and organisations of people. Sometimes if you talk to our agency force they will tell you that it is about 100 too many, but nevertheless we have got a little bit of something for everybody. It serves over 3½ million customers who own more than 5½ million policies; and before I got to this meeting you know I thought that was something; and then I saw what our host has in the way of policy force and I consider this peanuts in relation to that.

As funds developed from the insurance operations we began to direct some of our resources to needs beyond the field of insurance and acquired or formed several affiliated companies. In addition, we activated *Nationwide Corporation* -- an insurance and financial services holding company -- and joined with the West German mail order and department store to form *Neckura* -- a German property and casualty insurer. Just last year, a wholly owned Life subsidiary was established and added to the *Neckura* operation.

Today, the *Nationwide* organisation is a family of more than 30 companies structured into three major operating groups: one is the *Nationwide Insurance Group*, as we call it, another one is *Nationwide Affiliates* and a third is *Nationwide Corporation*. In other words, we have three Presidents heading up those three groups with a Chief Executive on top of all those. We engage in a broad range of human service activities in varied fields -- insurance; investment services; personal finance; pension planning; radio and television broadcasting; housing; commercial land development; and urban

renewal.

I hope this recitation does not sound too immodest; I do not mean it to be. It should be helpful in providing a back-drop for the Paper I am about to present.

Let us go to what is long range planning, and I recognise that there are many interpretations of this and many ways to go about it. I plan to share with you what we have done, some of the actions that we have taken and some of the results that we have attained. We still have, we feel, a long way to go.

If you have been reading publications or listening to experts in the field, I know you have been faced with a "semantic jungle" and a great deal of difficulty in understanding all that is involved in long range planning. Other synonyms currently in use include such words as "corporate planning", "total planning", "over-all planning" and "comprehensive planning". All of these terms imply the same all-inclusive approach and the development of an integrated framework which encompasses the entire organisation -- functionally as well as corporately -- and covers an extended period of time.

In his book, Top Management Planning, George Steiner also viewed this type of planning as being composed of structural blocks of plans. The three principal ones are strategic plans; medium-range programmes; and short-range detailed plans and budgets. All of these are inter-related and each has characteristics which distinguish it from the others.

In general, authorities agree that long range planning deals with the futurity of the corporation's contemporary decisions. Or as one author has succinctly observed: "it is a process directed toward making today's decisions with tomorrow in mind."

I think that merits repeating. "A process directed toward making today's decisions with tomorrow in mind."

More specifically, long range planning is a continuous process which: begins by establishing objectives and guidelines;

.. then developing strategies, policies and plans to achieve them;

.. implementing decisions;

.. and finally, reviewing performance and feedback to introduce a new planning cycle.

As I see it, one of the most important aspects of long range planning is the discipline it forces in continually assessing the future -- its opportunities and its threats -- and our Chairman referred to that just a few minutes ago in making his introduction -- and in developing strategies or courses of action which will exploit or combat them. This strategic phase can be limited or transformational in nature, depending upon the situation. It also may be internally inspired because of an innovative, entrepreneurial attitude, or brought about by external threats, or a combination; and I think we have some of both at *Nationwide*.

Today, almost all large organisations and many smaller ones have a formal long range planning system in some form. A few years ago, in an effort to call upon this experience and to pinpoint the more significant pitfalls to be avoided in getting a planning system underway, George Steiner, with aid from the Planning Executives Institute -- by the way George is no relative of mine but we just happen to have used his reference most extensively in the work we have done -- conducted a survey among chief executives, top staff officers, corporate planners and line managers of several hundred companies. The response clearly indicated considerable concern in three areas with respect to

establishing effective planning.

The first was top management's assumption that it can delegate the planning function to a planner, and once you start that, I think you will all agree, you are in trouble. The concern here is that an effective system needs firm support and commitment from the chief executive. He may delegate much of the job to the right man at the right level of management, but not the responsibility and the assurance that all the diverse efforts of the organisation are headed in the same direction.

Second was that top management becomes so engrossed in current problems that it spends insufficient time on long range planning, and the process becomes discredited among other managers and staff — and I have seen that happen at our Company in the past year. To avoid this pitfall, there is a need to be careful about the selection of a corporate planner and his managerial style. His strong suit should not be in solving day-to-day problems. At the same time it should be recognised that long range planning is not useful in coping with a current crisis. Dr. John Hogan who, I understand, has spoken to this group on previous occasions, happens to be the man in our Company in charge of long range planning. At least, when I say in charge I mean he is seeing that we all do it.

Third was the failure to develop company goals suitable as a basis for formulating long range plans. The major dangers here are:

... stating goals which are too broad or too vague, such as: "optimise profits", "grow as fast as possible"; and "make the best acquisition".

Sometimes I am sure some of us have fallen into that trap.
... or setting objectives which are overly optimistic and not based on realism — and I guess I have done that on one or two occasions myself.

Other pitfalls in the top ten were:

4. Failure to assume the necessary involvement of major line personnel.
5. Failure to use plans as standards for measuring managerial performance.
6. Failure to create a climate which stimulates creative planning and is not resistant to free and imaginative ideas.
7. Assuming that long range planning is separate from the entire management process.
8. Injecting so much formality or structured routine that the system lacks flexibility and simplicity, and restrains creativity --- and back 10 or 15 years ago I saw that happen.
9. Failure of top management to review, with departmental and divisional heads, the long range plans they have developed.
10. Top management consistently rejecting the formal planning mechanism by making intuitive decisions which conflict with formal plans.

Some of these may sound familiar to you.

Now I would like to talk a little about why we started long range planning at *Nationwide*.

At *Nationwide*, as I am sure has been the case in many companies, planning has been an evolutionary process. It has become more sophisticated as the Companies grew in size, interest and organisational complexity, and as it became necessary to meet the challenges of competition and a changing environment. During our first 25 years long range planning was an informal process. Our first formal step was early in the 1950's with the installation of an

annual plan or budget. This was followed by the development of a number of medium-range plans -- usually five years. This phase of our planning, however, was sporadic and was on a by-company basis or consisted of individualised blueprints, such as: expanding group operations; entering new States; and developing our reinsurance and commercial operations.

In 1967, confronted by a need to expedite certain aspects of our insurance operations, a middle-management Corporate Planning Group began an 18-month study. One of the results was the creation of a formal planning office, and that is the office headed by Dr. Hogan, under a Vice-President of Planning and Development. However, there was still diffusion in our planning process. While this office co-ordinated the building and review of plans for achieving near term and intermediate objectives in our insurance operations, planning for the affiliated Companies was segmented and was the responsibility of their respective general managers.

For an organisation less complex than ours and an external environment which is changing less rapidly than it is, we probably could have stopped at this point. However, after giving careful consideration to our total situation, we decided to embark upon a comprehensive, integrated and corporate family-oriented long range planning approach. Several factors prompted this decision:

.. Our innovative heritage and our penchant to capitalise on future opportunities.

.. Broad operational and human service interests of the insurance companies and extensive interests in other industries through the subsidiaries and *Nationwide Corporation*.

.. Demographic changes and the probable changes in people's wants, needs and attitudes.

.. Stepped up State and Federal intervention into the field of insurance, particularly the automobile and health business -- I do not know how it is in your countries, but in ours we have had considerable activity in this area -- and the need for top-level strategies to meet and hopefully use these threats to our advantage, or to perhaps modify or alter the nature of our business to conform to them.

About two-and-a-half years ago our Board of Directors and our General Chairman and Chief Executive Officer set the stage for our long range planning activity. The initial step was to review the institution's Principles and Objectives. While revisions were made to more adequately cover the total corporate entity, our basic co-operative philosophy was maintained and restated. Concurrently, the Chief Executive called a special session of the Board and several senior corporate officers. The purpose of this meeting was threefold: ---

1. To fully acquaint the Board members, particularly the newer members, with the past key institutional decisions which have guided our growth and service.
2. To review where we are today, especially in terms of human, physical and financial resources.
3. To generate ideas and early input for the management planning activity which was to follow.

Within a month of this special Board session, a Long Range Planning Council was formed and held its initial meeting. The President of the insurance Companies was selected to head this group and to act as co-ordinator with the Office of General Chairman. In addition to the Vice

President of Planning and Development, the Council consisted of four other senior officers who were chairmen of major working committees. These committees were concerned with developing goals and guidelines in four primary areas: institutional character; marketing direction; manpower utilisation; and the group I chaired, finance and inter-corporate relations.

The Council's purpose was not only to steer and to co-ordinate the activities of these committees, but also to act as an incubator for ideas which developed from their work.

The members of these committees were selected on the basis of experience and expertise, and included people from various functional areas throughout the total organisation -- general managers, vice presidents and middle management. I was fortunate enough, on my committee, to have Mr. Johnson with me and he made a great contribution; and I think Mr. Fitzpatrick served on one or two of the other committees within the Company; so I have two associates here today who have had considerable experience in the developing of the guidelines and goals area.

More specifically, here are the aspects each of the committees considered as they developed policy guidelines or goals:

As regards the institutional character they covered such areas as: --

- .. Corporate Citizenship
- .. Service to Customers
- .. Agent and Employee Motivation
- .. Profit Ethic
- .. Government Relations
- .. Industry Leadership

On the manpower side their areas of main concern were: --

- .. Managing People
- .. Development of People
- .. Corporate Manpower Management
- .. Productivity
- .. Work Environment
- .. Conservation
- .. Human Rights

The marketing direction which, if I can say I am not prejudiced, would probably be the most important area, at least as I see it: --

- .. Family Insurance
- .. Business Insurance
- .. Affiliated Services
- .. Diversified Growth, in other words what areas do we want to grow in, what are our opportunities?
- .. Research and Development as regards new products, new services
- .. Expense Control

It is unusual to see marketing concerned with expense control, but in this particular case they were and we were very happy that they felt about this as well as coming up with new plans and programmes to develop new lines of business and new marketing concepts, and we have done a little of both.

On the financial and inter-corporate relations side we were concerned here with: --

- .. Profitability and Financial Strength

- . . Income Growth -- in other words we set some goals that we figured we had to grow by a certain amount each year if we were to continue to be a dynamic company with an impact upon the insurance business.
- . . Operating Expenses -- and we set some rather challenging goals so that we could return to the consumer, the policyholder and in our case the owner also, a larger and larger share or at least keep his cost of insurance from rising more rapidly.
- . . Return on Investments, as regards the investment activity within our Companies

In this whole area of inter-corporate relations --- which because of the many Companies we have, some of them are rather small and some are rather large -- *Nationwide Mutual* was the Company with, in many cases, the greatest expertise in many areas. And so in inter-corporate relations we were attempting to say where was our strongest area and all Companies would use this service. I will give you an illustration to the investment advisory service we have.

Throughout our whole group of companies we use the same investment group, *Nationwide Mutual*, because it is the largest Company in *Nationwide*, has the most banking muscle, if you want to call it that, and is able to negotiate better terms with the banks in borrowing moneys and the like, and so therefore all of the *Nationwide Group's* banking activities and short-term borrowings are co-ordinated through this one area.

Another example, while we have not done too much in it, is one that we are developing at the moment, and that is on the reinsurance side; we have here a reinsurance group with a great deal of experience and knowledge and we opt to use that throughout all of our Companies no matter where they are. Granted all of this is done for a fee, but it is not like you are subsidising another company.

Personnel services is another frustration. We have built quite a staff with a lot of expertise in *Nationwide Mutual*, and so we use it in the other Companies where each Company comes up with its own personnel group. I am sure that you are all aware that it is not a new idea, but it is something we recently began at *Nationwide*.

As these committees were formed and began their activities, our research people developed a 1980 profile of the potential market place. This was a very comprehensive study which explored demographic, socio-economic and political factors, plus the potential impact of the energy situation. About the time we were involved in this we had the oil embargo and there was some question as to what was going to happen and so we made some assumptions. The profile was most important since it gave us the necessary perspective essential to our thought and planning processes, and the capability to identify our opportunities and threats. Now whilst we did that about a year ago we recognise it as a never-ending process and one which we will have to keep up-to-date on a more-or-less constant basis. We are now in the process of doing that and taking another look. This energy situation seems to ebb and flow. We had a situation, as you all know, where it was very tight and then loosened up and at least in the States it begins to look like, in order to solve some of our own problems, we may be going to try to tighten up internally -- I do not know. I guess the U.S. President is supposed to be talking about that today in our country.

In developing our guidelines and goals we tried to be specific and to quantify the objectives wherever possible. For the areas which did not lend

themselves to quantification the guidelines were expressed as definitively as practicable. Certainly you would expect on the financial side we were able to quantify. We did to a great extent on the marketing side. But when we got to the manpower that became less so and institutional character became less so. There were concepts, philosophies under which we operate.

The work of the various committees took about a year to reach the draft stage. At that point these drafts, along with the "1980 Perspective" were discussed with the Board of Directors and home office and regional management for their reaction and input. In other words while we started on more or less a top-down basis we certainly involved all of the functional offices within the home office, and all of our line management in the field. Early this year the completed guidelines and goals were approved by the Board and a final review conducted with our management people. In other words this has been communicated now throughout the institution as being what we are going to strike for. Again I have to say that this is a never-ending process and the day we put it in a nice fat binder and stick it on a shelf, forget about it until the next time it comes time to do something like that, that is when it becomes of no use to the institution. You have to keep bringing it up-to-date; you have to keep making new assumptions as times change.

Now we come to our current status. In developing the framework for long range planning we asked ourselves five basic questions as a means of leading us through the process:

1. Where are we? -- the nature of the business, environment, competition, potentials and vulnerabilities. A sort of inventory taking if you like.
2. Where do we want to go? -- we made some assumptions; developed some policies, goals; identified some issues to be resolved.
3. How can we get there? -- we needed some strategies; we had to develop some programmes; we have to implement; we have to evaluate; we have to establish priorities and schedules. As you all know, that is one of the toughest things to do. We are all inclined to want to do it all immediately, and this is not possible, so you have to say what is most important, what is the next most important and go at it.
4. When do we want to arrive there? -- and to help us there we were using annual plans and performance standards which said we would chop off this much this year and that much next year and so forth.
5. How much shall we pay for the trip? -- we took a look at the resources we had, our budgets, what could we spend, because I am sure you all recognise as you embark on a comprehensive long range planning programme, it is going to cost you some money, especially if you are going to vary somewhat from what you have done in the past.

As we looked at it, these questions fell into three principal phases: goal setting; action planning; and execution. We are now well into the action-planning phase and answers to the questions of "How can we get there?" and "When do we want to arrive?"

At the same time, however, we fully recognise that planning is a continuous process which is dependent on feedback; the effectiveness of our short-term actions; and changes in the environment. For present planning purposes we have proceeded on the premise that we are a financial services organisation, but we still are not certain about the configuration of our business by 1980 or, I am going to add in there, 1990. We are attempting to

look out that far ahead -- and it gets awfully fuzzy -- but we think this is something which we have to do if we are going to assure the continuation of *Nationwide* in its service activities for the people in the U.S.A., and hopefully for those outside the U.S.A. This is a major issue yet to be resolved. In the meantime we will be keeping a sharp eye on the trends and potential of the market place; economic development; changes in people's fashion or taste; and the competitive climate. In addition, we will be constantly alert to new products and services which will satisfy the consumer, and to innovative opportunities to change his wants or create new ideas. The ability to perceive and to act appropriately is the difference between a dynamic, growing company and one that simply rises or falls with the tide.

Along with the more sophisticated planning environment, *Nationwide's* long range planning programme has brought about, in top management circles, the general acceptance that change will be more rapid than we expected, and those of you, in fact I am sure everyone here, knows that change is hard for people to accept. They are more inclined to and feel more comfortable going the way that they have always gone. I think we have a realisation now that change is with us in our Company, and it is going to be more rapid than we expected, than any of us expected, and that we must prepare to cope with it. Enlarging the scope of our planning has made us better equipped to face a rapidly changing environment and an uncertain future. It has brought about a deeper dedication to the future, but with a realisation that much remains to be done. We have only started to examine what our business may look like by 1980 --- but we are on the way.

Thank you very much.

CHAIRMAN: Thank you, Mr. Smith, for that most informative Paper on a subject which is of such importance to all of us.

I now ask Mr. Kokubo to open the discussion.

MR. KOKUBO: Thank you Mr. Chairman for giving me this opportunity to speak.

I would like to begin by thanking Mr. Smith for his fine presentation on long range planning at *Nationwide*.

I was deeply impressed indeed with *Nationwide's* extensive experience in long range planning formulation, and with their taking so much time and drawing upon the wisdom of such a wide range of executive talents from throughout the Company, as well as with the excellent planning which has resulted.

I would like, if I may, to comment from a different view as the long range planning in the Japanese agricultural co-operative business seems to have different aspects from those of long range planning by established insurance co-operatives, which was presented in the excellent Paper by Mr. Smith just now. Thus I would like, if I may, to give my remarks in terms of such differences.

It was not until the years 1954-1956 that agricultural co-operative insurance began to spread nationwide, and it was in 1956 that *Zenkvoren*, with the agreement of its affiliated organisations, drew up the first long range plan -- the Five Year Plan for Expanding Agricultural Co-operative Insurance. Since then there have been a total of eight medium and long range plans implemented, and we have been able to meet virtually all of the goals

that were set.

These plans may be divided into two essentially different periods. The first, running from the establishment of the first long range plan in 1956 until about 1966, covered the initial years. Accordingly the plans focused primarily upon expanding business volume in order to solidify the operational base. The second period, beginning with the Agricultural Co-operative Comprehensive Three-Year Plan of four years ago, assumes the establishment of the operational base and rather focuses on the role to be played by insurance within the broader perspective of the total agricultural co-operative structure.

However, it should be noted that long range planning for agricultural co-operative insurance differs from ordinary corporate long range planning in the following aspects, these differences arising partly from the special characteristics of agricultural co-operative insurance in Japan, as already elucidated by Mr. Yamanaka:

The first difference is probably the very close relationship between insurance and the other operations of the agricultural co-operatives. In addition to its insurance operations the agricultural co-operative also conducts farm management guidance; credit; purchasing; sales; welfare; culture; and a host of other Businesses at the same time. Accordingly, it is necessary to find the best way to protect the interests of member households within the total relationship created by these other businesses. For this reason, the long range plan for insurance is established through full co-ordination with other operations of the agricultural co-operatives.

The second difference arises from the fact that the insurance organisation, like all agricultural co-operative organisations in Japan, is a three-tier structure composed of separate legal entities at the primary, prefectural and national levels. As a result it is obviously most important that there be full discussions for communicating the feelings and co-ordinating the views of these three levels in any long-range planning.

The third major difference is that the members of the agricultural co-operatives are mostly farmers. This means that long range planning must consider not only the general economic trends of the nation as a whole, but also agricultural conditions in Japan and elsewhere; agricultural economic trends; fluctuations in the numbers of households or individuals belonging to the agricultural co-operatives; and other such factors.

The task of incorporating these special features into long range planning has been considerably facilitated by the two study councils which were set up to deliberate the basic problems facing agricultural co-operative insurance organisations.

The first one, namely the Study Council on Basic Problems in the Agricultural Co-operative Insurance Organisations, met over a total of 14 months in 1961 and 1962.

For the second one, that is the Study Council on Basic Measures in the Agricultural Co-operative Insurance Organisations, this met over 12 months in 1968 and 1969. Both of these Councils included representatives of the primary agricultural co-operatives; prefectural insurance federations; and *Zenkyoren*; as well as men of learning and experience in economics and agriculture.

These Councils' reports were most helpful in drawing up long range plans as they indicated ways of solving several of the grave problems facing the agricultural co-operative insurance business and illuminated a vision of its future.

Here I would like to introduce, very briefly, the Second Agricultural Comprehensive Three-Year Plan now in effect and the plans it contains for insurance operations. Explaining this Plan may also serve, I believe, to illustrate the characteristics of the long range plans for insurance organisations.

This Second Comprehensive Three-Year Plan for Agricultural Co-operatives went into effect in April this year. But before the Plan was finally approved approximately one year was spent on repeated discussions, both vertical, that is among the three organisational levels, and horizontal, that is within the various national organisations. The results of these intensive consultations were summarised in a draft which was presented last October to the National Congress of Agricultural Co-operatives in Tokyo which was attended by the residents of primary agricultural co-operatives from throughout Japan and representatives of the prefectural and national federations. Only after full debate was the plan adopted by the Congress.

As finally approved this plan is divided into four main goals. These are:

- (1) strengthening integrated production and sales systems based upon the farm complex;
- (2) developing positive activities to protect members' livelihoods and health;
- (3) establishing land policies and building a more livable local society;
- (4) consolidating organisational management structures and strengthening educational and informational activities.

While the first goal, that of strengthening the integrated production and sales system based upon the farm complex, may seem little related to insurance operations -- since it focuses upon farm management guidance, sales and purchasing -- it should be realised that the insurance business is also responsible for providing the necessary financing for these operations and insuring them against any risks which they may entail.

The second goal, protecting the members' livelihood and health, is of course, the very business of insurance itself. One of the headings under this broad goal is that of generating more positive activities to protect members' health. This involves the support of prefectural and national insurance federations and welfare federations for group check-ups and health counselling conducted by the primary agricultural co-operatives. In some of these the two organisations work together as when, for example, the insurance federations provide medico-mobiles to go from place to place and the welfare federations supply the doctors and other necessary personnel to these travelling clinics. By the same token there are also activities undertaken by the insurance organisations alone, such as the strengthening of insurance and financing to improve members' lives and welfare; and this heading also includes expanding insurance contracts to provide fuller coverage for members; welfare activities for elderly and other disadvantaged members; and organisational co-ordination to facilitate the realisation of these and other goals.

In addition to this comprehensive plan for the entire agricultural co-operative organisation, there is also a detailed long range plan separately formulated by the insurance organisations to help give substance to these goals and to implement those plans for which the insurance organisations are responsible. This is the Agricultural Co-operative Insurance Comprehensive Three-Year Plan. Because the Plan itself is long and detailed I would like to just touch upon the major points only.

The five major goals of the Plan may be summarised as follows: -

- (1) Expanding insurance coverage.
- (2) Accelerating capital formulation.
- (3) Providing low-cost insurance.
- (4) Developing welfare activities.
- (5) Strengthening the operational base for primary co-operatives.

It is obvious that all of these goals are in harmony with the broader plan for the total agricultural organisation, yet what do they mean in practice? For example, expanding insurance coverage sets targets for long-term sums insured for us of 46,130 billion yen; and for the short-term sums insured for us of 61,920 billion yen and 3,940,000 vehicles covered by compulsory automobile liability insurance by the end of 1976. The goal for improving capital formation is for 3,880 billion Yen of insurance funds by the end of 1976. The goals for developing welfare activities call for a group check-up for 470,000 people; old-age health care for 470,000 people; check-ups for 120,000 drivers; automobile inspections for 100,000 vehicles; traffic safety classes for 100,000 people; and post-accident consultation service for 260,000; in 1976. In addition, detailed personnel plans, facility plans and budgets are also drawn up for the achievement of these goals. At the same time primary co-operatives and prefectural federations also draw up their own goals and implementation programmes which are based upon the model provided by *Zenkyoren*.

Thus it may be said that agricultural co-operative insurance long range planning serves to clarify for the entire agricultural co-operative insurance organisations the directions to be pursued and the results which may be expected in developing this still-new business field. As such, long range planning has been the prime moving force behind the strikingly rapid growth which has been experienced.

The Japanese economy now is the centre of stagnation and inflation and there is particular anxiety about the future of Japan's agriculture. Despite this we feel that we can achieve considerable success with the current long range planning.

Thank you very much for your kind attention.

CHAIRMAN: Thank you, Mr. Kokubo, for your very interesting comments.

I shall now ask Mr. Grahn, who also wishes to say something on this subject, to step up to the rostrum.

MR. GRAHN: Mr. Chairman, Delegates. I wish to take up two problems. Mr. Smith has raised one, namely the top management and personnel involvement. We think we have solved - - we hope so at all events - this problem in a satisfactory manner.

The other one, the problem of information, seems more and more complicated as we try to solve it.

Let me first briefly present the planning system we have introduced in *Folksam*. You may find it close to the one *Nationwide* has. It is not a coincidence; the fact is that we have studied *Nationwide's* system very closely. We learnt a good deal from them and we are thankful to them for their openness and generosity.

As Mr. Smith has pointed out, we too, have had some kind of plans all the time. We have had well-defined goals and plans in many areas of activity, even though they were not documented. It was, however, last year that we

organised long range planning in a systematic manner.

During recent years we have felt, like many other companies, that we must prepare ourselves for the future. We realised the need to organise ourselves to meet the changes in our Company's environment. We also believe that long range planning can make all employees work towards a common goal.

Now, to long range planning in *Folksam*. First, I will describe what long range planning is in our Company. We have divided long range planning into five steps:

Present Situation Analysis.
Establishment of goals.
Planning.
Budgeting.
Follow up.

We can compare these five steps with the five basic questions raised by Mr. Smith:

Where are we?
Where do we want to go?
How can we get there?
When do we want to arrive?
How much shall we pay for the trip?

1. In the present situation analysis — or where are we? — we analyse our strengths and weaknesses from several points of view, study the Company environment, especially our competitors, and the developments in the insurance industry. By completing it with a picture of the future, we can identify opportunities and threats that we expect.
2. Establishing the goals — or where do we want to go? — starts on the basis of step one. We have to resolve questions such as: What do we want to achieve? What should be the criteria for success of our products? What rate of growth shall we strive for? What new products and markets shall we enter into? Should some products be dropped? etc. Mr. Smith also pointed out the problem of goal formulation. Often, goals tend to be vague, over-optimistic and unrealistic. The success of planning would depend to what extent the goals can be expressed in concrete forms.
3. Next step is to formulate plans — how shall we achieve the goals or how can we get there and when do we want to arrive? We need to work out strategies; priorities; and programmes. And make documented plans. In order to carry out the plans, the need for measurement raises an important question. How much shall we pay for the trip?
4. The budget specifies what revenue and costs we need to execute the plans. How much shall we invest in the machines and buildings and how much in the employees? What rate of turnover shall we have or do we expect? For a proper allocation of resources, several other measures of effectivity and performance standards are used.
5. Finally, we have the evaluation and follow up.

Now I will describe how we organised the long range planning. Our long range planning cycle starts by making the situation analyses, which is done by the Long Range Planning Group. It is quite a large group representing the key producers of our Company data, for example, actuaries, market-planners,

EDP-staff etc. The work of the group is co-ordinated by the Planning division. The group does not itself produce any data, but it analyses the data and statistical information produced by the line personnel. On the basis of the analyses the group evaluates the Company's strengths and weaknesses, opportunities and threats.

The situation analyses is presented to the Management Council which consists of the management and the six regional managers, in all 13 members. On the basis of the situation analysis, the Management Council formulates Company guidelines and goals. In order to make the goal-setting work effective we have divided the Management Council into four goal-setting groups:

- Property and Liability insurance.
- Life, Accident and Health insurance.
- Marketing.
- Administration.

The members of the Long Range Planning Group also function as secretaries of the goal-setting groups according to their area of work. The role of the Managing Director in goal-setting and planning work is mainly to co-ordinate the goals.

On the basis of Company goals the actual planning work is done. The plans include strategies, programmes etc., to achieve the goals. For this purpose we have constituted four Product Groups at the middle-management level. The plans they make include sales targets; price policy; advertisement; sales-support; training; staffing; claims settlement; administration etc. The product plans are formulated for the four major areas: Automobiles; Fire; Life; and Group Insurances; and include Company activity over the three-year period.

As you may know we had reorganised in 1972, switching over from the traditional line-staff to the matrix organisation. We decided then to carry out as much work as possible through the project groups. The long-range planning model is therefore necessarily based on the project organisation. People are selected from a wide range of activity to form small groups dealing with planning. We have dropped the idea of setting up large centrally placed units which can certainly produce elegant plans, but cannot create contacts with the line personnel. It is, of course, the latter who carry out the plans. Therefore we have a very small planning division as staff service to the Managing Director. A budget division is placed in the Finance and Economy Section and a market-planning division of four people is placed in the Marketing Section. All budgeting work is co-ordinated by the Budget Group.

This is, Mr. Chairman, how we solved the first of the two problems I mentioned in the beginning. We succeeded in involving the top and middle-management and got rid of the "planner". We have involved as many employees as possible in the planning work. In that way we have been able to solve -- we hope so -- another difficult problem which Mr. Smith raised, namely the need to involve major line personnel.

The other problem, which we have not been able to solve, is that of information. We consider that organisation of Company information is the most important dimension of planning. The situation analysis is the result of information collection and processing. It is the basis for formulating Company goals. Naturally, the quality of collected and processed information would determine to a great extent what we want to do. What we have to find out is the system which can break through the icebergs of information

which we have today. What we want is a quick, smooth way of obtaining information for decision making at all levels. We find that our technical capability to administer data is increasing rapidly, thanks to modern computers. But we get disappointed by our inability to get the required information in time. We are more convinced today that success in planning will depend on our success in the information management.

Mr. Chairman, I would like to point out once again that we are still at the beginning of our job of long range planning. If the system has to be successful, the managers and middle-managers have to change their job-designs. This cannot be achieved in a short time. After 2-3 years of experience, we shall perhaps be able to report to you further developments.

Thank you.

CHAIRMAN: Thank you very much Mr. Grahn.

Are there any other speakers who want to talk on this subject?

MR. RATNAM: I am a little puzzled, Mr. Chairman. Mr. Smith has indeed given us a lot of food for thought. He has given us an insight into the intricacies of *Nationwide* through the media of an excellent Paper read before us this morning. But I am wondering whether, with the rapid changes taking place in the world today, we can make any long-term plans. With inflation growing stronger and prediction of recession on the horizon, what is the futurity of long-term planning? Will Mr. Smith kindly comment?

CHAIRMAN: Thank you, Mr. Ratnam. Any other delegate who wishes to speak or to put questions to Mr. Smith?

MR. BLOMQUIST: This is a question, or rather a point I would like to make, which is very similar to the one that was taken up by the previous speaker, and it concerns the traps to be avoided in long-range planning that Mr. Smith mentioned. Among the traps which he mentioned was the failure to develop company goals which are suitable for formulating long-range plans. He also said that two of the major dangers were stating goals that are too broad and too vague; and also that long-range planning begins by establishing objectives and guidelines. He stressed the importance of the top management being involved in the planning process.

Much of this planning that is undertaken today is resting on the principle that you first have to put up the goal and then you make the plans. I think that it is a very important principle and it goes along with much of what has been said here earlier. But I think that there is a danger involved in this principle too, especially when it comes to the role of the management in the planning process. If the main planning job of the top management is seen as developing policy guidelines; goals that can be broken down into partial goals; strategies; plans and programmes; I am afraid that top management will not be fulfilling its main purpose. This model, goal first and then plans, I think is most suitable for problems where all factors are known already; that is problems concerning how we shall increase the internal effectiveness of our Companies.

And if we stress this model too much I think that top management will turn to budgeting activities -- although on a high level you might say. What I think that top management should do is to spend more time in discussing the

necessary norms for action to be taken; they should discuss standards according to which we can assess what we are doing in our efforts on the market; they should take up possible or desirable hypotheses for the development of the Company; and what is very important, they should spend much time on organisational structure that is most suitable for the adjustment that we have to make in a very changing environment. And what is more, I think one of the most important questions that we should spend time on, is to discuss how are we going to integrate the necessary learning and the development in our various functions in our organisations to preserve our fitness to survive in this very much changing world.

What I mean is that top management should not spend so much time on questions like, for example: Shall we increase our market share of automobile insurance by 5% over the next five years? I think instead top management should spend more time on questions like:

What are the prospects of international companies entering our markets when the legislation permits freer movement across borders?

What is the significance of the development of electronic data processing in the field of marketing?

Are we as an organisation flexible enough to meet all the possible situations that will come up in the future?

What is the significance of the consumer regions for our company?

These are the type of questions which I think top management can use to develop strategic guidelines; to develop new ideas for new products and markets; to suggest what kind of organisational changes that we have to make to take into account the problems and the changes in the Society; and also the need for the development of, which is most important, our knowledge and skills. This is one of the points I would like to make, to put a little more emphasis on what is the top management's role. Thank you.

CHAIRMAN: Thank you, Mr. Blomqvist.

Any other speaker?

MR. HARRISON: First, I would like to express my appreciation of the Paper that has been presented by Mr. Smith, particularly on planning. I would, however, like to draw attention to his statement, in which he points out that as funds of *Nationwide* have developed they began to direct some of their resources to needs beyond the field of insurance and acquired or formed several affiliated companies. He points out that in addition *Nationwide* activated an insurance and financial services holding company which has now joined with a West German mail order and department store chain to form *Neckura*, a German property and casualty insurer. Now it seems to me that there may be incompatibility here with the objectives that were stated quite clearly in the Paper of Mr. Back this morning and also in the supporting speech given by Mr. Kularajah. It seems to me that if in fact an insurance company is entering another country, West Germany in this instance, and associating with a private mail order and department store chain, that this is in fact incompatible with a need to establish a strong co-operative sector in the economy. And as a member of the Central Committee of the I.C.A. I would point out our concern with the difficulties now being encountered, particularly by the West German consumer movement, who need, not the intervention of activity in the private sector in West Germany, but in fact support

from it. I would like Mr. Smith's comment on this, which I think is really an inconsistency. Thank you.

CHAIRMAN: Thank you, Mr. Harrison.
Any other speaker?

MR. P. D. JOHNSON: I would like to ask just a few short-range questions.

I was very much in sympathy with Mr. Blomqvist's comments because I think that it is necessary to move from the rather nebulous formulation of the long-term future to something which seems tangible and means something to the managers who are going to have to carry out the policy. As Mr. Ratnam, who referred to the problem of the moment -- inflation -- we get the impression that the long-term future is rushing up towards us very quickly and I imagine that some people have been wondering whether they can afford the luxury of long-range planning at all; and this relates to the problem referred to in Mr. Smith's Paper, that of the choice of the personnel to be engaged in long-range planning.

I think that if it is going to be effective long-range planning has to involve quite a number of people who have had experience of high-level decision taking. And at a time when the rapidly changing environment referred to seems to be foremost in our minds, those people will tend to be needed to cope with it. So perhaps I could formulate specific questions to Mr. Smith: How often has a notice been sent round saying the meeting of the long-range planning committee, which should have been held last month, will start in one hour's time? But perhaps a little more seriously: How frequent are the meetings of these committees? And, as our problems have been getting more difficult lately: Have the meetings become more frequent because the future is assuming more importance, or less frequent because people do not have time to consider long-range planning?

CHAIRMAN: Thank you Mr. Johnson.

Any other speaker? No? Then I now invite Mr. Smith to reply to the various observations and questions which have been put to him.

MR. SMITH: Mr. Chairman, I am going to try to answer most of them. I made copious notes but if I miss one or two, or do not respond, I am sure the questioner will bring it to my attention.

First, I would like to comment on the very fine presentation made by Mr. Kokubo. The record of his Company would indicate that perhaps we should be coming to them for advice on the subject of long-range planning. The record of their growth, the way they have gone about it and some of the successes that they have had in meeting their goals, certainly leave me very envious and I am sure would leave most of the people in our organisation likewise.

The Folksam Group, also, sound like they have a very comprehensive system. There was a mention of information and the possible lack of all the information that was needed in order to do an adequate job. While I skipped lightly over that, I guess I would have to say that I would join with them in saying that we do not have everything we would like either. It is still a problem in our Company, particularly from the outside. Although you know what is the climate in which we are operating, how can we get all of the demographics

and the factors that will affect the future of the Company, and the services they can render?

We hope to make greater use of models in decision making again, although I would have to come back and say that many of our problems are, in this area, similar to those that you outlined. There was a comment made that with all of the uncertainties in the world today and the very rapid changes that are going on, how can we ever get a base on which to do any planning. And maybe, I suppose, the counter to that is "Take it as it comes up and do the best you can with it." If I may say so we recognise likewise that it is difficult -- it's darned difficult! I do not know how successful we are going to be but we are going to give it a good try. We know as it was brought out, that in our shifting times what is an assumption one can make today with some feeling of comfort, six months from now is not so. The whole economic structure and picture upset a number of my colleagues many times in the last year, and I am sure you have seen this too. You used to be able to say: "If this happens you can expect this to follow in six months, or something like that." Well, everything seems to be upside-down now and you get a whole new set of, shall we say, factors that relate and inter-relate to each other in the economic scene. We hope to be able to integrate this but it will take some fancy footwork if we are going to have to stay on top of it, but I think we feel, in fact I know we feel, that we like to anticipate what is going to happen and do the best we can with it; at least perhaps we will be 50% right, I do not know. I did not mean to hold out, if that was the interpretation that came from my Paper, that one can predict everything in advance and that you can make a set of assumptions today that will hold forever. That just is not so; and we will have to live and make do with what we can; make the best assumptions we can. I indicated that we were in the process of revising ours right now, and I expect we will be revising them again as we go along, and we may have to alter our plans and our goals.

Now as regarding top management emphasis, we feel that top management must be involved.

The question, I guess it was presented in sort of a humorous situation but it does present a problem we have had too, of finding time on the part of the top management group to meet regularly. The question was asked: "How many times have we had to postpone the meetings and how frequently have we had our meetings?" From where I sit back at the office I would like to see us have more frequent meetings, and I recognise that that takes more delegation on the part of the senior management that is involved, to move some of the day-to-day operations into the hands of their subordinates -- hopefully to develop them. The top management spends more time on what the factors out ahead are and how the Company should be adapting or laying plans to either capitalise or combat them. Planning may be futile but I like to think that it is really the only answer we have to today's ever-changing situation. I just cannot imagine sitting and waiting and maybe letting it happen. Maybe it is going to happen to you anyhow, but I would like to go at it and see if there was something I could do about it. As I said, maybe we can combat 50% of it, I do not know.

There was a reference made to the affiliated Companies and our joining up with the German mail order house and, if you don't mind, I would like to ask my associate who, over some previous years anyhow, maybe not currently, had a lot of background in this area -- and I am referring to Mr. Don Johnson -- to comment on the reasonableness of *Nationwide's* embarking on

such a programme.

MR. D. E. JOHNSON: Thank you, Mr. Smith, I'll be glad to try.

The move into Germany may have been ill-advised. The enterprise took far longer to develop than we had anticipated and we were forced to make a much, much greater investment than we had expected. At the moment, given all the uncertainties of life in the motor insurance business, it appears to be successful.

Our partners in Germany are the Neckermann Department Store and Mail-Order House. They market a wide range of services and products of good quality at a minimum price. They are good people and good partners.

In this project, we consulted along the way with our friends in the co-operative insurance movement in Germany. And, at one stage, the *Raiffeisen Group* were a prospective third partner in the enterprise.

Certainly without the help of the *Volksfürsorge*, the venture never would have gotten under way at all. Mr. Rittner, many, many thanks to him, helped us with the "green-card" problem. As all of you from Europe are aware I'm sure, without the ability to issue "green-cards" to automobile policyholders, no continental insurer could go.

While I say we may have been initially ill-advised, we do not apologise. Gentlemen, I think every one of us in this room is in bed with private capital every day of our lives in the insurance business. Certainly, by participation in our respective capital markets, e.g., through ownership of industrial bonds, equity shares and, yes, just putting our money in the bank, we furnish our resources to the private sector in many and various ways.

So perhaps from a purist doctrinal standpoint, we're not in line with co-operative principle. Yet you and I know it is a necessity — living in this competitive insurance world — to provide a reasonable yield on investments that will permit us to price our products competitively with our private capitalist competition.

Anything more or other questions? I think that completes my statement.

MR. SMITH: Thank you, Mr. Johnson.

Mr. Chairman. I hope I have covered all the other questions. I did the best I could in making my notes but if I overlooked something or if I did not cover completely any of the points that were made by the several other good questions that were raised, I would be happy to try to comment on them now.

CHAIRMAN: Thank you Mr. Smith. I think you did your best to meet the various remarks and questions which were put. The lively discussion that occurred is a show of how much your Paper has been appreciated.

Does anyone wish to raise any further points with Mr. Smith?

4. Report from the International Co-operative Reinsurance Bureau

CHAIRMAN: Gentlemen. Before proceeding to the next item I would like to inform you that when your Executive Committee met yesterday it unanimously appointed Mr. Peter Johnson as Secretary of the International Co-operative Reinsurance Bureau in place of the late Mr. Harry Knighton. Mr. Johnson is an actuary and the Assistant General Manager of the *Co-operative*

Insurance Society in Manchester. This is his first attendance at one of our conferences and it gives me much pleasure to introduce him to you and ask him to make a few comments on the interim I.C.R.B. Report, which has been circulated to you.

MR. P. D. JOHNSON: Mr. Chairman, Fellow Delegates. I should like to begin my Report, Mr. Chairman, by adding a few remarks of my own to those you have already made about Harry Knighton.

We had been close colleagues, especially in the last two or three years before he died, and although our work together had been mainly concerned with the direct business of the C.I.S., I was already becoming aware of the high regard in which he was held by the co-operative insurers in other countries — an impression amply confirmed by comments which have already been made to me this week. This was in no way surprising to me since he was very popular within the C.I.S. — among all levels of the staff who knew him — and was widely respected in the British insurance industry, in which he played a leading part in several joint ventures. His services to insurance in Manchester were recognised in 1973 when he had the honour of being elected President of the Manchester Insurance Institute — the oldest such institute — in its centenary year.

He and I had different backgrounds; I was an actuary and he was not — or as most of you would no doubt say, he was normal — but his sense of tolerance responded to the challenge of that situation. For countless reasons, I felt a deep personal loss in April this year.

When Harry Knighton was appointed Secretary of the Bureau in 1966 he was following John Nuttall — a vigorous personality, as many of you will know just as well as I do — and it would not surprise me if Harry approached the task with some trepidation. You can imagine how I feel now, faced with the job of following John Nuttall and Harry Knighton. It is encouraging, though, to come to my first I.C.I.F. conference and find such a friendly crowd of people.

Before I became Acting Secretary an important decision had been taken by the Bureau Committee, namely to appoint a Manager to encourage the development of exchanges of business through the Bureau. Several of you will already have met Mr. Briscall, who was appointed earlier this year, and I hope he will be able to meet all of you before this Conference is over.

CHAIRMAN: May I interrupt you just for a second, Mr. Johnson. May I ask Mr. Briscall to stand up so that everyone can have a look at him. Thank you.

MR. P. D. JOHNSON: Mr. Briscall is planning to visit several offices in the coming months, partly to extend his own experience and partly to make further contacts, and I hope — as I know the other members of the Committee do — that he will receive an encouraging response when he comes to call on you.

I shall now turn to the Bureau Report, which is intended to be a review of the activities of the Bureau since the last conference in 1972.

You will see that in the two years since the last report there have been reductions in the number of Bureau Offices and reinsurance contracts, even though there has been an increase in premium income exchanged to £8.6 million.

I mention in the Report two reasons for these reductions -- the nationalisation of Indian insurance business and the merger of A.U. and M.L.U. of Denmark. Other reductions in the number of contracts arose from a review of the Property Quota Share and Surplus Treaties of *Cooperativa de Seguros Multiples of Puerto Rico*, which meant that owing to the high liability involved the business was placed in the market specialising in Central and South American property risks. In Great Britain, statutory changes in the definitions of the classes of insurance business led the C.I.S. to review its reinsurance requirements and, with an increase in retentions, to merge its Fire and Accident Treaties. Also, *Nationwide* decided to cancel one of its Property Excess covers.

Reinsurance arrangements are subject to continuous review to meet the changing reinsurance requirements of Bureau Offices, and we must expect old contracts to be cancelled from time to time. However, with the trend towards larger units of risk -- and here I am not referring to inflation -- there should be an extension of reinsurance needs and therefore plenty of opportunity to replace cancelled contracts by other contracts or by increased shares in existing contracts. Companies also need to review their reinsurance arrangements in the light of the current economic storms -- or perhaps we should say in the darkness of the current economic storms -- with their high rates of inflation and widely fluctuating exchange rates.

As Mr. Knighton pointed out at the last conference, "we do not pretend to be a selling organisation", but we do believe that the Bureau can provide "a medium whereby insurance co-operatives throughout the world can exchange reinsurance on reciprocal terms, thereby retaining reinsurance in the co-operative sector which would otherwise flow to the professional market." The objective of the Bureau is to expand the exchange and business between Bureau Offices, and Mr. Briscall's appointment to which I have already referred, is aimed at achieving that objective.

You will see from the Report that currency fluctuations have had a marked effect on the comparison between 1972 and 1974 in the total premium income, expressed in pounds sterling. In a world of rapid inflation we cannot afford to look complacently at the increase in premium income exchanged over these two years.

The Reinsurance Officials of Bureau Offices, at their recent very successful meeting in Vienna, spent the whole of one morning discussing the effect of currency fluctuations and inflation on reinsurance. They agreed that insurance and reinsurance companies should do their utmost to reduce the time-lags that occur in the submission of accounts, remittance of balances and settlement of claims, and thereby avoid the distortions that would otherwise result. It was also suggested that direct insurers should make greater efforts to achieve increases in sums insured.

The meeting of Reinsurance Officials was held at the Head Office of *Wiener Städtische* who acted as hosts for the fifth meeting. I have recorded the Committee's appreciation for the efforts of Mr. Binder and his colleagues, Mr. Kropfl, Mr. Hofman, Miss Vorsilak and many others who made the meeting a memorable one for those attending. Our thanks also go to Mr. Knut Lindberg who acted as Chairman for the full meeting.

There were 30 representatives at the meeting, the highest number of participants at any of these meetings held so far. The subjects discussed, in addition to those I have already mentioned, ranged from reinsurance of earth-

quakes and natural catastrophies to methods of evaluating reinsurance offers; and from the effects of No-fault legislation in motor insurance on reinsurance cover to the possibilities of setting up an Underwriting Pool of European Bureau Offices. Ten technical Papers were prepared for the meeting and participants introduced numerous supplementary Papers to present their own views, including details of each Company's reinsurance programme.

One of the items discussed was the Fire Facultative Facility. As you will see from the Report this Facility is an agreement between 16 Bureau Offices to provide cover up to a maximum capacity of currently nearly £300,000 for fire facultative risks ceded by Bureau Offices which have been accepted as Ceding Participants. The Facility was conceived at a time -- in 1969 -- when there was a lack of reinsurance capacity in world markets as a result of increases in sums insured and poor results in fire business. It was intended as a means of providing Bureau Offices with facilities which they had difficulty in obtaining in their own markets, and to enable some offices to write a larger share of first-class co-operative business. The development of greater capacity in the market has meant that the number of cessions to the Facility has not been as high as was originally expected. Nevertheless, as you will see, there were 254 cessions in force in March 1974, with a premium income in 1973 of over £31,000.

Following the discussions in Vienna more offices have now expressed an interest in participating in the Facility, either as a Reinsurer or as a Ceding Participant, and a full-scale review of the agreement as from 1st January next year is being undertaken to put this into effect. One important change being made to the Facility is to allow the Ceding Participant to cede up to seven times its own retention, subject to the maximum of the Facility. At the moment this is also restricted by the amount the Ceding Participant accepts as a Reinsuring Participant. This change will enable offices to cede larger amounts within the capacity provided and it is hoped that many more offices will now participate in this Facility.

Finally, I would like to end by posing the same question that Mr. Knighton posed in his report to your last conference: "Is the Bureau offering the type of service that the Members need?" The Bureau Secretariat exists to assist Bureau Offices in exchanging reinsurance business, and to give advice and assistance on various reinsurance matters. I hope that Bureau Offices will write to me if they feel that the Bureau should be capable of doing more -- especially if they are prepared to make suggestions as to how this might be achieved.

CHAIRMAN: Thank you, Mr. Johnson. Gentlemen. As I said this morning, this is not an administrative conference -- you are not asked to accept or to reject a report -- but if any of you have any questions to put on that Report, Mr. Johnson would be very pleased to answer them.

Are there any questions?

5. Report from the Insurance Development Bureau

CHAIRMAN: We will go on to the next item which is the I.D.B. Interim Report. This was to have been presented by Mr. Back but in his absence the Assistant Secretary of the I.D.B., Mr. Dahlberg, will present the Report.

MR. DAHLBERG: Mr. Chairman, Fellow Delegates. This morning we discussed the role of a co-operative insurance society in the developing countries. It was then pointed out that the contribution which insurance can make to their development process is not always fully appreciated. Most governments ignore the true potential of co-operatives. There is, however, an accelerating interest for starting co-operative insurance operations in developing countries. The functions of the I.D.B. are to co-ordinate the assistance activities of this Federation and actively work for the promotion of new ventures in these countries.

As of today the I.D.B. has the following members:

Mr. Klas Back, *Folksam*, — Chairman and Secretary

Mr. Otto Binder, *Wiener Städtische*, Austria

Mr. W. E. Fitzpatrick, *Nationwide*, U.S.A.

Mr. Teunis Haalboom, *C.I.A.G.*, Canada

Mr. Kjell Holler, *Samvirke*, Norway

Mr. S. Kokubo, *Zenkoyoren*, Japan

Dr. Gerhard Schubert, *Raiffeisen*, West Germany

Mr. Robert Vanderbeek, *League Life*, U.S.A.

Since the Warsaw Conference in 1972 the group has held two regular meetings; last year in Wiesbaden, West Germany and two days ago here in Tokyo.

As to co-operative insurance development in different parts of the world, most of the newly-started operations are to be found in Latin America, which is largely due to the vigorous work and contribution made by the North American Member Societies. In most Latin American countries and organisations with which we are working, co-operative insurance operations are experiencing a steady growth in premium volume, new products and, in general, favourable loss ratios. All countries in Latin America are going through an inflationary process which, to some extent, is affecting expense ratios. It may also be reported that in all cases the co-operative insurance organisations are actively looking for the implementation of new plans and prospecting new markets.

Most of the insurance co-operatives started with credit union insurance and are now establishing relationships with other types of co-operatives. The countries with which we are concerned in Latin America are: Bolivia, Chile, Columbia, Ecuador, Guatemala, Nicaragua, Peru and Venezuela. The major contributory factor to why we can continue to expect a favourable development in Latin America is that of Mr. Alfredo Lanza. As an I.C.A./I.C.I.F. Regional expert on co-operative insurance, starting in January, 1974, he is keeping continuous contact with the various co-operative insurance programmes. His work is co-ordinated by Mr. Vanderbeek. The costs of his upkeep and travel are met equally by this Federation, *League Life* and *Cuna Mutual*.

With regard to Africa, I.D.B. is maintaining close contact with the co-operative movement in a number of countries. In Kenya and Uganda there have been very successful co-operative insurance agencies. It can now be reported that there are advanced plans for starting insurance societies in Kenya and Uganda as well as in Ghana and Nigeria. The drafting of by-laws has been completed and applications for registration have been filed with the authorities. Once a co-operative insurance society, in one or all of these countries just mentioned, gets its operations started it will serve as an impor-

tant example for other African countries. And, hopefully, we may soon have as favourable developments in this part of the world as in Latin America. The I.D.B. is working hard to place an expert on co-operative insurance with the I.C.A. Office for East and Central Africa. Such an expert can regularly visit the movements and provide the services required so that a more speedy development can be seen. We had reached quite far with these plans, but had to face a setback in the realisation. After having reviewed the matter at the recent I.D.B. meeting here in Tokyo a satisfactory solution is expected.

In Asia, I.D.B. and I.C.I.F. members keep close contact with the co-operative movements in Indonesia, Sri Lanka, Thailand, Taiwan and the Philippines. At its recent meeting I.D.B. expressed its appreciation of the work carried out by Mr. Kularajah and his colleagues at M.C.I.S. in assisting our co-operative friends in the Philippines to get their co-operative insurance society off the ground. A feasibility study has been conducted in Sri Lanka.

For this development work it is important to establish contact with government aid agencies as they can serve as possible funding sources. Though the Executive Committee is very sympathetic to this work we, of course, want to utilise, if possible, other funding sources. Also the U.N. family has to be approached, especially UNCTAD, which is the specialised United Nations Agency dealing with insurance. Therefore, the I.D.B. Secretariat has produced a document entitled "Document on I.D.B. and UNCTAD Collaboration", which is intended to serve as the base for a widened dialogue.

I.D.B. was consequently represented as an Observer at the Sixth Session of the UNCTAD Committee on Invisibles and Financing related to Trade held in Geneva in July, 1973. I.D.B. representation at selected international conferences is considered important. Dr. Schubert thus participated at the "Third African Insurance Conference" held in Yaounde, Cameroon in June this year, and the Assistant Secretary participated at the Third International Conference on Co-operative Thrift and Credit in London in June this year.

It should also be reported that I.D.B. organised a seminar on engineering insurance which was held in Munich in March, 1973 to which I.C.I.F. non-Life Member Societies were invited to send delegates. Some 25 delegates from 13 countries took part. As this was a technical seminar, collaboration was sought from *Munich Re* which provided a great number of highly competent technicians as lecturers.

Allow me to wind up this Report, Mr. Chairman, by underlining one of the problems with which we are faced. The requests for technical assistance are accelerating and our responses must keep pace. One of the key issues is to find the right type of person to undertake expert assignments in developing countries. The best source for recruiting experts is I.C.I.F. Member Societies.

We have learnt from experience that the acceptability of the expert to the movement and his ability to obtain the cooperation of the government and the various co-operatives to endorse and promote the establishment and development for co-operative insurance, may be even more important than his insurance technical skills. However, we will continue to need the full cooperation of the I.C.I.F. Member Societies in providing the technical skills by way of experts.

You might ask: "Why sacrifice the services of a key actuary, underwriter, claims manager or administrative department head for three months, a year or two years?" Besides the rather general arguments about helping strengthen the world-wide co-operative movement and about our moral

obligations to give assistance, a good case can be made for such a "sacrifice" being in the Member Society's own interests. Assignment as an expert to a developing country or region means exposure to high-level management tasks in concentrated form. One is often assumed to be "expert" in all insurance matters, particularly about all insurance practices in one's home land. Great demands are made on the individual's ability to adapt to new customs and circumstances, as well as his capacity to work harmoniously with all types of people. He must be able to both manage and teach; he should be able to negotiate with government departments; and communicate with agricultural co-operative leaders. A period in a developing country can give one both a reinforced commitment to the co-operative movement and a new perspective on insurance and its role in social and economic development.

Those who often seem hardest to spare — the relatively young still advancing mid-management people — are also the ones who can benefit most from such an experience, helping others overseas. The "Management School" described here can be just the preparation needed for assumption of even greater responsibilities back home.

With this request for your co-operation I will end the I.D.B. Report to this Conference.

CHAIRMAN: Thank you, Mr. Dahlberg. Gentlemen. Here again, because it is not an administrative meeting you have not to accept or reject the Report, but naturally all questions will be welcome. As we still have some time may I invite those who are interested in this programme of helping the developing countries to start to establish their own insurance society to ask any questions or make suggestions? No questions?

Well, Gentlemen, I thank again Mr. Dahlberg and Mr. Johnson for their two excellent Reports. This will conclude our first day's meeting, which I think we are all agreed has been most interesting. We shall adjourn until Friday morning.

The meeting was adjourned at 17.30 hours.

SESSION OF 11th OCTOBER, 1974

The second session of the Conference opened in the Grand Conference Hall, Zenkyoren Building, Tokyo, at 0900 hours.

Mr. R. Lemaire in the Chair.

6. FILM: "Just in Time"

CHAIRMAN: Good morning, Gentlemen. For a change we open the session not with someone talking to us, but with an interesting film on a subject which those of you who were at the 1969 Conference will remember was an item we discussed then before it had become an international problem as it is today, namely, pollution of the environment. Before we see the film, however, I would like Mr. Lindberg to say a few words of introduction. Mr. Lindberg.

MR. LINDBERG: Mr. Chairman, Delegates. The picture or the film, which has a running time of 20 minutes, which we are going to see now is a part of the *Folksam* campaign and "Environmental Protection Law" which was launched to create and enlighten wide public opinion of the continued destruction of our environment. The campaign was aimed at stimulating a debate on the interplay between Governments, organisations and industries and people living in various residential areas. By providing relevant information on environmental problems the campaign intended to activate people to contribute to the improvement of their living environment. The organisation of the campaign was made by the *Folksam* Social Council — and it was carried through during the years 1973/74; Members of the Social Council of the National Co-operative Organisation; and the National Trade Union Movement. The campaign was mainly directed towards these organisations but also other groups participated in the campaign activities. The campaign activities comprised meetings and discussions; local investigations into environmental questions; and study projects. There were meetings at which the participants discussed environmental problems within a particular area and action plans for environmental work were prepared. The material used in this connection comprised information leaflets; the film we are going to see, "Just in Time"; and special reading material. There were some local investigations taking place concerning external environment; living and nature environment and working environment. A special study course has been worked out by the educational organisations involved in the campaign as well as study material for schools adopted to different levels. It is not possible to achieve any changes or improvement of the environment through discussions and investigations only. The outcome of the environmental work is therefore to be known publicly. As a winding up the people engaged in the campaign activities were advised to arrange public meetings to which local politicians and industrial leaders were invited. At these meetings the groups, on the basis of their findings, could try to interest the politicians and industrial leaders to undertake certain measures for environmental protection.

CHAIRMAN: Thank you, Mr. Lindberg.

FILM: "Just in Time"

CHAIRMAN: I think, Gentlemen, that you must have been impressed by the seriousness of the question as shown in that film, produced as you will have seen by one of our member societies, *Folksam*, Sweden. I would like to say that in Belgium we are preparing a French version of that film and possibly a

Dutch one. Of course, whenever we have finished it we will put one at the disposal of our Canadian friends from Quebec and eventually to our Dutch friends from "*De Centrale*".

7. Environmental problems in Japan

CHAIRMAN: Now this problem of pollution is really international and I now call on Mr. Nakazawa to present his Paper on "Environmental problems in Japan".

MR. NAKAZAWA: The film that we have just seen has presented us with very relevant suggestions with regard to the environmental problems in the world today, as our Chairman has just commented. At this point I would like, if I am permitted, to make a few comments on the environmental problems in Japan. It is my privilege to appear before you at this International Conference of Co-operative Insurers to deliver a short report to all of you, the representatives of co-operative insurers around the world, on environmental problems in Japan. And yet, in a sense, it is not so much of a privilege to be able to speak on the environment in Japan, for I am afraid we must admit it is in a rather disgraceful condition right now. It saddens me that in the course of this environmental pollution report I will have to touch upon the cruel injuries that have been inflicted upon some people. But in the hope that Japan's experience may be of some value to you I feel I must speak to you of the true facts here.

The global recognition and understanding of man's environmental problems came into sharp focus at the U.N. Conference on the Human Environment held in Stockholm in June, 1972. At that Conference common opinions and principles were adopted in a declaration for the purpose of promoting environmental preservation. With the announcement of this declaration we may say that environmental destruction began to be considered as the common problem of the world.

Both the natural and the man-made environments are of fundamental importance to man's existence and his well-being. Today, through accelerated development of science and technology and expansion in productive power, our capability to maintain the living environment on a very high standard and to improve it, has been guaranteed. And yet while this capability is a gift acquired in the course of man's unrelenting efforts, if it is applied imprudently, thoughtlessly or ignorantly it can do incalculable harm not only to those of us existing today, but also to our descendants in the generations to come.

In my presentation I would like to give you a rough sketch of how Japan, which in the past has been praised by people around the world and which has been the pride of the Japanese people themselves for the abundant and beautiful natural surroundings it has been endowed with, has through needless and inconsiderate pursuit of economic growth as its supreme goal, caused the air, the rivers and the seas to become polluted. The result is that a considerable number of people have been subjected to suffering, and social costs and friction have been augmented.

While it is true that the sustained expansion of Japan's economy, which has drawn the attention of the world for a dozen years or so, has substantially increased income and living standards across the whole nation, on the negative side it has also invited serious environmental contamination. In

particular, this pollution which emerged in correspondence to the high tempo of economic growth over the years following World War II, led by transformation of the industrial structure towards the heavy and chemical industries, appeared in the socially shocking guise of "pollution diseases" such as the Minamata disease or the so-called "Itai-itai" or "Ouch-ouch" disease and Yokkaichi asthma, with serious impact on the health and life of human beings. It was extremely unfortunate that aggravating environmental problems began affecting human life and consequently became the centre of social concern as well as urgent items on the political calendar.

As early as 1955 people became aware in certain regions of the deteriorating situation of the human environment that was accompanying the structural shift towards the heavy and chemical industries, but this awareness was restricted to only a part of the intellectual leaders and local government, while the society as a whole remained ignorant of the import of the problem. The sensitive reaction that the populace had shown to the dangers of radioactive contamination was, sad to say, not reflected by their attitudes toward the impending threat to the environment.

Shortly thereafter, in 1956, an illness known as the Minamata disease began to emerge into the public limelight. This Minamata disease is a typical example of illness caused by contaminated water, and it first turned up among fishermen's families living in the vicinity of Minamata Bay in Kyushu area. A chemical factory in Minamata City was using inorganic mercury as a catalyst, and some of it was converted by reaction into organic mercury and was discharged into the sea in plant effluent. The disease was brought home to men when fishermen consumed contaminated fish and shellfish in which the mercury had accumulated in high concentrations.

As organic mercury accumulates in the human body, gradually the central nervous system becomes impaired, causing paralysis of the limbs, speech impediments and defective vision and hearing, and at times ending with disablement or even death of the victim. Similar cases of illness and death due to mercury poisoning turned up also along the Agano River system of Niigata Prefecture. And in 1961 the existence of foetal Minamata disease was officially recognised.

The "Itai-itai" disease is caused when cadmium, which was discharged from mines during zinc refining operations, accumulates in the human body. Cadmium attacks bones and makes them susceptible to fracture, and because of the intense pain sufferers are subjected to before death, the disease took the name after their cries of agony of "Itai-itai" or "It hurts, it hurts".

The Yokkaichi asthma is a representative example of a pollution disease brought about by contamination of the air. Emission of sulphur dioxide by a gigantic petro-chemical complex in Yokkaichi City, in Mie Prefecture, was causing air pollution, and the result was grave injury to human health. The disease is a cruel one which causes pain to the eyes of the victim compounded by severe difficulty in breathing both during the day and at night, and after suffering that lasted for some days, or in extreme cases several months, some of the patients were led to commit suicide.

Moreover the polluted effluent discharged from the same industrial complex also led to contamination of the water of Ise Bay, and high-grade fishery products which had been available in abundance became infested with foul odours so that their commercial sale became impossible. I myself, while in the area, made an attempt at eating such foul-smelling fish and I would like to report that in the end not only was I unable to get the fish down, but I couldn't

even chew it due to the foul odour and taste they had left in the mouth.

It goes without saying that such terrible conditions as in these few examples are not to be found everywhere in Japan. Moreover, if such dangerous conditions are left untreated it is to be feared that they will spread even further outward. Factors producing environmental pollution are inherent in industrial development in all countries and all regions. Especially in the case of Japan the tempo of development was exceedingly rapid and it was characterised by a dominant role for industries easily giving rise to pollution such as chemical, iron and steel, electric power, gas, and papers and pulp industries.

Apart from such industrial factors, the degree of pollution was further aggravated by the long lag in the development of such facilities relating to the living environment and sewage systems and waste treatment plants. The result of such prolonged disregard of the polluting process was destruction of the environment so serious that no end can be seen to the programmes necessary to restore the Seto Inland Sea, which once was a region of unparalleled beauty endowed by verdant islands, to its original condition.

In the light of such bitter experiences of environmental destruction as have been outlined, it is not without reason that the present deep self-reflection developed throughout Japanese society. Those who sought the basic cause of pollution in the manner of economic development could be heard to ask in growing numbers in both the social and political arenas: "Economic growth for whose benefit?", and "Economic growth for what purpose?"

The spreading areas affected by pollution and its increasing gravity led both direct sufferers and local people desiring environmental protection to spur local government into action. Hence, even before the Central Government had stepped in with its own pollution control programmes, local governments had begun instituting controls, and this in turn influenced the direction of the Central Government's policy. The ultimate achievement of such activity on the local level was to make it now impossible, without the consent of the concerned citizens, to install new plants or to undertake other developmental projects suspected of giving rise to pollution.

Subsequent to the legal proceedings instituted against the companies suspected of causing the "Itai-itai" disease by victims of the disease in 1967, the victims of Minamata disease and Yokkaichi asthma also took on the concerned companies as their legal adversaries, and thus the problem of enterprise responsibility came to the fore. Up to that point the companies had held that until scientific proof was presented establishing a direct causal relationship between injury and effluent released from the plant, they as companies were not to be held responsible. For a long time this question was held in abeyance, with no authoritative ruling on the delimitations of responsibility. Finally, in the period between 1971 and 1973, judgment on the appeals by the victims were handed down. The decisions were in favour of the plaintiffs, making clear the obligation of industry to protect the environment and to bear responsibility for illegal activity and also exposing the negligence shown by the government.

The import and influence of these decisions have been extremely significant. The effects have decisively coloured the line of social thought concerning environmental problems and have given direction to political attitudes and administrative policies.

The interval up to the decisions was one of strong discord, tension and sharp anguish in the various social and political relations prevailing between victims and companies, local citizens and governments and public opinion and the Central Government and so forth, during which all of Japan eventually came to be directly concerned with the problem of environmental pollution. The extraordinary session of the Diet convened in 1970, known as the "Pollution Diet", represents one concentrated manifestation of this concern. In the course of the session, legal systems were rapidly consolidated for environmental pollution control, environmental conservation, relief for the victims, and the responsibilities of the polluters.

To give some picture of the measures enacted, one provision clarified the obligation of entrepreneurs to bear all or part of the costs incurred in pollution control works initiated by the Central Government or local governments. Another system established was for the collection of a pollution assessment from plants and various establishments. The money is to be used as one of the revenue sources for the compensation to designated patients under a system for assistance in the event of pollution-related health injury. Further, a system of absolute liability was established to cover air and water pollution so that whenever substances discharged in the course of plant operations render injury to human body or life, the responsibility for providing indemnity to the victims lies with the polluter.

Nor does the scope of application of the legal systems stop only with air and water pollution. Controls have been set up for a broad range of subjects including marine pollution; noise; vibrations; ground subsidence; offensive odours; soil contamination; and food additives. The degree of strictness provided in the various regulations and standards is said to be among the toughest in the world.

Let me address a few comments at this point to the topic of social contamination, particularly as caused by agricultural chemicals, from the viewpoint of agricultural co-operative societies. As of 1966 a ban was put on the use of mercury-base agricultural chemicals as a counter-measure to soil contamination, and at present additional control measures have also been devised by the establishment of residual tolerance limits in farm crops. For many years those of us in organisations of agricultural co-operatives throughout the nation have undertaken surveys and research on environmental pollution in rural villages from the use of agricultural chemicals, residual levels in farm crops, and other subjects, with these activities centering on the Federation of Agricultural Co-operatives for Welfare, which is an organisation directly involved in medical activities. The results of our studies contributed to the realisation of controls and other measures. The subject of influence on the human body of residual agricultural chemicals is one on which utmost efforts are being continued through surveys and research.

I would like to conclude my talk with the following remarks. As the latest volume of Japan's "White Paper" on the environment makes clear, environmental pollution, while showing signs of improvement on a localised or phenomenal level, is nevertheless on the whole continuing to aggravate and spread. It is not hard to understand that without taking steps to curb mechanisms which easily lead to pollution, the present pollution can only keep on becoming more virulent.

The position in which Japanese society finds itself with respect to environmental preservation is one abounding in critical problems which

presage a turning point in economic and social terms. To eradicate existing pollution and to prevent new pollution before it can develop will require, it seems, nothing short of a retransformation of the industrial structure. What is called for here is the introduction of technological assessment in regional development planning, the bearing of heavy expenses and the development of new fields of high-level technology. Not infrequently are difficulties encountered of a nature which cannot be overcome by existing technology or conventional ways of socio-economic thought.

The environmental preservation problems that Japanese society is presently grappling with, which are of a thorniness and complexity heretofore unexperienced by other countries, are being challenged by efforts to establish technological, economic and social problem-solving methods. But after all, problems that we have created we also must resolve and if this can be achieved I believe that Japan can make a contribution of its own to the world as a whole.

To close my presentation, let me quote a section from the "Declaration of the Environment":

"To achieve this environmental goal, of defending and improving the human environment for present and future generations, we demand the acceptance of responsibility by citizens and communities and by enterprises and institutions at every level, all sharing equitably in common efforts. Individuals in all walks of life as well as organisations in many fields, by their values and some of the actions, will shape the world environment of the future."

Thank you very much for your kind attention.

CHAIRMAN: Thank you Mr. Nakazawa for the remarkable way you presented this problem as it affects your country. Now I have several speakers who want to say something about this internationally grave problem and I will call as first speaker Mr. Don Johnson.

MR. D. E. JOHNSON: Mr. Chairman, Dear Friends. It is a great pleasure to me to be able to take part in this programme; to make a modest contribution on this very very important subject. I am sure that Mr. Nakazawa's Paper on "Environmental problems in Japan" is of great interest to us all.

You will pardon a personal reference but during the early '50s, as many of you will know, I lived here in Japan. I was and still am very much impressed with the great beauty of these islands which matches the kindness and the hospitality of her people. I, too, share the concern of the Japanese people to preserve this great natural beauty. Amatarasu, the goddess mother of the Japanese people, made no mistake in her descent from the heavens to find paradise upon earth. It must be preserved for not only for the now generation but for future generations as well. I am gratified that active measures are being taken by the Japanese people, from the household level through the national level, in an attempt to clean up the accumulated pollution, to restore as far as it is possible to do so what has already been destroyed and more important, to try to avoid future pollution.

We must pay tribute also to our Scandinavian friends. The leadership that the Swedish people have taken on this subject is truly outstanding. You will recall that our dear friend the late Seved Apelqvist, was an early leader. In 1969 he published a paper entitled "Pollution of the Environment and its Consequences." Mr. Back presented to the I.C.I.F. Executive in 1970 a Paper

on pollution which outlined a plan of action that individual insurance co-operatives might take under consideration. *Folksam's* nationwide campaign, "Environment Protection Now", activating people towards taking a daily positive role in this battle, has had far reaching results. It has caused people to feel their personal individual responsibility toward environmental protection and to involve them in the work of improving their own living and working environment. And of course we have all just seen this wonderful film "Just in Time" which is an excellent presentation of an important issue. I have been told that *Samvirke* of Norway has involved itself in a campaign similar to *Folksam's*. Such efforts as these are to be highly commended.

As it has been said this morning, pollution of the environment is not a local problem. It is world wide, affecting both the affluent and the lesser developed nations. The current world wide emphasis on environmental protection presents severe planning problems for all organisations. A major uncertainty is the question of standards, which may vary from country to country, region to region, from city to city. Technology designed to handle specific abatement levels may be obsolete before it is even operational. More national and international effort must be applied to establish the need for environmental controls, the standards to be applied and the development of new technology.

It is not surprising I am sure to you that the United States has had its share of these problems, in spite of our relatively large size as a country and in spite of all modern scientific and technological progress. The objective of a search to control or reduce pollution is to restore our land, air and water environments to the maximum quality levels that are technically and economically feasible to a modern industrial society. To achieve this we must gain a better understanding of our complex environment and how it can best be managed through existing or new social institutions. To sustain the most desirable balance of productivity within the environment requires the understanding and uses of ecological precepts at all levels of society. There is a growing awareness on the part of our public that our natural resources are not without limit and that their use and management requires a mixture of complex and interacting social economic and technological activities.

In the United States the demand of the environmental conservation movement upon society and government as a whole was that no major project should be undertaken without analysis of its affect upon clean air, clean water, clean beaches, clean people, clean cities, etc. and suitable modification of design, structure and operations. Much of this demand has been translated into law with the Federal Department for Environmental Protection being organised and the requirement that each of the individual states of the union form its own E.P.A. "Environment Impact Statements" are the rule in all major projects. In practical terms each company has to submit an "Ecological Impact Statement" before it receives a licence or public approval by planning commissions on major projects. Many of our large industrial corporations have now appointed professional ecologists as senior officers. Within insurance company investment departments, only a handful of major companies have taken a similar step. There is much dependence upon the users or borrowers of capital to secure their own ecological clearances. Nevertheless the legal as well as the public relations aspects of environmental factors have forced insurance investment management to give their attention on every major investment, and, in some companies, it has become a formal step in the procedure for investment approval.

Last winter's energy crisis, and the public, social and economic consequences which derived from that problem, was so much on everyone's mind that little else was accorded much attention at the time. As a matter of fact, the environmentalists among us were in part being given the blame for the energy crisis, that is, for example, blocking the Alaskan oil field and pipeline, reduction of gasoline mileage by exhaust emission controls etc. As in all things, balance is needed without losing sight of the ultimate goal. But where do you find balance between the needs of the people who grow economically and their need to maintain this planet on which we all dwell. For example, some of the questions:

With the oil shortage our efforts were set back; the growing use of coal is on the horizon as a substitute for oil - How do we handle the pollution that comes naturally with the use of coal?

The resistance of people to continue to pay additional money for pollution control devices on their cars which cut back gasoline mileage - How do we handle that problem?

The inability of an electric utility company to obtain from a locality the permission to build a needed additional power plant in the area.

What do you say to 2,500 men and their families who are thrown out of work by the only employer in the community because the company is polluting the water?

All these difficult factors place a burden on each of us to determine how to do a better job for all people.

Environmentalism is on the defensive. We must go on the offensive and re-double our efforts. The commonality of all humans -- that community of interest each with all others --- has become more and more apparent to the human race. Perhaps that is one of the immediate, as well as long-range, benefits of the current emphasis on ecology. With their concept of "Space-ship Earth" and all of us --- all 3 billion of us -- as passengers and sharing a common fate, perhaps the ecologist can put across the point that each of us must start now, individually and collectively, to do all that is possible to protect this "One World" of ours.

It is of vital importance that each of us develop new ways, new attitudes, of looking at things and valuing things. We must view our actions in a long-term time frame and measure the costs and benefits of our decisions and actions. Progress may not be as quick as we would like it to be, but having decided to do the job, if we bring the human concern that is very normal to co-operators and the same skillful service, we can make the greatest contribution to our "One World Society" --- that is, to create a good living environment for all mankind.

In closing I would like to quote James Fenimore Cooper, an American novelist of the 19th Century:

"The air, the water, the ground are free gifts to man and no-one has the powers to portion them out in parcels. Man must drink and breathe and walk and therefore each man has a right to his own share of each."

And then I'd like to close with a very dirty story. It seems that a barge, loaded with 264,000 quarts of Scotch whisky, tipped over in the Detroit river last fall and dumped its cargo. By a miracle of all miracles, the bottles were recovered unbroken and apparently intact. But the Food and Drug Administration ruled that anything plucked out of the Detroit river is con-

taminated and must be destroyed. So the entire shipment was hauled away, smashed by a bulldozer and buried under a load of trash. Which only goes to show that water pollution is far more serious than we ever could have imagined!

CHAIRMAN: Thank you very much Mr. Johnson for your interesting comments which show that you have the same problem in the United States as we have in other parts of the world. As *Folksam* have been one of the world's pioneers in the fight against pollution Mr. Blomqvist did have something of interest to tell us. Unfortunately Mr. Blomqvist is ill and cannot be with us this morning, so Mr. Dahlberg will speak for him.

MR. DAHLBERG: Mr. Chairman, fellow delegates. I will read what Mr. Blomqvist had written and which he very much wanted to say himself. He was very much looking forward to take part in the discussion on this subject.

Mr. Nakazawa has given us a candid report on the environmental problems in Japan. I am sure we all appreciate his excellent survey of the problems and the deep feelings of concern behind his report.

I would like to take up three aspects on environmental problems. The first aspect is limited in scope but most interesting to us at this Conference. It is the direct significance of environmental pollution for the insurance industries. Lately there has been a lot of discussion on this question among insurers and reinsurers, and for your information the *Munich Re* have produced a most interesting and comprehensive document on it which I would recommend. In Hamburg in 1969 at the I.C.I.F. Conference, as has been pointed out, Mr. Apelqvist took part in a discussion and he pointed out then that the economic consideration of the consequences of pollution often are ignored because the cost is usually paid for by others than those who are responsible for causing it. The cost might fall on the third party liability insurance company, which is on the side of the polluter, or on the personal accident and property insurance company, which is on the side of the victims of the pollution. To deal with this problem we must resist the granting of cover that will encourage the Insured to avoid taking proper preventative measures.

This can only be done if we clearly recognise that we, as insurers and reinsurers, are involved in the pollution problems. Therefore, we must co-operate in seeking a solution with governments, with science, with Industries and with all concerned with environmental protection. However, in this area, I think as co-operative insurance companies we can do little on our own: the best we can do is to support the establishment of an international technical bureau concerned with the risk of pollution. We should also support the establishment of clear and widespread legal definition of the public liability for environmental damage.

The second aspect I would like to take up is mentioned by Mr. Nakazawa in connection with the Minamata disease. He points out that society as a rule was ignorant of the importance of the problems following the structural shift toward heavy and chemical industries. It is in this area of information that I think we can do most. As many of you know, *Folksam* conducted a campaign in Sweden called "Fight the Destruction of the Environment" in 1968 and 1969. The objective of the campaign was to create an enlightened and wide-spread opinion in favour of actions and decisions in order to prevent further destruction of our environment. About half a million people were engaged in this campaign. They studied their respective local municipalities

from the environmental point of view. After that, local public hearings were arranged where leaders of business and industry, politicians and representatives of the local authorities were questioned about what actions they were planning within the local municipality area. These hearings raised great interest. In January 1970 the campaign ended with a special youth parliament on environmental pollution. This parliament marked the inauguration of the European nature conservation here in Sweden. After the U.N. Conference in Stockholm in 1972 we started a new campaign to follow up the United Nation's recommendation to create the necessary awareness of the environmental problems that every individual should have. The whole Swedish population is our target in the campaign. Through mass media, organisation, various groups and schools, we reach the majority of the population. The study material that is used is very fundamental and concerns ecological needs; conflicts between the requirements of the environment and economy; international competition etc. Special consideration is given to working environment. The activities during the campaign include seminars; conferences; studies of local pollution problems; debates; courses; hearings etc. This is not the only activity we have undertaken in this area. At a U.N. conference *Folksam* devoted a special edition of its magazine, in English, to environmental questions and perhaps by now you have seen it, we have circulated it widely. In the Paper a report on Dr. Landin's trip to east Asia was published. And here in 1958 was one campaign that took up environmental questions. *Folksam* has long granted funds for the purpose of research in the fields of health and environment such as the problems of noise and toxic agents at working places as well as air and water pollution. In the year before Rachel Carson published "Silent Springs", that was 1962, *Folksam* decided to let the yearly revenue of approximately 1 million dollars be at the disposal of scientific research regarding noise, radiation risks and water and air pollution. *Folksam* has also taken the initiative in demonstrating the great risk for oil damage associated with the hundreds of thousands of underground tanks installed during the 1950s which had corroded and began to leak. Why does *Folksam* do all this? Besides their obvious economic reasons behind *Folksam's* loss prevention measures and our general ethical obligation to be concerned, there are some specific reasons why we want to protect the consumers interest of society at large. The basis for *Folksam's* interest in research, questions of health and loss prevention activities is the understanding that policyholders' interests can be served best if losses could be prevented from occurring. The insurance industry should not alone be a clerical institution for receiving premiums and paying out compensation. The measures taken by *Folksam* in the field of health services are mainly directed towards starting an activity rather than continuously conducting such an activity. Being an insurance company, *Folksam* has access to a lot of important information within different social fields. Generally it has advantages for *Folksam* to undertake health promoting measures because of its large number of policyholders. A strong motive, which to a large extent justifies *Folksam's* grant for loss prevention activities to be used in information campaigns, is that scientific achievements shall be known by the public at large so that conditions are created to realise this achievement in practical use. An important question is of course the organisation of these campaigns to spread information, to open up discussion, and to create opinion for improved environment. A special secretariat has been established in the Company to handle loss prevention and health promoting activities. The major part of the work is con-

ducted through collaboration with different organisations, companies and public authorities. The main research contact organisations in this work are *Folksam* Social Council and *Folksam* Scientific Council, which comprise scientists and researchers and representatives from different popular movements. The success of the large campaigns has decidedly been due to the support and involvement of the Trade Unions; personnel organisations; different educational institutions; public authorities; and individual persons. *Folksam* also has its own publication series. In this series a number of papers are published, such as on health, of an informative character; reports of various research studies; and surveys which may have interest for public in general and for the insurance profession. The third aspect I would like to take up concerns the sad conclusion of Mr. Nakazawa's report that environmental pollution in Japan is, on the whole, continuing to aggravate and spread. To eradicate pollution will, according to Mr. Nakazawa, require a transformation of the industrial structure. He also mentions that the difficulties can hardly be overcome by existing conventional ways of socio-economic thought. I think this is an important point, especially for us co-operators, who represent an alternative to the private and state capitalistic systems. The heart of the pollution is greed. In our cooperative vision of an economic system, the development of the economy should be governed by the needs of the consumers, not by the profitability of the capital. In such a system the environmental problems are easier to handle. How this system should be worked out is a subject too large to discuss at a conference like this. Anyway, you should at least point out that a choice of economic system is essential in any discussion on environmental problems and that the co-operative economy is superior also in this respect. Of this I am thoroughly convinced.

Thank you Mr. Chairman.

MR. CHAIRMAN: Thank you Mr. Dahlberg. As I expected, your remarks were most illuminating. Now I am sure Gentlemen, that some other speakers want to cover this subject; who comes first?

MR. PARRY: Mr. Chairman, Fellow Delegates. I do not come, Mr. Chairman, with any prepared statement but with rather spontaneous remarks on how I feel personally in the light of what has been said this morning. In the first place I think the Paper that has been presented to this Conference by Mr. Nakazawa is, in my opinion, of such importance and of such gravity, that I believe it is rather more than a subject for discussion and should be the subject of firm proposals from this gathering that should find their way on every order paper; at every conference; at every convention and at every congress; of every national co-operative organisation.

It is, I know, of particular significance to those who are engaged in Life assurance, but surely when human life is at stake, and as I see it this is the penalty and the price of pollution, then financial considerations must fade into complete insignificance. Every human being has the right to a full life span and any act of man that in any way is a contributory factor to reducing or shortening that expectation of life, must inevitably be wrong. We, in the cooperative movement, are supposedly dedicated to uplifting the well-being and increasing the life style of all, and I believe it is incumbent on us to bring pressure to bear at all levels, in all nations, until such time that pollution of any kind and from whatever source shall be judged as a criminal act against humanity. Mr. Nakazawa has cited cases in Japan, the names of the various

diseases elude me. He has also given additional information that at law they have been found at least in favour of the Plaintiff, but what satisfaction is this to the victims? As it appears to me, it is like closing the stable door after the horse has gone.

We have today only heard of the after-effects of acts of pollution as they have affected numbers of people. Ought we not to be cognizant of acts of pollution that never reach the atmosphere; or the sea; or the land? And I refer of course to industrial disease caused entirely by the environment in which workers are expected to carry out their employment. The numbers of people that are incapacitated with lung diseases due to the inhalation of dust and other pollutive elements must at least equal, if not exceed, those that have a shortened life due to what I would refer, at this stage, as direct pollution.

I cannot believe, Mr. Chairman, much less accept, that these conditions and problems in this highly technological age cannot be resolved. Of course it will cost money but who would like to put a price on one day of a human being's life, much less a week, a month, a year or several years. I can only think of one thing that strikes me most forcibly. What does it profit a man if he gained the whole world and loses his soul in acquiring it? Mr. Chairman, I believe we are in considerable danger of losing everything that we value and unless we stop pollution in every form, then indeed the future of humanity is bleak indeed.

MR. CHAIRMAN: Thank you Mr. Parry for your interesting communication.

Now Gentlemen, I think this subject is so interesting and so important that I guess other delegates want to speak on it. The floor is open. Who wishes to come? No one wants to speak about it any more? In that case I will ask Mr. Fernlund, who I think has something to say.

MR. FERNLUND: Mr. Chairman, Fellow Delegates. I would like to propose the following resolution:

1. That the co-operative insurance societies should work for the establishment of adequate environmental legislation.
2. That they should work for an enlightened public opinion concerning environmental issues.
3. That they should utilise their claims experience to further their knowledge and research about environmental problems.
4. That they should continuously exchange information and experiences concerning environmental problems and that the I.C.I.F. Secretariat should act as the organ for such an exchange.
5. That they should support further proposals of establishing common organs for the whole insurance industry handling problems concerning insurance and pollution.

CHAIRMAN: I have a proposal put in from the Conference. Have I a seconder to move this proposal? Mr. Vanderbeek. Then I shall ask the Conference for approval of the resolution which has now been presented. Those who are in favour say "Aye". Against? Unanimously carried. I am sorry Mr. Binder did you want to say a word on this? You would like to?

MR. BINDER: If we take part in the struggle against pollution I think we should start in our own houses. It would not be nice if we make campaigns against pollution and at the same time invest money in methods which take part in pollution. We have finished, for instance, in Austria and the same problems are true of at least the whole middle of central parts of Europe, investing money in so-called apartment houses. This does not mean rent houses, but buildings on the coast of the Mediterranean, by the lakes and in the mountains of the Alps, used as summer houses; a kind of speculation which has been with us all; we have finished investing in these things and also in ski-lifts and ski-ing centres.

Ski-ing is destroying the mountains in a formidable way. We have finished, and we had to finish from the governmental side, investing in hotels, because large areas of Austria are overcrowded already, causing heavy pollution in the rivers as well as in the seas. I think we should start on this side.

CHAIRMAN: Thank you Mr. Binder. Is there anybody else who wants to speak about this? If not I shall then ask Mr. Nakazawa if he wants to add something to what has been said up to now. Mr. Nakazawa. Nothing?

8. The social responsibilities of co-operative insurance societies

CHAIRMAN: We come to the next item and it is with much pleasure that I now call on our vice-Chairman, Mr. Kularajah, to present his Paper on "The social responsibilities of co-operative insurance societies".

MR. KULARAJAH: Mr. Chairman, Fellow Co-operators. First of all I must say it is a privilege and a pleasure to have this opportunity to speak to all of you. I heard from my friend Mr. Edwards that my Paper was the first to be received by the Secretariat. It was therefore circulated very early and hopefully it has been read by all of you. Now the funny thing about that Paper is that it was written on the plane from Montreal to Malaysia and, frankly, when I looked at it a few days ago on the way to Tokyo, I was surprised at the statements which I had made in the Paper. I had followed all I had to say in the Paper. Nevertheless, in the hope that you have all read it, I will not bore you by reading it again. I will try to deal with some of the highlights in the Paper and mention something more that came to my mind on my trip from Kuala Lumpur to Tokyo.

I keep on mentioning airline flights all the time to you. I have mentioned it twice today. The fact is I do a lot of thinking on the plane; I have to travel long distances to attend the Executive Committee meetings and it is on these occasions, perhaps, especially when you have had a little bit more whisky than usual, you are able to think. Furthermore, it is also possible to smoke duty free cigarettes on the plane, and that makes your mind sharper. Talking about cigarettes, *The Malaysian Co-operative Insurance Society* Board of Directors, particularly my Chairman, felt that it was a social responsibility of the M.C.I.S. to promote a no-smoking campaign — a campaign to prevent cancer. He made a very interesting speech at our Board Meeting and everybody supported the idea. But the problem was that the General Manager, Mr. Kularajah, who was to implement this campaign was a chain smoker; he could not therefore undertake, on behalf of the Society, a social responsibility which the Society should have undertaken, because he himself could not stop

smoking. He could have stopped smoking anyway, but then as I told you earlier, he would have stopped thinking; and having weighed both these things it was decided, at a subsequent meeting, to postpone this campaign of non-smoking until the General Manager was able to stop smoking.

I am reminded by the question of social responsibility of co-operative insurance societies of something that happened some twenty years ago. At the conference where we considered forming the M.C.I.S. a leading member of a co-operative society who attended the meeting raised one very important question. He said, "There are 123 insurance companies operating in the country, why one more? We do not know anything about co-operative insurance business or a co-operative insurance society." And strangely enough it became my responsibility at that meeting, as a founder member of the Society, to say that while a co-operative insurance society would also do insurance business, it would do social work as well. A few months ago when I looked at this statement which I had made at that conference I was amused because I was going to speak to you on the social responsibility of co-operative insurance and twenty years ago when our Society was formed this had been promised and blessed by me. If you went round the Exhibition outside this room, where a lot of publicity material has been displayed, you will have seen the various social work activities carried out by member organisations of the co-operative insurance societies. Foremost of all is the publication by *La Prévoyance Sociale* on the social and community work carried out by them over many, many years. Then of course there is a slide show about the work by *Folksam*; then we have a film on social and community work done by *Zenkyoren*. Each of these organisations, only to mention a few of them, has done a lot of community and social work. This has become a part of our responsibility, but it must be remembered that each co-operative insurance society carries out its community work or undertakes its social responsibility in various ways.

I have been associated a lot with the *Co-operative Insurance Society* of Manchester. Manchester has been my Mecca for education and training in insurance. There I found that their way of undertaking social responsibility is to distribute the entire profits of the Life insurance business back to the policyholders; this is one form. Other countries do more direct and visible things like providing old age homes and homes for rehabilitation. The rehabilitation centres of both *La Prévoyance Sociale* and *Zenkyoren* are examples we must note and I would commend all delegates present at this Conference take back with them their publications, which are available in the Exhibition.

I must not at this stage forget to mention the activities of *The Malaysian Co-operative Insurance Society*. We have been involved in many, many ways. We have in the first instance created a scholarship fund out of profits of the Life insurance business to enable policyholders and their children to get university education and obtain professional qualifications. There was a need for this in our country; there was a need for higher education; there was a need for technical experts; there was a need for professional people; and it was felt by the M.C.I.S. that we should do something to improve the situation. We therefore appropriated out of our profits and set up a fund to award scholarships; and we have been awarding such scholarships every year for the purpose of getting our members and their children higher education, not only at the centres of education in our universities in Malaysia but also overseas. We have done charitable work as well for blood banks and blood donation campaigns.

On the question of handicapped children we have provided funds to help them. But our main activity perhaps, which was recent and which might be mentioned at this stage of the Conference, is our part in fighting inflation.

This was not mentioned in the Paper which was circulated to you because at the time, when the Paper was written, this question was not important at all in Malaysia. We have been fortunate with our inflation problems. But during the last year the cost of living went up, not only because of imported inflation from other countries but because of the abuse by those wholesalers, importers and producers in the country who raised the price of the various commodities, even those grown in the country. We could not understand, for example, why coconuts that are available in large quantities in the country had to go up in price by almost ten times. The coconut trees did not need oil; the coconut tree climbers did not get higher wages; but yet the price of coconuts and the price of rice all went up. The M.C.I.S. Board therefore decided that something had to be done to improve the position and actually put up a fight to keep the price of food down, especially in the case of food that was produced in the country. Malaysia is self-sufficient in rice, which is the staple food, and yet the price of rice went up 10% in June; 20% in July; 30% in August; 40%; and 50%; and so on and so on. We knew that the producer of rice, the farmer, was not getting that kind of increase. But that the middle man, the man who ordered rice and reduced supplies, was increasing the price. The M.C.I.S. decided to set up essential food distribution centres throughout the country and we set up 14 of them in October, 1973. We were able to get rice from the Co-operative farmers at almost half the market price; and with an addition of 10% to the cost we were able to bring down the retail cost of rice, which was then selling at about 90 Malaysian cents, to 44 Malaysian cents. You may wonder why the insurance society got involved in this, which should be the job of the co-operative consumer movement. Unfortunately, fellow delegates, the co-operative consumer movement in Malaysia was very weak and unable to provide any resistance at all. The co-operative stores themselves were buying rice from those who bought rice and were selling at very high prices. This activity of course brought us a lot of benefit from the insurance point of view. Paradoxically, it was inflation and the rising cost of living that brought most clients to the co-operative movement. But from the M.C.I.S. point of view, we felt that we had a social responsibility to the community at large and since we had the manpower and the backing of the Malaysian co-operative movement behind us, we were able to organise this and without much expense because organising was not such an expensive procedure, especially since we had the human resources available.

We were able to do a good job in keeping the price of essential foods down. Believe it or not, the price of rice in the country went down to our level. This was a successful experiment in community development and so we, for a time, had to allocate some of our best men to be responsible for organising this. In the long run we benefited because the M.C.I.S. got a much better image in view of the social responsibility it had undertaken and, above all, for the good it had done to the community.

There was a lot of talk about price control; there was a lot of talk of activity by the Government; but it was that practical form of doing something through the co-operative movement lead by the Insurance Society which brought results. Furthermore, the M.C.I.S. again feel that the investment of our funds should be for the improvement of the standard of living of the

people. This has been mentioned, and perhaps will be mentioned by Mr. Rittner in his Paper this afternoon, and therefore I leave it alone; except to say that with the resources available to the insurance industry, the investment of funds for the improvement of the community, not necessarily of the policyholders only, is something that is good for the community and for the co-operative insurance as well. Of course there is a social responsibility of co-operative insurance at a level of premiums, providing better benefits than the capitalist or private industry. And those things prove that in the course of business, we can improve the insurance business on the one hand, and on the other hand we have the question of providing insurance to those who need it.

The private and State insurance companies would not be bothered about considering what kind of insurance service is needed by the community; all they are interested in is profit. A co-operative insurance society, on the other hand, has this responsibility to the community in that it should be able to provide the insurance needs of the people from every side.

This is why the M.C.I.S. very actively supports the I.C.I.F. in the promotion of co-operative insurance in developing countries. Insurance is a social service and, as I said in my Paper, co-operative insurance organisations exist to serve the community and are in fact created for community development. They should bring the community together and make each individual in a community feel a sense of responsibility towards each other. Their overall objective is to make the community grow as a unit, without losing sight of human values, and to uphold the rights of every individual. I will repeat this again, this is mostly lost sight of in insurance companies; co-operative insurance should not lose sight of human values and we should uphold the right of every individual to live in the community. In any event, activities of this sort would show community consideration and will cause ready acceptance by the community; and will generate greater business and membership for a co-operative insurance society, as has been experienced in my country. To prove that the co-operative is a non-profit organisation a co-operative cannot boast of profits or surplus that have accrued. But it can achieve this end by showing that the surplus it has derived from its activities is being utilised for community development.

A co-operative insurance society has to reflect its social responsibilities in the conduct of the business itself. One initial area where the responsibility has to be reflected is the underwriting of risks. The reality of insurance is that persons who are most in need of insurance are those affected by impairment or some ailment. However, they tend to be classified as uninsurable. Thus a class of people are denied insurance, particularly Life insurance, which invariably means that their families will be deprived of the security they need. Could a co-operative insurance society, non-profit motivated, practise insurance in this manner and avoid a responsibility for this class of people and the community; I do not think so. A co-operative is better built to take in those risks and it should do so at whatever cost, as a social responsibility that it cannot shirk. It has to show the difference in its motivations and this is one area where there is a clear need to do so. It need not throw overboard underwriting principles but funds can be created for this purpose to meet the contingency. Provision of group insurance is another matter by which such people can be provided with insurance cover.

Mr. Dahlberg this morning mentioned that a co-operative insurance society has access to a lot of information, particularly in view of the large number of policyholders. This is a fact that we must recognise. With the excep-

tional information that we ordinarily have, we will be in a position to do more social and community work than any other co-operative or public organisation.

Finally, as I said earlier, the M.C.I.S. is attempting to further itself into national life in every conceivable form. Identification with national aspirations in the economic and social areas are being shaped. We went into development of farm oil projects; we went into development of cultivation; we went into industrialisation and promotion of industries in a country where industrialisation was just commencing. We therefore identified ourselves with what we call the Second Malaysian Development Plan or, in fact, our national aspirations.

However, whatever may have been done in social development may seem small, or insignificant in comparison to some of the development by co-operative insurance societies in Europe. We have a small population; we are a small organisation; but yet, as I said earlier, we are trying our best to undertake social responsibilities in every conceivable form - even to the extent of taking part in the promotion of badminton, which is a national sport.

In conclusion it should be said that a co-operative insurance society is a people's organisation and consequently it must function for the people. Only then could its growth be assured and accepted as a valid one. Thank you very much for your attention.

CHAIRMAN: Thank you very much, Mr. Kularajah, for that remarkable presentation of a subject which all insurance co-operatives, both large and small, and whatever be the corner of the world where they carry out their business, should keep in mind. Without further ado I shall now invite Mr. Pesonen to give us his view of the problem.

MR. PESONEN: Mr. Chairman, Gentlemen. I also want to thank Mr. Kularajah for his very lively and thoughtful speech. I think all of us can agree that the result will be better if Mr. Kularajah also in future continues chain-smoking and effective thinking. With your permission, Mr. Chairman, I would like to offer him a cigarette. I would also, for my own part, like to express how greatly I appreciated the views presented by Mr. Kularajah in his speech and in his Paper. But when I began thinking about how all these things are in my own company, I became a little uneasy and I asked myself: Is it really possible that we in the co-operative insurance business in Finland, have in many respects been on the wrong track?

But when you think about this for a while and also about the conditions in which we and our friends in many countries operate, you soon realise that there are sometimes reasons for a more meagre attitude which, at least in certain countries, is understandable and often inevitable. In the first place legislation sometimes imposes serious obstacles. I can mention, for example, that in Finland the Reinsurance Companies Act states that only limited stock companies and mutual companies may practise insurance, but not co-operatives. Strictly speaking, of course, an insurance company cannot in itself be a co-operative body. It can only function in collaboration with the co-operative movement. My company was established and is largely administered by the co-operatives, but in terms of law it is just one among the other Finnish mutual companies. When Mr. Kularajah mentioned that co-operative insurance should not adopt the narrow-minded attitude of

confining itself to the insurance business alone, I fully agree. But, for example, in my country there are several limitations in that the law expressly forbids an insurance company to indulge in any activities other than insurance and the auxiliary activities directly related to it. A second extremely severe and concrete obstacle in many countries is the existence of a highly competitive market.

I will give an example. My Company is well-known in Finland for the fact that we have invested a considerable part of our assets in cheap housing loans. This has resulted in a considerable amount of social housing, which in our bleak and cold land is a matter of singular importance; but is likewise an expensive activity. Such investments have incurred us with the problems *vis-à-vis* our competitors, as they have an investment policy motivated purely by profits. We in these days of mounting inflation are hard pressed to offer our customers insurance at the same price as the private companies. It has to be stated that if a private company is satisfied to compete with hardly any profit margin, an insurance company within the co-operative movement can simply not exist unless it concentrates its efforts on preserving its competitiveness. The unfortunate consequence of this is that we can see no way we can to any significant extent, without committing suicide, provide those services, benefits and other privileges and facilities, over and above those granted by others, as suggested by Mr. Kularajah in his address. But it is no doubt essential, as Mr. Kularajah stated, to try to do just that.

Co-operative insurance societies in many countries are well-known for the fact that they have offered services cheaper and on more favourable terms than private companies.

My Company, too, has been known for the fact that in several classes of insurance its premiums are somewhat under the prevailing rates. But in conditions of such competition this has also meant incurring a loss and we have often been compelled to ask ourselves whether we are not doing more harm than good in the long run to the principles of co-operation if we impoverish our Company compared to the others. This reality, without problems of profitability, does not only concern the insurance business of co-operatives. The co-operatives in general in my country, as in many other countries, are compelled to operate under highly competitive conditions. It is a mathematical impossibility to keep abreast with developments and at the same time sell superior products at lower prices than the others. Those others are content to operate at a very low profit margin. If only we really can maintain our strength in conditions of heavy competition and at the same time provide services, benefits and other privileges over and above those given by others. I believe that we financially have to be strong and we have got to have a sufficient part of the market.

Mr. Chairman, all that I have said is, so to speak, the reverse side of the coin, a counter-balance to Mr. Kularajah's address, and it is certainly in place if I finally state that I am to a major extent of the same opinions as Mr. Kularajah concerning those social responsibilities which co-operative insurance societies possess. I say this so that there will be no misunderstanding that my far gloomier contribution than Mr. Kularajah's is not a denial of the realism of his views. They are possible; they have been extensively applied, particularly in Mr. Kularajah's own Society, and it is my opinion that M.C.I.S. has good reason to be both pleased and proud of its achievements. I believe that we have much to learn about methods and attitudes from the pioneering work of M.C.I.S.

CHAIRMAN: Thank you, Mr. Pesonen. It's a long time since we have had the pleasure of having a delegate from your Company coming to the rostrum, so we enjoyed receiving your views on this very important subject. Thank you. I now call the next speaker who will be Mr. Holler.

MR. HOLLER: Mr. Chairman, Fellow Delegates. I would like to start by expressing my appreciation of Mr. Kularajah's Paper, which I found very interesting and stimulating. Mr. Pesonen has stolen my first point which was that there are so many differences between the different countries. The laws are different; the working conditions are different; and that makes it impossible to follow the same principles in all countries. In Norway, too, the authorities have imposed upon the companies very strict rules as to what we can do and what we cannot do. As a matter of fact, Mr. Kularajah, that has nothing to do with being narrow-minded!

There is another point I would like to make. I would like to go a little beyond the scope of the title of the Paper: "Social responsibilities of co-operative insurance societies". Mr. Kularajah has himself touched upon it in his description of many insurance organisations. He states that they, quote, "become very impersonal and completely oblivious to the needs of their policyholders as well as the community". This is a very significant point, particularly to a co-operative society. In my opinion it is not sufficient that a co-operative society works for the benefit of the members. It is not sufficient that the members elect the representatives to the Board and to other governing bodies. We have to find ways and means to take further steps in such a way that the members can identify themselves with the co-operative society, so that they can feel that they are really taking part in the policy decisions and in the activity of the society. We must let them feel that the co-operative insurance society is not only a friendly society but that it is their Society. We have in my country, and I know experiments are going on in other countries, too, tried to create organisations and committees where the representatives of the policyholders take a direct part in the development of new insurances; new ways of organising the insurance activities; claim settlements; and so on. We have, in co-operation with the Trade Union movement, established more than 2,000 local insurance committees. Committees with the local agents of the Society and two or three representatives of the local Trade Unions being members. These Committees establish a kind of two-way communication and information between the Society and the members. We learn about their needs and about our mistakes, and they learn about the operations and problems of the Society. At the moment we have more than 30 experiments going on, local projects where we try and achieve ways to decentralise the decision process in claims settlements and engage the members more actively in marketing new insurance. We have established a kind of joint claim settlement committees to which the member can appeal and have his case reviewed if he feels he has not got a fair treatment. The members themselves are in majority in the Committee. The Society has in advance stated that under all circumstances it will accept the decision of the Committee, even if the members are in majority, just to prove that we mean it seriously when we talk about increased influence on behalf of the members.

I could have mentioned other examples, but what I have said should be sufficient to underline my point. As a co-operative society it is our obligation to stimulate the individual members' interests in the Society's insurance

activities; to stimulate its interest in protection not only of his own security and that of his family, but of the neighbours next door and of his colleagues at the workshop. It is not easy to be successful in this respect, but we have to try hard. Well, Mr. Chairman, I started my comments by expressing my appreciation of Mr. Kularajah's Paper. After having had a couple of days' stay in Malaysia, I would conclude by congratulating him on what he has achieved in practice. To turn theory into practice, that is our job. It is, of course, also very profitable to have an efficient public relations department to tell the rest of the world what we are doing. I feel convinced that Mr. Kularajah would in particular agree with that. Thank you.

CHAIRMAN: Thank you, Mr. Holler, for your interesting contribution. I will now call for Mr. Fitzpatrick to speak.

MR. FITZPATRICK: Mr. Chairman, Fellow Delegates. Mr. Kularajah's remarks and his Paper are truly thoughtful and inspiring. They are also convincing because it is eminently clear that he practises what he preaches. His remarks with respect to the variety of activities in which the M.C.I.S. is engaged are almost beyond comprehension for someone who, like Mr. Pesonen, comes from a country in which the type of activities an insurance company can engage in are somewhat limited, perhaps even more than somewhat, by the various regulations.

Nevertheless, even within a framework of regulations which restrict an insurance organisation to the business of insurance, there are still a number of ways in which the company can perform social services. First of all the very fact that an organisation is a co-operative or a co-operatively oriented organisation establishes the fact that the organisation possesses a higher degree of social consciousness than usual.

A number of the specific ways in which this concern has been transferred into activities has been clearly described by Mr. Kularajah. Going on to some of the organisations in the United States we can look to *League Life*, headed by Mr. Vanderbeek, and the fine work that this organisation has done in establishing and helping the development of co-operative insurance organisations and facilities in Latin America. In our Company, *Nationwide*, we have a long history of response to social concern. Many of you I am sure, are familiar with the name and the work of Mr. Lincoln, who for many years was President of *Nationwide*. He was one of the founders of CARE, the Co-operative for American Relief Everywhere, which is still very active in helping people in the less developed countries, not only helping them with specific and tangible things, but more than that, helping them to learn how to help themselves. In addition, on the part of *Nationwide's* generous contributions of funds and time to charitable and educational organisations, we are engaged in financial support to a considerable degree in subsidising high risk insureds. Perhaps though, even the fullest degree of our commitment to social responsibility is in the effect of the dedicated involvement of our own employees, policyholders, and agents in worthwhile community projects. Unfortunately, not all of our member policyholders agree with this commitment. From time to time we do have objections from policyholders who say in effect: "Why are you spending all this time and money in projects which have nothing directly to do with insurance? Would it not be better to just provide the insurance service at a lower premium cost rather than to do this?" We have at least one

well-known and well-respected insurance educator and authority in our country who espouses pretty much the same idea.

As a matter of fact, just last month in a publication of the Chartered Underwriters' Society, Professor John Long, of the University of Indiana, raised this question in what is a pretty scholarly document. I did bring along a copy which I will give to Mr. Kularajah, he may have some interest in reviewing another viewpoint on this matter. Professor Long, in his article, poses this question: "What insurance companies are really supposed to be doing in a world plagued with greivous problems is not solving many of these problems; what they ought to do is just confine themselves to the principal of providing the insurance that the public needs at the lowest possible cost." Although I do not agree with Professor Long, his point of view is one which we must consider in responding to the inquiries of our policyholders, as we design and put into effect our own programmes of social concern. Thank you.

CHAIRMAN: Thank you Mr. Fitzpatrick. The rostrum is now free for the next delegate to speak. Who wants to speak on this vital subject?

MR. TAKEMOTO: Mr. Chairman. It is indeed my great pleasure to have the opportunity of speaking at this time.

Mr. Kularajah of the C.I.S. has given us a very valuable talk and I am deeply impressed and moved by his presentation. At the same time I would like to mention that he touched upon many important points which are of vital importance and of interest to us in this field.

There is one very important point that I have to make. It is my personal view that co-operative insurers must deal with not only insurance business but also with welfare matters; and this spirit came across to me through his presentation very clearly. This is the kind of spirit with which we must promote our activities. However, there is a problem and a gap between the ideals that we hold and the actual activities that we can really pursue in our daily business.

Mr. Kularajah touched upon the activities of M.C.I.S. in providing labour and facilities to the handicapped; to hospitals; and other activities. We certainly congratulate you on the activities that you have concluded. In Mr. Yamanaka's presentation of the day before yesterday he mentioned there are 20 Life insurance companies and 20 non-Life insurance companies in Japan and they are competing freely in the market. What can we do to enable our insurance companies to provide more welfare activities at a profit? Do we have to invent some new system within each enterprise so that we can provide such welfare activities on a profit-making system, or is there any institutional improvement that we can make in the insurance industry as a whole? In other words, even if our co-operative insurance societies try to provide better welfare activities to the public, if we cannot do it at profit maybe we will be failing in the market competition. What can we do to enable the co-operative insurers to successfully compete with the private insurance companies, while making a profit and providing better service? Because at present our premiums are something like 10% lower than those of the private insurance companies and the service that we provide is equivalent to what the private insurance companies are providing. In order to implement the ideal principles that we hold for our activities, what kind of training and education did M.C.I.S. conduct? How did they try to co-ordinate the ideal and the practical

activities? I appreciate Mr. Kularajah's comment in specific terms about the training or the system that he has used. Thank you, Mr. Chairman.

CHAIRMAN: Thank you, Mr. Takemoto, for your contribution. Who wants to speak now?

MR. MANSOOR: Mr. Chairman, Fellow Delegates. I quite agree with Mr. Pesonen's remarks. As regards Israel we have the same problems about not being permitted to do any other work but insurance. At the same time we have tremendous competition in Israel. We have, in Israel, more than 100 companies and agencies operating in a very, very small market, and the *Hassneh* is operating against this very, very serious competition. I also appreciate what Mr. Fitzpatrick said in regard to the basic need of co-operative insurance societies to offer insurance at the lowest possible rate with the best possible service. Where is the possibility of a co-operative insurance society fitting in in this particular sphere? I thought about this and I thought perhaps there are five different possibilities as far as the *Hassneh* is concerned:

We found we could do something in the Israeli Market. The first possibility was, in this sphere of insurance itself, the question of inflation, which was already referred to; we can do something about it and we have done; for instance, in Israel the inflation rate in the last 10 years has risen by 3.65 times. Yet the insurance premium for Life insurance has been reduced by about 40%; I think it is the only price which has been reduced. This was because the *Hassneh* management found that by getting more business you can reduce the costs, as is always the case. *Hassneh* has continuously taken the lead to reduce costs. I think in fact we have a very bad name in Israel with the other companies which, in spite of a tariff, keep having to bring the tariff lower.

I think it is a very, very important thing which we are doing and which we can do as a sort of semi-public type of body.

Second point I have noted is the question of the moral and the ethical part of the business. We, those who are dealing with competition, know that in order to attract the business we keep on giving special benefits to intermediaries; to agents; to supervisors; to brokers; etc. It is the *Hassneh* policy to stop paying too much for something which is exaggerated and particularly under the table. We do not pay under the table and we try to avoid paying too much. It can be done in many ways; any Life actuary can build up a table whereby a company can prevent by means of, for instance, very high surrender values, paying too much by way of commissions in the first few years.

A third possibility, and this is what we are trying to do, is a question of social benefits to employees. We try to pay and we are paying our employees perhaps the best service conditions, I talk of the lower and the middle level, never of the higher level -- unfortunately -- the best social benefits available in the country and to encourage them to participate more in the running of our business. We have at the moment two employees on the Board of Management of the *Hassneh* and we are now working upon some form of employee participation in whatever profits come out of the business.

Then there is the fourth point, we try to take the lead when there is need to financially support any particular undertaking; for instance if there is a request for any particular contribution, say for disabled children, the *Hassneh* give a rather large sum of money, advertise this and the other companies have got to follow if they want to keep up with the competition. This is also one of

the things which we can do and which we are doing in the country.

And finally, it is a question of new policies and new fields; we continuously try to see what particular field has not been tackled and come out with new plans and new ideas. We have made it a point that in every aspect of our business, we must come out with one new plan per year. Owing to the very keen competition, other companies have got to follow suit or try to come up with something better. That is for the benefit of the entire country. I just want to add that today *Hassneh* has about 20% of the Israeli Market and we like to say that one of every four Israelis has a policy with us. Thank you.

CHAIRMAN: Thank you, Mr. Mansoor. We have now Mr. Grahn wishing to say something on this subject.

MR. GRAHN: Mr. Chairman, Delegates. It has already been said that there are many points in Mr. Kularajah's Paper that are worth a lot of consideration for any office. In the beginning of the Paper he says that by form and nature a co-operative is a social instrument existing to serve the community as another alternative to the capitalistic system. At the end of the Paper he says: "It should be said that the co-operative insurance society is a people's organisation and consequently it must function for the people." I think we need this type of general goal as a part of our written policies. This year in Sweden, both the Federation of Consumer Societies and *Folksam* have published their written programmes and goals. To illustrate the type of written statements that we need more of, I will quote from these two publications. According to the general programme of the consumer co-operative movement its aim is to participate in developing the society so that it is as a whole orientated to the goal of fulfilling the needs of the people. Beside taking up the questions of production and distribution the programme covers environmental policy; consumer policy; and cultural matters. According to *Folksam's* written programme we state that the Rochdale principles, if constantly applied, must lead to a Society different than the existing one. We also say that the consumer co-operative movement is built on the principle that people best take care of their interest, if they together produce and distribute the goods and services they need. In our programme we also state that areas outside the insurance activities should be taken into consideration. To prevent damages and accident, *Folksam* should allocate resources for practical measures, that serve the interest of the policyholders. Through information, pressure group activities and other means, we shall influence the general opinion; the State; the communities; companies; and other institutions in society. We have rules, as Mr. Holler said, but in spite of these we can do a great deal for our members and other people.

Folksam has been active over a broad field of social responsibilities. We have been engaged in many fields: mental health; developing rational repair methods; experiments in the area of traffic safety; traffic safety information; alcohol and driving; alcoholism; narcotics; research in social welfare; the causes of social maladjustment; preventative measures against social maladjustment; criminality and social changes; accident prevention in working environment; accident prevention in sports and team games; causes of accidents amongst children; psychiatric studies concerning working conditions; cancer research; rehabilitation centres; amputation difficulties; ambulance systems; health check-up centres; etc.

Folksam also acts as a pressure group. A typical case is our standpoint concerning the regional plan for the development of Stockholm. On the basis of our statistics on mortality, illness, accidents, crime, mental health, social welfare, we criticised the proposal and asked for more studies concerning the relationships between urbanisation and the conditions leading to mental and physical health.

The point I would like to make is that behind all these quotations and behind Mr. Kularajah's Paper there is an inherent view on society and on the individual, his needs and his nature, that is completely different from the type of partial ideas, that is "economic man", that have influenced the development of our economies. The co-operative movement has never been guided by such ideas of human nature that take common models of business administration and economics. On the other hand we have not tried to develop a clear cut view on man and his needs. I am not going to try to do this here. But if and when we try to do it, it would be worthwhile to do it in the same spirit that Mr. Kularajah's Paper is based on. Thank you, Mr. Chairman.

CHAIRMAN: Thank you, Mr. Grahn. Who else wants to talk on this subject. Mr. Guldberg.

MR. GULDBERG: Mr. Chairman, Dear Colleagues. I would like to pour a little oil on the waves of enthusiasm which have been put forward today. I would not say that I am very modest, but I think that we co-operatives should be, from time to time, a little more modest and should not boast too much about our activities. On the other hand, I would say that the co-operative movement acts as a very good ferment in the capitalistic world, and I think that many of the changes which have taken place are really due to the co-operative movement.

The start of the co-operative movement in Rochdale should not be underestimated. Of course, conditions very much depend on the development, or the state of development, of various societies. I think that Mr. Pesonen is very right when he states, for instance, that in the Nordic countries we have an insurance legislation which is about the same. Actually I think that the insurance legislation in the Nordic countries was developed by joint committees. Therefore, we cannot start investing in activities other than dealing with insurance.

We cannot start direct investments in industry and so on. But on the other hand I think that we can do a lot by setting up co-operative institutions which can be as active and be competitive in the capitalistic world and then try to make a proper transformation.

When our Israeli friend took up the question of the benefits, I should mention that about nearly fifty years ago there was agreement between the Swedish trade unions and the co-operative movement that the co-operative movement should not pay more for the cost of the labour than the capitalistic companies; and it is like that in Sweden. We have got a co-operative federation of employers, but they never make independent wage agreements with the various organisations of employees. The Swedish Federation of Employers make up the agreements with the Trade Unions, the "blue collar" workers and the "white collar" workers; and then the co-operative employers follow the same agreements in principle, in order to keep the co-operative movement competitive. We do not pay higher salaries than private industry –

maybe, as our Israeli friend said, the “top hats” are not paid even as much as they would be in private industry.

But nevertheless I would not say that it is not important to have co-operative insurance; because I think that the need of capital to develop the co-operative enterprise is very important. I think it was at the Conference in Vienna that I made a report about the investments made by the pension funds in the various countries. It was very interesting to see how, by setting up, for instance, independent co-operative pension funds, the money invested well in co-operative industries, according to legal requirements of course, could help the co-operatives to prosper and to develop. If you make a total balance sheet of the whole co-operative movement in Sweden you will see that one out of every four kroner comes from the pension funds.

So we have, I think, to walk on this very narrow edge not to be too modest; but we must see, in this competitive world in which we live that we are not that much better than many of our competitors. Thank you.

CHAIRMAN: Thank you, Mr. Guldberg. Any other speaker?

MR. DEBRUNNER: Mr. President, Dear Friends. I am the delegate of a small country and also of a small company in Switzerland. We are perhaps small, but not absolutely unimportant. I have only one remark to make. First of all I think that the item we are discussing now is a very important one, not only for other countries but also for our country, Switzerland. We must think of the social responsibilities which must be considered by societies also belonging to the capitalistic system. While we, ourselves, follow the rules of social development and think of the people we are going to insure, the capitalistic societies are listening to and looking at what is being done by the co-operative insurance societies; for instance, the Adam Association in Switzerland out of all the companies doing business on the Swiss market. And on very many occasions we could take stock that the other companies were looking very keenly at how we were doing business and what our rules were. So if we are on the market and are doing our very best for our clients, I think the whole market is influenced; and in this way we can also make an effort to create social responsibilities in all companies. I mentioned this point as it may perhaps be helpful for other representatives of all the rather small companies.

CHAIRMAN: Thank you, Mr. Debrunner. Who else wants to speak? No one else. Then I shall ask Mr. Kularajah to answer the various speakers.

MR. KULARAJAH: Mr. Chairman, Fellow Delegates. First of all I must say I am very grateful to all of you, and I am particularly happy that my Paper has provoked so much comment and also particularly grateful for the points mentioned by some of the speakers. I'll start with the last speaker, Mr. Debrunner, who made a very, very important comment on the influence on the social responsibilities of other capitalist companies. It is true, and I must emphasise that other companies operating in the country watch very closely what is being done by the co-operative insurance society. This is particularly so in Malaysia, for example: prior to the formation and the establishment of the *Malaysian Co-operative Insurance Society*, the reversionary bonus given by private Life insurance companies in the country was very, very low; but as soon as the M.C.I.S. came out with its reversionary bonus, on the lines

advised by our friends in the C.I.S., Manchester, the bonus rates for Life insurance companies in the whole country started to increase; and they increased even more than what we were able to give, because we were a small Society. But the fact is that the influence of the M.C.I.S. on the insurance industry was that the whole country benefited in that better benefits were given by the proprietary or capitalist companies.

The other speakers mentioned two important points. One is about legislation and the other is about competition. I must say here, very emphatically, that our legislation in Malaysia is no different. We in Malaysia look around the world; our people look around the world; our legislators look around the world; and generally bring out laws which conform with the laws of other countries. But the way we went about it is significant. For example, when we carry out an activity, such as the various activities I have boasted about, we do it in different forms. Concerning the question of assistance to handicapped children, we are permitted by law to appropriate out of profits and to create funds for such purposes. So we did this quite legally.

On the question of other activities, such as the development of the country and participation in development projects, we organised a subsidiary, known as *The Malaysian Co-operative Industrial Development Society* belongs to the M.C.I.S. and in which we invested money. Investment in such a society is permitted under our law. This Society went about doing the development work of the insurance organisation. The investment out of funds provided by the insurance society was utilised for development, agricultural development, industrial development and other forms where we participated.

Another way we went about it was to help to organise co-operative societies and take an active part in them, firstly by investing in the capital and secondly by helping in the management by providing managerial personnel. One good example is the *Co-operative Auto Works of Malaysia* which was formed mainly based on what *Folksam* was doing at Växjö. This society, in which we have invested, was formed to reduce repair costs; to give more efficient repair service; to expedite handling of motor insurance claims. But here the law will not allow us to do it directly. But through the subsidiary in which we take an active part and, to which we second such managerial personnel as are necessary -- their salaries are paid by those organisations to which we second -- we are able to do such of our activities which are considered our social responsibility, within the law and completely with the knowledge of the authorities concerned.

On the question of competition mentioned by several speakers, I would say this: The fact that the M.C.I.S. was involved in such social and community work brought us to the forefront in the face of competition. The people who realised that the M.C.I.S. was doing such responsible social work, felt that they should support the M.C.I.S. rather than the private insurance organisations. This brought about steady growth in our organisation.

Mr. Guldberg poured some oil on the enthusiasm, which has perhaps been created at this Conference, for our social responsibility. I really agree with him; but with this comment: that the work has to be done and, as I stated earlier in my presentation, even when the Society was formed we promised that we would undertake social responsibility; that we would give insurance cover at the best possible terms at the minimum of cost. Those factors must not be overlooked. We should try to provide the best efficient service that

people require, at the best possible cost. I think very sincerely that with participation in social work you can achieve a better insurance business at the minimum costs. We did, for example, do the various things which our friend Mr. Mansoor from *Hassneh* mentioned, paying low commission and paying better salaries to those in the middle and the lower income group. It seems to be quite common that those in the higher groups in the co-operative insurance societies are not treated so well.

The other factor which must be remembered here is again on the question of investments. The Norwegian way of giving housing loans at lower interest rates is another example of social work being done because the man or the woman who benefits from this will always support the co-operative insurance society. He feels obliged; he feels happy.

Now I will go straight back to what Mr. Guldberg said about boasting. In the insurance business we believe that good public relations is absolutely necessary. If good public relations is considered to be boasting, then I have no further comment to make. Without having good public relations in the various activities that you undertake, in the various kinds of plans you offer, we as co-operative insurance organisations will not be serving the community. There is a lot of confusion about insurance among the people, particularly in a developing country. The insurance consciousness is such that people are confused over Life insurance itself; the need for Life insurance; the need for any other insurance; and have a lack of understanding of the various types of policies that are offered. This is especially so since the policies are printed in very small print when the conditions are stringent.

I must say that it is important to have as much publicity, as good public relations by co-operative insurance organisations on the various social and community work they do, not only for their growth but to create a better understanding among the people of the country.

Finally, Mr. Takemoto asked the question: How is it you are able to provide managerial and specialist assistance to the various co-operative societies in the form of training and education? I mentioned to you that we created a scholarship fund, which we set aside out of our profits for the promotion of education and training, particularly for university education and professional qualifications. Out of this fund we give three or four scholarships annually for such study. Naturally, where the co-operative movement needs training, we offer scholarships for that kind of training. An example is that of our co-operative printing organisation, *NADA Technicians*, to which we offered scholarships and one of their employees has already qualified at the London College of Printing. He has come back and he is bound, under his bond, to serve the *Co-operative Printing Press* for five years. When awarding the scholarship we make it a condition that he or she serves the co-operative movement for at least five years afterwards. In this way we have been able to create a number of technical people so badly needed for the co-operative movement. Of course, because they get their scholarships from the co-operative insurance movement, they are dedicated to the co-operative movement and work very hard indeed to make a success of whatever they are asked to do.

I think I have covered the various points. I must say, in conclusion, that I am very grateful for the various comments made at this Conference on this very important subject. Thank you very much.

CHAIRMAN: Thank you very much, Mr. Kularajah for such an important contribution to the interest of our Conference; and thanks to all who took part in this debate. It has been lively and it has proved to us the interest you have for this subject, presented so skillfully by Mr. Kularajah.

The meeting adjourned for lunch at 12.30 hours.

The session was resumed at 14.00 hours.

9. Savings, investment and insurance

CHAIRMAN: We will immediately take the next point on the agenda, "Savings, investment and insurance", and I have the pleasure of asking Mr. Rittner to present his Paper.

MR. RITTNER: Mr. Chairman, Dear Co-operators. To save, to insure, to invest -- these terms form a triangle enclosing optimal protection for the public striving for better quality of life by means of more security in a longer life.

As co-operative insurers it is our permanent charge to come forward to fulfil the wants and the needs of the public. To fulfil them not only now but also in 10 or 20 years time. In the past, co-operative economy showed considerable efficiency and achieved successes in the field of insurance industry. Today and tomorrow we are newly confronted with assignments which are, however, not fully identical anymore with those of past years. Political, social and economic changes make it necessary to realise that part of our actions must be orientated to new aspects today and in the future.

In important parts of our world our insured are enjoying a fairly steady increase in their income and are thus accustomed to a certain standard of living which they wish to maintain also after retirement. This standard of living, however, requires a protective umbrella. Actually, the major motive for taking out Life insurance today is, besides protecting the family on the financial side, to ensure a carefree retirement. Thus provision for old age must continue to grow simultaneously with the income. Hand in hand with the rising standard of living, inflation is confronting us. The problem of monetary stability has to be tackled. Because the insurance sum is regularly stipulated nominally, a steady monetary depreciation permanently creates new protection gaps. On account of profit distribution and tax benefits on capital insurance, Life insurance presents a high return-yielding investment. However, it is obvious that the returns will be consumed by monetary depreciation and this all the more stronger as the rates of monetary depreciation rises.

Life insurance in various countries made great efforts over the last years to develop and prepare new insurance products which would shield their insured better against losses in purchasing power. This was intended to have the double affect of reducing the flight to other savings media promising at least higher investment returns and less vulnerability to inflation. These developments, dear colleagues, led to the appointment of the Investment of Funds Commission by our Executive Committee. This Commission, which commenced its work in 1973, did not receive precise terms of reference from the Executive Committee, preferring to leave it up to the Commission itself to develop its research in the light of what it revealed.

As it was expected that the results of this Commission's work would be

handed in to this Conference. this left a working period of only 14 months for the Commission. Under this aspect, I do not hesitate to admit, it was not always possible to supplement the newest data and results. For *COOP-Leben*, for instance, our friend and colleague Mr. Debrunner, will submit the newest results of his Company's "Fifty-fifty Plan" to you personally in the ensuing discussion.

Dear Friends. The summary of this research is the 88-page report mailed to all members this August. I do not intend to recite this report here. The underlying theme, how the emerging desires and demands of clients in investments - maximum growth; maximum security; maximum interest - could be met, has been dealt with in several areas. For instance, in what ways conventional Life insurance could be made more attractive in order to compete better with other long-term savings media, taking into account liberal as well as strict government insurance supervision. Furthermore, delivering information on various new savings forms which are being practised and an analysis for marketing new Life insurance products. And last but not least, at the special request of our Chairman and Executive Committee, investigation into the establishment of a joint investment fund.

The report does not give any "prescriptions" or "recipes" for the activities of Member Societies. Examples have been gathered and presented with sufficient detail to guide the Member Societies in testing their suitability for domestic use. Neither does the report pass any final judgement on existing Life insurance contracts, concepts or saving forms. Nor does this report, and this is most important, measure the suggestions made as to moral and ethical obligations of co-operative insurers.

Although the Commission made all efforts, whenever it entered into principles of the co-operative movement, to phrase the sentences in such a way as to make them acceptable to as many as possible of the Member Societies, it could not be avoided that opinions differed in some details. This is the way it should be, I think. C.I.S., Manchester, for instance, informed us that they could, speaking on their behalf, by no means agree with the statement in the Commission's report which said:

"The intensified development of debenture lending can also be supported, especially relative to mortgage loans, since the shorter terms of the former result in more rapid turnover of investment funds and a relatively faster adaptation to changed market conditions. It must also be pointed out that with some reservations investments in commonweal objects have, in general, a smaller rate of return. (Commonweal objects mean social projects and public welfare work undertaken for the benefit of our community, that is the people).

It is certainly appropriate to make commonweal contribution by our insurance companies primarily in the insurance sector; when an increase in investment income and thus in the payment of dividends to policyholder, becomes necessary, commonweal contributions in the investment sector must inevitably wait."

Maybe I should mention here only as one example of these commonweal objects, as we call it, the low-rent housing programmes which, for instance, *Volksfürsorge* in West Germany developed on a very large scale during the last 25 years following the destruction of World War II, the largest programme on a non-governmental basis.

I should like to remind you that the two paragraphs from the report which I just quoted represent the prevailing opinion of the Commission

members. The *Co-operative Insurance Society*, Manchester, advised me that they act in accordance with principles set out in the co-operative Independent Commission Report to the Co-operative Union in Great Britain which, *inter alia*, states:

“Some co-operators, eyeing the vast resources of the C.I.S. with natural envy, think that it should lend to co-operative societies on specially favourable terms. We do not share this view. The first duty of the C.I.S. is not to co-operative societies as such, but to its own policyholders -- many of whom are, of course, individual co-operators. It would not be right for it to sacrifice their interests by making loans at rates significantly below those currently ruling in the market. We therefore have no criticism of the terms on which the C.I.S. normally lends.”

That was a quotation from that Independent Report. The C.I.S., Manchester, also advised that with regard to investments outside the co-operative movement, but which might be regarded as in the national interest, they take the view that it is for the Government of a country to provide such funds and not for one sector of the financial market to make funds available at preferential rates of interest. For an insurance organisation to do this, would, according to the C.I.S., really amount to a hidden tax on its policyholders.

The Commission's report invites Member Societies to choose from the many concepts, practices and contracts described, with a view to whatever is good for their policyholders, and what is appropriate and practical under their national conditions of supervision, taxation and market circumstances. This is especially true of the investigations of the Commission concerning the possibilities and conditions for the founding of an international investment fund. This could not possibly be founded, if desired at all, until a conceivable, subsequent liberalisation and harmonisation of differing insurance supervisory laws.

All this would have to be developed in competition with all other funds and ways of saving, as well as with already existing connections and obligations of the partner companies.

Life insurance has always received lasting impulses through economic surges. The real motor of private protection is to believe in the future. That this keeps up is, however, mainly dependent on the success of tackling the problem of monetary stability. State measures, nationally and internationally, on monetary policy are therefore necessary to keep the monetary depreciation as low as possible. This includes also advocating restriction of consumption to a certain extent. Here the cycle is completed again, because Life insurance has always played an important role in restricting consumption by private households. Life insurance premiums are frozen for a long period and are, if not wholly, for a long term at least, not available for consumption.

Life insurance is therefore a stabilising element in our economy. This binds the institutions, who offer these forms of protection, to engage actively in a continuous economic development. Therefore to take out a Life insurance is, at the same time, a challenge to us as co-operative insurers, to comprise similar interests and to apply actively to the legislative bodies of our economic systems, that the public's belief in the future is preserved.

Thank you very much.

CHAIRMAN: Thank you Mr. Rittner for that good summary of the written Report of your Commission and the good presentation of a subject which is of vital importance, not only to co-operative insurance, but to all insurance men.

I have a number of delegates who have expressed a wish to participate in the discussion of Mr. Rittner's Paper, and I will ask Bob Vanderbeek to open the discussion.

MR. VANDERBEEK: Mr. Chairman, Fellow Delegates. Mr. Kularajah and I share a lot of common interests and I recall his comment this morning that one of the best ways he finds to think is to be on a plane, with Scotch in hand and cigarette in mouth. I would like to suggest to him, since I do not smoke, that maybe we have a co-operative joint venture.

Earlier today Mr. Don Johnson mentioned that in the Detroit River, which is pretty close to where I live, a boat went down with a substantial amount of Scotch on board. Perhaps if Mr. Kularajah and I were to fly to Detroit to be a search party and were to find that Scotch, maybe his concern about smoking would end very quickly.

Seriously, in terms of the report, Mr. Rittner, the Chairman, asked me to comment on the *League Life Insurance Company's* Variable Life insurance policy. In the Commission Report there is a description of the fund-linked Life insurance in the United States. We call it Variable life. Variable Life insurance is a policy that has aspects of both Life insurance and mutual funds. It includes a guaranteed minimum death benefit with possibly higher death benefits determined by performance of a stock investment portfolio. The *League Life* policy is similar in concept to the *New York Life* Plan described in the Report. However, due to the approach we planned to utilise in selling and administering the programme, there are significant differences.

As many of you know, in the United States insurance is regulated by each of the 50 States; on the other hand, securities are regulated by the Federal Government. Since Variable Life insurance includes both insurance features and security features, regulations by both the State and the Federal Authorities appear to be what we are going to have. The *League Life* policy has already received approval by our own State insurance department. At the present time the *League Life* Plan appears to be the only Plan that meets both the Federal and the State Government's regulations regarding maximum sales commissions, expenses, voting rights and price disclosure. However, to be honest, there may be a long delay before the Federal Government gives final approval to any Plan, and it is still not known exactly what type of regulations the Federal Government will demand. However, I believe it is significant that a company as small as *League Life* can have a significant effect on the plans of what we would call the giant commercial Life insurance companies. It is already clear that each of these other plans will have to be modified, much of the modification being towards the direction of having a plan similar to our own plan. In this way I think co-operative insurers can act as "catalysts" to the best advantages of the entire public, not just for their own co-operative members.

During the last two years we have had a period of great inflation, world-wide inflation, but also have had a greatly reducing value in the stock market or, as we call it, securities. In other words the concept that stocks and securities rise as the cost of living rises certainly has not been the case in the last two years. Therefore it is doubtful if many people would be interested in purchas-

ing a Variable Life insurance policy even if we could market one at this time.

As many of you know *League Life's* most popular insurance plan is called Family Group Life. This is a term Life insurance product, with the premium collected from the savings account of the credit union member. This policy now provides protection for over one million people in Michigan alone. Approximately a year ago we offered a second Family Group Life programme called Family Group Life II. The Family Group Life II programme includes a provision that automatically increases your insurance protection when the cost of living increases. It works this way. For every full 10% increase in the Consumer Price Index the amount of insurance for the member and his family, as well as the premium, will increase a matching 10%. In other words both the premium as well as the benefits increase by the same amount. Again this is a term insurance policy so we are not dealing with cash values. The first such increase will take place in 1975, due to the great increase in inflation. It would appear that the first increase will be a 20% increase, rather than just a 10% increase. This, of course, is only a minor step to help meet the problem of inflation. *League Life* commends the Commission for its very comprehensive study.

It is unfortunate that today's perhaps unique inflationary and economic conditions make it extremely difficult to depend on past practices as guidelines to solving the difficult problems we face today. However, we urge all Member Societies to carefully review the Commission Report. As Mr. Rittner pointed out, there are a great number of examples very comprehensively reported, country by country, company by company. And do not assume that what might be possible in one country could not also be possible in your own country. We ourselves have benefited very much from two ideas: one from *COOP-Leben* that helped us to establish our Family Group Life programme; and a second from *Hassneh* on the cost-of-living idea. Therefore we do urge that all Member Societies review carefully the Commission Report, and we hope that this urgent matter, particularly the inflation question, be one of continuing concern and study by the I.C.I.F. Thank you.

CHAIRMAN: Thank you Mr. Vanderbeek. The next speaker I invite to continue this discussion is Mr. Debrunner.

MR. DEBRUNNER: Mr. Chairman, Dear Friends. The Report of the Investment of Funds Commission is certainly of utmost interest for all Member Societies, especially those doing Life insurance business. We have a remarkable study before us based on thorough and careful investigations. A lot of work has been done by Mr. Rittner and his colleagues on the Commission. I think they merit our very best thanks indeed.

Now I think that you might like to hear something about the actual situation in Switzerland. In our country we are faced, too, with increasing rates of living-costs. This rate in 1962 was only 4.3%; last year the inflation rate came to 8.5%; and the newest figures I have, show us that we have to count with the rate of increasing living-costs being about 12% for this year.

Now for many years Swiss Life insurance companies have been studying the question of what could be done to maintain the purchasing power of money paid in by and reserved for their clients. It was up-to-date not possible to find a really perfect solution. My question is: Will it ever be possible to find such a perfect way? But there are constructions in Switzerland which give the

possibility of compensating to a certain degree the loss of purchasing power. For instance, some companies have tariffs for a kind of index-linked Life insurance. The sum assured, together with the premium, can be increased periodically up to a maximum age, of course, and without new health taxation. A number of Swiss banks created investment funds, as a rule open-end funds, with the aim of offering their clients the advantages and the benefits of such investments either in real estate or in shares, or both. The insurance question then came up and as a result a rather close co-operation between the banks and the Life insurance societies came about, to cover the clients' risks of illness, invalidity and death. There are problems: these combinations, as a rule, are available only at bank counters. One is not allowed in Switzerland to deal with securities. It is an old law, I would say an antiquated law, but it does exist. Another problem is that the public, and especially people with not much knowledge in such transactions, seem to consider these combined saving plans of investing and insuring to be rather complicated. For some months the downward tendency on Swiss stock exchanges has not been at all favourable for investors in assets of such investment funds.

Now, as you have seen in the report of the Commission, *COOP-Leben* created in 1961 a combined plan for insurance and investment called Fifty-Fifty. May I refer you to the Report where you can find a very good description of this plan.

At the beginning and during the first years we considered this Plan to be an experiment. Today, it can be said Fifty-Fifty is a real success and very much appreciated by our clientèle. Here are some figures. In 1971, two years ago, part of Fifty-Fifty complex was 25% of the whole production of *COOP-Leben*. It was the same in 1972 and last year this part came up to nearly 40% of the whole new production made at *COOP-Leben*. So you can see from these figures that the Fifty-Fifty Plan is very much appreciated by the public and also, of course, by our agents.

Now, why has it been such a success? First of all, the progressive rates of inflation impressed the population more and more. They became increasingly aware of it. Now Fifty-Fifty offers a chance to maintain, at least to some degree, the purchasing power.

Secondly, the issue price has been raised continuously according to the rising value of real estate. There was never a retrograde movement, and I think this is very important. The original issue price was 200 francs per share in 1961; the issue price today is 274 francs. Now this will surely not tell you a lot. I shall quote two other figures; the average increase in value during 14 years, that is to say up to now, is nearly 3% per annum; the average rate of inflation, according to our country's index, is somewhat above 6%. So we have just about the possibility of offering this Fifty-Fifty Plan, that is to say with the part which has gone to the real estate. We have had chance to compensate about half of the increasing living costs.

Thirdly the yearly interests paid out amount to somewhat above 4.6%. This is calculated on the average of the issue price of each year, and based on the original price of issue -- these 200 francs at the beginning. The interest paid in 1973 gave a rate of 5.9%, or nearly 6%. When fixing the yearly dividends, of course, we must first of all have in mind our investors' interests, and try to work out as high a profit as possible. But there is another point of view, and I think it is an important one. We have to think of the other side as well and this side means the tenants of the flats in our buildings, belonging to

the Fifty-Fifty fund. They have to pay rents. Now Fifty-Fifty follows a very cautious policy of rent. The consequence of this policy, however, was somewhat less capital profits, so that, quite clearly, we could not give a maximum of dividends. All this is contrary to some other real estate investment funds in Switzerland, which lost their image because of exorbitant rises of rents, made at any time. They achieved a splendid interest, of course, but at the same time earned heavy reproaches from the public and Government.

Fourthly, investment in our real estate fund can be considered to be relatively sure. We have first-class quality flats with rents which are considered to be rather low.

Now the problems. The net profit is also considered to be rather low, I must admit, especially measured against today's paid interest rates, namely 8%. There are surely those amongst you who know that in 1950 we had interest rates of only 3½%. Now this has risen and today we are on 8%. Another problem is that in the near future Switzerland's rent policy will probably be restricted by the Government. This is perhaps due to some real estate funds and other funds with exorbitant rises of rent. The third problem is that it is extremely expensive to build new flats today and this causes rather high rents. Therefore the number of possible tenants with adequate income has diminished. Living has to some extent, and in several cities in Switzerland, become rather difficult.

Another fact which I think will be of some interest to you is the following:--

A few days before I left Switzerland for this Conference the Swiss Life insurance companies decided to appoint a working committee to investigate possible solutions for fund-link insurances. Work is going to start during the next weeks. I cannot tell you yet what the result will be.

Now this, Gentlemen, has been a short look at tendencies within the Life insurance and investment market. Today's problems and those of the near future in our country cannot be overlooked. I also believe that the question of what we can do to maintain our clients' purchasing power is an international one. Just the same as inflation does not concern only one country, separate from the others, but it is a world-wide very far-reaching development. That is what I think with regard to these living costs. I hope that the remarks are helpful to you when you are dealing with the other items of this subject.

Thank you.

CHAIRMAN: Thank you, Mr. Debrunner, for your interesting views on this subject. I will now call Mr. Goppold to continue the discussion.

MR. GOPPOLD: Mr. Chairman, Delegates. I am reporting on the profit-participation system of the *Volksfürsorge*, my parent Company. The tariffs of all Life insurance companies operating in the Federal Republic of Germany must be approved by the Federal Insurance Supervisory Authority. Hereby the Federal Insurance Supervisory Authority attaches particular importance to the permanent performance of the contracts. Therefore only those tariffs are approved which include considerable safety margins regarding mortality, interest and administrative expenses. This becomes particularly apparent through the fact that an annual interest of only 3% at the most may be used in calculating the premium.

Considerable profits, as for example interest and risks profits, naturally accrue as a result of this cautious premium calculation demanded by the Federal Insurance Supervisory Authority. According to the regulations of the Federal Insurance Supervisory Authority at least 90% of these profits must be set aside for the profit-participation of the policyholders. For many years *Volksfürsorge Life* has made even more than 99% of the profits available for the profits participation of its policyholders.

Volksfürsorge Life distributes these amounts predominantly according to the so-called "natural system". This means that profits are allotted mainly in such a way to the individual insurances according to how much these have contributed to the formation of profits. Therefore a profit share is granted out of the interest gain, which is in general stipulated in proportion to the interest bearing capital. A basic profit share, which is generally stipulated in proportion to the premium or insurance sum, is granted out of the remaining profit, which practically includes profit from risks and administrative expenses.

Volksfürsorge Life credits these profit shares at the end of the calendar year following the accrual of the profit. For Life insurances, which were taken out under the old tariff, these profit shares accrued with interest and only paid out together with the insurance benefit. In contrast to that, the profit shares for the new now valid Life insurance tariffs of *Volksfürsorge Life* are used as bonuses, meaning in form of an additional insurance sum free of premium to increase the insurance benefit. A whole Life and endowment insurance, for example, taken out in 1967 for a period of 35 years, receives out of the profit of the 1973 business year, a bonus of 1% on December 31, 1974. The insurance benefit increases from year to year through the profits-participation in form of bonuses.

The Life insurance companies must, according to the regulations of the Federal Insurance Supervisory Authority, calculate their surplus participation rate in such a way that they may be kept up permanently when the company shows constant surplus power. Therefore the profits, which are not distributed during the insurance period within the framework of the current annual profit-participation, are paid out as final profit shares. These final profit shares are in general granted in case of expiry of the insurance period, death of the insured during the last year of the insurance period, as well as in case of surrender during the last three insurance years by making use of the flexible age limit.

The insurance benefits are increased considerably by the current annual profit-participation and the final profit-participation.

The following additional benefits out of the profit-participation, using the profit share rate fixed for the 1974 calendar year, would result in case of an insurance on whole Life and endowment taken out with *Volksfürsorge Life*, the premium payment being annual, initial age 30 years, the insurance period 35 years and the insurance sum of 10,000 DM:

in case of death at the end of the 10th insurance year a plus of 800 DM

in case of death at the end of the 20th insurance year a plus of 3,320 DM

in case of death at the end of the 30th insurance year a plus of 8,100 DM

on termination after 35 years, it is an additional sum of 15,500 DM

To put it another way by distributing 99.7% of its surplus in the form of profits-participation every year, *Volksfürsorge* pays for a contract of 10,000 DM, purchased by an individual 30 years of age, at the age of 65 totals 25,500 DM, which means 10,000 DM, the sum purchased, plus the 15,500 DM profit-

participation. This practice substantially increases the attractiveness of conventional Life insurance, *vis-à-vis* other savings possibilities, and counters the influence of inflation on the value of Life insurance proceeds. In addition, the practice adjusts the sum insured to increased income levels and with 20% income tax privilege each year taken into consideration, it means a real increase in net value of proceeds, despite inflation. Moreover, the death risk insurance cover would have been provided to the insured over the years, in effect, on a gratis basis.

Volksfürsorge Life was able to improve the attractiveness of its Life insurance contract substantially through this considerable profit-participation, and with this its competing power. Proof of this is also supplied by the fact that *Volksfürsorge Life*, in spite of its lower premium level, ranks among the companies who have insurance with the highest expiry benefits as far as average insurance periods and average insurance sums are concerned. Thank you.

CHAIRMAN: Thank you, Mr. Goppold, for that informative account of *Volksfürsorge's* profits-participation policies. Now continuing, I now invite Mr. Rijkers to come to the rostrum.

MR. RIJKERS: Mr. Chairman, Dear Friends. One of the merits, and not the least, of the report introduced by Mr. Rittner is that it tends to meet and to analyse all the aspects of the subject treated. Another feature of the study is that it is prudent in its approach and in its appraisal. This is not a criticism. Anyone charged with such an extensive and complex problem would also have been very prudent.

Lastly, I should like to add that we could not find a better moment for debate, for since the beginning of this year, 1974, inflation has never flourished so well and the Stock Exchange has never done so badly. Insofar as one may think to find refuge in speculative values in order to escape from the effects of inflation, 1974 certainly brings some causes for reflection.

The figures mentioned in the report do not go beyond the years 1970-1972, thus I think it might be useful to add, or to remind you of, some recent indications up to August-September, 1974:

1. Monetary depreciation -- Inflation

Common Market: for the 10 years period 1963 to 1972 the average annual depreciation was 3% to 4.6%. Estimation for 1974: 9% to 19%: according to the countries.

U.S.A.: for 1963-1972: mean 2.9%. Estimation for 1974: 10% (at least).

Japan: for 1963-1972: mean 4.4%. Estimation for 1974: 25% (at least).

2. Industrial shares

The following are examples taken among stocks well-known on the Belgium capital market.

Taking as definition of the annual performance the result in % of the division by the value at the beginning of each year, of the value increase (or decrease) at the end of the year, plus the net dividend (for 1974, only the capital depreciation after 8 months) we have:

Banque de Bruxelles (banking sector)

In 1971: plus 14.1% of which 5.3% for dividends
In 1972: plus 26.8% of which 5.1% for dividends
In 1973: plus 13.5% of which 4.5% for dividends
1974 (8 months): depreciation by 29.5%

Intercom (gas and electricity sector)

In 1971: plus 16.2% of which 6.6% for dividends
In 1972: plus 15.1% of which 6.3% for dividends
In 1973: minus 7.8% in spite of the 5.8% dividend
1974 (8 months): depreciation by 17.3%

Photo-Gevaert (chemical sector)

In 1971: plus 15% of which 3.8% for dividends
In 1972: minus 1.5% in spite of the 3.4% dividend
In 1973: minus 12.4% in spite of the 4.2% dividend
1974 (8 months): depreciation by 17.2%

Petrofina (oil sector)

In 1971: plus 24.8% of which 3.5% for dividends
In 1972: plus 53% of which 3% for dividends
In 1973: plus 29.5% of which 2% for dividends
1974 (8 months): depreciation by 43%

3. Investment funds

For 31 funds practised with more or less success by 5 banks and 1 insurance company operating in Belgium, I have recorded depreciation between January and September 1974, ranging from 5.1% (Unifonds -- German Stock -- in DM) to 30.6% (Interselex -- Capital fund -- F.lux.) and this round an average of 20%. One of the best-known funds in Europe, Robeco, the fund the "*Fractieverzekeringen*" of the Insurance Company "*De Waerdije*" (The Netherlands) are linked to, has scored a fall of 26% between January 1st and September 12th, 1974.

Of course, the lucky speculator will have bought before a rise and sold before a fall, but is this elementary technique always feasible and within the reach of everybody? Is it always possible when the transactions relate to important masses of securities? Is it within the reach of the applicants for unit-linked contracts? I am curious to know the reactions of the underwriters of "*Fractieverzekeringen*".

It is true that phenomenons like monetary depreciation and evolution of stocks have to be analysed for longer periods. On the other hand objectivity requires a comparison of speculative securities or of the funds containing such values, through performances of other investments. But this does not alter the fact that, even in spite of the deal provided by the contract, in 1974 beneficiaries will present themselves at the counters of banks or insurance companies and will perhaps be disappointed by what they will receive.

It will also be told that the underwriter accepted to run a risk in exchange for more attractive perspectives than those offered by traditional forms of savings. No matter. But is there no transfer of roles and responsibilities? Do individuals, often ignoring economic and financial problems, have to cover

the risks, or is it the task of specialised institutions?

I will now go back to the principal object of the report. I think we can place this object into three stages:

- A statement: the decline of Life insurance as a form of savings.
- An assumption: this decline is greatly due to the decrease in purchasing power.
- A proposal: the eventual creation of an international interco-operative investment fund in order to contribute to the recovery of this situation.

I would like to impart some remarks relating to each of these items:

A. Decline of life insurance

The report proposes some Tables (namely I¹ and I²) mentioning figures for several years and several countries.

Neither comparisons --- insurance --- savings --- disposable income (table I¹) or insurance --- savings --- bank deposits (table I²) are really convincing.

Actually, if in some countries there seems to be a deterioration, in others there is a status quo, and in others still there is an amelioration.

According to the tables, the phenomenon mentioned does not seem to be generalised.

Nevertheless, I have the feeling that the decline of Life insurance is more important than it appears.

But in order to examine if this feeling corresponds to a reality, I think another approach to the problem is necessary and another scheme of investigation.

Indeed, in the tables presented, savings are compared to disposable income. And by disposable income is meant total income after deduction of social security and taxation charges only.

However, what I am interested in, is not total income but the fraction of it which is disposable for savings. Thus the part of this income which is used for consumption should also be measured and subtracted.

On the other hand, savings through Life insurance are defined as the increase in the reserves or investments of insurance companies. And this is true, of course, on actuarial plan.

As for me, I think it would be simpler, and maybe more logical, to consider the whole premium income. For, what is interesting to me, is to know the mass of premiums individuals accept to put into Life insurance and not how we dissect it.

Thus, the scheme I propose to apply is extremely simple:

Suppose that in a given period, total disposable income equals 100, an amount of 80 being consumed. The difference, 20, constitutes the part susceptible to be saved.

In a following period, income increased by 10% (100 becomes 110) whereas consumption only increased by 7% (80 becomes 85.6).

Then an elementary calculation enables us to see that the part disposable for savings becomes 24.4% instead of 20% which corresponds to an increase of 22%.

Now the question is to examine if the premium-income has followed the same progress.

Are these figures available to make these calculations, and are they comparable from country to country? This is what I propose to the Commission to investigate, of course, if it considers the model acceptable.

I had the opportunity of getting the figures for Belgium and here are the results.

From the period (1963-1967) to the period (1968-1972), namely in the space of 5 years:

increase in total disposable income	51%
increase in the part susceptible to be saved	80%
increase in the premium income-Life insurance	41%

Thus the decline in Belgium seems particularly sharp, and I think it would be of some interest to know the situation in other countries.

Before concluding this aspect of the problem, I think I have to remind you of a mathematical evidence: if, next to a certain number, N forms of savings, another form, N+1, is created, and the latter succeeds in taking a part of an unchanged disposable volume, then this is necessarily to the detriment of N former.

As this evidence cannot be changed, the important thing is to be the creator of the new formula.

B. Do monetary depreciation and its extreme form, inflation, explain the decline of Life insurance?

Even if we have to admit that the decrease in purchasing power is the criticism mostly raised against Life insurance, is it necessarily the explanation of its decline?

We must not lose sight of some facts --- and the report stresses it abundantly:

1. Life insurance is not the only form meriting this criticism. Other forms of savings are entitled to it as well. Nevertheless, they know a comfortable growth.
2. Even if the general public is sometimes anxious about its savings and enthusiastic -- often temporarily -- about more speculative investments -- the report mentions this too --- they revert very quickly to forms which they think are more secure such as real estate or fixed-value securities. The misfortune is that for fixed-interest savings exact calculations are possible, whereas for variable-yield securities (from the ordinary share to the investment fund) one can choose favourable periods and proceed to extrapolations mathematically correct, but economically wrong.
3. Even if it is correct that savings undergo the effects of monetary depreciation, they, all the same, remain necessary.

We can even assert that the more acute monetary erosion is, the more the need of saving becomes important.

For how can we bear up against the permanent effects of this erosion, effects which unfortunately do not stop at the retirement age, if we do not create supplementary savings?

And if public's behaviour is opposite to this logic, do we do all we can to change it?

But the problem is less the one of savings needs, rather the one of selection among the numerous forms actually offered by bank and insurance institutions. And the very first problem we, Life insurers, are confronted with, is to know if we really have tried everything to improve the performances of the conventional Life policies:

- by an increase in the yield of the assets and participation by the insured in this increase;
- by a rationalisation of our companies' administrative organisation in order to reduce the overheads;
- by improving the training and sales capacity of our sales organisations;
- by a multiplication of the contact possibilities in order to assure a better and smoother service to our clients.
- by the study of the best arguments and the best ways of advertising; and so on.

In short, did we react vigorously to the undeniable commercial dynamism of the banking sector, without losing sight, however, of the fact that there are also co-operative banks and savings banks? If they get what co-operative insurance companies lose, nothing is lost for the co-operative movement.

Now I come to the essence of the problem:

C. Do we have to create an interco-operative and international investment fund?

When Raymond Lemaire proposed this subject for reflection at the Hamburg Conference in 1969, I do not think that *a priori* he had the conviction that a worldwide interco-operative fund would necessarily be the real and only remedy against the insufficient expansion of Life insurance. He was right when he proposed to study the problem, but did certainly not prejudice conclusions.

As to that particular point, we state that the Report of the Commission does not bring conclusions either. But it insists upon the difficulties of creating such a fund and provides ample advice in case we decide in favour of its creation:

- A modest start in countries showing some economic and juridical similarity.
- Appeal to the capital stock of the companies-founders for the creation of the fund and for the formation of a team of highly qualified specialists.
- Support of the administration of the fund with mechanisms enabling these specialists to act quickly and to work in the best conditions, however, avoiding speculation.
- Lastly getting optimum performances out of the fund.

We cannot but agree upon those recommendations for prudence's sake. Nevertheless, I should like to make some remarks:

- Assuming that the decline of Life insurance really is a worldwide phenomenon and that the establishment of a common interco-operative fund seems to be a valid solution, why should it not also be

put into practice all over the world?

-- Appeal for highly qualified financial specialists is self-evident. But we have to act with prudence: I cannot believe that the *Herstatt Bank* and others which recently had serious difficulties, in consequence of -- I admit -- gambling on gold and currencies, did not appeal for specialists.

-- Getting optimum performances out of the fund, of course. Moreover, once the fund is created, it is important to know how to feed it. And at this stage of the Report, I thought that we might ask Mr. Rittner if he would accept the suggestion of putting parts of Co-op-Immobilien funds into the fund, and if Mr. Kularajah would agree to putting parts of the hotel complex and of the palm-oil development into it as well.

-- Avoiding speculation. Certainly this is wise, but if we are afraid of this word, let's nonetheless admit that it is the purchases, sales and transactions which enable us to obtain the best performances.

And it will be necessary, in order not to suffer defeat, that the yields of the interco-operative fund at least equal those of the best funds available.

If on the contrary, we decide not to create a world-wide interco-operative fund, what will the situation be?

Does this mean that the Rittner report will be packed up in a drawer and forgotten? Certainly not, for it contains so much information and it touches upon sufficient aspects so that we can give it another orientation.

Moreover, nothing prevents a company that has the commercial need to add a unit-linked contract to its existing products from making a choice among the best funds available or from creating an internal fund if necessary. And within the I.C.I.F. we can then exchange our mutual experiences.

I have finished with the remarks which were raised when reading the Report. But I cannot resist the desire to communicate some personal impressions I had during the last 10 or 15 years, evoked by conversations or readings on the same subject.

None of the Life insurers who, as a reaction to investment funds offered by the banking sector, had invented unit-linked contracts, seemed to be really convinced of having found something really new. Indeed, what else is a conventional contract, the amount of which is periodically increased by profit-sharing, than a variable benefit contract? But with one difference, that is that the financial risk of investment drop is automatically eliminated.

On the other hand, the assets representing the mathematical reserves, resulting from the collection of saving premiums and administered so as to get the best yield, are of course, apart from some special aspects, nothing else than an internal investment fund, the performances of which could directly benefit the insured. Of course, neither the variable conventional contract nor the assets, considered as a kind of internal investment fund, do correspond exactly to the official definition. But is this a sufficient reason? Is this important? I am merely afraid of the easy way in which we invent new words, thinking that we are inventing new concepts.

Supervisory legislation does not accept all kinds of investment, and even those allowed are limited. Belgian regulations, for instance, accept industrial stocks and investment funds, but together they may not exceed 30% of the total reserves.

If these limits appear to be too low, and if we have the conviction that we

serve the interest of the insured by changing those limits, or even by abolishing them, then we have to act in the political field, for it is a question of legislation.

But if it is really proved that these securities are the ones giving the best performance, why did companies operating in Belgium reach only 7.4% in 1972 when they were allowed to invest 30%? Surely this is a curious contradiction? And to what extent is this the same in other countries?

Are these views too conservative? Have I been too pessimistic or too prudent in my approach to the problem? I do not know. I have merely tried to remain as objective as possible. But it is for you to judge whether I reached that goal. Thank you very much.

CHAIRMAN: Thank you, Mr. Rijkers, for your interesting views on this subject.

Now, Gentlemen, I see it is rather late. I will accept one more speaker on this subject before the tea break.

Does anyone want to say anything more?

MR. D. E. JOHNSON: Because the working Commission's Report includes a good deal of material about *Nationwide's* Mutual Income Foundation, I have brought with me the latest semi-annual reports. These have been in the Exhibition Hall and maybe some of you have seen them already. Our latest report is dated 30th April, 1974. There is a pretty good picture of what has happened to our Fund. I also collected some data from June 30th, which has not yet been put out in printed form but which refer to a Table on page 25 of the Commission Report.

Cash, of course, as of June 30th still has a face value of \$1,000, but its purchasing value has dropped in the six months from \$536 to \$489. Government 4% savings bonds have increased their value to \$2,746, but the purchasing value has dropped off to \$1,343. Government 6% savings bonds have increased their value in the six months to \$4,517, but purchasing value has dropped to \$2,209, and in spite of probably the most chaotic conditions in our capital markets, at least since I was a boy, the M.I.F. Fund has had a pretty fair performance on the downside in this six months. The asset value has dropped from 11,241 to a figure of 10,170 and the purchasing value has dropped to 4,973.

Each day at *Nationwide* a group of our young investment analysts take their luncheon together, and each day it is the same. They carry the investment problems from their desks to the luncheon table and the conversation is common shares, government bonds, earnings and yields, cash flows and so on. Finally, a day came when one of them slapped the table in the middle of lunch and stopped all the conversation. Then he said: "I am fed up; every day nothing but stocks and bonds, bonds and stocks", and one of his fellows said: "Oh yes I think you are right, it is boring, we may as well have stayed at our desks. But what shall we talk about?" The third one then spoke up and said: "Well the most attractive possibility is to talk about girls". The fourth one said: "Well that's a fine idea, let's talk about girls. But where shall we begin? With common or preferred?" Thank you very much.

CHAIRMAN: Thank you Mr. Johnson.

Gentlemen. As we still have some time and as the problem which we are discussing this afternoon seems to be of great interest to all of you, if any of

you still want to speak on this subject the opportunity is now open to you.
If not, I shall now ask Mr. Rittner to conclude.

MR. RITTNER: Mr. Chairman, Dear Friends. Very shortly and briefly, what Mr. Vanderbeek told us — I do not mean the Scotch whisky part — about his Variable Life Insurance Policy and especially about his Family Group Life II was of the greatest interest to all of us. Mr. Debrunner raised the question whether a perfect solution for Life insurance is possible at all. I think all of us agree that there is only one perfect solution and that is no inflation at all. His way of tackling the problem in Switzerland is a valuable experience for us. My colleague, Mr. Goppold, explained the profit-share system of *Volksfürsorge's* conventional Life insurance.

Mr. Rijkers of *La Prévoyance Sociale*, to whom I am especially thankful for his contribution in the discussion, underlined the prudence of this Commission's Report. He is, of course, truly right in doing that. He is even more right in offering us the latest and much more terrifying figures. His summing up of the objects of the Report into three short points was of great use to us. The amount of disposable income to the total income is, however, an assumption of Mr. Rijkers, and I really do not know, at the moment, whether it would be possible to get any precise figures for every country. But I feel that could be a very important task of the new Commission which the Executive intends to set up.

With reference to setting up a joint fund, I have to remind all of us that there is an International Co-operative Banking Committee within the *International Co-operative Alliance* with which we should, and we would have to, co-operate; and that there is already in existence an important and valuable *International Co-operative Bank* with a Head Office in Basle, Switzerland.

Dear friends, we are all thankful to Mr. Don Johnson for offering us his latest material on *Nationwide's* M.I.F. Fund. To conclude, I should like to remind myself and you that it was only the task of this Commission to investigate, and not the task to solve, all of our small and big problems.

Thank you very much.

CHAIRMAN: Thank you Mr. Rittner.

10. Report from the Executive Committee

CHAIRMAN: It is now my pleasure to invite our Secretary and Treasurer, Mr. Seeley, to say a few words on the activities of the Executive Committee since our 1972 Conference.

MR. SEELEY: Mr. Chairman, Ladies and Gentlemen. I do not propose to take up too much of your time with my report on what the Executive Committee has done since I reported to the full conference in 1972, so I will be as brief as possible and simply tell you about our main activities.

The Executive Committee, immediately following our 1972 Conference, elected the officers to serve until the next full conference, and you have already all been advised of these appointments. There has, however, been one change in the membership of the Executive elected in 1972, and this was caused by the resignation of Mr. Matheson of *Co-operative Insurance Services*, Canada, when he took up another appointment. He has been replaced by Mr. Mercure

of *L'Assurance-Vie Desjardins*, and we are very delighted to have you in our ranks, Mr. Mercure.

At the same meeting we decided that the Insurance Development Bureau was so useful to us that we have made it a permanent institution instead of re-electing the Bureau following each conference, which had been the previous practice. The members of the I.D.B., of course, will continue to be appointed by the Executive at the first Executive Committee meeting following each full conference. We also agreed whenever a member of the I.D.B., other than the Chairman and Secretary, was elected to the Executive Committee he should then retire from the I.D.B. and be replaced by the most suitable person available, not necessarily from the same organisation as the one moving to the Executive Committee.

Since 1972 the Federation has unfortunately lost three of its members; one from Denmark, following its merger with another insurance society; and two from India when the insurance industry in that country was nationalised. We are very sorry to have to lose members, but at the same time I am happy to report that we have admitted no less than six new members from Ecuador, The Federal Republic of Germany, Finland, Holland, Japan and Puerto Rico.

You have already heard, thanks mainly to the efforts of our Vice-Chairman, Mr. Kularajah, that we have finally succeeded in establishing a co-operative insurance society in the Philippines. And we hope that at our 1976 conference some of the hopes, which have been reported by Mr. Dahlberg, will have materialised and that we will be able to report further newly-established societies. To assist the efforts of the I.D.B. to provide insurance experts to help the newly-formed insurance co-operatives, the Executive Committee, the I.C.R.B. and *Allnations* have agreed to establish jointly, and immediately, a fund of £25,000 to cover the estimated expenses in this field over the next two years.

As you know, the Executive Committee appointed four Commissions to report on loss prevention; transferability of Life policies; investment and insurance; and accident insurance. The reports by the Loss Prevention and the Life Commission were approved and have already been circulated to all Member Societies. The conclusions of the Investment Commission report have, of course, been presented to you at this Conference by Mr. Rittner, and the Accident report should be received very shortly. We are sorry that it has been delayed, but this delay has been out of the control of the Executive, and was in fact due to a change in the members of the Commission.

Now at our meeting this week, as Mr. Rittner has already mentioned, we have appointed another Commission composed of representatives from the United States, United Kingdom, West Germany, Japan, Belgium and Finland, to consider the effects of inflation on insurance offices, and what they should do about it. Mr. Vanderbeek of *League Life Group Insurance* has been invited to act as its Chairman. I think it is significant that we have made this a much larger Commission than any previous one. I am sure that you will all agree, since inflation is becoming a dominant factor in both our business and private lives, we should, as Mr. Smith said earlier, at least try some long-range planning rather than just sit and wait. As he said, if we achieve only 50% success it is better than zero per cent.

The Executive Committee has given considerable attention to the threat of nationalisation. Yes, it is a threat to all of us, no matter in what country we

operate. Those on the Executive who have been faced with a threat of nationalisation collaborated closely with each other so that the benefit of their experiences could be given to all Member Societies. Arising from this a Paper entitled "Nationalisation of Insurance — Arguments For and Against" has been produced and I am sure that you will have seen copies on show in the Exhibition next door. We suggest that you make sure you have a copy so that you are forearmed in case the threat should increase in your particular country. Because, if you do not take early action, by the time you come to do something it could well be too late. This fact is well brought out in the Paper.

Last month the European members of the Executive Committee arranged a meeting with two or three other European Member Societies to have a preliminary talk on future collaboration between insurance co-operative societies, particularly in regard to competition from our capitalistic competitors. It was resolved to appoint a Commission of three people at that meeting to make a closer examination of the problem and it is hoped that a report will be available early next year. The group met first of all last month and another meeting was held yesterday afternoon, and we are beginning to make some progress. If we can achieve closer collaboration in Europe, then we hope to involve other Members from outside Europe, but it is not a problem which is going to be easily solved.

Those of you who attended the 1972 Conference will recall that we had some discussion on future voting power of our Members, and that this was referred back to the Executive with an instruction to bring it back to the next full conference. We looked into this matter again at a number of our Executive Committee meetings, including the one this week, and we shall be making our recommendations to Members at the next full conference.

Finally, we have agreed that our next conference, which will be a full conference, will be held in Paris in 1976 at the same time as the I.C.A. Congress — not precisely at the same time, immediately before the I.C.A. Congress. We have not a precise date yet, but we will write to all Members as soon as we know the date.

Thank you very much.

CHAIRMAN: Thank you Mr. Seeley. If any one wishes to put a question, Mr. Seeley will be glad to answer. No one?

CLOSING ADDRESS

CHAIRMAN: I see, Gentlemen, that the next item on the Agenda is the Closing Address by the Chairman. So I am for once unable to do what I have got used to doing since the beginning of the meeting, namely to bring someone forward to speak!

My dear Friends. This Conference, our first interim or intermediate one between our full conferences due every four years has, I am pleased to say, been a most successful venture; and I am sure you will all agree with me.

The Papers have been very well presented, and certainly dealt with topical problems. Those relating to insurance have been of vital importance to the future prosperity of all insurance co-operative societies. The speakers in the discussions have shown a deep interest in, and knowledge of, the subject on which they have spoken.

I will, on your behalf, take this opportunity to thank again those who

presented the Papers, for the obvious efforts they took in their preparation, and the interesting presentations made. I also wish to thank all the speakers in the discussions of the Papers — without their participation our Conference would not have been the success that it has been.

A special thanks also to *Folksam* for producing their extremely interesting film, "Just in time."

Mr. Vanderbeek and Mr. Kularajah stress in their remarkable speeches the fact that co-operation does not mean only to organise prosperous enterprises but also to help the people to obtain a better life. Other speakers insist on the moral role of co-operation. It is true that the success of co-operation is not a goal in itself, it is a means of, we believe, helping the people and particularly those who are weak and who are poor.

Many of us here have travelled a lot, and all over the world and also in the poorest countries. We have witnessed real poverty; we have seen people living in miserable conditions; we have realised that those who have very little cannot think like those who have a lot. We must keep that in mind when we visit these countries, or when we are considering their needs with a desire to help. When we watch their efforts to survive we sometimes receive a lesson of humility and sometimes a message of hope.

An Indian proverb says: "I have no shoes and I complained, until I met a man who had no feet." Let us remember this when we complain about some of the difficulties we meet in our current lives.

Gentlemen. Behind the success of any international conference are those in the background, often unseen, without whose voices those of us who are not multilingual would understand only part of what is said. Yes, I refer to our interpreters who have done such an excellent job in coping with the different English accents they have heard at our Conference. We do not know how they manage to tell us what has been said in the past whilst listening to the present which they will translate in the future. Our thanks are extended to them and we are truly grateful for their contribution to the success of our meetings.

I would also like to thank all those employees of *Zenkyoren* who have contributed to the efficient organisation and administration of this Conference and its associated meetings held this week in Tokyo. Also our thanks to those who have looked after our ladies whilst we have been in Conference.

I would like to say a special "Thank You" to the two men, living on the opposite sides of the world, who have truly co-operated with each other for almost two years working out the details essential to the success of our visit to Japan. I refer, as you no doubt guess, to Mr. Edwards, our Assistant Secretary and Assistant Treasurer in Manchester, and Mr. Imaizumi from *Zenkyoren*, which as you know is in Tokyo. I can never say enough about the wonderful job they have accomplished. Thank you, Mr. Edwards. Thank you Mr. Imaizumi.

I would also like to thank you all for your most friendly co-operation which has made it easy to Chair this Conference.

In conclusion you would, I know, like me to express your gratitude to our hosts, *Zenkyoren*, for the very friendly way they have received us in their country, and the wonderful hospitality they have extended to us throughout our stay in Tokyo.

Before closing the Conference, however, I will do what I said I would not do when beginning this Closing Address, and call on someone else to speak.

Our Secretary, Mr. Seeley, has, I understand, something important to say to you.

MR. SEELEY: Mr. Chairman, I wish to make a proposal for a Resolution, and I will now read it to you:

RESOLUTION

WHEREAS, ZENKYOREN, the National Mutual Insurance Federation of Agricultural Co-operatives in Japan, a Member of the International Co-operative Insurance Federation, affiliated to the International Co-operative Alliance, most graciously offered to host the following meetings of the said International Co-operative Insurance Federation and its Committees and its Bureaux in the *Zenkyoren* Building, Tokyo:

1974 International Conference of Co-operative Insurers
and

The Executive Committee

and

The International Co-operative Reinsurance Bureau Committee

and

The Insurance Development Bureau

and

WHEREAS, ZENKYOREN most efficiently made all the necessary arrangements which ensured that the aforementioned Meetings and Conferences were most successful; and

WHEREAS, in addition, ZENKYOREN most kindly welcomed to Tokyo the members of the International Co-operative Insurance Federation as represented by their delegates to the said Conference and Meetings; and

WHEREAS, ZENKYOREN ensured that the said delegates and their wives who accompanied them should learn something of the culture and traditions of Japan by arranging a most interesting and enjoyable programme for them during and following the said Conference and Meetings.

NOW, BE IT THEREFORE RESOLVED, that the Members of the International Co-operative Insurance Federation, as represented by their delegates to the 1974 International Conference of Co-operative Insurers, do hereby express their most sincere gratitude and heartfelt appreciation to ZENKYOREN and their President, their Board of Directors and their staff for their kindness and friendly hospitality; and

BE IT THEREFORE RESOLVED that this Resolution be recorded in the Proceedings and Report of the 1974 International Conference of Co-operative Insurers and that it be reproduced and presented as a token of the appreciation of all the members of the International Co-operative Insurance Federation, to their hosts, ZENKYOREN, the National Mutual Insurance Federation of Agricultural Co-operatives in Japan.

CHAIRMAN: Thank you, Mr. Seeley. May I have a seconder?

Thank you, it has been moved to second.

Those who are in favour say "Aye".

Thank you, carried unanimously.

In anticipation that you would endorse that proposal, we have had the Resolution of Appreciation engrossed and framed, as you can see. We have also anticipated your wish that we should further show our appreciation to our hosts by asking them to accept a small gift from the Federation. We would like therefore them to accept this ceramic picture which has been composed by one of Sweden's leading ceramic artists.

On your behalf, Ladies and Gentlemen, I would now invite Mr. Takizawa to accept the Resolution of Appreciation which you have just passed, and this small gift, both tokens of our sincere gratitude to our wonderful hosts.

May I call Mr. Takizawa?

MR. TAKIZAWA: I would like to take this opportunity to say a few words of gratitude. Thank you very much for the kind Resolution of Appreciation as well as the token of appreciation. On behalf of *Zenk'yoren*, I would like to extend our heartfelt gratitude to all of you.

I believe it was the day before yesterday, on the very first day of our Conference, I had the pleasure and privilege of addressing a welcome to you. For *Zenk'yoren* this was the first time that we have organised and hosted such a big International Conference. In order to prepare for our first experience of hosting such an International Conference as this, we did our utmost and our best. But because of our lack of experience I am sure we have caused you some inconvenience due to oversights, but I hope that you understand this. In spite of the fact that we have a lot to improve, you have spoken so kindly of us.

Thank you very much for your co-operation.

MR. PARRY: I raise the point of order, of course, Mr. Chairman in order to stop the proceedings while I try, I think, to rectify an omission so far as I see it.

It would appear to me, Mr. Chairman, that you have thanked everyone who has been concerned with this meeting, but no one has yet thanked you. And I believe it would be quite remiss if we did not move a most sincere and hearty vote of thanks to your goodself for the manner in which you have conducted the meeting.

I think it might be appropriate for me to do so, and I am certainly gratified to do this, for the simple reason that I may be probably one of few in this room who is not connected actively with insurance. My function is that I happen to be the Vice-Chairman of the *Co-operative Insurance Society*, Manchester. This is the kind of person who scores goals from the third row in the stand when you go and watch a football match. I am one of those people who, when the C.I.S. have had a good year, shake hands with my fellow Directors and say "Haven't we done well?" When the C.I.S. has not had such a very good year, I am one of those people who turn to my fellow Directors and say: "Mr. Seeley, Mr. Edwards, Mr. Johnson and Mr. Briscall, haven't done too good this year."

I bask in the sunshine of the policyholders' smiles, although I make no contribution whatsoever. I think Mr. Lemaire has been a most charming and a most competent Chairman. He also has a very kind word and a smile for all of us. Speaking of nice smiles and kind words, from the English that has been

spoken here, Mr. Chairman, I would imagine that most people in this room have been to England, and that they have visited one of our pubs.

A friend of mine went into a pub and said to the barmaid, who was a very nice girl, "I'd like a pint of beer, a pie, a charming smile and a kind word." So she drew his pint of beer, placed it before him and she gave him his pie. He said: "Well what about the nice smile?" — so she gave him a nice smile. He said: "Well, you have almost finished, what about the kind word?" So she thought for a moment and then she said: "Well, don't eat that pie."

I think I have taken enough time Mr. Chairman; we do appreciate most sincerely the manner and the competence with which you have conducted this meeting, and I would ask my colleagues on the floor to show our appreciation in the usual way.

Applause.

CHAIRMAN: Thank you very much, all of you.

That leaves me with one final thing to do, which I will do now by formally closing the 1974 International Conference of Insurance Co-operators. Thank you.

The Conference was concluded at 17.30 hours.

**REPORT OF THE
INTERNATIONAL CO-OPERATIVE REINSURANCE BUREAU**

1. Operations of the Bureau:

The following tables indicate the progress of the I.C.R.B. since the last Conference in 1972:

	1972	1974
Number of reinsurance contracts in force ..	528	516
Number of Bureau Offices	35	33
Number of countries	23	22
Total annual premium income exchanged ..	£6,053,000	£8,629,000

which represents an increase in premiums exchanged of £2,576,000 — (42.5%). This figure is misleading because of the changes in exchange rates during the last two years. If the exchange rates had remained at their 1972 levels then the increase in premium income would have been about £1,200,000 — (20%).

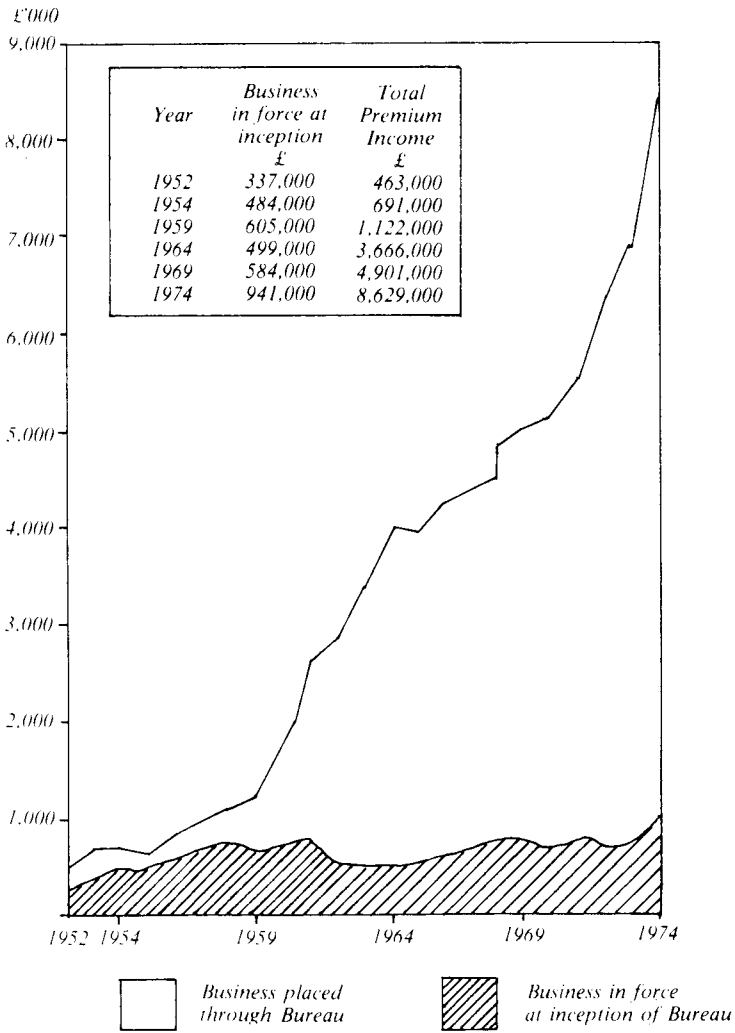
This figure should be viewed against the high rates of inflation ruling during the period.

The graph on p.109 shows the rise in premium income exchanged between Bureau Offices since 1952, including the premium income exchanged on treaties that were in force at the inception of the Bureau.

The distribution of reinsurance by branches of business is:

Branch	No. of Contracts		Premium Income	
	1972	1974	1972	1974
	%	%	%	%
Fire	54.4	55.8	62.9	62.7
Accident	29.7	25.4	9.7	8.7
Motor	5.9	5.9	20.4	21.4
Marine	5.1	7.0	2.6	2.7
Life	4.9	5.9	4.4	4.5

ANNUAL PREMIUM INCOME EXCHANGED



As anticipated in the report to Conference in 1972, the nationalisation of non-Life business in India led to the termination of all contracts with the Indian offices, *Co-operative General Insurance Society Limited* and *The Union Co-operative Insurance Society Limited*, by the end of 1972. This reduced the number of Bureau Offices as shown in the table on p.108.

There was a reduction in the number of contracts in force as a result of the merger of A.U. and M.L.U. (now called Top Sikring G.S.) of Denmark, who stated recently that they were not now in a position to cede to Bureau Offices.

Various adjustments to the reinsurance requirements of Bureau Offices have also resulted in a slight reduction in the number of contracts in force.

It is pleasing to report that negotiations with the *Co-operative Insurance Company of Australia* resulted in shares in their Credit Union Composite Policy and Fire Surplus Treaty being allocated to various Bureau Offices.

2. Activities of the Bureau:

(a) *I.C.R.B. Committee*

It was with great regret that we learned of the death of the Secretary of the Committee, Mr. H. H. Knighton of the *Co-operative Insurance Society Limited*, Great Britain, on the 5th April 1974.

He was a very able ambassador of the Bureau and had made an invaluable contribution to its success since his appointment as Secretary in 1966.

The present Committee members are:

- Mr. R. Lemaire, *Chairman, La Prevoyance Sociale*, Belgium
- Mr. P. D. Johnson, *Secretary, Co-operative Insurance Society Limited*, Great Britain
- Mr. D. E. Johnson, *Nationwide Insurance*, U.S.A.
- Mr. K. Lindberg, *Folksam International*, Sweden

The Committee held its Annual Meetings as follows:

- May 1973 — Paris, France
- May 1974 — London, England

Although there have been no extended visits to Bureau Offices by the Committee since the I.C.I.F. Conference of 1972, the individual Committee members have had various opportunities to meet and discuss Bureau matters with each other and with the representatives of Bureau Offices during this period.

Mr. D. J. Briscall of the *Co-operative Insurance Society*, Great Britain, was appointed Manager-Designate of the Bureau Secretariat, on 1st January, 1974, and was subsequently confirmed as Manager. His main duties are to develop and extend the activities of the Bureau.

(b) *Reinsurance Officials' Meeting*

The fifth meeting of Reinsurance Officials of the Bureau Offices took place in July 1974, in Vienna, Austria, at the headquarters of *Wiener Städtische Versicherung*.

The meeting was attended by 30 officials representing 19 Bureau

Offices from 16 countries.

The agenda included 11 items for discussion, for which 10 special and numerous supplementary Papers were prepared and presented.

It is clear that these meetings of Reinsurance Officials are beneficial to the Bureau not merely as a means of disseminating ideas about reinsurance, but also as a means of promoting understanding between Bureau Offices for the problems and points of view of their Co-operative colleagues.

The Committee wish to record their thanks to Mr. Binder and his staff for the most efficient and hospitable way in which they acted as host to the Bureau Officials.

(c) *Fire Facultative Facility*

The Facility, the formation of which was reported to the 1972 Conference, is administered by the Bureau Secretariat. It is an agreement between 16 Bureau Offices to provide cover up to a maximum capacity of £297,600 for the Fire Facultative risks ceded by Bureau Offices which have been accepted as ceding participants. These ceding participants must also be reinsuring participants and accept a stake in their own cessions.

The total number of cessions in force at 31st March, 1974, was 254 from 7 offices.

The actual premium income for the 1973 underwriting year (as at the last account of 1973) was £31,336. The 1974 premium income is estimated at £34,350.

The Facility provides valuable facultative capacity for certain Bureau Offices and it is hoped that the current review of the agreement will bring about an increase in the amount of business ceded to the Facility.

**SOCIAL RESPONSIBILITIES OF A
CO-OPERATIVE INSURANCE SOCIETY**

by: Mr. N. A. KULARAJAH,
The Malaysian Co-operative Insurance Society.

The subject of social responsibilities of a co-operative insurance society is an important one and it is appropriate that we discuss it to appreciate that it is an integral part of the co-operative structure.

By form and nature a co-operative is a social instrument existing to serve the community as one other alternative to the capitalistic system. The capitalistic system's prime motivating power is the individual's fierce drive to survive on the basis of survival of the fittest.

Consequently there are no holds barred in his fight to be above the others. Many a social and human value is lost in the fight. Many a human being is deprived of the basic needs to live because of the concentration of economic power into the hands of a few in the capitalistic system.

The co-operative is formed and exists to combat this position and to provide the hopes, aspiration for the many who find it hard to live in this circumstance and who do not subscribe to this concept. Invariably, it seems that a co-operative is also expected to sustain and maintain the dignity of those human being who become victims of the capitalist system. In other words human values and social values have a high place in the objectives of a co-operative and because it is through economic means that these can be upheld a co-operative therefore in practice and purpose seems an economic instrument. It hopes to achieve social upliftment of human beings through success in economic and business ventures. In the circumstance, therefore co-operatives cannot overlook this facet in their development.

In particular those co-operatives engaged in insurance activities have a greater responsibility in this direction because insurance again is more a social service than an economic service. Through insurance there is a greater chance and success of fostering family units and upholding the social standing of such family units. Many insurance organisations do not look at their set-ups in this way. As a result they become very impersonal and completely oblivious to the needs of their policyholders as well as the community.

The existence of a co-operative insurance in an insurance market serves as a catalyst and has a domineering influence over other insurance companies in its area of operation. It serves as a prime mover and a power to be reckoned with leaving the other proprietor companies no alternative but to mark step to survive.

This stabilising effect on the insurance market is an important function of co-operative insurance. The market respects and carefully observes the direction and nature of the activities it adopts always and attempts to toe the co-operative line.

Co-operative insurance thus creates a chain reaction in the insurance market characterised by a hard and real competition to the benefit of the public.

This competitive setting results in an active product development process which brings about the introduction into the market of new and more suitable insurable products and at the same time compels the managements of other companies to give more attention to the policyholders' reactions and the quality of the services which policyholders expect of them.

The principal standpoint is that as long as there is a large co-operative insurance society which works for the best interest of its members it provides a sufficient control on the private insurance business.

Co-operative insurance should not adopt the narrow-minded attitude of confining itself to the insurance business alone. It should be aware and alert of the social and economic conditions prevalent and do whatever it can to rectify any situation that deserves its attention. In its attempts to be socially conscious and responsible it should venture into commercial, economic and social fields of activity, with a purpose of providing more benefits to members and the public at large.

In the investment plans of co-operative insurance first preference should be given in socialising the profits made in the course of the year in spheres of direct benefit to members, like housing and the provision of scholarships for higher learning.

There is, however, something to be said of co-operative insurance societies as also of other co-operative societies. The present day development has seen co-operatives fighting very hard to make themselves successful business entities. They have achieved success but in the process have lost their bearings and become obsessively concerned in being a successful business organisation. It seems difficult to blame them over this development considering the fact that if they are not successful they will not be able to serve or continue existing in their environment. However, a development of this nature makes the concept of a co-operative useless to all concerned and the question is whether it is better for a co-operative to exist in this form than not at all. Why I say this is because a co-operative would then not serve or fulfil its obligations and responsibilities as contained in its objectives and principles.

There is one other consideration which cannot be overlooked and this is the fact that to survive or become successful it is not necessary for a co-operative to lose its identity or lose its purpose in the process. This happens only when individuals in the management structure become overly concerned over measurement of success by means of gross results and not by means of service provided. An obsession towards measurement of success by this means also produces other untowardly business practices which are not in the interest of the overall membership or to the community of potential members. For a fierce kind of individualism is created within the organisational structure and this individualism is translated into achieving personal success. Individualism of any form invariably brings about severance in human relations and becomes blind to communal needs. In a co-operative when this happens, members are deprived of service, deprived of benefits and of the basic rights and privileges existing in their names. The business practice becomes no different from a capitalist oriented organisation and in the long run it is of no use to the co-operative community and worse still it damages the co-operative image. I can assuredly say this because I have seen it happen -- it is happening and I believe it will continue to happen. All that is worthwhile about a co-operative becomes lost in the rush for success. How many co-operatives can say today that they have ever considered themselves a social

instrument in the environment that they live in? The answer is for each of you to make out in relation to your own country.

In the case of co-operative insurance societies this also could be true and may be true in some countries. But let me in this Paper emphasise that, more than other co-operatives, a co-operative insurance society will be expected to show greater responsibilities in social aspects. There are two things to be made clear about this statement. The first is that a co-operative insurance society is expected to do more because of the nature of its service which I have explained could be considered as essentially a social service. Secondly, every co-operative society has social responsibilities to the community at large other than to those who are members.

Co-operative institutions exist to serve the community and are in fact created for community development. They hope to bring the community together and to make each individual in a community feel a sense of responsibility towards each other. Their overall objective is to make the community grow as a unit without losing sight of human values and to uphold the right of every individual to live in dignity. Therefore co-operatives must prove to the community that they consider their interest as one of their primary considerations and that they are not something exclusive or special – confined to a group of people called members. Any other position or projection can only create antagonism towards co-operatives and retard their growth and progress. The antagonism could come from the State and from the rest of the community if a co-operative were to act as a special body of people cut off from the rest of the community or even acting outside the interest of the community or the State.

In any event activities which show community consideration will cause ready acceptance by the community and will generate greater business and membership for a co-operative insurance society, as has been experienced in my country. To prove that the co-operative is a non-profit organisation, a co-operative cannot pride or boast of profits or surplus that it has accrued. But it can achieve this end by showing that whatever surplus it has derived from its activities is being utilised for community programmes which benefit both the members and the non-members of community. In fact almost all people expect a co-operative insurance society to be involved in community development because in their minds a non-profit organisation is a social organisation expected to do charitable work. Therefore to overlook this would be detrimental from a business point of view. In addition the question would arise as to where all the surplus is going or is it an opportunity to have no restraint on expenses since the question of profits is not a key point of consideration.

After having examined it in this manner let me now go on to the areas into which these responsibilities could be exercised with maximum benefit and effect. We accept it as a fact that we have social responsibilities to our members and to the community.

A co-operative insurance society has to reflect its social responsibilities in the conduct of the business itself. One initial area in which the responsibility has to be reflected is the underwriting of risks. The reality of insurance is that the persons who are most in need of insurance are those affected by impairment or some ailment. However they tend to be classified as uninsurable. Thus a class of people are denied insurance which invariably means that their families will be deprived of the security they need. Could a co-operative insur-

ance society non-profit motivated practise insurance in this manner and avoid a responsibility to this class of people and the community? I do not think so. A co-operative is better built to take in these risks and it should do so at whatever cost as a social responsibility that it cannot shirk from. It has to show the difference in its motivation. This is one area where there is a clear need to do so. It need not throw overboard underwriting principles. But funds can be created for this purpose to meet the contingency.

It is also essential that we should provide services, benefits and other privileges or facilities over and above that which are given by others. At least we should strive to do this. We should also ensure that our services, namely insurance, are readily available -- particularly to those people who cannot afford it and to those who really need it. So the cost of our service or the type of service that we should provide should be within the reach of every individual as everyone needs insurance protection. There is no question over the fact that everyone needs insurance protection especially those in the lower income group. We have formed co-operative insurance societies to make sure that this valuable service reaches those who need it most. It is therefore our responsibility not only to make it available but to make the service easily available. Selling insurance should not be the matter alone. There are many who shy away from taking it because of various reasons. We have to educate and inform them about the value of the service. Educating and informing about the use and purpose of insurance is a major responsibility of co-operative insurance even if it means that other insurance organisations may benefit from the activity.

In the case of members who will be primarily concerned with the cost of insurance and the service they get, it is important to satisfy them in this direction while at the same time means and ways should be explored to organising and promoting social and other economic services which will benefit them to improve their standard of living. Looking into their educational needs is one. Education in this case could extend from specific topics like co-operation to various others including general education.

Providing opportunities for career development through training is one other aspect which should be considered. In the *Malaysian Co-operative Insurance Society* we have a special education and training loan scheme for members. Through this scheme we try to provide our members with financial assistance to improve their educational qualifications and to acquire professional qualifications. The scheme is also meant to help their children to go for further education. We feel we are serving our members in a very important way through this scheme in relation to their children. Many families in Malaysia find themselves up-lifted socially and economically through the achievement of their son or daughter in education or in a profession. One child being able to succeed in life gives the impetus and the assistance to the other members of the family to improve themselves. This is because Asian families are by nature closely knit and the child's responsibility towards his parents, sisters and brothers does not end on attaining the age of 21 or even after marriage. Therefore the provision of loans for further education to members or their children is a useful social service. There are many other ways by which members could be served in the area of social needs. In different countries different types of needs may exist and with imagination and initiative this could be thought out and provided for.

In respect of the community, the responsibilities are so large and varied

that no co-operative insurance society or group of organisations can match them. This should not however deter any co-operative insurance society from involving itself in social activities in the community. With imagination and resourcefulness a role could be played which can gather momentum and size with the progress of time. Certainly even a small beginning would enhance the image of a co-operative insurance society and it would be good for its business promotion. One thing I must make clear that social responsibility and business development go hand in hand and one helps the other. Let me name some of the areas into which the M.C.I.S. has embarked into with a certain degree of success. In the initial years because of the lack of manpower and expertise the M.C.I.S. was content in giving donations or making contributions to worthwhile causes or charitable organisations. Whenever there were any disasters in the country of a national nature or otherwise, the M.C.I.S. was ready to make its contributions. We have lent our voice also to worthwhile causes.

In later years as we began to have the resources, the size and the manpower, we committed ourselves to help charitable and voluntary organisations in a tangible form. We began to provide manpower and public relations services to organisations like the Medic Alert Foundation, the Blood Donors Association and to others. Part of the services included meeting of printing and other operational costs of these organisations. Regularly we organised campaigns for blood donors. Whenever there is a sudden shortage of blood we make sure that our employees and members answer the call for blood. To the Lady Templer's Hospital, a private organisation, we contributed a bed which means that we maintain any patient who is admitted to that bed at a cost of \$5,000/= per year. Handicapped children, a significant section of the community, have become a very special consideration of ours. We have started a fund called the "Handicapped Children's Fund" to provide assistance to handicapped children in the best form possible.

We are planning towards more such projects in various areas to alleviate social problems. We believe also that to keep the whole community together we should make the rest of the community conscious of its responsibility towards the unfortunate ones in our midst. To discharge this duty we as a co-operative should not only take the lead in developing community projects but also motivate the community to help the needy and more important help itself. Publicity, assistance and a dialogue with community leaders can bring about this.

There is one other area where the M.C.I.S. has gone in response to the needs of our particular environment. In the field of sports, badminton is a kind of religion with our people. Using that as a base we have committed ourselves to develop sports among our youths and to get them totally involved, particularly from the rural areas. Part of the reason is to make them avoid habits like smoking pot etc. A badminton club has been organised to generate enthusiasm in the game. Throughout the club will organise badminton tournaments and open up courts and facilities for the game to be played. In other games also we have committed ourselves to give assistance.

The M.C.I.S. as you can see is attempting to filter itself into national life in every conceivable form. Identification with national aspirations in the economic and social areas are being achieved. However, whatever it may have done in social development may seem small or insignificant in comparison to some of the developments by co-operative insurance societies in Europe. The

P.S. in Belgium, for instance, has a number of social institutions and schemes which make good examples for others to emulate. *Folksam* in Sweden have also made their contribution to the social life of their country. The important thing to remember is that there is a need and necessity for co-operatives to shoulder these responsibilities. In each country where there is a co-operative insurance society, different social changes and innovations could be brought about by the society through its involvement.

In conclusion, it should be said that a co-operative insurance society is a people's organisation and consequently it must function for the people. Only then could its growth be assured and accepted as a valid one.

**INTERNATIONAL CO-OPERATIVE
INSURANCE FEDERATION**

- | | |
|--------------|--|
| 1. ARGENTINA | 1. <i>Asociacion Argentina de Cooperativa y Mutualidades de Seguros,</i>
Avda. de Mayo 1370 Piso 10, Buenos Aires. |
| 2. AUSTRALIA | 2. <i>Co-operative Insurance Company of Australia Limited,</i>
4th Floor, 500 Collins Street, Melbourne, Victoria 3000. |
| | 3. <i>Westralian Farmers Co-operative Limited,</i>
569 Wellington Street, Perth, Western Australia 6000. |
| 3. AUSTRIA | 4. <i>Wiener Städtische Wechselseitige Versicherungsanstalt,</i>
Postfach 80A, 1011 Wien, Schottenring 30. |
| 4. BELGIUM | 5. <i>"La Prévoyance Sociale", (P.S.) Société coopérative d'assurances,</i> and |
| | 6. <i>La Prévoyance Sociale Accidents du Travail,</i> and |
| | 7. <i>La Prévoyance Sociale Reassurance,</i>
151 Rue Royale, Brussels 3. |
| | 8. <i>L'Economie Populaire,</i>
30 Rue des Champs, 5300 Ciney. |
| | 9. <i>Les Assurances Populaires,</i>
141 Rue de la Loi, Brussels 4. |
| 5. CANADA | 10. <i>Co-operative Fire and Casualty Company,</i>
and |
| | 11. <i>Co-operative Life Insurance Company,</i>
1920 College Avenue, Regina, Saskatchewan. |
| | 12. <i>Co-operators Insurance Association (Guelph),</i>
and |
| | 13. <i>Co-operators Life Insurance Association (Guelph),</i>
Priory Square, Guelph, Ontario. |

14. *Desjardins Mutual Life Assurance Company*,
200 Des Commandeurs Avenue, Levis, Quebec.
15. *La Sauvegarde Compagnie d'Assurance Sur La Vie*,
152 east, Notre Dame Street, Montreal 127,
Quebec.
16. *La Société d'Assurance des Caisses Populaires*,
100 East Trans Canada, Levis, Quebec.
17. *Les Artisans Coopvie*,
333 Craig Street East, Montreal 129,
Quebec.
18. *Les Cooperants Compagnie Mutuelle d'Assurance-Vie*,
1259 Berri Street, Montreal 132, Quebec.
6. COLOMBIA 19. *Seguros La Equidad Sociedad Cooperativa*,
Calle 17, No 10-16 piso 10o, Apartado
aero 30261, Bogota.
7. DENMARK 20. *Andels-Pensionsforeningen*,
H.C. Andersens Boulevard 47, Kobenhavn V.
21. *Danmark-Tryg-Fremtiden*, and
22. *Genforsikringsselskabet Nerva A/S*,
Postbox 300, DK 2800 Lyngby.
23. *Forsikrings-Aktieselskabet Alka*,
Gothersgade 45, Copenhagen.
8. ECUADOR 24. *Cooperativa de Seguros del Ecuador*,
P.O. Box 2062, Quito.
9. FINLAND 25. *Eläkekassa Tuki*, and
26. *Keskinäinen Henkivakuutusyhtiö Kansa*,
and
27. *Keskinäinen Vahinkovakuutusyhtiö Kansa*,
Hameentie 33, PL 45, 00501 Helsinki 50.
28. *Eläkekassa Elonvara*, and
29. *Keskinäinen Eläkevakuutusyhtiö Pohja*, and
30. *Keskinäinen Henkivakuutusyhtiö Pohja*, and

31. *Keskinäinen Vahinkovakuutusyhtiö Pohja*,
Runeberginkatu 5, 00100 Helsinki 10.
10. FRANCE 32. *La Sauvegarde*,
14 Rue de la Chapelle, 75 Paris 18e.
11. GERMANY 33. *Hamburger Internationale Rückversicherung
AG*,
D-2000 Hamburg 1, Postfach 60 46.
34. *Volksfürsorge Deutsche Sachversicherung
AG*,
D-2000 Hamburg 1, Postfach 998.
35. *Volksfürsorge Lebensversicherung AG*,
D-2000 Hamburg 1, Postfach 990.
36. *Volksfürsorge Rechtsschutz-Versicherung
AG*,
D-2000 Hamburg 1, Postfach 614.
37. *R. & V. Allgemeine Versicherung AG*,
D-6200 Wiesbaden-1, Postfach.
38. *Rhein-Main Rückversicherung —
Gesellschaft AG*,
62 Wiesbaden, Taunusstrasse 1.
12. GREAT 39. *Co-operative Insurance Society Limited*,
BRITAIN Miller Street, Manchester, M60 0AL.
13. HOLLAND 40. *Coöperatieve Vereniging "Centraal
Beheer" G.A.*
Postbus 700, Apeldoorn.
41. *De Centrale Levensverzekeringbank NV*,
Rijnstraat 28, 's Gravenhage.
42. *Dela*,
Qude Stadsgracht 1, Eindhoven, Postbus
522.
14. ICELAND 43. *Andvaka*, and
44. *Samvinnutryggingar Mutual Insurance
Society*,
Armuli 3, Reykjavik.
15. ISRAEL 45. *Hassneh Insurance Company of Israel
Limited*,
115 Allenby Road, P.O. Box 805, Tel Aviv.

16. ITALY
46. *Compagnia Assicuratrice Unipol*
Via Oberdan, 24 Bologna 40126.
47. *MAECI — Societa Mutua di Assicurazioni e di Riassicurazioni*,
Via Zambelletti 11, 20129 Milan.
17. JAPAN
48. *National Federation of Fire Insurance Co-operatives for Small Business*,
2-4 Kayabo-cho, Chuo-Ku, Nihonbashi, Tokyo.
49. *National Federation of Insurance Co-operatives for Labourers and Consumers*,
7-20-8 Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160 Japan.
50. *Zenkyoren Mutual Life Insurance Company*,
Zenkyoren Building, 7-9 Hirakawa-cho, Chiyoda-Ku, Tokyo, 102 Japan.
18. KOREA
51. *National Agricultural Co-operative Federation*,
75 1 Ka Choongjong-Ro, Sudaemoon-Ku, Seoul.
19. MALAYSIA
52. *The Malaysian Co-operative Insurance Society Limited*,
36 Jalan Ampang, P.O. Box 817, Kuala Lumpur, 01-16.
20. NORWAY
53. *Forsikringsaktieselskapet Samvirke*, and
54. *Livsforsikringsaktieselskapet Samvirke*,
Tollbugaten 20, Oslo 1.
21. PAKISTAN
55. *The Co-operative Insurance Society of Pakistan Limited*,
Co-operative Insurance Building, 23 The Mall, P.O. Box 147, Lahore.
22. PUERTO RICO
56. *Cooperativa de Seguros de Vida de Puerto Rico*,
Apartado 3428 --- GPO, San Juan, Puerto Rico 00936.
57. *Cooperativa de Seguros Multiples de Puerto Rico*,
GPO Box 3846, San Juan, Puerto Rico 00936.

23. SWEDEN
58. *Folksam General Mutual Insurance Societ*,
and
59. *Folksam International Insurance Company Limited*, and
60. *Folksam Mutual Life Insurance Society*,
Folksam Building, Bohusgatan 14,
Stockholm 20.
61. *Kooperationens Pensionsanstalt*,
Fack, 5-103 10, Stockholm.
24. SWITZERLAND
62. *Coop-Lebensversicherungs-Genossenschaft*,
Aeschenvorstadt 67, CH4002 Basel.
25. TUNISIA
63. *El Itihad Cooperative d'Assurances*,
Siege Sociale, 16 Avenue de Carthage,
Tunis.
26. U.S.A.
64. *Nationwide Life Insurance Company*, and
65. *Nationwide Mutual Fire Insurance Company*
and
66. *Nationwide Mutual Insurance Company*,
246 North High Street, Columbus, Ohio
43216.
67. *Mutual Service Casualty Insurance Company*, and
68. *Mutual Service Life Insurance Company*,
P.O. Box 3035, Saint Paul, MN, 55165.
69. *League General Insurance Company*, and
70. *League Life Insurance Company*,
P.O. Box 5010, Detroit, Michigan 48235.
71. *Urban Community Insurance Company*,
309 West 23rd Street, New York, NY 10011.

THE EXECUTIVE COMMITTEE

Mr. R. Lemaire	<i>La Prévoyance Sociale,</i> Belgium.	Chairman.
Mr. N. A. A. Kularajah	<i>The Malaysian C.I.S.,</i> Malaysia.	Vice-Chairman.
Mr. H. Seeley	<i>Co-operative Insurance</i> <i>Society,</i> Great Britain	Secretary and Treasurer.
Mr. K. Back	<i>The Folksam Group,</i> Sweden.	
Mr. D. E. Johnson	<i>Nationwide Insurance,</i> U.S.A.	
Mr. O. Mercure	<i>L'Assurance-Vie Desjardins,</i> Canada.	
Mr. W. Rittner	<i>Volkspfürsorge Insurance</i> <i>Companies Group,</i> Federal Republic of Germany.	
Mr. Y. Yamanaka	<i>Zenkyoren,</i> Japan.	
	* * * *	
Mr. F. H. Edwards	<i>Co-operative Insurance</i> <i>Society,</i> Great Britain.	Assistant Secretary and Assistant Treasurer.

If you would like further information about the I.C.I.F. write to:

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Assistant Secretary & Assistant Treasurer
International Co-operative Insurance Federation
C.I.S. Building
Miller Street
Manchester M60 0AL
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APPENDIX 5

INTERNATIONAL CO-OPERATIVE REINSURANCE
BUREAU COMMITTEE

Mr. R. Lemaire	<i>La Prévoyance Sociale,</i> Belgium	Chairman
Mr. P. D. Johnson	<i>Co-operative Insurance</i> <i>Society,</i> Great Britain.	Secretary
Mr. D. E. Johnson	<i>Nationwide Insurance,</i> U.S.A.	
Mr. K. Lindberg	<i>The Folksam Group,</i> Sweden	
	* * * *	
Mr. D. Briscall	<i>c/o Co-operative Insurance</i> <i>Society,</i> Great Britain.	Manager

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International Co-operative Reinsurance Bureau
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APPENDIX 6

INSURANCE DEVELOPMENT BUREAU COMMITTEE

Mr. K. Back	<i>The Folksam Group,</i> Sweden	Chairman and Secretary.
Mr. O. Binder	<i>Wiener Städtische Wechselseitige Versicherungsanstalt,</i> Austria.	
Mr. W. E. Fitzpatrick	<i>Nationwide Insurance,</i> U.S.A.	
Mr. T. Haalboom	<i>Co-operators Insurance Association (Guelph),</i> Canada	
Mr. K. Holler	<i>Samvirke Group,</i> Norway.	
Mr. T. Kokubo	<i>Zenkyoren,</i> Japan	
Mr. M. Nussbaum	<i>Hassneh Insurance Company of Israel,</i> Israel.	
Mr. G. Schubert	<i>R&V Allgemeine Versicherung AG,</i> Federal Republic of Germany	
Mr. R. E. Vanderbeek	<i>League Life/General Insurance,</i> U.S.A.	
Mr. R. Lemaire	<i>La Prévoyance Sociale,</i> Belgium.	Ex-Officio
	* * * *	
Mr. H. Dahlberg	<i>The Folksam Group,</i> Sweden.	Assistant Secretary

If you would like further information about the I.D.B. write to:

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APPENDIX 7

ALLNATIONS, INC.		
Mr. R. Lemaire	<i>La Prévoyance Sociale,</i> Belgium	Chairman of Board of Directors
Mr. D. E. Johnson	<i>Nationwide Insurance,</i> U.S.A.	President
Mr. O. Mercure	<i>L'Assurance-Vie Desjardins,</i> Canada	Vice-President
Mr. H. Seeley	<i>Co-operative Insurance Society,</i> Great Britain	Secretary and Treasurer
Mr. N. A. Kularajah	<i>The Malaysian C.I.S.,</i> Malaysia	
Mr. K. Back	<i>The Folksam Group,</i> Sweden.	
Mr. W. Rittner	<i>Volksfürsorge Insurance Companies Group,</i> Federal Republic of Germany.	
Mr. Y. Yamanaka	<i>Zenkyoren,</i> Japan	
* * * *		
Mr. E. F. Hull	<i>Nationwide Insurance,</i> U.S.A.	Vice-President and Assistant Treasurer
Miss M. M. Valentine	<i>Nationwide Insurance,</i> U.S.A.	Assistant Secretary

If you would like further information about Allnations, Inc. write to:

Miss M. M. Valentine
Assistant Secretary
Allnations, Inc.
246 North High Street
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INTERNATIONAL CO-OPERATIVE INSURANCE FEDERATION

RULES

1. The International Co-operative Insurance Federation of the International Co-operative Alliance has as its objects 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.
2. Membership of the Federation shall be open to co-operative insurance societies. Other insurance organisations may be admitted provided their objects and methods are in conformity with those of 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 Federation with the consent of the Central Co-operative Organisation of their respective countries.

But before admission is finally agreed, the views of the existing Member societies of the country concerned shall be ascertained.
3. Contribution to the funds of the Federation shall be calculated on the basis of £1 for each complete £100,000 of yearly premium income, with a minimum contribution of £25 from each affiliated society or group of connected societies.
4. The Executive Committee shall consist of up to nine members elected by the Federation. At the first meeting of the Executive Committee following each Conference, a Chairman, a Vice-Chairman, a Secretary and a Treasurer shall be elected. The Executive Committee shall if it so wishes appoint an Assistant Secretary and Assistant Treasurer. The President, Director and General Secretary of the International Co-operative Alliance shall be ex-officio members of the Executive Committee.

In the event of a vacancy or vacancies arising on the Executive Committee as a result of death, resignation or retirement from the service of a Member Society, the remaining members of the Executive Committee shall have power to co-opt a person or persons employed by a Member Society or Societies to fill the vacancy or vacancies until the next Conference of the Federation. Persons co-opted shall not necessarily be in the service of the Society or Societies which employed the previous member or members.

The Executive Committee shall also have power to invite other person or persons to attend their Meetings if it should appear desirable in order to secure first hand information on specific problems, but such person or persons shall not participate in the general work of the Executive Committee and shall not have a vote.

5. If possible the Federation shall meet in Conference at the same time and place as the Congress of the International Co-operative Alliance.

It shall: --

- (a) Consider the report of the Executive Committee on its activities since the previous Conference, also the financial statement, and take decisions thereon.
- (b) Re-elect or replace members of the Executive Committee.
- (c) Give its decisions regarding the proposals submitted by the Executive Committee.
- (d) Decide upon the programme of work to be undertaken during the three following years.

Societies which have paid their subscription have the right to vote. Each society has one vote.

If necessary, a special meeting may be convened at any time.

6. The Executive Committee will meet whenever the necessity arises, but not less than once each year.

If possible the Meetings will be held at the same time and place as those of the Central Committee of the International Co-operative Alliance.

7. The Executive Committee is responsible for the organisation of the Conference and the preparation of the Agenda.

It shall: --

- (a) Examine the reports of the Secretary and of the members appointed to report on the various items of the Agenda.
- (b) Appoint such sub-committees as may be considered necessary for the conduct of its affairs.
- (c) Approve the statement of receipts and expenditure on the proposition of the Treasurer.
- (d) Supervise the carrying out by the Secretariat of the decisions of the Conferences.
- (e) Supervise the work of the sub-committees.

8. The Secretary of the Federation is responsible for the co-ordination of information, for undertaking necessary investigations and for supplying the affiliated Organisations with summaries of the various documents.

He also prepares reports for submission to the Executive Committee.

9. The Secretary of the Federation will furnish reports on the work of the Federation to the Central Committee of the International Co-operative Alliance.

10. Membership of the Federation shall cease: --

- (a) By voluntary resignation: notice of which shall be given by the Organisation concerned at least three months before the end of the financial year of the Federation.
- (b) By non-payment of subscriptions: any Organisation which in two successive years has not paid its subscription, or made a specific request to the Executive Committee for leniency, shall be deemed to have voluntarily resigned and shall be removed from the list of Members.
- (c) By resolution of the Federation: any Organisation which acts contrary to the interests or Rules of the Federation, or whose activity is inconsistent with the Objects of the Federation, shall be excluded from membership.

(As amended by the Full Conference on 7th October, 1972)